

Dear Sirs,

I would like to present our shareholders, investors and other capital market players with the Annual Report of STALPROFIL S.A. Group for 2014. It summarizes major achievements and events that occurred in the Group and its market surroundings in that period.

Business activity of STALPROFIL S.A. Group focused on two basic segments i.e.: sales, processing and services in the steel market and activity related to the infrastructure of transmission networks for gas and other utilities. Year 2014 was not easy on any of these markets serviced by the Group, however steel market regained its stability much faster and recovered from the recession.

For the European economy year 2014 was a period of preventing recessionary trends and a slight improvement of the economic situation. Improvement on the steel market was confirmed by a year-to-year increase in the production of steel in Poland by 8.4% and by 1.8% in the EU. Trading in steel was however limited through permanent drop in steel products' prices which producers could afford following the drop in raw material prices, mainly iron ore and coking coal. Gradual adjustment of prices on the European steel market which resulted in a drop of average prices of sections by 8% and hot-rolled sheet by 11% against the corresponding period of the previous year, effectively reduced financial results recorded by steel distributors and stopped customers from making increased purchases and accumulating stocks.

As expected, 2014 was also a difficult year for companies operating on the infrastructural market of transmission networks for gas and other utilities. Temporary decrease in the activity of entities belonging to the Group was connected with the completion of the first investment perspective (2009-2014) covering the construction of the domestic gas transmission network, and prolonged tender procedures for the completion of the next investment perspective planned for the years 2014-2018.

As a result of reduced number of orders in the infrastructural sector, total income of STALPROFIL S.A. Group reached PLN 740192 thou. and was by 18% lower than that recorded in 2013. Significant loss of income in the infrastructural sector was to a certain extent mitigated by good results in the steel segment both as regards the sale of steel products (3% increase) and steel structures (44% increase). However it did not protect the Group from closing the year with a negative result of - PLN 5752 thou. What led to the negative result recorded by the Group for 2014, were very poor results of ZRUG Zabrze S.A., and in particular negative margin on the contract for the construction of Szczecin - Gdańsk gas pipeline (stages II - IV). Materialization of risks in Q4 which were not included in the contract's budget, including mainly the extension of the deadline for the completion of the construction works, resulted in ZRUG Zabrze S.A. showing loss for 2014 which decreased the consolidated net result of STALPROFIL S.A. Group for shareholders of the parent entity by PLN 14,205 thousand.

Entities belonging to the Group sold their goods, products and services on foreign markets. Despite economic slowdown in Europe, the Group recorded high export sales results i.e. PLN 89694 thousand, supplying its goods and products to 28 countries, including mainly those in the European Union.

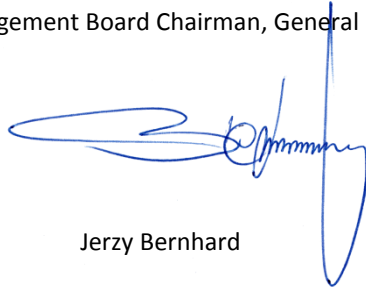
To sum up year 2014, we carefully monitor trends which will govern the market in the following years. We hopefully expect that large infrastructural investments based on funds from the new EU perspective will soon be launched. Companies belonging to STALPROFIL S.A. have the right competences and financial potential to participate in the completion of these investments. New road and railway investments will increase demand for steel and steel structures which should have a positive impact on the financial results

of STALPROFIL S.A. and subsidiary company KOLB sp. z o.o., which manufactures and assembles steel structures. The announced big investments in the gas sector should improve the operating conditions of our subsidiaries active on that market – IZOSTAL S.A. and ZRUG Zabrze S.A. ZRUG Zabrze S.A. aware of the risk related to the implementation of successive long-term contracts, launched a restructuring program in 2014 in order to improve the effectiveness of managing long-term contracts based on the implementation of IT tools facilitating cost controlling and monitoring of works status, restructuring of real estate and adjustment of employment level and structure to the orders portfolio held and reduction of salary costs.

The coming years seem to be exceptionally good when it comes to infrastructural investments and we intend to be actively involved in the investment projects implemented.

Summing up 2014 achievements, I must say with satisfaction that this year was difficult but made stronger by the new experience we will be ready to compete even more effectively on the market. I believe that code of business ethics, which Group entities consider particularly important, partnership relations with contractors and focus on customer needs will continue to be the source of success of Stalprofil S.A. Group, and will in the coming years increase its value for current and future shareholders.

Management Board Chairman, General Director

A handwritten signature in blue ink, consisting of a large, stylized 'B' followed by a series of loops and a vertical line extending downwards.

Jerzy Bernhard

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I. SELECTED FINANCIAL DATA.

| SELECTED FINANCIAL DATA STALPROFIL S.A. GROUP | kPLN | | kEUR | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net revenues from the sale of products, services, goods and materials | 740 192 | 900 651 | 176 686 | 213 881 |
| Operating profit (loss) | (6 511) | 26 637 | (1 554) | 6 326 |
| Gross profit (loss) | (6 518) | 25 361 | (1 556) | 6 023 |
| Net profit (loss) for shareholders of parent entity | (4 849) | 14 954 | (1 157) | 3 551 |
| Operating net cash flow | (1 721) | 32 417 | (411) | 7 698 |
| Investment net cash flow | (14 439) | (11 921) | (3 447) | (2 831) |
| Financial net cash flow | (5 443) | (32 237) | (1 299) | (7 655) |
| Change in cash and cash equivalents | (21 603) | (11 741) | (5 157) | (2 788) |
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Total assets | 632 992 | 625 129 | 148 509 | 150 735 |
| Long-term liabilities | 89 723 | 79 921 | 21 050 | 19 271 |
| Short-term liabilities | 209 532 | 202 995 | 49 159 | 48 947 |
| Equity assigned to shareholders of parent entity | 266 862 | 277 572 | 62 610 | 66 930 |
| Share capital | 1 750 | 1 750 | 411 | 422 |
| Number of shares | 17 500 000 | 17 500 000 | 17 500 000 | 17 500 000 |
| Profit (loss) per one ordinary share (PLN / EUR) | (0,28) | 0,85 | (0,07) | 0,20 |

Selected financial data presented in the financial statement was converted to EUR according to the following rule:

Items of consolidated comprehensive income statement, consolidated cash flow statement and consolidated profit per one share for 2014 (year 2013) were converted according to the exchange rate being an arithmetic mean of mean exchange rates announced by the National Bank of Poland and effective on the last day of each month. This rate was EUR 1 = PLN 4.1893 (EUR 1 = PLN 4.211).

Items of the consolidated financial position report were converted based on the mean exchange rate announced by the National Bank of Poland effective on the balance sheet date. As on December 31, 2014 this rate was EUR 1 = PLN 4.2623 (EUR 1 = PLN 4.1472 as on December 31, 2013). Balance sheet data of the previous period is presented as at the end of the business year 2013.

II. ANNUAL CONSOLIDATED FINANCIAL STATEMENT

Table 1 FINANCIAL POSITION STATEMENT (kPLN)

| ASSETS | As on 31.12.2014 | As on 31.12.2013 |
|--|---------------------|---------------------|
| Non-current assets (long-term) | 252 444 | 245 580 |
| Tangible fixed assets | 226 294 | 225 084 |
| Investment real properties | 6 729 | |
| Goodwill | 3 816 | 3 816 |
| Other intangible assets | 691 | 419 |
| Long-term financial assets | | |
| Deferred income tax assets | 14 722 | 16 003 |
| Long-term receivables and prepayments | 192 | 258 |
| Current assets (short-term) | 380 548 | 379 549 |
| Inventory | 173 648 | 143 473 |
| Short-term receivables and prepayments, including: | 196 157 | 222 292 |
| receivables on account of supplies and services | 148 354 | 151 652 |
| Receivables on account of income tax | | 62 |
| Short-term financial assets | | |
| Currency derivatives | 292 | 49 |
| Cash and cash equivalents | 10 451 | 12 922 |
| Long-term assets classified for sale | | 751 |
| Total assets | 632 992 | 625 129 |

| LIABILITIES | As on 31.12.2014 | As on 31.12.2013 |
|--|---------------------|---------------------|
| Equity | 333 737 | 342 213 |
| Share capital | 1 750 | 1 750 |
| Share premium | 8 000 | 8 000 |
| Spare and reserve capital | 192 064 | 185 900 |
| Reserve capital from revaluation of assets | 376 | (35) |
| Retained and current profit/loss | 64 672 | 81 957 |
| Minority shares | 66 875 | 64 641 |

| | | |
|---|----------------|----------------|
| Long-term liabilities | 89 723 | 79 921 |
| Provisions | 676 | 1 354 |
| Provision on account of deferred income tax | 9 794 | 14 133 |
| Long-term bank loans and credits | 50 969 | 34 581 |
| Other long-term financial liabilities | 2 547 | 3 085 |
| Long-term liabilities and accruals | 25 737 | 26 768 |
| Short-term liabilities | 209 532 | 202 995 |
| Provisions | 3 017 | 2 024 |
| Short-term bank loans and credits | 41 629 | 34 309 |
| Short-term part of long-term bank loans and credits | 4 887 | 5 809 |
| Other short-term financial liabilities | 2 366 | 2 362 |
| Short-term liabilities and accruals, including: | 156 793 | 158 123 |
| liabilities on account of supplies and services | 104 294 | 98 868 |
| Liabilities on account of income tax | 796 | 296 |
| Currency derivatives | 44 | 72 |
| Total liabilities | 632 992 | 625 129 |

Table 2 PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME STATEMENT (kPLN)

| CALCULATION TABLE | 01.01. to 31.12.2014 | 01.01. to 31.12.2013 |
|--|---------------------------------|---------------------------------|
| Revenues from the sale of products, services, goods and materials | 740 192 | 900 651 |
| Costs of products, services, goods and materials sold | 699 972 | 822 811 |
| Gross profit/loss on sales | 40 220 | 77 840 |
| Other income | 6 909 | 8 543 |
| Costs of goods sold | 17 123 | 18 867 |
| Overheads | 31 218 | 34 478 |
| Other costs | 5 299 | 6 401 |
| Operating profit/loss | (6 511) | 26 637 |
| Financial income | 4 547 | 5 370 |
| Financial costs | 4 554 | 6 646 |
| Gross profit/loss | (6 518) | 25 361 |
| Income tax | (766) | 4 947 |
| Net operating profit/loss | (5 752) | 20 414 |
| Net profit/loss for business year | (5 752) | 20 414 |

| | | |
|--|----------------|---------------|
| Shareholders of parent entity | (4 849) | 14 954 |
| Minority shares | (903) | 5 460 |
| Other comprehensive income | 411 | (35) |
| Actuarial profits / (losses) related to provisions for employee benefits | 69 | (43) |
| Income tax related to the provision for employee benefits | (13) | 8 |
| Gains/(losses) on revaluation of assets | 438 | |
| Income tax on revaluation of assets | (83) | |
| Total comprehensive income | (5 341) | 20 379 |
| Allocated to: | | |
| Shareholders of parent entity | (4 494) | 14 922 |
| Minority shares | (847) | 5 457 |

| | 01.01. to 31.12.2014 | 01.01. to 31.12.2013 |
|--|---------------------------------|---------------------------------|
| Profit per share: (kPLN) | | |
| - basic profit based on financial result of a going concern | (0,28) | 0,85 |
| - basic profit based on the financial result for the business year | (0,28) | 0,85 |

Table 3 CASHFLOW STATEMENT (kPLN)

| INDIRECT METHOD | 01.01. to 31.12.2014 | 01.01. to 31.12.2013 |
|---------------------------------------|---------------------------------|---------------------------------|
| Operating cash flow | | |
| Profit/loss before taxation | (6 518) | 25 361 |
| Item adjustments: | 4 797 | 7 056 |
| Depreciation of fixed assets | 11 075 | 10 621 |
| Amortization of intangible assets | 199 | 255 |
| Foreign exchange gains /losses | (85) | (419) |
| Interest costs and income | 3 179 | 4 162 |
| Profit/loss on investment activity | (1 704) | (46) |
| Change in provisions | 325 | 3 |
| Change in inventory | (30 175) | 30 124 |
| Change in receivables and prepayments | 28 603 | (81 994) |
| Change in liabilities and accruals | (4 755) | 48 017 |
| Paid/refunded income tax | (1 827) | (3 727) |
| Other adjustments | (38) | 60 |

| | | |
|--|-----------------|-----------------|
| Net operating cash flow | (1 721) | 32 417 |
| Investment cash flow | | |
| Earnings from the sale of fixed assets and intangible assets | 1 113 | 1 503 |
| Earnings from interest | | 222 |
| Expenses on the purchase of tangible fixed assets and intangible assets | 15 390 | 12 764 |
| Net expenditure on the purchase of subsidiaries and associated entities | | 606 |
| Other | (162) | (276) |
| Net investment cash flow | (14 439) | (11 921) |
| Financial cash flow | | |
| Earnings from credits and loans | 9 347 | |
| Repayment of credits and loans | 5 808 | 20 717 |
| Repayments of liabilities under financial lease contracts | 2 841 | 2 535 |
| Dividends paid to Company shareholders | 3 135 | 4 791 |
| Interest paid | 3 022 | 4 194 |
| Other | 16 | |
| Net financial cash flow | (5 443) | (32 237) |
| Increase/decrease in cash and cash equivalents | (21 603) | (11 741) |
| Cash, cash equivalents and overdrafts at the beginning of the period | (11 422) | 319 |
| Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts | (9) | 66 |
| Cash, cash equivalents and overdrafts at the end of the period | (33 025) | (11 422) |

Table 4 STATEMENT OF CHANGES IN EQUITY (kPLN)

| | Allocated to shareholders of parent entity | | | | | | Minority shares | Total equity |
|--|--|---------------|-----------------------|--|----------------------------------|----------------|-----------------|----------------|
| | Share capital | Share premium | Supplementary capital | Reserve capital from revaluation of assets | Retained and current profit/loss | Total | | |
| Balance as on 01.01.2014 | 1 750 | 8 000 | 185 900 | (35) | 81 957 | 277 572 | 64 641 | 342 213 |
| Gains/losses on revaluation of tangible fixed assets | | | | 438 | | 438 | | 438 |
| Actuarial profits / (losses) related to provisions for employee benefits | | | | 69 | | 69 | | 69 |
| Income tax on equity items or items carried from equity | | | | (96) | | (96) | | (96) |
| Appropriation of net profit | | | 6 164 | | (6 164) | - | | - |
| Profit/loss for business year | | | | | (4 849) | (4 849) | (903) | (5 752) |
| Issue of shares by a subsidiary | | | | | (4 697) | (4 697) | 4 697 | - |
| Dividends | | | | | (1 575) | (1 575) | (1 560) | (3 135) |
| Balance as on 31.12.2014 | 1 750 | 8 000 | 192 064 | 376 | 64 672 | 266 862 | 66 875 | 333 737 |
| Balance as on 01.01.2013 | 1 750 | 8 000 | 176 066 | - | 79 183 | 264 999 | 62 271 | 327 270 |
| Actuarial profits / (losses) related to provisions for employee benefits | | | | (43) | | (43) | | (43) |
| Income tax on equity items or items carried from equity | | | | 8 | | 8 | | 8 |
| Appropriation of net profit | | | 9 834 | | (9 834) | - | | - |
| Adjustment on account of companies' consolidation | | | | | (39) | (39) | | (39) |
| Profit/loss for business year | | | | | 14 954 | 14 954 | 5 460 | 20 414 |
| Acquisition of shares of a subsidiary company | | | | | 143 | 143 | (749) | (606) |
| Dividends | | | | | (2 450) | (2 450) | (2 341) | (4 791) |
| Balance as on 31.12.2013 | 1 750 | 8 000 | 185 900 | (35) | 81 957 | 277 572 | 64 641 | 342 213 |

This financial statement was approved by the Management Board of STALPROFIL S.A. for publication on March 20, 2015.

Dąbrowa Górnicza, March 20, 2015.

| | | | |
|------------|------------------------|-------------------------------------|-----------|
| 20.03.2015 | Jerzy Bernhard | Management Board President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Sylwia Potocka-Lewicka | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Zenon Jędrocha | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Henryk Orczykowski | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Stanisława Tys | Chief Accountant | |
| date | name and surname | position/function | signature |

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I. THE GROUP'S ORGANIZATION AND BASIC PRINCIPLES OF MANAGEMENT .

1. Basic information about the parent company

| | |
|----------------------------------|--------------------------------|
| Company's name: | STALPROFIL Spółka Akcyjna |
| Abbreviation: | "STALPROFIL" S.A. |
| Company's seat: | Dąbrowa Górnicza |
| Address of the Company's seat: | ul. Rozdzieńskiego 11a, 41-308 |
| E-mail address: | biuro@stalprofil.com.pl |
| Website: | www.stalprofil.com.pl |
| Statistical Number (REGON): | 001367518 |
| Tax Identification Number (NIP): | 629-001-21-66 |

Company STALPROFIL S.A. was incorporated on June 30, 1998 in the District Court in Katowice under KRS no. 0000113043 and was created as a result of transforming the company Przedsiębiorstwo Handlowo-Uslugowe STALPROFIL spółka z ograniczoną odpowiedzialnością (limited liability company) into a joint stock company. The Company's seat is located in Dąbrowa Górnicza at ul. Roździeńskiego 11a.

From the beginning of the Company's functioning until now its core business has been trading in steel products on the domestic market. The Company launched export sales of steel products in 1990 when it was still a limited liability company. The sales of steel products is realized from the Company's two modern commercial warehouses located in Katowice-Panewniki and Dąbrowa Górnicza. The Company diversifies its business activity through its subsidiaries, which together with the parent company, form STALPROFIL S.A. Group. STALPROFIL S.A. Group includes the following subsidiary companies:

- IZOSTAL S.A. seated in Zawadzkie, since 2005,
- ZRUG Zabrze S.A. seated in Zabrze, since 2006,
- KOLB Sp. z o.o. seated in Kolonowskie, since 2008,

STALPROFIL S.A. has been listed on the main market of Warsaw Stock Exchange since 2000.

2. Changes in the basic principles of managing STALPROFIL S.A. Group

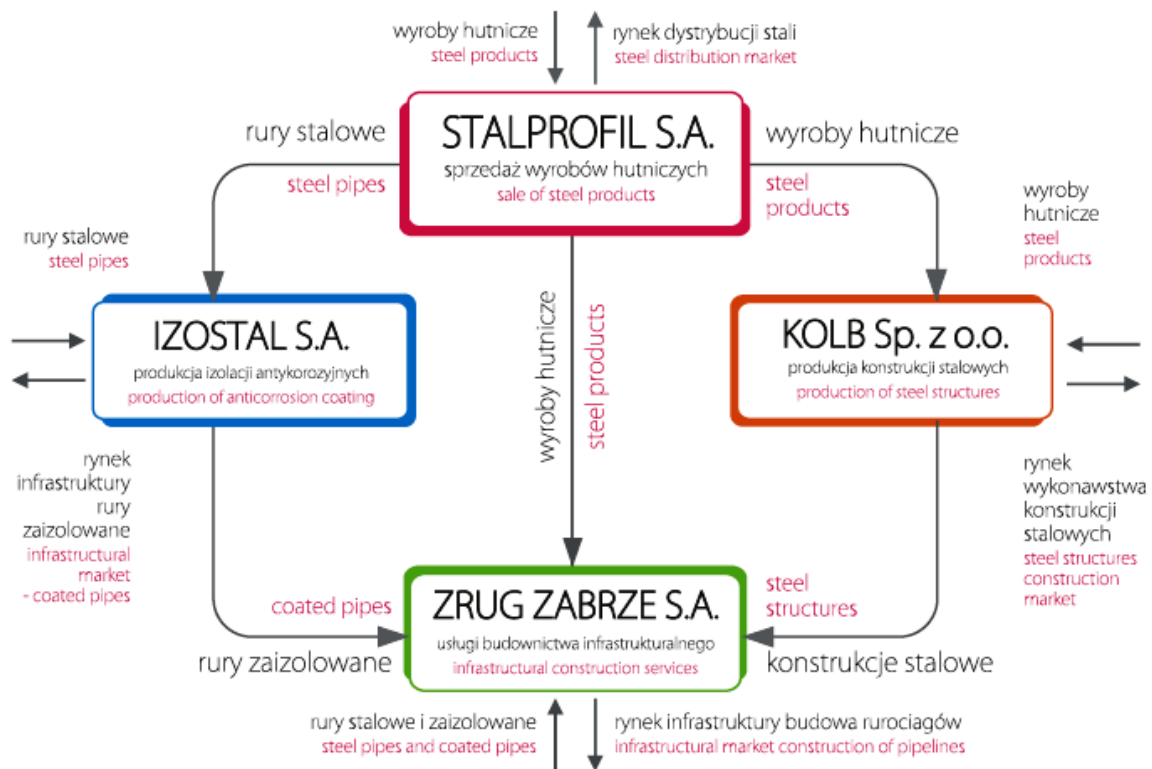
There were no changes in the basic principles of managing Company STALPROFIL S.A. or STALPROFIL S.A. Group in the period covered by this annual report.

A common denominator for the activity of STALPROFIL S.A. Group is steel goods, which are present in the activity of individual companies belonging to STALPROFIL S.A. Group, either as a product, material for production or a product for further processing, or an element of a service provided, e.g. an element of an investment construction service. In practice, business relations between subsidiaries and the parent company boil down to commercial cooperation in this scope. As a result of their business activity, Group entities increase the value of the steel product purchased mainly from the parent company, adding value thereto (processing, conversion, service) and they locate the product in completely different markets.

As their operating markets are separate, the companies constituting STALPROFIL S.A. Group conduct their own and independent businesses, having their own brands which are recognizable for relevant market participants. The identity of the subsidiaries is so strong that if they were to resign from their own brands, it would result in a significant change of image for them, which could in turn deteriorate their relations with business partners.

In view of the above, while shaping the corporate identity of its Group, STALPROFIL S.A. adopted a model where STALPROFIL S.A., as a parent company, uses the scale effect for its image while informing the stakeholders about a broad range of its activity through a number of enterprises forming the Group and a large perimeter of action. Subsidiaries take advantage of the halo effect and inform their partners about being part of a recognized organization (recognized also in the stock-exchange), and a possibility to get its support in exceptional situations, including capital support (possibility to obtain share capital or borrow money), business support (participation in bidding consortia and other joint projects), they can also get support in the form of sureties, guarantees etc. Thanks to the economies of scale the entire STALPROFIL S.A. Group significantly improves its functioning.

Chart 1. Business relations within and outside STALPROFIL S.A. Group.



As on December 31, 2014 there were 544 employees in the Group. Tables no. 1 & 2 show the employment structure in the Group based on the type of work performed, and in break-up into individual companies being part of the Capital Group.

Table 1 Employment structure in STALPROFIL S.A. Group based on the type of work performed

| Specification | 2014 | | 2013 | |
|---------------|---------------------|-------|---------------------|-------|
| | Number of employees | Share | Number of employees | Share |
| | | | | |

| | | | | |
|------------------------|------------|-------------|------------|-------------|
| White-collar employees | 221 | 41% | 217 | 40% |
| Blue-collar employees | 312 | 59% | 327 | 60% |
| Total | 533 | 100% | 544 | 100% |

Table 2 Employment level in particular companies of the Group

| Specification | 2014 | | 2013 | |
|------------------|---------------------|-------------|---------------------|-------------|
| | Number of employees | Share | Number of employees | Share |
| STALPROFIL S.A. | 145 | 27% | 141 | 26% |
| KOLB Sp. z o.o. | 97 | 18% | 86 | 16% |
| IZOSTAL S.A. | 137 | 26% | 138 | 25% |
| ZRUG Zabrze S.A. | 154 | 29% | 179 | 33% |
| Total | 533 | 100% | 544 | 100% |

3. Information on capital or organizational relations of entities belonging to STALPROFIL S.A. Group

STALPROFIL S.A. is a parent company for three subsidiaries: IZOSTAL S.A., ZRUG Zabrze S.A., KOLB sp. z o.o.

Table 3 Capital relations between the issuer and other entities as on 31.12.2014.

| Subsidiary's name | Subsidiary's share capital in PLN | % Shareholding of STALPROFIL S.A. in share capital | % Share of STALPROFIL S.A. in votes |
|-------------------|-----------------------------------|--|-------------------------------------|
| IZOSTAL S.A. | 65 488 000 | 60,28% | 60,28% |
| ZRUG Zabrze S.A. | 26 950 000 | 62,89% | 68,94% |
| KOLB sp. z o.o. | 3 098 000 | 100% | 100% |

Capital relations within STALPROFIL S.A. Group changed in 2014 as a result of the capital injection for the subsidiary company ZRUG Zabrze S.A.

On March 26, 2014 the Annual General Meeting of ZRUG Zabrze S.A. passed a resolution on the increase of the company's share capital by PLN 15 000 000,00 (up to PLN 26 950 000,00) through the issue of:

- 2 500 000 ordinary registered shares, series C of the nominal value of PLN 2 each, to be subscribed for through a closed subscription by the current shareholder: STALPROFIL S.A.
- 5 000 000 ordinary registered shares, series D of the nominal value of PLN 2 each, intended to be subscribed for through a private subscription by IZOSTAL S.A. in Zawadzkie, with the pre-emptive right of the current shareholder - STALPROFIL S.A. excluded.

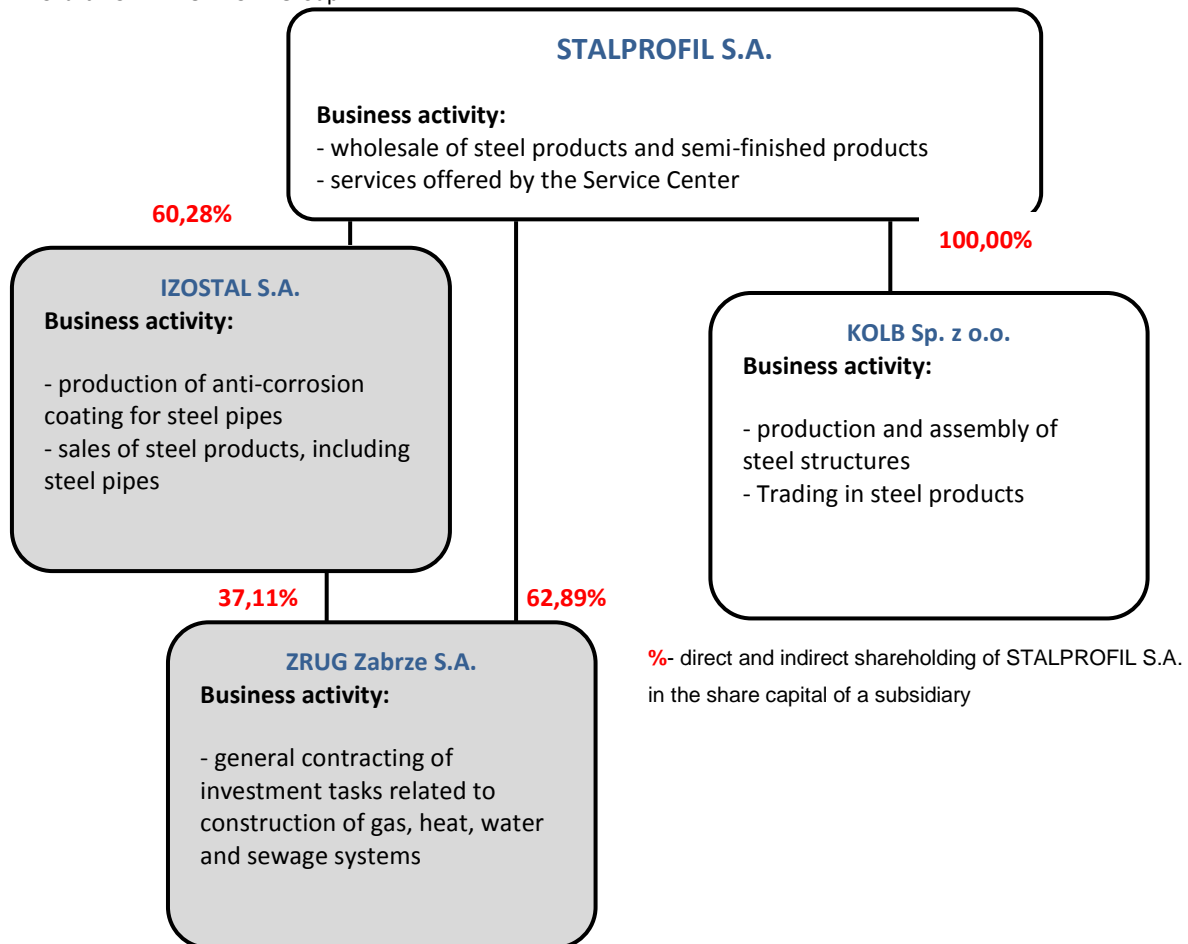
The issue price of shares, series C and D, was equivalent to their nominal value and was PLN 2 per share. Shares series C and D were subscribed for through cash contribution to cover them. On May 26, 2014, the District Court in Gliwice, 10th Business Division of the National Court Register registered the increase of share capital of ZRUG Zabrze S.A. Following capital increase through the issue of shares series C and D, the shareholding of ZRUG Zabrze S.A. was as follows: STALPROFIL S.A. - share in votes and capital - 68.94% and 62.89% respectively, IZOSTAL S.A. - share in votes and capital - 31.06% and 37.11% respectively.

The share capital of ZRUG Zabrze S.A. was increased in order to:

- supplement the working capital used for financing the company's regular activity by PLN 10,000,000
- purchase machines and equipment necessary to construct large diameter pipelines (1000 mm), for the value of PLN 5,000,000.

New opportunities are emerging in the gas market that may facilitate further development of ZRUG Zabrze S.A. In the years 2014 -2018 OGP GAZ-SYSTEM S.A. (a company of strategic importance for Poland, responsible for natural gas transmission), plans to build new transmission gas pipelines, diameter 700 mm and 1000 mm, length 1 057 km and estimated value of approx. PLN 5.0 billion. Moreover, in the years 2014-2020, Polska Spółka Gazownictwa sp. z o.o. plans to build low and medium-pressure gas pipelines of the total length of 1 485km and estimated value of approx. PLN 3.8 billion. The capital increase in the subsidiary company ZRUG Zabrze S.A., which constructs pipelines, will make it possible for STALPROFIL S.A. Group to participate in these investment projects which are of strategic importance for the country.

Chart 2 STALPROFIL S.A. Group



II. STALPROFIL S.A. BUSINESS OBJECTS AND ITS MARKET ENVIRONMENT

1. Information about basic products, goods and services

STALPROFIL S.A. Group is divided into the following two basic segments of operations :

- 1) **Sales, processing and services in steel market** (steel sector). Sales in the field of steel industry is the domain of STALPROFIL S.A. Production of steel structures, including steel processing, is the domain of KOLB sp. z o.o.
- 2) **Activity related to the infrastructure of transmission networks for gas and other utilities** (infrastructural segment of transmission networks), covering the production of anti-corrosion coating for steel pipes produced by IZOSTAL S.A., as well as construction and assembly services for transmission networks offered by ZRUG Zabrze S.A.

In 2014 STALPROFIL S.A. Group recorded total sales revenues at the level of 740,192 kPLN i.e. 18% less than in 2013.

Table 4 Structure of sales revenues of STALPROFIL S.A. Group in the breakdown into branch segments

| Branch segment | 2014 | | 2013 | | Dynamics |
|---|----------------|---------------|----------------|---------------|--------------|
| | kPLN | share | kPLN | share | |
| Sales, processing and services in steel market | 448 047 | 60,5% | 437 876 | 48,6% | 102,3% |
| Infrastructure of transmission networks for gas and other utilities | 292 145 | 39,5% | 462 775 | 51,4% | 63,1% |
| Total | 740 192 | 100,0% | 900 651 | 100,0% | 82,2% |

Group's operations are influenced mainly by the activity in the steel sector, including mainly the sales of steel products as the basic object of the parent company. Transactions in this market in 2014 constituted 60.5% of Group's sales revenues in 2014.

Increase in revenues recorded in the steel distribution sector resulted from stopping negative tendencies in EU economy and a slight improvement of the economic situation. Improvement on the steel market in 2014 was confirmed by a year-to-year increase in the production of steel in Poland by 8.4% and by 1.8% in the EU. The level of steel sales revenues was limited by permanent drops in steel products' prices which producers could afford following the drop in raw material prices, mainly iron ore and coking coal. Gradual adjustment of prices in the European cast steel market in 2014 resulted in a drop of average prices of sections by 8% against the corresponding period of the previous year and hot-rolled plates by 11%. It significantly reduced financial results recorded by steel distributors and prevented customers from bigger purchases and building stocks.

The income of the steel sector was supplemented by the subsidiary company KOLB sp. z o.o. which manufactures steel structures. Through this company in 2014 the Group sold 44% of steel structures more than in 2013. KOLB sp. z o.o. has a stable financial position and a full orders portfolio for the coming months, however the market on which the company operates is characterized by low profitability. KOLB sp. z o.o. tries to make up for the low level of prices on the steel structures market with increased production volume and operational efficiency, as well as extending the scope of its activity with services performed as a general contractor for investments.

Total sales income recorded by the Group on the steel market in 2014 was 448,047 kPLN which is a 2% increase against the result obtained in 2013.

Periodic drop in income related to the tender calendar was observed in the sector of transmissions networks for gas and other utilities where subsidiary companies IZOSTAL S.A. and ZRUG Zabrze S.A. operate. The share of this segment in the Group's income in 2014 was almost 12% lower than in the previous year and reached the level of 39.5%.

As expected, 2014 results were poorer for the infrastructural market of transmission networks for gas and other utilities. The specific conditions of managing investments on this market allowing for a division of the long-term development plan into investment perspectives/stages results in a lack of new tenders for the supply of pipes and construction of gas pipelines in the years in which a perspective/stage ends and a new one begins. For the key player on this market i.e. OGP Gaz – System S.A., year 2014 was a year when the investment perspective 2009-2014 ended and 2014-2018 perspective began.

Sales revenues recorded by the Group in this segment were 292,145 kPLN, which was a 37% drop against 2013. IZOSTAL S.A. which operates in this market, produced 59% less external and internal insulation in 2014 as compared to 2013. The decrease resulted from a temporary drop in demand for pipes from transmission gas pipelines market (large diameters). Since September 2013 the Group did not supply any pipes to its main customer – OGP Gaz-System S.A., due to the completion of the first stage of investment and completion of supplies covered by the Frame Contract, and a lack of further large orders from this operator. In November 2014 the offer made by the consortium consisting of IZOSTAL S.A. (Leader of the Consortium) and STALPROFIL S.A. was considered by OGP Gaz-System S.A. to be one of the best offers made in the proceedings aimed at concluding another Frame Contract for the supply of pipes for investment tasks planned by OGP Gaz-System S.A. in the next perspective/stage of investment. The orders placed based on the new Frame Contract will involve the supply of brand new steel pipes with internal and external coating for pipeline transmission systems. The amount of pipes supplied should cover the investment needs estimated at approx. 1057 km of gas pipelines till 2018. The duration of the Frame Contract will be 4 years.

In 2014 the Group recorded sales of services involving construction of transmission networks of the value of PLN 111 million, which was a 41% drop resulting mainly from a lack of new tenders for construction of high and medium-pressure gas pipelines, either organized by OGP Gaz-System S.A. or companies belonging to PGNiG S.A. group. The Group's income in this area was generated mainly by the performance of the contract for the construction of gas pipeline Szczecin-Gdańsk of the length of 204 km and the value of 223,882 kPLN net (performed by ZRUG Zabrze S.A. since 2012), and the construction of smaller gas pipeline Gałów - Kiełczów, contracted in 2014, of the length of 42 km and the net value of 33 310 kPLN. The extension of the planned deadline for the completion of the contract "Szczecin -Gdańsk" was related mainly to the necessity to amend the design documentation, unforeseen executive difficulties related to the fact that works are performed in a difficult area and the necessity to perform additional works which were not originally planned to be performed as part of the task. The total value of revenues on account of performing additional works agreed and contracted with the Orderer till December 31, 2014, increased the revenues of ZRUG Zabrze S.A. under this contract by 21,404 kPLN net. However the additional income did not fully compensate for the increase of costs related to extending the deadline for the contract's performance and the necessity to perform additional works. According to the estimates prepared by the Management Board

of ZRUG Zabrze S.A., the contract Szczecin – Gdańsk will have a negative profitability. The contract's budget which was obtained through a public tender procedure based on the criterion of the lowest price, did not include sufficient provisions to cover costs of all risks which emerged in connection with this contract, mainly in Q4 2014

As a result of reduced number of orders in the infrastructural sector of gas transmission networks, total income of STALPROFIL S.A. Group in 2014 was 18% lower than that recorded in 2013. Significant loss of income in the infrastructural sector was to a certain extent mitigated by good sales results in the steel segment both as regards the sale of steel products (volume increase by approx. 3%), and steel structures (volume increase by approx. 44%) 44%).

Table 5 of basic goods, products and services of companies belonging to STALPROFIL S.A. Group in particular branch segments

| | Product groups | 2014 | 2013 | Dynamics |
|-----------|--|---------|-----------|----------|
| I | Sales, processing and services in steel market, including: | | | |
| 1. | Sales of steel products (t) | 173 805 | 168 961 | 102,9% |
| 2. | Sales of steel structures (t) | 2 857 | 1 990 | 143,6% |
| II | Infrastructure of transmission networks for gas and other utilities, including: | | | |
| 1. | Sales of anti-corrosion insulation for steel pipes (m ²), incl.: | 440 806 | 1 066 512 | 41,3% |
| | - external anticorrosive coating | 327 964 | 673 033 | 48,7% |
| | - internal anticorrosive coating | 111 160 | 392 562 | 28,3% |
| 2. | Sale of services related to the construction of transmission networks (kPLN) | 110 870 | 186 831 | 59,3% |

2. Basic sales markets

In 2014 STALPROFIL S.A. Group recorded domestic sales revenues of 650,498 kPLN which was a 15% drop against 2013. Share of exports in sales revenues reached 12.1% in the reporting period and fell by 2.5%. The decrease in the domestic market results from temporary decrease in the activity of entities belonging to the Group in the infrastructural market of transmission networks as a result of the completion of the first investment perspective for the construction of a gas transmission networks, and lengthy tender procedures related to the next investment perspective for the years 2014-2018. It applies both to supplies of coated steel pipes for OGP Gaz-System S.A. (IZOSTAL S.A.), and the construction of transmission pipelines (ZRUG Zabrze S.A.).

Table 6 Sales revenues of STALPROFIL S.A. Group in the breakup in the domestic and export markets

| Sales direction | 2014 | | 2013 | | Dynamics |
|-----------------|---------|-------|---------|-------|----------|
| | kPLN | share | kPLN | share | |
| Domestic | 650 498 | 87,9% | 768 852 | 85,4% | 84,6% |
| Export | 89 694 | 12,1% | 131 799 | 14,6% | 68,1% |

| | | | | | |
|--------------|----------------|---------------|----------------|---------------|--------------|
| Total | 740 192 | 100,0% | 900 651 | 100,0% | 82,2% |
|--------------|----------------|---------------|----------------|---------------|--------------|

The major sales market in the reporting period was the European Union, with a 86.6% share in export sales. Significant customers from this region included companies from such countries as the Czech Republic, Slovakia, Hungary, Latvia, Estonia, Lithuania, Germany and Romania. The second largest sales market included European countries from outside the European Union. The share of these countries in export sales was 13.4%. The group included companies from Turkey, Norway, Belarus and Russia.

Table 7 Export sales directions - STALPROFIL S.A. Group

| Geographical area | 2014 | | 2013 | | Dynamics |
|------------------------|---------------|---------------|----------------|---------------|--------------|
| | kPLN | Share | kPLN | share | |
| European Union (EU-28) | 77 632 | 86,6% | 122 564 | 93,0% | 63,3% |
| Europe outside EU-28 | 12 061 | 13,4% | 9 073 | 6,9% | 132,9% |
| Other | 1 | 0,001% | 162 | 0,1% | 0,01% |
| Total | 89 694 | 100,0% | 131 799 | 100,0% | 68,1% |

3. Major suppliers and customers of STALPROFIL S.A. Group

The biggest supplier of the Group in 2014 was ArcelorMittal. The value of products purchased from ArcelorMittal amounted to 39% of the total costs of goods and materials purchased by STALPROFIL S.A. Group. The dominant market position of ArcelorMittal in Poland (with the biggest share in the domestic production of steel products), makes it the main supplier of steel products for the leading Polish steel distributors, including STALPROFIL S.A. ArcelorMittal Group also has a significant share in the supplies of steel pipes used by IZOSTAL S.A. ArcelorMittal Poland S.A. is the biggest shareholder of STALPROFIL S.A. holding 31.48% of shares and 32.68% votes in the Company.

Table 8 Major suppliers (at least 10% share of purchases in purchasing costs in the reporting period)

| Specification | 2014 | | 2013 | |
|---|------------------|--------|------------------|--------|
| | turnover in kPLN | share | turnover in kPLN | share |
| ArcelorMittal | 273 223 | 39,0% | 302 115 | 36,7% |
| Costs of products, goods and materials sold | 699 972 | 100,0% | 822 811 | 100,0% |

The biggest customer of the Group in 2014 was OGP Gaz-System S.A. This entity is the biggest domestic operator of gas transmission pipelines and the biggest customer of ZRUG Zabrze S.A. with respect to gas pipelines construction services, and company IZOSTAL S.A. with respect to supplies of coated steel pipes. The value of sales to this contractor reached 14.2% of the total sales revenues of STALPROFIL S.A. Group.

Table 9 Major customers (at least 10% share of purchases in sales revenues in the reporting period)

| Specification | 2014 | | 2013 | |
|---------------------|------------------|-------|------------------|-------|
| | turnover in kPLN | share | turnover in kPLN | share |
| OGP Gaz-System S.A. | 104 759 | 14,2% | 211 053 | 23,4% |

| | | | | |
|----------------------|---------|--------|---------|--------|
| Total sales revenues | 740 192 | 100,0% | 900 651 | 100,0% |
|----------------------|---------|--------|---------|--------|

4. Agreements significant for the business of STALPROFIL S.A. Group concluded in the reporting period

- Important contracts reported by Group entities in the reporting period included contracts with ArcelorMittal Commercial Sections S.A. seated in Luxembourg and ArcelorMittal Tubular Products Ostrava a.s. for the supply of steel products manufactured by steel plants belonging to ArcelorMittal Group, incl.: ArcelorMittal Ostrava A.S. seated in Ostrava, ArcelorMittal Esch-Belval, Differdange, Rodange in Luxembourg, ArcelorMittal Bergara S.A. in Bergara, ArcelorMittal Hunedoara and ArcelorMittal Poland S.A. seated in Dąbrowa Górnicza. ArcelorMittal Group is the biggest steel producer in the world, and in Poland, and at the same time the main supplier of steel products to STALPROFIL S.A. Group. In 2014 this biggest Group's supplier (value of steel products and semi-finished products purchased reached 39% of total cost of the Group's purchases), supplied products of the total value of 273,223 kPLN based on orders placed.
- An annex to the contract of May 10, 2012 concluded by the consortium of companies (Contractor) including ZRUG Zabrze S.A. (leader of the consortium), and STALPROFIL S.A. (member of the consortium) and OGP Gaz-System S.A. seated in Warszawa (the Orderer) for the general contracting of an investment called *"The construction of gas pipeline DN 700 Szczecin - Gdańsk: Stage II Karlino – Koszalin, Stage III Koszalin – Słupsk and Stage IV Słupsk-Wiczlino"*. The purpose of the annex was to extend the deadline for the performance of the investment till November 14, 2014, originally set for June 30, 2014 due to geological conditions not allowed for in the Terms Sheet, the necessity to change the planned Rzechcinka Młyńska HDD, and the necessity to extend Łupawa HDD, as well as the fact that the Orderer was not able to fill the installation with gas on the dates agreed with the Contractor.

On November 12, 2014 another annex extending the deadline for the performance of the above-mentioned investment till December 22, 2014 was signed. The date was postponed at the request of ZRUG Zabrze S.A. and was justified with:

- the necessity to remove errors or modify the engineering documentation,
- the necessity to perform additional works which were not originally planned to be performed as part of the task,
- unforeseen difficulties related to works performed in difficult conditions.

Another request for extending the deadline for the completion of the contract (final acceptance) from December 22, 2014 to April 14, 2015 was made by ZRUG Zabrze S.A. and is now being considered by OGP Gaz-System S.A.

The change of the time schedule of works completion and deviations from the cost budget related mainly to risks which emerged in Q4 2014 made the contract's profitability lower than it was originally assumed. Decrease in the assumed profitability of the contract was related to the necessity of adjusting the current financial result of the subsidiary company ZRUG Zabrze S.A. in accordance with IAS 11.

- As the deadline for the performance of the above-mentioned contract was postponed, on November 20, 2014 at the request of STALPROFIL S.A., the validity period of the advance payment guarantee provided by PKO Bank Polski S.A. to the beneficiary - OGP Gaz-System S.A. was extended. The guarantees come into force on the date of their issue and remain valid till the day falling 60 days from the final acceptance date, however no later than February 20, 2015 (other extensions of the guarantee were described in item 8b). The total value of advance payments related to financing the performance of the contract received by the Leader of the Consortium - ZRUG Zabrze S.A., from OGP Gaz - System S.A. amounted to 51,500 kPLN (gross).
- On June 12, 2014 the Company informed about signing two annexes to the Agreement with Towarzystwo Ubezpieczeń Euler Hermes S.A. for providing contract guarantees as a part of the renewable credit limit which extend the validity dates of the contract performance guarantee and guarantee related to the removal of defects with respect to contract called „*Construction of gas pipeline DN 700 Szczecin - Gdańsk: Stage II Karlino -Koszalin, Stage III Koszalin - Słupsk and Stage IV Słupsk Wiczlino*” granted in favor of Operator Gazociągów Przesyłowych Gaz-System S.A. seated in Warszawa. The validity of guarantees granted was extended maximum till November 14, 2014 with respect to claims on account of the failure to perform or inadequate performance of the contract, and maximum till November 14, 2017 with respect to warranty claims, their value did not change and was 27,538 kPLN and 8,261 kPLN respectively (other extensions of guarantees were described in item 8b).
- On July 10, 2014, company ZRUG Zabrze S.A., which belongs to STALPROFIL S.A. Group, being the leader of the consortium consisting of: ZRUG Zabrze S.A. and INSTALGAZ Andrzej Szulc seated in Opalenica, concluded with Operator Gazociągów Przesyłowych Gaz-System S.A. a general contractor agreement on the investment project called "*Construction of a high-pressure gas pipeline DN500 MOP 8,4 MPa Gałów - Kielczów as part of the construction of gas pipeline - the border of the Republic of Poland (Lasów) - Taczalin - Radkowice - Gałów - Wierzchowice, including infrastructure necessary to operate it in the Province of Lower Silesia*". The total length of the gas pipeline, being the subject of the contract with OGP Gaz-System S.A., is 41.6km. For the completion of the above-mentioned works, as per conditions of the contract concluded, the above-mentioned consortium will receive compensation in the amount of 40,971, 243,42 PLN gross. The contract completion date (investment completion date) falls 19 months from the date on which the contract is concluded.
- On July 7, 2014 STALPROFIL S.A. concluded another commercial contract with Śląska Fabryka Urządzeń Górniczych MONTANA S.A. for the sale of steel products by STALPROFIL S.A. to company MONTANA S.A. of the value of 2 501 kPLN. As a result of concluding the contract in question, the total value of sales/purchase contracts concluded by entities from STALPROFIL S.A. Group with this contractor since 09.08.2013 (publication of regular report 33/2013), reached 35 485 kPLN and exceeded 10% of the Company's equity.

- On October 3, 2014 STALPROFIL S.A. (the Investor) and P.P.B. MOSTOSTAL BĘDZIN Sp. z o.o. (General Contractor) concluded a contract for the general contracting of construction works related to the *"Reconstruction of existing storage bay no. 3 and its extension, including the necessary technical infrastructure on plot no. 89 in Dąbrowa Górnicza, ul. Roździeńskiego 11 "A"*, of the value of 24,296 kPLN (net). The completion of the contract and the handover of the contract's object to the Investor by the General Contractor in form of a final acceptance protocol will take place by June 30, 2016.
- On October 15, 2014 IZOSTAL S.A. received information that OGP Gaz-System S.A. signed the contract for the sale and supply of pipes related to the performance of an investment task called *"Deliveries of coated steel pipes DN 300 for the construction of gas pipeline DN 300 Polkowice-Żary, including an acceptance certificate in line with PN-EN 10204 or equivalent standard."*. The net value of the Contract is PLN 20,785,127.50, which is PLN 25,565,706.82 gross. The Contractor will perform the subject of the contract within 12 months from the day on which it is concluded.
- On November 20, 2014 IZOSTAL S.A. received information that Operator Gazociągów Przesyłowych Gaz-System S.A. seated in Warszawa (the Ordering Party) selected a bid made by the consortium consisting of IZOSTAL S.A. (leader of the consortium), and STALPROFIL S.A., as one of the most favorable offers in the tender aimed at concluding a Frame Contract for the supplies of pipes for investment projects implemented by OGP Gaz-System S.A. – Part no. 1 and Part no. 2. The orders placed based on the Frame Contract will involve the supply of brand new steel pipes with internal and external coating for pipeline transmission systems, split into the following Parts: Part no. 1 - pipes with diameter DN 700, Part no. 2 - pipes with diameter DN 1000. The amount of pipes supplied should cover investment needs estimated at approx. 1057 km of gas pipelines. The Orderer states that the validity period of the Frame Contract is 4 years. IZOSTAL S.A. is waiting for the conclusion of a new Frame Contract.
- Contracts concluded by the subsidiary company IZOSTAL S.A. important from the perspective of the assessment of the infrastructural segment:
 - orders and contracts concluded with Impexrur S.A. for the supply of coated pipes, coating services and steel pipes.
 - orders and contracts concluded with JT Zakład Budowy Gazociągów Sp. z o.o. for the supply of coated pipes,
 - orders and contracts concluded with Ferrum S.A. for the supply by IZOSTAL S.A. of coated pipes, services
 - hot-rolled strips and purchase of steel pipes,
 - orders and contracts concluded with MH Biuro Przedstawicielskie Zbigniew Kania for the purchase of pipes used for drilling.

Details of the above-mentioned contracts concluded by IZOSTAL S.A. were presented in the stand-alone report of IZOSTAL S.A. for 2014 and in regular reports of this company. Other contracts important for the assessment of STALPROFIL S.A. Group were described in items II-3, II-5, II-7, II-8.

Insurance contracts concluded by companies of STALPROFIL S.A. Group are presented in tables 10-13.

Table 10 Insurance agreements concluded by STALPROFIL S.A. (in kPLN):

| Insurer | Insurance type | Validity date | Insurance amount |
|------------------|--|-------------------------------------|-------------------------------|
| TUR Allianz S.A. | Civil liability insurance (STALPROFIL S.A., IZOSTAL S.A., KOLB Sp. z o.o.) | From 01.01.2015 to 31.12.2015 | 30 000 (amount guaranteed) |
| TUR Allianz S.A. | Company's property insurance policy | From 01.01.2015 to 31.12.2015 | 60 694 |
| TUR Allianz S.A. | Machinery insurance policy | From 01.01.2015 to 31.12.2015 | 4 839 |
| TUR Allianz S.A. | Machinery and construction equipment policy | From 01.01.2015 to 31.12.2015 | 512 |
| TUR Allianz S.A. | Machinery and construction equipment policy (rolling stock) | From 01.01.2015 to 31.12.2015 | 482 |
| TUR Allianz S.A. | Electronic equipment insurance policy | From 01.01.2015 to 31.12.2015 | 1 161 |
| TUR Allianz S.A. | Civil liability insurance policy for the company's management (STALPROFIL S.A., IZOSTAL S.A., ZRUG Zabrze S.A., KOLB sp. z o.o.) | From 01.07.2014 to 30.06.2015 | 20 000 |
| TUR Allianz S.A. | Insurance policy for property in transit | From 01.01.2015 to 31.12.2015 | 150 |

Table 11 Insurance agreements concluded by STALPROFIL S.A. (in kPLN)

| Insurer | Insurance type | Validity date | Insurance amount |
|--------------------------|--|---------------|------------------|
| TUiR Allianz Polska S.A. | Insurance of property against fire and other random events | 31.12.2015 | 209 562 |
| TUiR Allianz Polska S.A. | Overvoltage insurance against direct impact of atmospheric discharge and failure to maintain electric current parameters | 31.12.2015 | 4 000 |
| TUiR Allianz Polska S.A. | Terrorism risk insurance | 31.12.2015 | 2 000 |
| TUiR Allianz Polska S.A. | Insurance of working assets located at an investment site in the territory of the Republic of Poland | 31.12.2015 | 1 000 |
| TUiR Allianz Polska S.A. | Insurance covering additional costs incurred on account of price increase, restoring documentation, experts, activities performed by authorities | 31.12.2015 | 2 300 |
| TUiR Allianz Polska S.A. | Insurance of working assets, fixed assets, low-value assets against burglary, robbery, acts of vandalism following burglary, deliberate damage | 31.12.2015 | 1 830 |
| TUiR Allianz Polska S.A. | Insurance of low-value fixed assets | 31.12.2015 | 400 |
| TUiR Allianz Polska S.A. | Insurance of internal risks | 31.12.2015 | 200 |
| TUiR Allianz Polska S.A. | Insurance of machines and equipment | 31.12.2015 | 50 870 |
| TUiR Allianz Polska S.A. | Insurance of stationary and portable electronic equipment | 31.12.2015 | 3 840 |
| TUiR Allianz Polska S.A. | Insurance of costs of data restoring and additional costs | 31.12.2015 | 300 |
| TUiR Allianz Polska S.A. | Civil liability insurance on account of running business activity and using property | 31.12.2015 | 30 000 |
| TUiR Allianz Polska S.A. | Insurance of construction-related risks | 31.12.2015 | 5 968 |

Table 12 Insurance agreements concluded by KOLB Sp. z o.o. (in kPLN)

| Insurer | Insurance type | Validity date | Insurance amount |
|--------------------------|---|---------------|------------------|
| TUiR Allianz Polska S.A. | Insurance of construction-related risks - Construction of a Plant for Glass Cullet Processing | 31.12.2015 | 11 263 |
| TUiR Allianz Polska S.A. | Civil liability insurance in connection with property owned and business activity run | 31.12.2015 | 30 000 |
| TUiR ALLIANZ Polska S.A. | Insurance of machines | 31.12.2015 | 1 139 |

| | | | |
|-----------------------------|---|------------|--------|
| TUIR ALLIANZ Polska S.A. | Insurance of electronic equipment | 31.12.2015 | 323 |
| TUIR ALLIANZ Polska S.A. | Insurance of property against destruction, damage or loss | 31.12.2015 | 19 029 |
| TUIR ALLIANZ Polska S.A. | Insurance of working assets located at an investment site in the territory of the Republic of Poland | 31.12.2015 | 1 000 |
| TUIR ALLIANZ Polska S.A. | Insurance of low-value fixed assets based on the replacement value - first risk | 31.12.2015 | 400 |
| TUIR ALLIANZ Polska S.A. | Insurance against indirect impact of atmospheric discharge | 31.12.2015 | 1 000 |
| TUIR ALLIANZ Polska S.A. | Insurance against deviations in electricity parameters | 31.12.2015 | 3 000 |
| TUIR ALLIANZ Polska S.A. | Insurance against internal risks (internal damage in buildings) | 31.12.2015 | 100 |
| TUIR ALLIANZ Polska S.A. | Insurance against internal risk (breakdowns of machines) | 31.12.2015 | 100 |
| TUIR ALLIANZ Polska S.A. | Insurance against burglary, robbery, acts of vandalism following burglary, deliberate damage: fixed assets and low-value assets, working assets at an investment site in the territory of the Republic of Poland | 31.12.2015 | 1 850 |
| TUIR ALLIANZ Polska S.A. | Insurance against broken windows | 31.12.2015 | 20 |
| TUIR ALLIANZ Polska S.A. | Insurance against theft (cash value not included) | 31.12.2015 | 10 |
| TUIR ALLIANZ Polska S.A. | Terrorism risk insurance | 31.12.2015 | 2 000 |
| TUIR ALLIANZ Polska S.A. | Insurance covering additional costs incurred on account of price increase, activities performed by authorities, restoring documentation, experts, housekeeping at the site where the loss occurred, necessary construction modifications, firefighting operations | 31.12.2015 | 2 300 |
| TUIR ALLIANZ Polska S.A. | Insurance of construction machines and equipment | 31.12.2015 | 210 |

Table 13 Insurance agreements concluded by ZRUG Zabrze S.A. (in kPLN)

| Insurer | Insurance type | Validity date | Insurance amount |
|---|--|---------------|---|
| AVIVA Towarzystwo Ubezpieczeń Ogólnych SA InterRisk Towarzystwo Ubezpieczeń SA ViennaInsuranceGroup | Insurance against construction and assembly risk related to the Construction of gas pipeline DN700 Szczecin - Gdańsk | 31.03.2015 | 504 759 |
| TUIR WARTA SA | Insurance of a building site/assembly against all risks Gałów - Kiełczów | 10.02.2016 | 81 246 |
| Generali T.U. SA | Employee group insurance Szczecin - Gdańsk | 31.03.2015 | 1 500 |
| AXA TUIR SA | Insurance of property in transport Szczecin - Gdańsk | 31.03.2015 | 840 |
| PZU, WARTA, ERGO HESTIA, GENERALI | Insurance against all risks | 30.06.2015 | 22 317 |
| PZU, WARTA, ERGO HESTIA, GENERALI | Civil liability insurance | 30.06.2015 | 50 000 |
| PZU, WARTA, ERGO HESTIA, GENERALI | Insurance in domestic transport | 30.06.2015 | 8 000 |
| PZU SA | Motor insurance | 30.06.2015 | Civil liability insurance, personal injury EUR 5000 000 Property loss, EUR 1.000.000 Personal injury accident insurance for each insured PLN 10 000 |
| PZU, WARTA, ERGO HESTIA, GENERALI | Insurance of electronic equipment | 30.06.2015 | 1 059 |

Due to postponed payment terms, Group entities are exposed to the risk of the trade credit. In order to reduce it, the Group co-operates with three insurance companies, with which individual companies concluded relevant agreements on the insurance of trade receivables. The dominant majority of the Group's receivables in the steel sector has the insurance cover.

Table 14 Insurance agreements - trade receivables, (in kPLN)

| Company | Insurer | Maximum amount of compensation |
|------------------|--|--------------------------------|
| STALPROFIL S.A. | COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR S.A. Unit in Poland | 22 500 |
| IZOSTAL S.A. | Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna Warszawa | 16 875 |
| ZRUG Zabrze S.A. | Towarzystwo Ubezpieczeń Euler Hermes S.A. Warszawa | 3 850 |
| KOLB Sp. z o.o. | COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR S.A. Unit in Poland | 4 950 |

5. Major transactions concluded by entities belonging to STALPROFIL S.A. Group with affiliated entities

Transactions concluded by STALPROFIL S.A. Group entities in 2014, with affiliated entities as parties to these transactions, were of a typical and routine character and were concluded on arm's length conditions, and their character resulted from the current operations of these entities. These were mainly commercial transactions involving the supply of steel products, including steel pipes from the main supplier of

STALPROFIL S.A. Group - ArcelorMittal, which through its subsidiary - ArcelorMittal Poland S.A. is the main shareholder of STALPROFIL S.A.

The routine commercial transactions were also conducted among STALPROFIL S.A. Group entities as a result of their complementary objects.

6. Information on credit and loan agreements concluded and terminated in the financial year

Table 15 Bank loans extended, granted and terminated* in 2014 – STALPROFIL S.A. (in kPLN)

| Loans granted and extended in the business year | Currency | Interest rate | Repayment date | Limit |
|---|----------|--------------------|----------------|--------|
| Long-term working capital loan in mBank S.A. | PLN | WIBOR +margin | 15.02.2016 | 10 000 |
| Short-term overdraft in mBank S.A. | PLN/EUR | WIBOR/LIBOR+margin | 29.01.2016 | 5 000 |
| Long-term working capital loan in mBank S.A. | PLN | WIBOR+margin | 31.01.2017 | 10 000 |
| Short-term overdraft in BZ WBK S.A. | PLN | WIBOR +margin | 25.01.2015 | 10 000 |
| Short-term working capital loan in BZ WBK S.A. | PLN | WIBOR +margin | 24.01.2015 | 10 000 |
| Working capital loan (long-term) in BZ WBK | PLN | WIBOR +margin | 24.01.2016 | 10 000 |
| Working capital loan in foreign currency in BZ WBK S.A. | EUR | EURIBOR + margin | 25.01.2015 | 500 |
| Multipurpose short-term loan in PEKAO S.A. | PLN | WIBOR +margin | 30.05.2015 | 10 000 |
| Long-term investment loan in PKO BP S.A. | PLN | WIBOR +margin | 31.12.2020 | 19 000 |

| Loans terminated* and expired in the business year | Currency | Interest rate | Repayment date | Limit |
|--|----------|---------------|----------------|-------|
| Discount loan with BZ WBK S.A. mBank S.A. | PLN | WIBOR+margin | 31.05.2015 | 3 500 |

* loans granted to the Company were not terminated in 2014.

Table 16 Bank loans extended, granted and terminated* in 2014 – IZOSTAL S.A. (in kPLN)

| Loans granted and extended in the business year | Currency | Interest rate | Repayment date | Limit |
|---|-------------------|---|----------------|------------------|
| Annex of 28.01.2014 to the agreement concluded with mBank S.A. on multicurrency overdraft agreement | PLN EUR | WIBOR O/N LIBOR O/N +margin | 02.02.2015 | 10 000 |
| Annex of 27.08.2014 to the agreement concluded with mBank S.A. on a renewable loan | PLN | WIBOR 1M +margin | 30.08.2016 | 10 000 |
| Annex of 23.12.2014 to the agreement concluded with Bank Zachodni WBK S.A. on working capital loan in the current account | EUR PLN | EURIBOR 1M WIBOR 1M +margin | 21.01.2016 | 1.500.000 EUR |
| Investment loan in mBank S.A. | PLN | WIBOR 1M +margin | 31.05.2019 | 5 000 |
| Credit in form of a multipurpose credit limit in bank PEKAO S.A. | PLN EUR USD | WIBOR 1M EURIBOR 1M LIBOR 1M +margin | 25.06.2015 | 5 000 |

| Loans terminated* and expired in the business year | Currency | Interest rate | Repayment date | Limit |
|---|----------|------------------|----------------|----------|
| Investment loan in BNP Paribas Bank Polska S.A. | PLN | WIBOR 3M +margin | 03.01.2014 | 12 357,5 |
| Credit in form of a multi-purpose credit line in BNP Paribas Bank Polska S.A. | PLN | WIBOR 1M +margin | 21.06.2014 | 5 000 |

*) none of the credits were terminated

Table 17 Bank loans granted and terminated* in 2014 – KOLB Sp. z o.o. (in kPLN)

| Loans granted and extended in the business | Currency | Interest rate | Repayment | Limit |
|--|----------|---------------|-----------|-------|
|--|----------|---------------|-----------|-------|

| year | | | date | |
|---|-----|-------------------|------------|-------|
| Overdraft in mBank S.A. | PLN | WIBOR O/N +margin | 30.01.2015 | 3 000 |
| Credit for financing current operations in mBank S.A. | PLN | WIBOR 1M +margin | 30.12.2016 | 3 000 |
| Overdraft facility in ING Bank Śląski | PLN | WIBOR 1M+margin | 15.12.2016 | 3 000 |
| Loan (STALPROFIL S.A.) | PLN | WIBOR 1M +margin | 15.07.2016 | 2 300 |

*) none of the credits were terminated

Table 18 Bank loans granted and terminated* in 2014 – ZRUG Zabrze S.A. (in kPLN)

| Loans granted and extended in the business year | Currency | Interest rate | Repayment date | Limit in PLN |
|---|----------|------------------|----------------|--------------|
| mBank S.A. - overdraft facility | PLN | WIBOR 1d +margin | 30.11.2015 | 5 000 |
| ING Bank Śląski S.A. - overdraft facility | PLN | WIBOR 1M +margin | 11.12.2015 | 6 000 |
| BZ WBK S.A. - overdraft facility | PLN | WIBOR 1M +margin | 25.01.2016 | 5 000 |

*) none of the credits were terminated

7. Information about loans granted in the business year, including loans to affiliated entities

In business year 2014 entities belonging to STALPROFIL S.A. Group did not grant any loans.

The balance of a long-term loan granted in previous reporting periods to subsidiary company KOLB sp. z o.o. by the dominant entity was 2 300 kPLN as on December 31, 2013 and did not change during the financial year 2014. On July 8, 2014 the repayment date of the loan granted to company KOLB sp. z o.o. by STALPROFIL S.A. was extended by another year i.e. till July 15, 2016.

On May 15, 2012 subsidiary company IZOSTAL S.A. granted a loan to subsidiary company ZRUG Zabrze S.A. in the total amount of PLN 10 million. The loan was granted exclusively for financing the construction of gas pipeline DN 700 Szczecin-Gdańsk: Stage II pipeline DN 700 Karlino - Koszalin, Stage III pipeline DN 700 Koszalin – Słupsk, Stage IV pipeline DN 700 Słupsk – Wiczlino. The value of the loan granted as on December 31, 2013 was PLN 10,000 thou. (without interest charged as on December 31, 2013). The loan was repaid in full in H1 of 2014.

Loans granted in the Group bear an interest rate corresponding to the market conditions and are based on WIBOR 1M+ margin.

8. Information on sureties and guarantees granted and received in the financial year

a) Sureties

Entities belonging to STALPROFIL S.A. Group did not grant any guarantees to entities from outside the Group in the reporting period.

Guarantees granted by the parent company to subsidiaries.

Table 19 Sureties granted by STALPROFIL S.A. to affiliated entities (kPLN)

| Beneficiary | Debtor | Loan repayment date | Loan amount | Validity date of the enforceability clause | Enforceable amount |
|----------------------|------------------|---------------------|-------------|--|--------------------|
| ING Bank Śląski S.A. | ZRUG Zabrze S.A. | 11.12.2015 | 6 000 | 11.12.2021 | 6 000 |
| mBank S.A. | ZRUG Zabrze S.A. | 30.11.2015 | 5 000 | 30.09.2017 | 7 500 |
| | KOLB Sp. z o.o. | 30.01.2015 | 871 | 30.04.2016 | 1 000 * |

* 871,130 PLN - amount of surety for the investment loan with the limit of PLN 4,200,000 (to be repaid as on 31.12.2014 is 96,810 PLN).

Table 20 Sureties granted by Stalprofil S.A. to affiliated entities - limit for contract performance guarantee and defects and failures removal guarantee (in kPLN)

| Beneficiary | Debtor | Validity date | Bond amount | Validity date | Limit amount |
|-------------|------------------|---------------|-------------|---------------|--------------|
| mBank S.A. | ZRUG Zabrze S.A. | 06.11.2017 | 43 | 06.02.2019 | 56 |
| | | 15.01.2016 | 221 | 15.01.2017 | 290 |
| | | 28.03.2016 | 177 | 28.03.2017 | 230 |

Table 21 Sureties granted by Izostal S.A. to affiliated entities (kPLN)

| Beneficiary | Debtor | Loan repayment date | Loan amount | Validity date of the enforceability clause | Enforceable amount |
|------------------------|------------------|---------------------|-------------|--|--------------------|
| Bank Zachodni WBK S.A. | ZRUG Zabrze S.A. | 25.01.2016 | 5 000 | 17.12.2017. | 7 500 |

Table 22 Sureties granted by Izostal S.A. in favor of affiliated entities - limit for contract performance guarantee and defects and failures removal guarantee (in kPLN)

| Beneficiary | Debtor | Validity date | Bond amount | Validity date | Limit amount |
|---------------------------|------------------|---------------|-------------|---------------|--------------|
| Eurovia Polska S.A. | ZRUG Zabrze S.A. | 18.06.2017 | 3 250 | 18.06.2017 | 3 250 |
| OGP Gaz-System S.A. | ZRUG Zabrze S.A. | 25.02.2021 | 4 097 | 25.02.2021 | 4 097 |
| TennecoSilesia Sp. z o.o. | Kolb Sp.z o.o. | 30.06.2015 | 2 090 | 30.06.2015 | 2 090 |
| | | 30.06.2018 | 627 | 30.06.2018 | 627 |

b) Guarantees

The aforementioned guarantees were issued by banks and insurance institutions and secure the liability of Group entities related to the contracts performed and tenders in which the Group entities participate. In case of payments under the guarantee, the issuer has a recourse against Group companies. The total value of guarantees granted by entities belonging to STALPROFIL S.A. Group was 107,630 kPLN, including guarantees granted to OGP Gaz – System in the amount of 94,904 kPLN.

Table 23 Total value of guarantees granted by companies belonging to STALPROFIL S.A. Group (kPLN)

| Guarantee type | As on 31.12.2014 | As on 31.12.2013 |
|--|------------------|------------------|
| Bid bond guarantees, contract performance guarantees and defects and failures removal guarantee, incl. in favor of | 56 130 | 49 315 |
| - OGP Gaz - system S.A. | 43 404 | 41 741 |
| Advance payment bond (gross amount), including in favor of: | 51 500 | 51 500 |
| - OGP Gaz - system S.A. | 51 500 | 51 500 |

Guarantees issued at the request of the dominant entity in order to secure claims of OGP Gaz-System S.A. on account of the failure to perform or inadequate performance of the contract for the construction of gas pipeline DN 700 Szczecin - Gdańsk, Stages II-IV, and advance payment bonds related to the advance payment received from OGP Gaz - System S.A. for this purpose, are of considerable value. Security equaling 10% of the total gross remuneration in form of an insurance guarantee issued by TU EULER HERMES S.A. at the request of STALPROFIL S.A. was made in favor of the Consortium (consisting of the ZRUG Zabrze S.A. and STALPROFIL S.A.), on account of a failure to perform or inadequate performance of the Contract, in favor of the Consortium (consisting of the ZRUG Zabrze S.A. and STALPROFIL S.A.). Following the completion of individual Stages, the above-mentioned guarantee will be reduced down to 3% of the gross compensation and will be a guarantee of quality and warranty for the performance of the subject of the Agreement for a period ending 36 months following the completion date of each Stage.

Following the end of the reporting period i.e. on January 14 and March 2, 2015, validity dates of the performance bond for the contract called: „*Construction of gas pipeline DN 700 Szczecin - Gdańsk: Stage II Karlino -Koszalin, Stage III Koszalin - Słupsk and Stage IV Słupsk Wiczlino*”, granted in favor of Operator Gazociągów Przesyłowych Gaz-System S.A. seated in Warszawa:

- for Stage II and Stage III till March 30, 2015 with respect to claims on account of a failure to perform or inadequate performance of the contract, and till March 30, 2018 with respect to claims on account of warranty
- for Stage IV till April 14, 2015 with respect to claims on account of a failure to perform or inadequate performance of the contract, and till April 14, 2018 with respect to claims on account of warranty.

At the same time, at the request of STALPROFIL S.A., the validity date of the loan repayment guarantee granted by PKO Bank Polski S.A. seated in Warszawa in favor of the beneficiary - OGP Gaz-System S.A. was extended. According to annexes to guarantees for the repayment of advance payments, the guarantees remain valid till the day falling 60 days after the date of final acceptance defined in the Contract, however not later than June 14, 2015. The total value of advance payments related to financing the performance of the contract, received by the Leader of the Consortium - ZRUG Zabrze S.A., from OGP Gaz - System S.A. amounted to PLN 51 500 000 (gross).

The validity date of the above-mentioned guarantees was extended in connection with postponing the completion of the contract of May 10, 2012 for the general performance of the investment called "*Construction of gas pipeline DN 700 Szczecin - Gdańsk: Stage II Karlino – Koszalin, Stage III Koszalin – Słupsk and Stage IV Słupsk-Wiczlino*" .

Tables 24 to 27 show a detailed list of guarantees granted by individual companies belonging to STALPROFIL S.A. Group.

Table 24 Guarantees issued at the request of STALPROFIL S.A (kPLN)

| Beneficiary | Guarantee type | Validity date | Value |
|---------------------|----------------------------------|-------------------------------|--------|
| OGP Gaz-System S.A. | performance bond | from 26.04.2012 to 14.04.2015 | 27 538 |
| OGP Gaz-System S.A. | repayment of the advance payment | till 14.06.2015 | 51 500 |

Table 25 Guarantees issued at the request of IZOSTAL S.A (kPLN)

| Beneficiary | Guarantee type | Validity date | Value |
|---|--------------------------------------|---------------|-------|
| OGP Gaz-System S.A. | performance bond | 14.11.2015 | 2 557 |
| | defects and faults removal guarantee | 30.10.2018 | 767 |
| | defects and faults removal guarantee | 01.04.2016 | 159 |
| | defects and faults removal guarantee | 28.03.2016 | 129 |
| | defects and faults removal guarantee | 03.02.2015 | 1 247 |
| | defects and faults removal guarantee | 10.05.2015 | 1 407 |
| | defects and faults removal guarantee | 16.03.2017 | 712 |
| | defects and faults removal guarantee | 25.02.2016 | 1 403 |
| | defects and faults removal guarantee | 31.01.2016 | 2 049 |
| | defects and faults removal guarantee | 01.12.2015 | 396 |
| | defects and faults removal guarantee | 15.11.2015 | 373 |
| | defects and faults removal guarantee | 15.11.2015 | 883 |
| | defects and faults removal guarantee | 15.09.2016 | 929 |
| | defects and faults removal guarantee | 08.06.2016 | 1 630 |
| Polskie Górnictwo Naftowe i Gazownictwo S.A. | defects and faults removal guarantee | 07.11.2015 | 368 |
| Operator Systemu Magazynowania Sp. z o.o. | defects and faults removal guarantee | 20.12.2016 | 22 |
| PGNiG Technologie S.A. | defects and faults removal guarantee | 29.01.2019 | 95 |
| | defects and faults removal guarantee | 09.08.2017 | 27 |
| Przedsiębiorstwo Robót Inżynieryjnych POL-AQUA S.A. | performance bond | 11.03.2015 | 166 |
| | defects and faults removal guarantee | 11.04.2020 | 50 |
| Ferrum S.A. | defects and faults removal guarantee | 28.04.2017 | 95 |
| | defects and faults removal guarantee | 28.04.2017 | 107 |
| PGNiG Technologie S.A. | defects and faults removal guarantee | 17.07.2017 | 17 |
| | defects and faults removal guarantee | 01.07.2017 | 77 |

Table 26 Guarantees issued at the request of KOLB Sp. z o.o. (KPLN)

| Beneficiary | Guarantee type | Validity date | Value |
|--|--------------------------------------|---------------|-------|
| ALSTOM Power Limited Liability Company, Warszawa | performance bond | 31.12.2014 | 265 |
| Euro-Consulting, Tarnów Opolski | defects and faults removal guarantee | 12.08.2016 | 58 |
| PB ROBUD Sp. z o.o., Gliwice | defects and faults removal guarantee | 08.02.2016 | 6 |
| Zakład Usług Budowlanych inż. Jan Dudzik, Opole | defects and faults removal guarantee | 03.01.2016 | 23 |
| NAVIMOR INVEST S.A., Gdańsk | defects and faults removal guarantee | 14.10.2015 | 5 |
| | defects and faults removal guarantee | 14.10.2015 | 0,4 |
| ENERGOINSTAL S.A., Katowice | defects and faults removal guarantee | 15.12.2017 | 274 |
| FROSZ Grzegorz Żaba, Piława Górna | defects and faults removal guarantee | 15.08.2014 | 10 |
| FORMOPEX Sp. z o.o. Strzelce Opolskie | defects and faults removal guarantee | 04.07.2018 | 23 |
| | defects and faults removal guarantee | 25.07.2016 | 7 |
| | defects and faults removal guarantee | 31.12.2018 | 30 |
| BIL Sp. z o.o. Opole | defects and faults removal guarantee | 14.05.2017 | 30 |
| ENERGOPOL-TRADE-OPOLE Sp. z o.o. Opole | defects and faults removal guarantee | 17.06.2017 | 5 |
| TENNECO SILESIA Sp. z o.o. Rybnik | performance bond | 30.06.2015 | 2 090 |
| | defects and faults removal guarantee | 30.06.2018 | 627 |
| KRYNICKI RECYKLING S.A. Olsztyn | defects and faults removal guarantee | 15.09.2017 | 100 |

Table 27 Guarantees issued at the request of ZRUG Zabrze S.A (kPLN)

| Beneficiary | Guarantee type | Validity date | Value |
|--|--------------------------------------|---------------|-------|
| Budimex S.A. | performance bond | 21.04.2012 | 479 |
| | defects and faults removal guarantee | 17.06.2015 | 144 |
| | performance bond | 16.01.2014 | 306 |
| | defects and faults removal guarantee | 15.01.2017 | 164 |
| Doprastav S.A. Unit in Poland | performance bond | 16.01.2011 | 786 |
| | defects and faults removal guarantee | 20.10.2015 | 236 |
| PUH "M+" sp. z o.o. | performance bond | 03.03.2013 | 22 |
| | defects and faults removal guarantee | 17.03.2016 | 6 |
| OGP Gaz-System S.A. | performance bond | 03.03.2013 | 23 |
| | defects and faults removal guarantee | 17.03.2016 | 6 |
| | performance bond | 20.10.2014 | 490 |
| | defects and faults removal guarantee | 15.07.2017 | 147 |
| | performance bond | 29.06.2014 | 28 |
| | defects and faults removal guarantee | 14.06.2017 | 8 |
| | performance bond | 29.06.2014 | 24 |
| | defects and faults removal guarantee | 14.06.2017 | 7 |
| | bid bond guarantee | 10.02.2015 | 15 |
| | performance bond | 21.01.2015 | 700 |
| | defects and faults removal guarantee | 06.01.2018 | 210 |
| | performance bond | 21.01.2015 | 1 108 |
| defects and faults removal guarantee | 06.01.2018 | 210 | |
| Eurovia Polska S.A. | performance bond | 26.06.2014 | 22 |
| | defects and faults removal guarantee | 14.08.2017 | 6 |
| | performance bond | 29.10.2013 | 127 |
| | defects and faults removal guarantee | 17.12.2018 | 38 |
| | performance bond | 31.10.2015 | 2 681 |
| | defects and faults removal guarantee | 21.05.2016 | 809 |
| | performance bond | 01.12.2015 | 566 |
| defects and faults removal guarantee | 21.05.2016 | 170 | |
| SKANSKA S.A. | performance bond | 01.10.2014 | 158 |
| | defects and faults removal guarantee | 14.09.2017 | 79 |
| SIAC Construction Ltd, Hydrobudowa Polska | performance bond | 4.09.2012 | 735 |
| | defects and faults removal guarantee | 15.01.2016 | 221 |
| Polimex Mostostal S.A. | performance bond | 31.08.2012 | 592 |
| | defects and faults removal guarantee | 28.03.2016 | 177 |
| DRAGADOS S.A. | performance bond | 22.10.2013 | 142 |

| | | | |
|--|---|------------|----|
| | defects and faults removal guarantee | 06.11.2017 | 43 |
|--|---|------------|----|

9. Evaluation of investment projects feasibility by STALPROFIL S.A. Group

In 2015 companies belonging to STALPROFIL S.A. Group plan to implement investment projects of the total value of 22,570 kPLN, with almost 90% of this amount to be spent in the steel sector.

In the period from the end of 2014 to 2016 STALPROFIL S.A. will perform a strategic investment project involving modernization and extension of warehouse infrastructure in the warehouse in Dąbrowa Górnicza, including change in logistics. Total expenditure on this investment will amount to 27,221 kPLN, whereas expenditure planned in 2015 is 18,937 kPLN. Expenditure on the investment will be financed with:

- an investment loan: 19 000 kPLN (to be repaid by December 2020),
- a 5-year leasing: 2 030 kPLN,
- the Company's own funds: 6 191 kPLN.

The development of the bay will involve the liquidation of open storage yards for steel products serviced until now by low-efficiency reloading equipment. This investment will in future increase possibilities of selling high-margin steel products sensitive to corrosion from this warehouse. The investment will speed up logistic services and will increase the indoor warehousing space in Dąbrowa Górnicza warehouse by more than twice which should result in an increase of sales turnover and the Company's financial result.

Apart from the above-mentioned investment task, the Company plans to allocate relatively small funds on reconstruction-type investments in tangible fixed assets in 2015 (400 kPLN in total).

The other company representing the steel sector - KOLB sp. z o.o., completed its basic investment program and is not planning any significant investments in 2015 apart from expenditure in the amount of 825 kPLN for the construction of a storage yard for finished and semi-finished products, purchase of internal transport means and software for production optimization.

The Group's basic investment task in the transmission networks sector will be the investment of IZOSTAL S.A. aimed at completing the construction of warehouse facilities (expenditure planned: 815 kPLN). Apart from this, IZOSTAL S.A. plans capital expenditure of 1 133 kPLN in 2015 to be spent among others on the purchase of machines and equipment for production departments and extension and modernization of the Company's IT systems.

ZRUG Zabrze S.A., the other representative of the infrastructural sector of transmission networks, is not planning any significant investments in 2015 apart from the purchase and implementation of an integrated ERP IT system. Planned expenditure on the system implementation will amount to 460 kPLN. The main purpose of this investment is the improvement of the efficiency of the management of long-term contracts held by the company. The new ERP-class system will support strict control of contracts' cost budgets (including current monitoring of margin levels on individual contracts taking into account significant risks), strict operational and financial monitoring of the advancement of works performed, control over the efficiency of the utilization of company's resources, control of settlements with subcontractors and investors, monitoring cash flows for individual projects. The implementation of the new system will support the orientation of the entire organization, and in particular the management of contracts, on keeping project budgets and generating the expected results with respect to individual contracts. The

implementation of the IT system will also improve operational and financial controlling of long-term contracts in the company.

The investments to be implemented by the Group in 2015 will be financed from its internal funds, investment loans and by leasing. Main borrowing agreements have already been concluded with financial institutions.

In 2014 entities belonging to STALPROFIL S.A. Group spent the total of 17,941 kPLN on investments in tangible fixed assets. (Table 28).

Table 28 Structure of capital expenditure of STALPROFIL S.A. Group in 2014 (kPLN)

| Capital expenditure in particular segments of operations | Expenditure in 2014 |
|---|---------------------|
| Capital expenditure on tangible fixed assets - trading and services in the steel market | 4 930 |
| Capital expenditure in the infrastructural segment of transmission networks | 13 011 |
| TOTAL STALPROFIL S.A. GROUP | 17 941 |

In 2014, the total amount of 4 930 kPLN was spent on investments aimed at developing the Group's basic segment of operations i.e. sales and services in the steel market.

In 2014 capex allocated by STALPROFIL S.A. on tangible fixed assets amounted in total to 3 683 kPLN. The main capital expenditure in 2014 was related to the initial stage of the development of warehouse B in Dąbrowa Górnicza (expenditure of 3 335 kPLN). Other investments of STALPROFIL S.A. in 2014 were the reconstruction-type investments necessary to maintain the Company's commercial and logistic potential, as well as its IT infrastructure.

Company KOLB Sp. z o.o. spent the total of 1 247 kPLN on investments. Capex was spent mainly on equipping the production bay, as well as on production and administrative infrastructure and purchase of transport means.

Capex in the transmission networks sector in 2014 amounted to 13,011 kPLN, out of which 11,612 kPLN was spent by IZOSTAL S.A. (mainly on the construction of the warehouse bay, modernization of the internal roads system in the plant, modernization of the office building, purchase of machines and equipment and the Company's computerization), and ZRUG Zabrze S.A. which spent 1,399 kPLN, mainly on the purchase of specialist construction equipment.

In 2014, STALPROFIL S.A. Group did not make capital investments outside the Group. STALPROFIL S.A. and IZOSTAL S.A. increased the capital of ZRUG Zabrze S.A. by the amount of 15 000 kPLN through issue of 2.5 million ordinary registered shares, series C, acquired by STALPROFIL S.A. and 5 million ordinary registered shares, series D, acquired by IZOSTAL S.A. The issue price of shares, series C and D, was equal to their nominal value and was PLN 2 per share. Following the increase of capital through issue of shares, series C and D, registered on May 26, 2014, the shareholding structure of ZRUG Zabrze S.A. is as follows:

STALPROFIL S.A. - share in votes and capital 69% and 63% respectively, IZOSTAL S.A. - share in votes and capital: 31% and 37% respectively.

The investments implemented by STALPROFIL S.A. Group in 2014 were financed from its internal funds, investment loans and by leasing.

10. Description of important risk factors and threats to the operation of STALPROFIL S.A. Group

Group's financial standing is correlated with the macroeconomic situation of Poland. Financial results of the Group are influenced by such general factors as GDP growth rate, investments growth rate, changes in state interest rate, inflation rate, foreign exchange rates, state fiscal policy.

There is a risk that in case the economic growth rate goes down in Poland or globally, or some protectionist instruments are used that can have negative impact on the Group's functioning, the financial results may change. What can be especially detrimental to the operations of the Group is the reduction in capital expenditure in economy, slowdown in GDP growth dynamics, more restrictive fiscal and monetary policy of the state.

The basic risks affecting virtually all the entities of STALPROFIL S.A. Group, irrespective of the sector of operations, are as follows:

Foreign exchange risk related to significant changeability of moods in the financial and capital markets,

In connection with the realized export sales and purchases of imported products in foreign currencies (mainly in EUR), the Group entities are exposed to the foreign exchange risk that may have a negative impact on the realized sales margins. In order to reduce this risk, the companies (mainly STALPROFIL S.A. and IZOSTAL S.A.) secure their currency transactions using natural hedging and forward transactions for securing their open position, as well a purchase of options.

Fluctuation of foreign currency exchange rates affect the intensity and profitability of foreign exchange on the steel products market, and prices of steel products on the domestic market. Weaker zloty in principle restricts the activity of steel importers protecting the market against over-supply and - also - price decreases. Whereas the strengthening of the Polish zloty leads to increase of imports, and in consequence to a drop in prices of steel products on the domestic market. Steel producers take these dependencies into account when determining prices for domestic customers.

Interest rate risk and risk related to other loan service costs,

Using bank loans, the Group entities are exposed to the risk of changeable interest rates. In 2014 IZOSTAL S.A. utilized the security on part of its credit exposure by concluding the IRS transaction. Other Group entities did not use any instruments to secure themselves against the change in interest rates in 2014, however, they monitor the market on an ongoing basis and diversify the funding sources.

Liquidity risk, risk related to the limitation of access to borrowing sources, mainly loans,

Companies belonging to the capital group partially finance their operational and investment activity with bank credits and leasing. Restricted access to external borrowing could have a negative effect on results recorded by the Group's companies, and their financial liquidity.

To prevent the risk of losing financial liquidity, the Group keeps its net working capital at a proper level, continuously monitors and optimizes the level of receivables and liabilities and keeps an optimum level of credit limits. In the past crisis years the Company showed high resistance to problems affecting the economy, such as difficult access to borrowing sources, payment backlogs and difficulties with financial liquidity.

Trade credit risk,

Due to postponed payment terms, Group entities are exposed to the risk of the trade credit. In order to limit that, the Group regularly analyzes the rating of its customers in cooperation with three insurance companies, with whom relevant insurance agreements were concluded.

The dominant majority of the Group's receivables have the insurance cover. In case of cooperation with a customer, for whom no limit was granted by the insurer, STALPROFIL S.A. Group entities try to obtain other "hard" securities for the trade credit.

Risk of seasonal decrease in revenues in case of very unfavorable weather conditions (e.g. severe winters),

Generally speaking, seasonality has no significant impact on the sales results of the Group. In normal weather conditions the Group compensates for the drop of demand for steel, mainly in construction industry in winter, through its periodic remodeling of the sales offer. STALPROFIL S.A. estimates that 14% of its sales is directed to entities directly related to the construction market .

Seasonal drop in sales resulting from exceptionally unfavorable weather conditions (frost, heavy precipitation etc.) may have a negative impact especially on the level of revenues in the infrastructural sector of transmission networks, including mainly the gas pipelines construction sector.

As STALPROFIL S.A. Group operates in different segments, it is exposed to the following risks, typical of each of the segments.

10.1 Important risks and threats for the segment of sales in the steel sector

Risk connected with steel market volatility related to changeable prices and demand for steel.

Results of the steel sector are influenced to the biggest extent by the state of the domestic and EU economies which are the Group's sales markets. It has direct effect on the economic situation on the steel market, and thus on the sales volumes of steel products and margins obtained. Year 2014, and particular its first half was characterized by a poor market situation on the steel products market resulting from falling prices and reduced market consumption. The situation in the steel market improved in the second half of 2014.

There is still a risk related to the current situation on raw material markets which may have a negative impact on the steel market. Despite forecast increase in apparent consumption of steel in 2015, what may hinder a significant increase of steel products prices on global markets may be the continued fall of raw materials prices used for the production of steel (incl.: iron ore and coking coal).

Surplus production capacity in European steel industry and its lower competitiveness, particularly in comparison with Asian and South American economies remain a significant risk factor for prices on the steel market. The activity of Chinese exporters may result in an inflow of cheaper products from the East into the European market.

Company's resistance to any potential market recession is significantly reinforced by its centralized distribution system which generates relatively low fixed costs. The Group, with appropriate capital resources and a rich commercial offer is prepared to function in volatile conditions in the steel market.

Risk of intensified imports of cheaper steel products to the domestic and European markets.

An important risk factor for the future situation in the steel market is the situation in the financial markets, especially in the forex market. Significant foreign exchange fluctuations observed influence profitability and intensity of foreign transactions, as well as price relations in the domestic market. For example, significant appreciation of PLN against EUR may lead to an increase in the imports of steel products, being then price competitive, and thus lead to a decrease in domestic market prices. On the other hand, weak PLN results in an increased activity of exporters and stimulates price increases. Group entities monitor pricing trends in the steel market on an ongoing basis, adapting their purchasing and stocks levels to the current market situation.

Other factors that may increase the inflow of cheap steel products into the European markets include weaker rouble and expansion of Chinese producers who are facing lower consumption in their domestic market.

Risk of getting dependent on major steel products manufacturers, including ArcelorMittal Group.

Major suppliers of STALPROFIL S.A. Group include ArcelorMittal Group only. The value of steel products and semi-finished products purchased from ArcelorMittal in 2014 made up for 39% of the total purchasing cost of the Group and has remained at a similar level in the recent years. The leading market position of ArcelorMittal Group in Poland (with its subsidiary entity, ArcelorMittal Poland S.A., being the major shareholder of STALPROFIL S.A., holding 32.68% of votes at the General Meeting of the Company, and a 70% share in the domestic production of steel), makes it a major supplier of steel products for the leading steel distributors in Poland, including STALPROFIL S.A. Group. Company's cooperation with ArcelorMittal is based on arm's length conditions.

As for the other part of supplies, the Group has a very diversified portfolio of suppliers, which finds confirmation in the fact that turnover with none of their suppliers exceeded 10% of purchasing costs in the analyzed period.

Contract risk related to trading in steel products

It is not fully possible to completely eliminate the commercial risk related to the conclusion of transactions with entities whose financial standing cannot be assessed in full and which can suddenly lose their insurance limits and access to their funding sources. Any potential influence of worse liquidity in the market in the recession period should be mitigated thanks to good cooperation of the Group with banks and companies insuring trade credits.

Risk related to VAT fraud practices followed by dishonest entrepreneurs

Entrepreneurs dealing in production, distribution and processing of steel products are exposed in their business dealings to activities performed by dishonest entities which commit tax frauds. The VAT fraud procedure based on the introduction of cheap goods not subject to VAT disorganized the market and as a result in certain assortments the steel distribution market has been dominated by law-abusing or illegal entities.

On October 1, 2013 the amended Act on VAT came into force with the aim of preventing illegal practices mentioned above. The introduction of obligatory VAT reverse charge mechanism significantly reduced the number of entities evading VAT in steel trading and offering underpriced products.

The Group follows principles of responsible and reliable trade, however it is aware of the risk related to the transfer of consequences, including tax consequences, of the actions of dishonest entities on entities which do legal and honest business on the market.

Other threats:

- risk of increased competition from strong distribution groups, including domestic and foreign manufacturers,
- risk of getting dependent on the political decisions of state government authorities or EU institutions and their influence on the national economy,
- risk related to unstable legislation, including unstable legal and fiscal systems.

10.2. Important risks and threats for the segment transmission networks for gas and other utilities

Risk of the gas sector limiting orders for pipe supplies and construction of gas pipelines

What will have the key impact on the financial results of STALPROFIL S.A. in the infrastructural sector of transmission networks will be the growth dynamics of this market i.e. investments in the gas sector, current and future, financed mainly by OGP Gaz-System S.A. and PGNiG S.A. The specificity of conducting investments in this market i.e. the division of a long-term development plan into perspectives/investment stages, results in a lack of new tenders and orders for the supply of pipes and construction of gas pipelines in the years ending the previous and starting the next perspective. This risk of a long-term reduction in the number of orders for supply of pipes and construction of gas pipelines is mitigated by the strategy of diversifying gas supply sources adopted by Poland and by restrictive regulations imposed by the EU

regarding environment protection and CO2 emission. These factors somehow enforce the implementation of large gas and petroleum sector investments in Poland, which make it possible to increase the level of products sold and become independent of supplies from the East. Moreover, the risk of limited orders for the supply of pipes and construction of gas pipelines is limited by the necessity to promptly utilize EU funds allocated for the extension of gas transmission network.

Risk related to assuring the quality of products and services offered

The customers for the products and services offered by the Group are entities operating in the gas and petroleum sectors, which are characterized by high quality requirements. Failure to keep quality requirements entails the risk of paying penalties defined in contracts concluded in this market.

Requirements imposed on contractors who construct gas pipelines are very restrictive and hard to fulfill. Requirements set by GAZ-SYSTEM S.A., the key player in this market allow only contractors with relevant competencies (adequate experience in the construction of pipelines for the transmission of liquid or gaseous fuels), human resources (an adequate number of welders, operators of welding equipment and welding specialists which fulfill requirements of relevant standards), technical potential (cranes, diggers, draining equipment), and sufficient capital (confirmed having funds or creditworthiness at the level corresponding to a half of the contract's value).

The quality of services offered by the Group is assured by the implemented and observed principles underlying the Quality Management System and products' compliance certificates confirming that they have been approved for use in the construction industry, issued and supervised by the authorized certification authorities who confirm the fulfillment of requirements. Coating produced by the Group and contractor services related to pipelines meet the requirements of the top quality standards. However, there is no possibility to exclude the occurrence of a breakdown resulting from a design or human error.

Risk of getting dependent on customers

Due to the structural characteristics of the Polish gas market, companies from the infrastructural segment are indirectly dependent on PGNiG S.A. (prospecting for, extraction, sale and distribution of gas) and O.G.P Gaz-System S.A. (operator of the transmission system), as well as on the investments planned and implemented by these companies. Due to the change in the pipes purchasing policy by the above-mentioned entities, the Group sells part of its products directly to these companies. In addition to direct sales, mainly to OGP Gaz-System S.A., the Group provides services to the companies being contractors or subcontractors of investments.

To minimize the risk, the Group searches for additional sales markets, both in Poland (private gas companies) and abroad. Examples of such a market comprise petroleum market and road sector.

Contract risk related to participation in the implementation of long-term infrastructural contracts on the gas market

While extending the scope of activity on the gas market with respect to the construction of transmission networks, the Group's entities, being members of consortia and guarantors, are exposed to the risk related to the performance of those contracts. The risk is also related to a performance bond and a guarantee covering the repayment of advance payments, issued at the request of companies belonging to the Group and received by the leader of the consortium, the beneficiary of which is OGP Gaz-System S.A. Furthermore, companies belonging to the Group, being members of executive consortia and parties requesting the issue of the above-mentioned performance bond, also bear the risk of contractual penalties for a delay in the performance of contracts, for delays in the removal of defects, including defects identified during the period covered by the quality guarantee or warranty. The extended deadline for the performance of the contract increases the risk of contractual penalties.

It is not possible to fully eliminate unexpected risk beyond the control of an entity performing a contract, such as design errors, works performed in difficult weather conditions and in a difficult area, additional scope of works not included in the cost estimate etc. The more so that the budget of the contract won in public tender proceedings based on the criterion of the lowest price, might not include sufficient provisions for the occurrence of the above-mentioned unforeseen events.

The performance of long-term contracts also creates the risk of margin adjustment during its performance. When a margin is corrected on the whole contract, it becomes necessary to adjust the current result to the level of adjusted margin. The final return on the project may significantly differ from the level assumed at the stage of bidding and the first executive budget. Estimation of margin on the entire contract requires periodic adjustment of the estimated level of revenues and costs according to the advancement of works, based on a correct flow of information. The Group implements procedures and tools supporting the bidding process, budgeting, regular control of costs and contracts advancement.

Significant risk is also related to the timely performance and the quality of works entrusted to subcontractors whose production potential and financial situation may be inadequate to requirements arising from contract performance. Furthermore, there is a risk of deteriorated standing of subcontractors during the performance of works under a long-term contract.

Risk of changeable prices of production resources

Profitability of anti-corrosion coating services provided by IZOSTAL S.A. depends on the changes in the prices of production resources, including mainly prices of chemical agents, polyethylene and polypropylene in particular. Share of these resources in the cost structure is around 20%. Prices of chemical raw materials are highly correlated with oil prices in global markets, which may be subject to fluctuations due to the current political and economic situation. Aforesaid cost factors may contribute to periodic deterioration of the Issuer's financial results and profitability levels obtained.

To mitigate the risk of changeable prices of production resources, the company follows the strategy of diversifying their sources through cooperation with several entities at each production stage.

Risk of changeable prices of steel pipes

Steel pipe price in the product "coated steel pipe" is around 70% of the product's value. Fluctuations in steel pipes market have influence on Company's margins and results. In order to avoid the risk of changeable prices of steel pipes, the Issuers optimizes its stock levels adapting them to the scope of operations. In special cases, steel pipes are purchased at current prices for restocking purposes in the volumes that let the Company sell goods with profit. As for the purchasing of pipes for large projects, the Issuer negotiates prices with suppliers and concludes contracts that make it possible to maintain the negotiated price irrespective of the situation in the steel market.

Changes in pipes prices can influence the Company's revenues and profitability, both in the core coating segment and in the sale of goods. The Company secures itself against changeable prices in specific contracts and in the short term fluctuations in pipes' prices have limited impact on the profitability of specific contracts. Anyway, on a long-term basis it is good for the Company if pipes prices are high (at the revenues and margin levels), and the decrease in pipes prices may have influence on the decrease in revenues and profits on the sale of pipes.

11. Outlooks for development of operations of STALPROFIL S.A. Group

Prospects for the development of steel industry and steel products distribution sector in 2015 should be considered optimistic.

Forecast production growth in steel-consuming sectors of domestic and European economies should have a positive effect on the demand and stabilize prices of steel products in 2015. According to the most recent EUROFER forecasts, in 2015 a recovery may be expected in the European steel market as all steel-consuming sectors will record an average production growth of 2.2%. Steel consumption will increase as a result of the production increase in steel-consuming sectors. According to February EUROFER forecasts, apparent steel consumption in EU in 2015 will grow by 1.9% against 2014 and will reach 149 million ton, and in 2016 apparent steel consumption in the EU will grow by 2.6% up to the level of 152 million ton.

Thanks to planned big infrastructural investments financed under the new EU budget perspective, Polish market should grow faster than EU market. According to the Polish Steel Association, in the next 3 or 4 years a stable increase in steel consumption of 3-5% per year should be expected. The Polish Steel Association estimates that apparent consumption of steel in Poland in 2014 reached 12.1 million ton i.e. the same volume as in the record year 2007.

Development of economic situation in Poland and in the euro zone, as well as the political situation in Ukraine and Russia are still a source of risk. EU restrictions imposed on Russia have led to an economic slowdown in EU, including Germany, which may in consequence result in a decrease of deliveries from

Poland to EU countries, including deliveries from sectors consuming steel products (engineering industry, metal industry).

There is still a risk related to the current situation on raw material markets which may have a negative impact on the steel market. Despite forecast increase in apparent consumption of steel in 2015, what may hinder a significant increase of steel products prices on global markets may be the continued fall of raw materials prices used for the production of steel (incl.: iron ore, coking coal). Prices recorded at the turn of 2014 and 2015 do not indicate a dynamic reversal of the falling tendencies in scope of steel products prices in 2015, however the market is more optimistic when it comes to demand which should at least stabilize prices.

Surplus production capacity in European steel industry and its lower competitiveness, particularly in comparison with Asian and South American economies remain a significant risk factor for the long-term situation in the steel market. The activities of Chinese exporters are also a threat to the expansion of European producers.

Moreover, possible periodically increased fluctuation of exchange rates may have a direct impact on the profitability and activity of foreign exchange and price relations in the domestic market.

The Company expects that in the following quarters of 2015 the demand for steel will be generated mainly by the private sector, whereas the big infrastructural investments, financed with funds from the new EU perspective (for the years 2014-2020) will be launched only at the end of 2015. Considerable improvement and intensified demand for steel products should be expected next year.

Despite the fact that the forecasts are burdened with risk, growth outlooks for the steel sector and steel products distribution sector in the years 2015 - 2016 should be considered optimistic.

Given the forecast in steel consumption, STALPROFIL S.A. Group will be even more determined in pursuing strategic targets set for the steel segment. A key objective is to intensify steel product sales, increase the market share in steel distribution, and thus reinforce the Group's position among the largest Polish distributors of steel products. Company's competitive advantage lies in a centralized distribution system, preferred by the Company, characterized by higher efficiency and lower fixed costs of operations than is the case for decentralized networks. For this reason, the Group is not planning to take over and create next sales venues for steel products in addition to the ones already operating in the parent company or the subsidiaries.

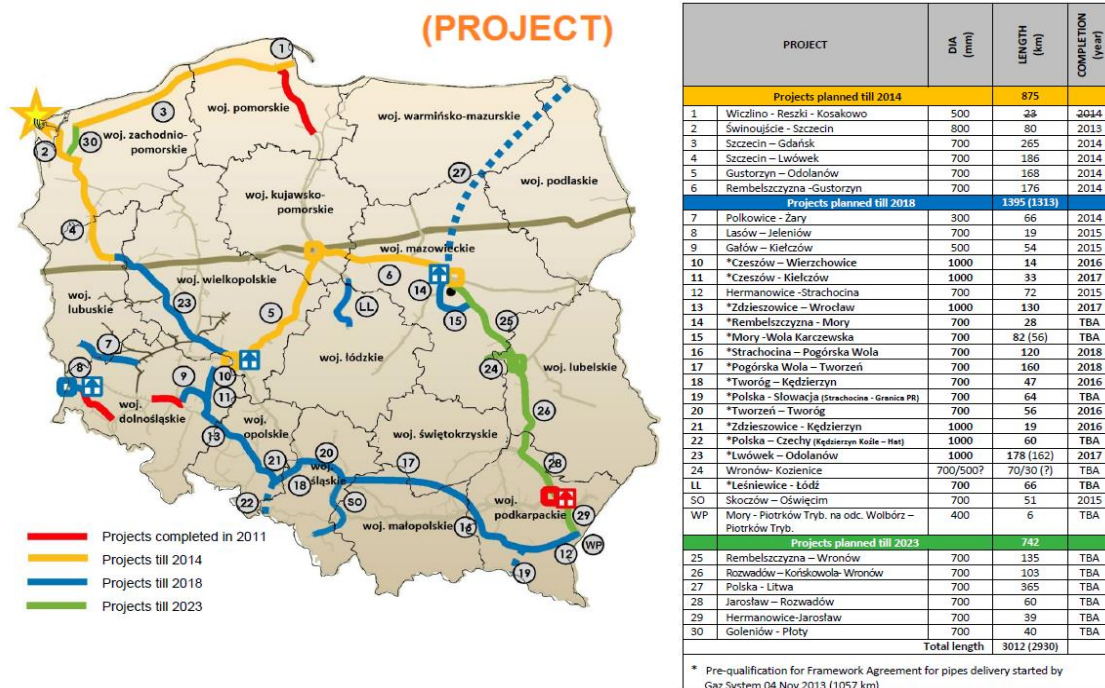
An important element in the actions taken is the continuous improvement of the quality of customer service and the product mix and goods offered, with continuous optimization of stock levels. It is possible thanks to the investments in commercial warehouses, mainly in Katowice-Panewniki, already implemented in the previous years. This investment improved the logistics and significantly increased the storage capacity of this warehouse in future. This investment will also make it possible to increase sales of high-margin steel products sensitive to corrosion from this warehouse.

The Group develops cooperation with a growing group of suppliers, including mainly domestic and foreign producers. A rich product mix offered from different sources, as well as reasonable warehouse management, ensure competitive advantage for the Group, which is able to provide comprehensive service to the buyers of steel products.

STALPROFIL S.A. Group puts special emphasis on the development of the sector related to transmission networks due to optimistic forecasts concerning the growth of this market in the coming years. Favorable outlooks for this market are confirmed by planned projects related to the modernization and construction of the domestic gas network, as well as EU policy of creating an integrated transmission network for natural gas, improving security of gas supplies on the entire territory of the European Union and the creation of a common European energy market.

Trends expected by the Company as regards further development of the domestic gas market were confirmed by OGP Gaz-System S.A. when in Q4 2013 it announced a tender aimed at selecting suppliers and concluding further frame contracts for the supply of coated pipes for major investment projects. The contracts will be related to supplies of approx. 1.057 km of DN 700 and DN 1000 pipes, with internal and external coating, for the construction of transmission gas pipelines. The Management Board is of the opinion that the Group's chances of participating in those investments are high, both when it comes to supplies of coated pipes and gas pipelines construction by ZRUG Zabrze.

Fig. 1 Planned investments in the gas sector in the years 2014-2023 (source OGP Gaz – System S.A.)



Significant changes in the transmission market started in 2009 and their first stage involved construction of LNG terminal in Świnoujście and its connection to the transmission system, including the necessary development of the transmission system. The development plan for the years 2014-2023 prepared by OGP Gaz-System S.A. assumes two more perspectives of investment activities aimed at achieving the following goals:

- 2018 perspective will include the most crucial investment tasks being part of the North-South corridor expected to ensure conditions facilitating the creation of a regionally integrated gas market in Central and Eastern European states.
- 2023 perspective will include the completion of modernization works on the domestic transmission system in Eastern Poland, and will provide conditions for the integration of Baltic states' market with the market of Central and Eastern European states.

The plans described above ensure significant demand for coated gas pipes, and taking into account the fact that in 2023 over 60% of gas pipelines will be over 36 years old and will require modernization and replacement, there will be huge opportunities in this market in the future. Considerable demand for the construction of new gas pipelines and replacement of the existing gas pipelines comes also from Polskie Górnictwo Naftowe i Gazownictwo S.A. It plans to spend PLN 3.8 billion for this purpose over the next 6 years for the construction of 1.5 thou. km of distribution gas pipelines.

The prospective infrastructural market of transmission networks for gas and other utilities is now at a stage between the I investment perspective for the years 2009-2014, which is coming to an end, and the new perspective for the years 2014-2018. The specific conditions of managing investments in this market allowing for a division of the long-term development plan into investment perspectives results in a lack of new tender procedures for the supply of pipes and construction of gas pipelines in the years in which a

perspective ends and a new one begins. It affects results and condition of companies servicing this market, mainly those which do not have sufficient capital resources or do not have a sufficiently diversified commercial offer, the more so that the recent years were not plentiful years for construction companies from the gas sector. The lowest-price criterion and big competition during tender procedures has considerably decreased profitability of this sector and eliminated a number of entities from that sector. All this indicates that the list of domestic construction companies which may participate in the new investment perspective of Gaz-System (2014-2018) and investments planned by Polska Spółka Gazownictwa, which belongs to PGNiG S.A., will be very limited. The involvement of foreign entities on the Polish gas pipelines construction market is also hard to determine. Generally due to the specificity of the Polish market, including high tender-related requirements, complicated formal procedures, lower personnel costs etc., foreign contractors try to look for a possibility of alliance with Polish companies with references, at the same time reducing high costs of entering our market. Thus the limited number of Polish companies with the required references and construction competences, which are still on the market, reduces competition and creates a possibility that the profitability of this sector will be higher in the future.

STALPROFIL S.A. Group has adequate capital resources and through its subsidiaries, IZOSTAL S.A. and ZRUG Zabrze S.A., it is already prepared to service this market, both in scope of supplies of steel pipes with anticorrosive coating and construction of gas pipelines.

III. ANALYSIS OF BASIC ECONOMIC AND FINANCIAL INDICATORS

1. Description of factors and events influencing financial results of STALPROFIL S.A. Group

A key factor affecting results of STALPROFIL S.A. Group are the economic conditions in the domestic and the European steel distribution and gas transmission networks markets.

Year 2014, and in particular its first half, was a difficult period for steel distributors. Continued price decreases of raw materials used for the production of steel (incl.: iron ore and coking coal), resulted in a drop in steel products prices. Such a situation in turn had a negative effect on the margins obtained on steel sales.

Additionally, the limited liquidity of entities representing the steel distribution sector and the co-operating sectors resulted in frozen insurance limits which had a negative impact on the volume and security of commercial transactions. It was only in H2 of 2014 that the market situation returned to normal. Improvement of the economic situation resulted in an increased demand for steel products and slight increase in prices of individual products. This made it possible to obtain better commercial margins.

Equally difficult situation prevailed in the steel structures market where the other representative of the steel segment i.e. KOLB Sp. z o.o., operates. Big competition in the market has a negative impact on the profitability of production activity and sales of steel structures. However, the company found a new market niche. In 2014 KOLB Sp. z o.o. extended its core business involving production and assembly of steel structures with comprehensive implementation of investments based on general contracting of large-size facilities (without residential premises), and maintained its commercial activity involving sales of steel

products. Diversification of activity increases security of operations and stabilizes financial results generated by KOLB Sp.z.o.o.

In 2014 activities of OGP Gaz-System S.A. and PGNiG S.A., being the major recipients of products and services, in the infrastructural sector of transmissions networks were focused mainly on the engineering stage and on tender procedures aimed at selecting suppliers of coated pipes for the needs of the next investment perspective. At the beginning of 2014 IZOSTAL S.A. took part in a tender organized by OGP Gaz-System S.A. related to concluding a frame contract for the supply of 1.057 km of DN 700 and DN 1000 pipes with external coating and internal anticorrosive protection. The budget of expenditure for this investment, estimated by OGP Gaz-System S.A., is PLN 4.4 - 5 billion. On November 20, 2014 IZOSTAL S.A. received information that OGP Gaz-System S.A. selected a bid made by the consortium consisting of IZOSTAL S.A. (leader of the consortium), and STALPROFIL S.A., as one of the most favorable offers in the tender aimed at concluding a Frame Contract for the supplies of pipes for investment projects implemented by OGP Gaz-System S.A. IZOSTAL S.A. is now waiting for signing the frame contract. Therefore a significant increase of IZOSTAL S.A. sales to OGP Gaz-System S.A. is highly probable in 2015.

What had a negative impact on the Group's results was the activity of ZRUG Zabrze S.A. and mainly the construction of gas pipeline DN 700 Szczecin-Gdańsk of the length of 204 km. The contract is now in the final stage of its implementation. In view of the extended deadline for the completion of the contract, ZRUG Zabrze S.A. concluded with OGP Gaz-System S.A. an annex to the contract for the construction of this gas pipeline which postpones the final acceptance of the investment till December 22, 2014. Following the expiry of this deadline, ZRUG Zabrze made another request for extending the deadline which is now being considered by OGP Gaz-System S.A. The extension of the date set for the completion of the contract was justified by ZRUG Zabrze S.A. with:

- the necessity to remove errors or modify the engineering documentation,
- the necessity to perform additional works which were not originally planned to be performed as part of the task,
- unforeseen difficulties related to the fact that the works are performed in difficult conditions.

As the original deadline for the completion of the abovementioned gas pipeline was postponed, and risks that were not taken into account in the contract's budget actually materialized in Q4 2014, the profitability of the contract significantly differs from what was originally assumed. The impact of extending the date for contract completion on the Group's financial results was presented in item III.2. „*Description of basic figures disclosed in the comprehensive income statement.*”.

Aware of the risks related to the performance of other long-term contracts under the new investment perspective planned by Gaz-System, ZRUG Zabrze S.A. launched a thorough restructuring program in 2014, aimed among others on:

- improving the efficiency of long-term contract management through
 - improvement of the operational and financial control of long-term contracts,
 - implementation of IT tools, including ERP system, improving cost controlling and monitoring of the works' status.

The financial and operational model for the controlling of long-term contracts, which is now being implemented, facilitates:

- monthly assessment of the degree to which long term-contracts are advanced as regards facts and costs,
- current estimation of revenues and costs remaining until the completion of contracts,
- valuation of contract risks,
- current assessment of contracts' total profitability and their impact on the Group's financial result.
- monitoring cash flows for individual contracts.

New solutions are also aimed at controlling the efficiency of the use of the company's resources and control of settlements with sub-contractors and investors. The implementation of the new system will support the orientation of the entire organization, and in particular the management of contracts, on keeping project budgets and generating the expected results with respect to individual contracts.

- adjusting the employment level and structure to the orders portfolio held and reducing remuneration costs through amendments to collective labor agreements.
- real properties restructuring;
 - On 15.01.2015 the Company concluded a preliminary agreement on the sale of real property located at ul. Pyskowicka in Zabrze for the price of PLN 1 200 thou., at the same time leasing the real property to the future owner which is aimed at reducing costs related to the maintenance of this real property and obtaining cash for current operations.
 - In Q4 the Company separated and converted part of the real property at ul. Magazynowa in Zabrze into an investment real property in the meaning of IAS 40. Thanks to a good location (close to A1 highway, industrial area), and the functional properties, the separated investment real property may be rented or sold by the Company.

The factor which has a significant impact on the profitability of steel trading in exports and on the profitability of imports of steel pipes used by the Group, is the relation between EUR and PLN. For the greater part of 2014, the volatility in the currency market remained at a moderate level (EUR/PLN fluctuations were close to 17 grosz). It was only after the announcements of the European Central Bank related to the quantitative easing in the EU that the EUR/USD rate weakened significantly and in consequence USD to PLN rate became significantly stronger. At the end of the year PLN became significantly weaker than the main currencies, including EUR, which the Company uses in trading. As a result of the above, the discrepancy between the extreme levels of EUR/PLN in entire year 2014 increased up to 30 grosz. The strategy of forex risk hedging applied by the Company was effective - exchange rates differences related to settlements with customers were balanced with exchange rate differences on hedging instruments used.

2. Description of basic figures disclosed in the comprehensive income statement.

In 2014 STALPROFIL S.A. Group generated sales revenues in the amount of 740,192 kPLN i.e. 18% less than in 2013. This drop was related mainly to worse results achieved in 2014 by the infrastructural sector of gas transmission networks where sales revenues fell by almost 37%. On the other hand, revenues of STALPROFIL S.A. Group in the steel segment increased in 2014 by over 2%, partly mitigating the drop in total revenues.

Table 29 Financial results in STALPROFIL S.A. Group's core business sectors for 2014 and 2013 (in kPLN)

| STALPROFIL S.A. Group | 2014 | | | 2013 | | |
|---|--|---|----------------|--|---|----------------|
| | Sales, processing and services in steel market | Infrastructure of transmission networks for gas and other utilities | Total | Sales, processing and services in steel market | Infrastructure of transmission networks for gas and other utilities | Total |
| Sales revenues | 448 047 | 292 145 | 740 192 | 437 876 | 462 775 | 900 651 |
| share in total revenues | 60,5% | 39,5% | 100,0% | 48 6% | 51,4% | 100% |
| Internal sales cost | 410 792 | 289 180 | 699 972 | 403 740 | 419 071 | 822 811 |
| Gross sales profit | 37 255 | 2 965 | 40 220 | 34 136 | 43 704 | 77 840 |
| gross profit to total sales | 92,6% | 7,4% | 100,0% | 43,9% | 56,1% | 100,0% |
| Sector's operational profit/loss | 9 268 | (15 779) | (6 511) | 5 599 | 21 038 | 26 637 |

As a result of lower sales revenues and the operating loss recorded by ZRUG Zabrze S.A., the Group's operating results were significantly lower than in 2013.

It must be mentioned that the operating result of the steel segment for 2014 improved considerably against 2013 as it increased by over 65%.

However, the results of ZRUG Zabrze S.A. recorded in the infrastructural sector resulted in a consolidated operational loss for the Group. The reason for operational losses suffered in 2014 in the infrastructural sector was the deterioration of the results on the contract for the construction of gas pipeline Szczecin-Gdańsk (stages II-IV), as a result of:

- the occurrence of risks in Q4 which were not taken into account in the contract's budget, incl.:
 - the necessity to perform additional works not foreseen in the project, the cost of which was not covered in full by Gaz-System,
 - the necessity to make a number of corrections with respect to works performed by contractors (it was not possible to cover the cost of corrections fully by the contractors themselves or with cash deposits kept as a performance bond),
- cost increase resulting from the extension of the deadline for the completion of construction works, incl.:
 - costs of longer use of internal and external resources for the performance of the contract and costs of maintaining the building technical facilities,

- costs of extending contract guarantees and repayment of advance payment and insurance.

Increased costs of completing the above-mentioned contract resulted in the fact that it will be finalized have a negative margin. Verification of the contract margin made it necessary for the 2014 result to include the forecast loss on the contract in the full amount, and adjustment of the result of ZRUG Zabrze S.A. by the margin included therein in the previous periods.

As a result of the adjustment of the expected margin on the abovementioned contract, and creation of provisions for liabilities and write-offs for receivables, ZRUG Zabrze S.A. recorded a negative financial result for 2014 which in consequence decreased the Group's consolidated net profit for shareholders of the parent entity by the amount of PLN 14,205 thousand. The Group's EBITDA¹ was positive and reached 4 763 kPLN.

In 2014 the Group recorded a negative result on financial activity i.e. (7) kPLN against the loss of (1 276) kPLN in 2013. This result was mainly impacted by lower interest on credits which reached 1 007 kPLN. As a result the consolidated net result per shareholders of the dominant entity was (-4 849) kPLN against the profit of 14 954 kPLN in 2013.

The net results was made realistic by making revaluation write-offs for the Group's working assets.

Table 30 Selected items of the statement of comprehensive income of STALPROFIL S.A. Group (kPLN)

| | 2014 | 2013 | 2014/2013 dynamics |
|--|---------|---------|--------------------|
| I. Net revenues from the sale of products, goods and materials | 740 192 | 900 651 | 82% |
| II. Costs of products, goods and materials sold | 699 972 | 822 811 | 85% |
| III. Gross sales profit (loss) | 40 220 | 77 840 | 52% |
| IV. Operating profit (loss) | (6 511) | 26 637 | |
| V. Gross profit (loss) | (6 518) | 25 361 | |
| VI. Net profit (loss) for business year, assigned to: | (5 752) | 20 414 | |
| Shareholders of parent entity | (4 849) | 14 954 | |
| Minority shares | (903) | 5 460 | |
| EBITDA | 4 763 | 37 513 | 13% |

3. Description of basic figures disclosed in the financial position report.

In 2014, the balance sheet amount increased by over 1% against the end of 2013, which shows that the growth dynamics of STALPROFIL S.A. Group became stable.

The following significant changes were observed in assets at the end of 2014 as compared to the end of 2013:

¹ EBITDA in the meaning of operating result plus depreciation and amortization

- Tangible fixed assets increased by approx. 0.5%. Investments completed were described in item II-9.
- As on 31.12.2014 the Group's fixed assets showed the item: investment real properties where the fair value of two real properties owned by ZRUG Zabrze S.A. was disclosed. The first of these properties is a separated part of developed land property located at ul. Magazynowa 6 in Zabrze. In the previous periods it was used for activities related to steel products sales (net value of this real property as on 31.12.2014 is 5 529 kPLN). The other real property is a developed land property located at ul. Pyskowicka 23 in Zabrze which includes and administrative and office building, workshop building and the right to perpetual use of land (net value of this real property as on 31.12.2014 was 1 200 kPLN). The Company concluded a preliminary agreement on the sale of this property. In 2013 this real property was shown in item "assets for sale".
- Stocks increased by 30 175 kPLN i.e. by 21% which results from the normal operational cycle of the Group's companies (in the corresponding period of 2013 the Group's stock levels were exceptionally low due to delays in the fulfillment of steel products supplies). The increase resulted mainly from the increase in stocks: by 13 165 kPLN in STALPROFIL S.A. and by 17 970 kPLN in IZOSTAL S.A. and a decrease in stocks in the remaining companies of the Group by approx. 960 kPLN.
- Receivables on account of supplies and services fell by 3 298 kPLN mainly due to lower income generated by the Group's companies in the accounting year.
- There was a drop by 22 424 kPLN in the value of short-term prepayments which results mainly from the fact that ZRUG Zabrze S.A. included in this item a lower value of completed but not yet invoiced works related to the performance of the contract for the construction of gas pipeline Szczecin – Gdańsk.
- The Group's cash level fell by 2 471 kPLN which was mainly caused by the decrease of cash by 6 133 kPLN in IZOSTAL S.A. and by 806 kPLN in ZRUG Zabrze S.A., and cash increase in STALPROFIL S.A. by 4 385 kPLN. This item is highly changeable and depends among others on the current payment needs of the Group and dates of performing WTT transactions.

Table 31 Selected items of the financial position report - assets

| | 31.12.2014 | 31.12.2013 | 2014/2013 dynamics |
|--|----------------|----------------|--------------------|
| Fixed assets | 252 444 | 245 580 | 103% |
| Tangible fixed assets | 226 294 | 225 084 | 100% |
| Investment real properties | 6 729 | | |
| Goodwill | 3 816 | 3 816 | |
| Other intangible assets | 691 | 419 | 165% |
| Deferred income tax assets | 14 722 | 16 003 | 92% |
| Long-term receivables and prepayments | 192 | 258 | 74% |
| Current assets | 380 548 | 379 549 | 100% |
| Inventory | 173 648 | 143 473 | 121% |
| Short-term receivables and prepayments, including: | 196 157 | 222 292 | 88% |
| Receivables on account of supplies and services | 148 354 | 151 652 | 98% |
| Prepayments | 41 075 | 63 499 | 65% |
| Other receivables | 5 972 | 6 050 | 99% |
| Receivables on account of income tax | - | 62 | |
| Currency derivatives | 292 | 49 | 596% |
| Cash and cash equivalents | 10 451 | 12 922 | 81% |
| Long-term assets classified for sale | - | 751 | |
| Total assets | 632 992 | 625 129 | 101% |

The following changes occurred in the Group's liabilities at the end of 2014 (Table 32) as compared to the end of 2013:

- Equity fell by 8 476 kPLN i.e. by approx. 2.5% mainly due to:
 - decrease of profit from previous years and the current year by 17 285 kPLN where results of companies belonging to STALPROFIL S.A. Group were adjusted by dividends paid,
 - the increase of item: minority shares by 2 234 kPLN mainly as a result of the acquisition by IZOSTAL S.A. of shares in the increased capital of ZRUG Zabrze S.A.
 - increase of spare capital thanks to the accumulation of a part of net profit generated by STALPROFIL S.A. in 2013 in the amount of 6 164 kPLN.
- The level of long-term credits increased by 16 388 kPLN due to bigger utilization of long-term credits by companies belonging to the Group (incl.: IZOSTAL S.A. by 10,210 kPLN, STALPROFIL S.A. by 4,346 kPLN and KOLB Sp. z o.o. by 1,832 kPLN)

- There was an increase of the Group's short-term financial debt (short-term credits and short-term part of long-term credits) by 6,398 kPLN.
- The Group's total liabilities on account of advance payments fell slightly as this item decreased in all companies belonging to the Group, except for advance payments related to gas pipelines' construction and assembly services (41,8 million PLN net advance payment for ZRUG Zabrze S.A. from Gaz-System S.A.), the value of which did not change.

Table 32 Selected items of the financial position report - liabilities

| | 31.12.2014 | 31.12.2013 | 2014/2013 dynamics |
|---|----------------|----------------|--------------------|
| Equity, including: | 333 737 | 342 213 | 98% |
| Share capital | 1 750 | 1 750 | |
| Share premium | 8 000 | 8 000 | |
| Reserve and spare capital | 192 064 | 185 900 | 103% |
| Reserve capital from revaluation of assets | 376 | (35) | |
| Retained and current profit | 64 672 | 81 957 | 79% |
| Minority shares | 66 875 | 64 641 | 103% |
| Long-term liabilities | 89 723 | 79 921 | 112% |
| Provisions | 676 | 1 354 | 50% |
| Provision on account of deferred income tax | 9 794 | 14 133 | 69% |
| Long-term bank loans and credits | 50 969 | 34 581 | 147% |
| Other long-term financial liabilities | 2 547 | 3 085 | 83% |
| Long-term liabilities and accruals | 25 737 | 26 768 | 96% |
| Short-term liabilities | 209 532 | 202 995 | 103% |
| Provisions | 3 017 | 2 024 | 149% |
| Short-term bank loans and credits | 41 629 | 34 309 | 121% |
| Short-term part of long-term bank loans and credits | 4 887 | 5 809 | 84% |
| Other short-term financial liabilities | 2 366 | 2 362 | 100% |
| Liabilities on account of deliveries and services | 104 294 | 98 868 | 105% |
| Advance payments for supplies | 42 374 | 43 182 | 98% |
| Accruals | 1 209 | 1 823 | 66% |
| Other short-term liabilities | 9 712 | 14 546 | 67% |
| Liabilities on account of income tax | 796 | 296 | 269% |
| Currency derivatives | 44 | 72 | 61% |
| Total liabilities | 632 992 | 625 129 | 101% |

4. Evaluation of financial assets management of Stalprofil S.A. Group

In 2014 the total debt ratio increased by 4%, still it remains at a very safe level. Stalprofil S.A. Group utilizes both short-term and long-term funding sources incl.:

- short and long-term working credits financing the current business activity (all entities belonging to the Group)
- long-term investment loans financing the investments in progress (STALPROFIL S.A., IZOSTAL S.A.)
- additionally, the Group (ZRUG Zabrze S.A.) received an advance payment from Gaz-System, the value of which at the end of 2014 was 41,870 kPLN net.

Table 33 Debt ratios

| Debt | 2014 | 2013 | Δ (2014-2013) |
|-----------------------------------|-------|-------|-------------------------|
| Total debt ratio ² | 47,3% | 45,3% | 2% |
| Debt to equity ratio ³ | 0,90 | 0,83 | 0,07 |

The Group entities diversify credit sources. The cost of loans is based on the variable WIBOR or EURIBOR/LIBOR rate.

IZOSTAL S.A. secures the risk related to WIBOR interest rate based on the concluded IRS transaction. Other entities belonging to the Group do not use any instruments to secure themselves against the change in interest rates, however they monitor the market on an ongoing basis.

Table 34 Liquidity ratios

| Financial liquidity | 2014 | 2013 | Δ (2014-2013) |
|----------------------------|------|------|-------------------------|
| Current ratio ⁴ | 1,82 | 1,87 | -0,05 |
| Quick ratio ⁵ | 0,99 | 1,16 | -0,17 |

Current and quick liquidity ratios of STALPROFIL S.A. Group fell slightly in 2014 against the previous year. Both ratios still remain at a very safe level. Keeping a high level of financial liquidity is an important strength of the Group and it positively influences its safe operation. Another strength of the Group is a significant level of net working capital. The Group has sufficient credit lines to finance trading.

²Total debt to total assets

³Total debt to total equity

⁴Current assets to current liabilities

⁵(Current assets – Inventory) / Current liabilities

Table 35 Working capital management efficiency ratios

| Working capital management | 2014 | 2013 | Δ (2014-2013) |
|--|------|------|------------------|
| Average collection period ⁶ | 74 | 54 | 20 |
| DIO ⁷ | 83 | 70 | 13 |
| DPO ⁸ | 53 | 44 | 9 |
| Net cycle ⁹ | 104 | 80 | 24 |

In 2014, the following ratios became longer in STALPROFIL S.A. Group: DSO, DIO, and DPO. It extended the net cycle by 24 days to 104 days.

What is specific of the sectors in which the Group operates is that the trade receivables cycle is longer than trade payables cycle. It is due to the fact that the market payment terms applied by the suppliers of goods, mainly steel products manufacturers, are usually shorter than the payment terms for the Group companies' customers.

Companies belonging to STALPROFIL S.A. Group are exposed to the merchant credit risk. To reduce it, the creditworthiness of customers is monitored on an ongoing basis in co-operation with insurance companies. As for customers, for whom no limit was granted by the insurer, the Group tries to obtain other "hard" securities.

Table 36 Profitability ratios

| Profitability | 2014 | 2013 | Δ (2014-2013) |
|---------------------------------------|-------|------|------------------|
| Return on sales ¹⁰ | -1,1% | 2,7% | -3,8% |
| Operating profitability ¹¹ | 0,6% | 4,2% | -3,6% |
| Net return on sales ¹² | -0,8% | 2,2% | -3% |
| ROA ¹³ | -0,9% | 3,4% | -4,3% |
| ROE ¹⁴ | -1,7% | 6,1% | -7,8% |

The Group's profitability ratios fell significantly in 2014 against 2013 mainly due to the consequences of extending the deadline for the completion of works under the contract for the construction of the gas pipeline Szczecin-Gdańsk by ZRUG Zabrze S.A., and the decrease of the sales volume of steel pipes coated by IZOSTAL S.A. recorded in 2014. Both these factors affected the Group's profitability.

⁶ (Average receivables for goods and services / Sales income) * 365

⁷ (Average inventory / Costs of products, goods and materials sold) * 365

⁸ (Average liabilities for goods and services / Costs of products, goods and materials sold) * 365

⁹ Collection period + DIO - DPO

¹⁰ Net sales result / Sales income

¹¹ EBIDTA / Sales income

¹² Net result/ sales revenues

¹³ Net result / Average assets

¹⁴ Net result / Average equity

In connection with the realized export sales and purchases of imported products in foreign currencies (mainly in EUR), the Group is exposed to the foreign exchange risk. In order to reduce this risk, Group entities secure their currency transactions using natural hedging and forward transactions, as well as options.

5. Financial results of 2014 against the forecasts published by the company

The Company did not publish any financial results forecasts for 2014.

IV. OTHER INFORMATION.

1. Value of remuneration paid to persons holding management and supervisory functions in STALPROFIL S.A.

Table 37 Salaries of Management Board Members fulfilling their duties in 2014 (in PLN)

| Name and surname | Title | Salary - fixed part | Salary - variable part | Total | Non-cash benefits |
|------------------------|--|---------------------|------------------------|------------------|-------------------|
| Jerzy Bernhard | due for 2014 and paid in 2014, incl.: | 613 997,85 | 257 969,00 | 871 966,85 | 15360,04 |
| | <i>salary on account of holding functions in bodies of</i> | <i>49 547,85</i> | - | <i>49 547,85</i> | |
| | due for 2013 and paid in 2014, incl.: | 53 947,35 | 148 716,00 | 202 663,35 | |
| | <i>salary on account of holding functions in bodies of</i> | <i>4 375,35</i> | - | <i>4 375,35</i> | |
| Henryk Orczykowski | due for 2014 and paid in 2014, incl.: | 475 623,59 | 198 437,00 | 674 060,59 | 7 688,29 |
| | <i>salary on account of holding functions in bodies of</i> | <i>41 432,59</i> | - | <i>41 432,59</i> | |
| | due for 2013 and paid in 2014, incl.: | 41 942,81 | 114 399,00 | 156 341,81 | |
| | <i>salary on account of holding functions in bodies of</i> | <i>3 809,81</i> | - | | |
| Sylwia Potocka-Lewicka | due for 2014 and paid in 2014 | 434 191,00 | 199 233,37 | 633 424,37 | 5 831,92 |
| | due for 2013 and paid in 2014 | 38 133,00 | 114 399,00 | 152 532,00 | |
| Zenon Jędrocha | due for 2014 and paid in 2014 | 434 191,00 | 198 437,00 | 632 628,00 | 16 363,00 |
| | due for 2013 and paid in 2014 | 38 133,00 | 114 399,00 | 152 532,00 | |

| Name and surname | Title | Salary - fixed part | Salary - variable part | Total |
|------------------------|---|---------------------|------------------------|-----------------|
| Jerzy Bernhard | due for 2013 and paid in 2014, incl.: | 53 947,35 | 148 716,00 | 202 663,35 |
| | <i>salary on account of holding functions in bodies of subsidiaries</i> | <i>4 375,35</i> | - | <i>4 375,35</i> |
| Henryk Orczykowski | due for 2013 and paid in 2014, incl.: | 41 942,81 | 114 399,00 | 156 341,81 |
| | <i>salary on account of holding functions in bodies of subsidiaries</i> | <i>3 809,81</i> | - | <i>3 809,81</i> |
| Sylwia Potocka-Lewicka | due for 2013 and paid in 2014 | 38 133,00 | 114 399,00 | 152 532,00 |
| Zenon Jędrocha | due for 2013 and paid in 2014 | 38 133,00 | 114 399,00 | 152 532,00 |

Table 38 Salaries of Supervisory Board Members fulfilling their duties in 2014 (in PLN)

| Name and surname | Title | Salary - fixed part | Salary - variable part | Total | Non-cash benefits |
|------------------|-------------------------------|---------------------|------------------------|-----------|-------------------|
| Stefan Dzienniak | due for 2014 and paid in 2014 | 71 037,00 | - | 71 037,00 | - |
| | due for 2013 and paid in 2014 | - | 68 487,00 | 68 487,00 | - |
| Gamrot Marcin | due for 2014 and paid in 2014 | 61 566,00 | - | 61 566,00 | - |
| | due for 2013 and paid in 2014 | - | 59 358,00 | 59 358,00 | - |
| Jerzy Goinski | due for 2014 and paid in 2014 | 61 566,00 | - | 61 566,00 | - |
| | due for 2013 and paid in 2014 | - | 59 358,00 | 59 358,00 | - |
| Kuna Jarosław | due for 2014 and paid in 2014 | 61 566,00 | - | 61 566,00 | - |
| | due for 2013 and paid in 2014 | - | 59 358,00 | 59 358,00 | - |
| Ślęzak Tomasz | due for 2014 and paid in 2014 | 61 566,00 | - | 61 566,00 | - |
| | due for 2013 and paid in 2014 | - | 59 358,00 | 59 358,00 | - |
| Zub Jacek | due for 2014 and paid in 2014 | 66 300,00 | - | 66 300,00 | 12 251,42 |
| | due for 2013 and paid in 2014 | - | 63 927,00 | 63 927,00 | - |
| Krzysztof Lis | due for 2014 and paid in 2014 | 61 566,00 | - | 61 566,00 | - |
| | due for 2013 and paid in 2014 | - | 59 358,00 | 59 358,00 | - |

Non-cash benefits shown in Tables 37 & 38 include benefits on account of the members of the Company bodies using company cars and telephones for private purposes.

2. Agreements concluded between the issuer and the management, which allow for compensation in the event of resignation or dismissal from the position held.

The Company is a party to agreements on the prohibition of competitive activity with the following Management Board Members: Jerzy Bernhard, Zenon Jędrocha, Henryk Orczykowski, Sylwia Potocka-Lewicka and until June 30, 2014 was a party to the agreement on the prohibition of competitive activity with Zdzisław Mendelak who held the function of a Management Board member till December 4, 2012. The agreements provide that the aforementioned Management Board members may not, during their employment with the issuer, and within 12 months from employment termination, conduct any activity competitive towards STALPROFIL S.A., nor may they perform work under employment contract, or on any other basis in favor of an entity running such activity. By way of compensation for non-competition within the contractual period of 12 months after the work contract termination the Management Board members are entitled to a monthly compensation paid by the Company, in the amount of 75% of their last monthly basic gross remuneration.

3. Information on contracts which may in future trigger off changes in the proportion of shares held by the current shareholders.

As on the day of preparing this annual report, the Company did not have any information on such contracts.

4. Information on the control system of employee share schemes

Group companies did not organize an employee share scheme, thus there is no control system in place.

5. Information on the use of income on account of issue of securities.

In the reporting period the Company did not issue any securities papers.

6. Information on proceedings pending before courts, bodies competent for arbitration proceedings or a public administration body

In the reporting period neither STALPROFIL S.A. nor its subsidiaries were parties to court, administrative or arbitration proceedings on matters related to payables or receivables of the issuer or its subsidiary, the total value of which would be at least 10% of the issuer's equity.

7. Information on agreements between the Company and an entity authorized to examine financial statements, including information on the value of remuneration.

Company's financial statement for 2014 was audited and the Company's half-year statement for H1 2014 was reviewed on the basis of an agreement concluded with a chartered auditor i.e. Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek sp. z o.o. on June 12, 2013. The audit of the half-year consolidated financial statement of STALPROFIL S.A. Group and the review of the consolidated statement of the Group for 2014 were conducted on the basis of a separate agreement, which was also concluded on June 12, 2013. Both agreements with the above-mentioned entity were concluded for the period of 3 years and cover the review and audit of half-year and yearly statements, as well as consolidated half-year and yearly statements for years 2013-2015.

Table 39 Net consideration due to the chartered auditor for auditing and reviewing issuer's financial statements for the business year (kPLN)

| Type of the financial statement | 2014 | 2013 |
|---|---------------|---------------|
| review of the half-year standalone financial statement of STALPROFIL S.A. | 15.800 | 15.700 |
| review of the half-year consolidated financial statement of STALPROFIL S.A. Group | 9.100 | 9.000 |
| audit of the annual standalone financial statement of STALPROFIL S.A. | 28.899 | 28.600 |
| audit of the annual consolidated financial statement of STALPROFIL S.A. | 14.511 | 14.400 |
| Other services | 560 | |
| Total | 68.560 | 67.700 |

The item other services includes costs of training services. In the reporting period the Company did not conclude any other agreements with the entity authorized to examine financial statements, and thus did not pay any compensation apart from the compensation shown above.

8. Research and Development

According to the adopted strategy, research and development projects for entities belonging to STALPROFIL S.A. Group are run in the *Research and Development Center for Steel Technologies and Products* opened by subsidiary company IZOSTAL S.A. in 2012. The project made it possible to start formal and centralized R&D activity in IZOSTAL S.A. Moreover the R&D Center also provides R&D services for STALPROFIL S.A. Group. The Center runs its activity in the following fields:

- ongoing control of technological processes,
- carrying out a wide range of tests and analyzes on raw materials used for production in order to optimize product parameters,
- developing new designs and technological solutions (e.g. developing product prototypes),
- optimizing R&D processes and diversifying production,
- disseminating the results of internal scientific tests and development works and conducting research projects for the support of technology transfer and exchange between the Company and scientific institutes and centers of excellence.

V. STATEMENT ON OBSERVING CORPORATE GOVERNANCE PRINCIPLES

1. Information on the corporate governance principles followed by the Company.

The Company adopted the corporate governance principles specified in the document entitled "Dobre Praktyki Spółek Notowanych na GPW" [Good practices of listed companies], adopted by the Board of Giełda Papierów Wartościowych S.A. w Warszawie. The consolidated text of the set of principles adopted on November 21, 2012 by the Board of Giełda Papierów Wartościowych S.A. w Warszawie by resolution no. 19/1307/2012 is publically available on the Exchange website: <http://corp-gov.gpw.pl>.

2. Observing corporate governance principles.

The Company withdrew from applying the following recommendations and rules specified in the above-mentioned corporate governance principles:

- recommendation set forth in Section I item 5

RECOMENDATION: „5. Company should have a remuneration policy and rules of establishing such a policy. Remuneration policy should in particular define the form, structure and level of remuneration for members of supervisory and managing bodies. Remuneration policy applicable to members of supervisory and managing bodies of a company should be defined based on the recommendation of the European Commission of December 14, 2004 on fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented with Commission recommendation of April 30, 2009 (2009/385/EC).”

COMMENT: The Company has a remuneration policy formalized in the Remuneration Regulations which defines principles of remunerating the Company's employees. Form, structure and level of remuneration of members of supervisory and managing bodies is defined by a remuneration policy established by the General Meeting (for Board members), and the Supervisory Board (for Management Board members) which has remained unchanged for several years now. The policy is formalized in internal legal regulations effective in the Company, in particular resolutions of the General Meeting and Supervisory Board. Remuneration policy for members of supervisory and managing bodies effective in the Company does not take into account recommendations of the European Commission set forth in principle 5. The Company's management is of the opinion that the remuneration policy established and followed by the Company for several years now is fully effective. It includes incentives reasonably linked to the Company's standing, planned budget and fulfillment of strategic targets. The Company will implement this principles once it receives information that the Company's Management implemented remuneration policy based on recommendations of the European Commission defined in recommendation 5.

- recommendation set forth in Section I item 9

RECOMENDATION: „9. The Stock Exchange recommends public companies and their shareholders that they ensure balanced participation of men and women in holding management and supervisory functions in enterprises thus supporting creativity and innovativeness in business activity run by the companies.

COMMENT: The Company's internal legal acts do not include any regulations with respect to the principles of parity of women and men when appointing members of the Company's managing and supervisory bodies. The main criteria for assessment applied to the appointment of members of management and supervisory bodies have so far been competencies and professional experience of individual candidates. The Company does not rule out the possibility of applying this principle in future.

- recommendation set forth in Section I item 12

RECOMENDATION: „12. The Company should provide the shareholders with a possibility of exercising the voting right either personally or through a plenipotentiary during a general meeting, outside the venue of holding a general meeting, using electronic means of communication.

COMMENT: The Statute of STALPROFIL S.A. does not provide for participation in a general meeting based on electronic communication means. The Company may start applying this principle once the shareholders make a decision to make relevant amendments to the Statute.

- principle 9a in Section II item 1

RULE: „1. The Company runs a corporate website where apart from information required by law regulations it also publishes: ...9a) information on the course of a general meeting, either audio or video record,"

COMMENT: The Company is of the opinion that the practice of documenting general meetings, followed so far by the Company, presents the actual course of a general meeting, ensures that the Company is transparent and protects rights of all shareholders. Information on resolutions passed, as well as information on decisions not to consider any of the item of the agenda and information on objections to be recorded in the minutes is published by the Company in form of regular reports, also made available on its website. Moreover, multimedia presentations delivered during general meetings are published on the Company's website. The Company is of the opinion that investors have access to all important issues raised at a general meeting. The Company does not rule out the possibility of applying this principle in future.

- Principle specified in Section III item 6

RULE: „6. At least two members of the supervisory board should be independent of the company and entities related to the company. Enclosure II to the Recommendation of the European Commission of February 15, 2005 on the role of non-executive directors, or supervisory directors of listed companies and on the (supervisory) board committee applies to independence criteria to be met by supervisory board members. Irrespective of the provisions of item b) of the above-mentioned Enclosure, a person being an employee of the Company, a subsidiary or an associated entity does not meet the independence criteria referred to in the Enclosure. Moreover, in the meaning of this principle, a connection with a shareholder, excluding the independence of a supervisory board member, is understood as actual and significant connection with a shareholder with a right to exercise at least 5% of the total number of votes at a general meeting".

COMMENT: The Supervisory Board of STALPROFIL SA does not fulfill the criterion of having at least two Members who would meet the independence criteria. Supervisory Board Members are related to the main shareholders of the Company. The Company has three major shareholders holding 77.5% of votes at the

General Meeting. Supervisory Board Members are persons related to those shareholders. The Company's management is of the opinion that it facilitates correct and efficient implementation of the Company's development strategy which covers the interests of all shareholder groups, and other groups connected with the Company's business. The issuer will start to follow this principle upon obtaining information on the appointment of Supervisory Board members who meet the criteria of independence.

- Rule specified in Section III item 8

RULE: „8. Enclosure I to the Recommendation of the European Commission of February 15, 2005 on the role of non-executive directors (...) should apply to tasks and the functioning of committees within the supervisory board.”

COMMENT: Only one committee functions within the Supervisory Board of STALPROFIL S.A. i.e. the Audit Committee. The composition of the Audit Committee does not follow Enclosure I to the Recommendation of the European Commission of February 15, 2005, as none of the committee's members meets the independence criteria in the meaning of Enclosure II to the Recommendation of the European Commission of February 15, 2005 on the role of non-executive directors or being members of the supervisory boards of listed companies and (supervisory) board committees. Persons on the Audit Committee meet the independence criteria described in art. 56 cl. 3 items 1, 3 & 5 of the Act of May 7, 2009 on chartered auditors and their management, entities authorized to examine financial statements, and on public supervision, apply. The Audit Committee functions on the basis of its Regulations approved by the Supervisory Board on December 15, 2009. Adoption of the Audit Committee's Regulations, drawn up on the basis of the said Enclosure I to the Recommendation of the European Commission is the first stage of implementing the functioning principles and tasks for the review committees specified therein. Full implementation of Enclosure I to the Recommendation of the European Commission of February 15, 2005 may occur after information on the appointment of Supervisory Board members who meet the criteria of independence has been obtained.

- principle specified in section IV, item 10 of Good Practices:

RULE: "Company should provide shareholders with a possibility to participate in a general meeting through electronic communication means, including:

- 1) live broadcast of a general meeting,
- 2) two-way real-time communication allowing shareholders to express their opinions during a general meeting while being in a location other than the general meeting venue."

COMMENT: The Statute of STALPROFIL S.A. does not provide for participation in a general meeting based on electronic communication means. The Company is of the opinion that the rules applicable so far to participation in Company's general meetings adequately secure interests of its shareholders, including minority shareholders, thus allowing them to properly exercise their rights resulting from shares. The above rule is no longer used due to possible technical and legal risks affecting correct and efficient holding of a general meeting. Moreover, the Company also believes that this requires the Company to incur additional costs that are not justified at present. However, the Company does not rule out the possibility of applying this principle in future.

3. Internal control and risk management systems in the process of preparing financial statements.

Obligations related to the management of corporate risk in the Group are fulfilled by the Management Boards, managers and other employees of individual companies. Companies' Management Boards regularly take steps towards identification and monitoring of business areas exposed to risks, and to ensure adequate security to reduce risk levels.

Control mechanisms are modeled on mechanisms effective in the parent company, and cover the manner in which Group companies employees perform their duties, in particular: qualifications, competences and compliance of the tasks performed with principles and procedures developed for individual risk areas. The mechanisms are a control measure and are incorporated both in internal normative acts, procedures and integrated into IT system for company management effective in each Company. Accounting books of each company are kept based on an IT system which has built-in mechanisms securing accounting data against loss, damage or unauthorized copying.

Internal control system applying to the process of preparing financial statements is fulfilled mainly by the Management Board of the parent company, Chief Accountant and other employees of the financial division of this company. The purpose of the internal control is to ensure compliance of the prepared standalone statements with books and documents and effective accounting regulations, and to present the results of business activity and the property and financial situation of the entities subject to consolidation in line with the actuality. Consolidated financial statements of the Group are prepared in line with effective legal regulations and accounting policy adopted by the parent company and individual subsidiaries.

Documentation approved by the Management Board of STALPROFIL S.A. for the use in the Company includes:

- General principles of keeping accounting books,
- Acknowledged methods of recording, evaluation, settlement and reporting,
- List of general ledger accounts and principles of posting business transactions on the accounts,
- Principles of keeping auxiliary books, and linking them to general ledger accounts,
- List of documents being accounting books on electronic data carriers,
- Software with information on its intended use, principles of data protection, and other documentation related to data processing.

Similar documentation defining preparation of financial statements is in place in subsidiaries. Consolidated financial statements are prepared in the parent company by the team managed by the Chief Accountant based on standardized information packages received from subsidiaries. Consolidated statements are controlled and verified by the Management Board of the parent company which, according to internal regulations, approves them each time. The entire process of internal control with respect to the process of preparing consolidated financial statements is supervised by the Management Board of the parent company.

An important role in a continuous and multi-stage internal audit process in the Company is played by the Supervisory Board and the Audit Committee, being a part thereof, appointed by the Supervisory Board on September 28, 2009. The Audit Committee's tasks include the monitoring of the financial reporting process and the effectiveness of the internal audit systems, as well as the process of managing risks relevant for the Company. The Audit Committee is informed on the audit schedule on an ongoing basis, and thanks to close cooperation with the external auditor reviewing Company finance, monitors the process of preparing financial statements and the quality of Management Board's cooperation with the auditor. The Audit Committee also monitors personal independence of auditors and the Audit Firm of Company's managerial and supervisory authorities and of the Company STALPROFIL SA itself. The audit of the process of preparing financial statements comprises their review by an independent chartered auditor selected by the Supervisory Board in the bidding process. According to the Commercial Companies Code and the Company's Statute, the Supervisory Board reviews Company financial statements on a yearly basis in respect of their compliance with the books, documents and actual situation, and informs the Shareholders on the results of this review in its report available on the Company website.

4. List of shareholders holding considerable blocks of shares of STALPROFIL S.A.

The following table shows the shareholders of STALPROFIL S.A. who - to the best of our knowledge - held at least 5% votes at the General Meeting as on the day of announcing this annual report. The information in the table is based on information obtained from the shareholders in line with Art. 69 paragraph 1 of the Act of September 4, 2008 on amendments to the public offering act and conditions for marketing financial instruments in the organized trading system and public companies, and amendments to other laws.

Table 40 Shareholding structure of STALPROFIL S.A. as on 31.12.2014:

| Shareholder | Total number of shares | Shareholding | Total number of votes | % of votes at the General Shareholders' Meeting |
|--|------------------------|----------------|-----------------------|---|
| ArcelorMittal Poland S.A. | 5 508 800 | 31,48% | 10 948 800 | 32,68% |
| MZZ Pracowników Arcelor Mittal Dąbrowa Górnicza | 2 955 000 | 16,89% | 8 235 000 | 24,58% |
| MOZ NSZZ „Solidarność” ArcelorMittal Poland S.A. | 1 320 000 | 7,54% | 6 600 000 | 19,70% |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK | 1 722 100 | 9,84% | 1 722 100 | 5,14% |
| Other shareholders | 5 994 100 | 34,25% | 5 994 100 | 17,89% |
| Total | 17 500 000 | 100,00% | 33 500 000 | 100,00% |

According to the Company's information, in 2014 there were no changes in the number of shares and votes held by major shareholders of the Company.

5. Information on holders of securities offering special control rights.

4 000 000 of A series shares issued by STALPROFIL S.A. are preferred registered shares i.e. one share carries five votes at the General Meeting. The following table presents the shareholders' structure – A series shares, as on December 31, 2014:

Table 41 Shareholders' structure – A series shares, as on December 31, 2014

| Shareholder | Number of A series shares | Number of votes under A series shares |
|--|---------------------------|---------------------------------------|
| ArcelorMittal Poland S.A. | 1 360 000 | 6 800 000 |
| MZZ Pracowników Arcelor Mittal Dąbrowa Górnicza | 1 320 000 | 6 600 000 |
| MOZ NSZZ „Solidarność” ArcelorMittal Poland S.A. | 1 320 000 | 6 600 000 |
| Total | 4 000 000 | 20 000 000 |

STALPROFIL S.A. did not issue any other securities offering special rights, including special control rights.

6. Limitations as to exercising the voting right and limitations concerning the transfer of the ownership title to securities.

There are no limitations as to exercising the voting right nor are there limitations concerning the transfer of the ownership title to securities issued by STALPROFIL S.A.

7. Composition of the Company's bodies, as well as changes thereto.

Composition of the Management Board of STALPROFIL S.A. as on December 31, 2014:

- Jerzy Bernhard, Management Board President, General Director
- Zenon Jędrocha, Management Board Vice President, Commercial Director,
- Henryk Orczykowski, Management Board Vice President, Business Development Director,
- Sylwia Potocka-Lewicka, Management Board Vice President, Financial Director.

No changes were made to the composition of the Management Board in 2014. The term of office of this Management Board expires on the day the General Meeting that approves the financial statement for the business year 2017 is held.

Composition of the Supervisory Board of STALPROFIL S.A. as on December 31, 2014:

- Stefan Dzienniak, Supervisory Board Chairman,
- Jacek Zub, Supervisory Board Vice Chairman,
- Marcin Gamrot, Supervisory Board Member,
- Jerzy Goinski, Supervisory Board Member,
- Jarosław Kuna, Supervisory Board Member,
- Krzysztof Lis, Supervisory Board Member,
- Tomasz Ślęzak, Supervisory Board Member.

There were no changes in the composition of the Supervisory Board of STALPROFIL S.A. during the reporting period. The term of office of the Supervisory Board expires on the day on which an Annual General Meeting that approves the Company's financial statement for business year 2014 is held.

Composition of the Audit Committee did not change during the reporting period and was as follows at the end of 2014:

- Tomasz Ślęzak, Audit Committee Chairman,
- Jacek Zub, Audit Committee Member,
- Krzysztof Lis, Audit Committee Member.

8. Information on principles of appointing and recalling persons holding managing and supervisory functions, their committees and their rights.

The Management Board consists of two to four members appointed by virtue of a resolution passed by the Supervisory Board for a term of office lasting five years. Resolutions on recalling or appointing individual members of the Management Board are passed by the qualified majority of votes i.e. 5/7 of votes present, in the presence of at least six members of the Supervisory Board. Any statements on behalf of the Company shall be made by two members of the Management Board acting jointly or by one member of the Management Board acting jointly with a commercial proxy. The Management Board is authorized to make all decisions except those remaining within powers of other Company bodies. The Management Board is responsible for the Company's affairs and represents it in and out of court.

Principles of appointing and recalling members of the Company's Management Board and their rights are defined by the Company's Statute and Management Board Regulations available on the company's website: <http://www.stalprofil.com.pl/Firma/Akty-prawne/Regulamin-Zarzadu>

The Supervisory Board consists of seven members appointed by virtue of a resolution of the General Meeting for a joint term of office lasting five years. Supervisory Board appoints, from among its members, and recalls in a secret ballot the Chairman and the Vice Chairman. Supervisory Board passes resolutions by absolute majority of votes present, in the presence of at least 5 Board members, except for resolutions on

appointing or dismissing individual Management Board members or the entire Management Board, which are passed in the presence of 6 Board members by qualified majority of 5/7 of votes (see above).

The Supervisory Board of STALPROFIL SA acts in line with the Company's Statute available at the Company's website: <http://www.stalprofil.com.pl/Firma/Akty-prawne/Statut-Spolki> and in line with its Regulations available on the Company's website at: <http://www.stalprofil.com.pl/Firma/Akty-prawne/Regulamin-Rady-Nadzorczej>

Only one committee functions within the Supervisory Board of STALPROFIL S.A. i.e. the Audit Committee. The Audit Committee consists of at least 3 members appointed by the Supervisory Board from among its members. At least one member of the Audit Committee should meet the criteria of independence and should be qualified in accounting or financial auditing. As far as the criteria of independence applying to an audit committee member are concerned, provisions of art. 56 clause 3 items 1, 3 & 5 of the Act of May 7, 2009 on chartered auditors and their management, entities authorized to examine financial statements, and on public supervision, apply. The Audit Committee appoints a Chairman from among its members.

Audit Committee acts on the basis of Regulations approved by the Supervisory Board, and in line with the adopted annual Schedule of Regular Meetings. Regulations of the Audit Committee are available on the Company's website at: <http://www.stalprofil.com.pl/Firma/Akty-prawne/Regulamin-Komitetu-Audytu>

The tasks of the Audit Committee include among others the monitoring of the financial reporting system, performing financial audits and monitoring the efficiency of internal control systems, internal audit and risk management.

9. Information on the principles of amending the Company Statute.

The Company does not follow any other specific principles concerning amendments to the statute that would differ from the principles specified in the Commercial Companies Code. Supervisory Board expresses its opinion on each amendment to the statute requested by the Management Board which is then approved by the Company's General Meeting. The Company's Supervisory Board is authorized to establish the standardized text of the amended articles of the Company or effecting other formulation amendments specified in a General Shareholders Meeting resolution.

10. Information on the functioning of the General Meeting, its basic powers, shareholders' rights, and the manner of exercising those rights.

The functioning of the General Meeting has been described in the General Meeting Regulations, the standardized text of which is available on the Company's website at: <http://www.stalprofil.com.pl/Firma/Akty-prawne/Regulamin-Walnego-Zgromadzenia>

Provisions of the Commercial Companies Code and other legal acts, as well as the provisions of the Company's Statute apply in issues not governed by the Regulations.

General Meeting is convened based on an announcement published on the website and in line with a procedure defined for presenting current information in compliance with regulations on public offers and conditions of introducing financial instruments to an organized trading system and public companies. The announcement should be made at least 26 days before the date of the Meeting. General Meetings are held

at the Company's seat, in Katowice, Kraków or Warszawa. The venue selected should facilitate the participation of the biggest possible number of shareholders in the General Meeting. The basic rights of the General Meeting of STALPROFIL S.A. include passing resolutions on:

- a) approving the Management Board report on the Company's activity, and the financial statement for the previous financial year,
- b) granting a vote of approval to members of the Company bodies for the performance of their duties,
- c) profit appropriation, or the manner of covering loss,
- d) appointing and recalling the Supervisory Board or its individual members, and determining the form and the amount of their remuneration,
- e) amendments to the Company's Statute, including significant changes in the Company's business objectives, and on authorizing the Management Board to raise the initial capital up to the value of the target capital,
- f) selling the company or its organized part,
- g) mergers, transformations, dissolution or liquidation of the Company,

The General Meeting may pass resolutions only on matters included in its agenda.

Draft resolutions to be passed by the General Meeting, and other important materials should be presented to shareholders together with justification and an opinion of the Supervisory Board if such an opinion is necessary, prior to the General Meeting, to enable the concerned parties to read the materials and assess them.

Chairman of the General Meeting should ensure that resolutions are formulated in a way enabling each person entitled to vote, who does not agree with the subject of the resolution, to challenge the resolution. Person challenging a resolution shall have a possibility to briefly justify their claim. A participant of the General Meeting shall have a right to one address and one reply with respect to each item of the agenda and each discipline-related matter.

Members of the Supervisory Board and the Management Board, as well as the Company's chartered auditor should provide the participants of the General Meeting with explanations and information on the Company, to an extent corresponding to their competences, and in a scope necessary to decide on issues discussed by the General Meeting.

The following have a right to participate in the General Meeting with a right to vote:

- a) shareholders holding registered shares, provided that they have been entered into the shares ledger at least 16 days prior to the date of the General Meeting,
- b) shareholders holding bearer shares, if they hold such shares 16 days prior to the date of the General Meeting (registration date), and if they have notified the entity running a securities account for them on participation in the meeting not earlier than after the announcement on convening the General Meeting, and no later than on the first business day after the registration date,
- c) plenipotentiaries of shareholders entitled to participate in the General Meeting provided that a letter of attorney was filed in writing or e-mailed to the following address biuro@stalprofil.com.pl

beforehand. A shareholder shall notify the Company of having granted a power of attorney by means of electronic communication by sending a PDF file to the Company address biuro@stalprofil.com.pl. The notification should include information identifying the person granting the power of attorney and the plenipotentiary.

A share shall carry one vote at the General Meeting. In case of preferred shares, series A, issued by the Company before January 1, 2001, one share carries five votes at the General Meeting.

Dąbrowa Górnicza, March 20, 2015.

| | | | |
|------------|------------------------|-------------------------------------|-----------|
| 20.03.2015 | Jerzy Bernhard | Management Board President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Sylwia Potocka-Lewicka | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Zenon Jędrocha | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |
| 20.03.2015 | Henryk Orczykowski | Management Board Vice- President | ..... |
| date | name and surname | position/function | signature |

VI. MANAGEMENT BOARD'S DECLARATION CONCERNING FINANCIAL STATEMENTS

made in line with §92 cl. 1 item 5 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities, and conditions of recognizing information required by law of a non-EU state as equivalent

The Management Board of STALPROFIL S.A. declares that to the best of its knowledge, the annual consolidated financial statement and comparative data were prepared in line with effective accounting regulations and truly, reliably and clearly present STALPROFIL SA Group's property and financial situation, and its financial result, it also declares that the report on the Group's activity reliably reflects the business development, achievements and situation of the issuer's capital group, including basic risks and threats.

Dąbrowa Górnicza, March 20, 2015

| | | | |
|------------|------------------------|-------------------------------------|-----------|
| 20.03.2015 | Jerzy Bernhard | Management Board President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Sylwia Potocka-Lewicka | Management Board Vice- President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Zenon Jędrocha | Management Board Vice- President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Henryk Orczykowski | Management Board Vice- President | ..... |
| date | Name and surname | position/function | signature |

VII. MANAGEMENT BOARD'S DECLARATION CONCERNING THE CHARTERED AUDITOR

made in line with §92 cl. 1 item 6 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities, and conditions of recognizing information required by law of a non-EU state as equivalent

The Management Board of STALPROFIL S.A. declares that the entity authorized to examine financial statements i.e. Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek sp. z o.o., which examined the annual consolidated financial statement, was selected in line with legal regulations and the entity and the chartered auditors, who performed the audit, met the conditions necessary to prepare an independent and impartial opinion on the examined annual consolidated financial statement in line with relevant laws and professional regulations.

Dąbrowa Górnicza, March 20, 2015

| | | | |
|------------|------------------------|-------------------------------------|-----------|
| 20.03.2015 | Jerzy Bernhard | Management Board President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Sylwia Potocka-Lewicka | Management Board Vice- President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Zenon Jędrocha | Management Board Vice- President | ..... |
| date | Name and surname | position/function | signature |
| 20.03.2015 | Henryk Orczykowski | Management Board Vice- President | ..... |

date

Name and surname

position/function

signature

**STALPROFIL S.A. GROUP
IN DĄBROWA GÓRNICZA**

CHARTERED AUDITOR'S OPINION
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT
CONSOLIDATED FINANCIAL STATEMENT
REPORT ON THE ACTIVITY OF STALPROFIL S.A. GROUP

KATOWICE, MARCH 2015

**OPINION OF AN INDEPENDENT CHARTERED AUDITOR FOR THE
SHAREHOLDERS AND THE SUPERVISORY BOARD OF STALPROFIL SPÓŁKA
AKCYJNA IN DĄBROWA GÓRNICZA**

We have reviewed the enclosed consolidated financial statement of STALPROFIL S.A. Group, with STALPROFIL Spółka Akcyjna seated in Dąbrowa Górnicza as its parent entity, comprising:

- 1/ consolidated financial position report as on December 31, 2014, showing assets and liabilities of
PLN 632,992 thousand,
- 2/ consolidated comprehensive income statement for the business year from January 1, 2014 to December 31, 2014 showing a negative comprehensive income of
PLN 5,341 thousand,
- 3/ statement of changes in consolidated equity for the business year from January 1, 2014 to December 31, 2014 showing a decrease in equity by
PLN 8,476 thousand,
- 4/ consolidated cash flow statement for the period from January 1, 2014 to December 31, 2014 showing a decrease in cash by
PLN 21.603 thousand,
- 5/ notes.

It is responsibility of the manager of the dominant entity to have the consolidated financial statement and the report on the activity of the Group prepared in compliance with effective regulations.

The manager of the dominant entity and members of its supervisory board are obligated to ensure that the financial statement and the report on the activity of the Group meet the criteria defined in the act of September 29, 1994 on accounting (Journal of Laws of 2013 item 330 as amended), hereinafter referred to as the Accounting Act.

Our task has been to review the consolidated financial statement and present an opinion on its compliance with effective accounting regulations (policy) of the Group, and whether it shows the property and financial situation in all its important aspects, and the financial result of the Group in a reliable and clear way.

The consolidated financial statement was audited in accordance with provisions of:

- 1/ chapter 7 of the accounting act,

2/ domestic financial auditing standards issued by the National Association of Chartered Auditors in Poland.

The audit of the consolidated financial statement was planned and conducted in a manner enabling the auditor to have rational certainty and thus express opinion on the statement. In particular, the audit involved verification of the correctness of accounting principles (policy), followed by the dominant entity and its subsidiaries and verification of the basis for numbers and information included in the consolidated financial statement, mostly made at random, as well as a comprehensive evaluation of the consolidated financial statement.

We believe the audit provided adequate basis for expressing a reliable opinion.

In our view, the audited consolidated financial statement in all its aspects:

- a) shows information relevant for assessment of the property and financial situation of the Group as on December 31, 2014, as well as its financial result for the business year from January 1, 2014 to December 31, 2014 in a reliable and clear way,
- b) has been prepared in line with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of the European Commission's directives, and for the scope not governed in the standards - in line with the requirements of the accounting law and executive regulations thereto,
- c) complies with the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information disclosed by issuers of commercial papers and the conditions for recognizing as equivalent the information required by the laws of a non-member state (Journal of Laws of 2014 item 133),
- d) complies with legal regulations applicable to the Group relevant for the content of the consolidated financial statement.

The report on the Group's activity is complete in the meaning of art. 49 clause 2 and art. 55 clause 2 of the Accounting Act and the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information disclosed by issuers of commercial papers and the conditions for recognizing as equivalent the information required by the laws of a non-member state (Journal of Laws No. 2014, item 133), and the information included therein and extracted from the audited consolidated financial statement is also compliant.

Group's chartered auditor,
Key chartered auditor:

Joanna Solarczyk
entered into the register of chartered auditors under no. 9502

Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek

Spółka z ograniczoną odpowiedzialnością

40-155 Katowice, ul. Konduktorska 33

Entity entered into the list of entities authorized to audit financial statements under no. 1695

Katowice, March 20, 2015

