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## I. PRINCIPLES ADOPTED FOR PREPARING CONSOLIDATED FINANCIAL STATEMENT OF STALPROFIL S.A. GROUP.

### **1. Description of the most important accounting policy principles**

The report was prepared in a manner that ensures comparability of financial data. The consolidated interim condensed financial statement of Stalprofil S.A. and all its subsidiaries was prepared in line with International Financial Reporting Standards (IFRS) adopted by the European Union, in particular with IAS 34 "Interim Financial Reporting", and in a scope required by the Regulation of the Minister of Finance of February 19, 2009 on regular and periodic information provided by issuers of securities...(Journal of Laws no. 33 item 259 as amended), and covers the period from January 1 to September 30, 2014 and a comparable period from January 1 to September 30, 2013.

The presented interim consolidated financial statement meets all the requirements of the IFRS adopted by the EU and reflects reliably the Group's financial and material situation as on September 30, 2014 and September 30, 2013, its results and cash flow from January 1, 2014 to September 30, 2014 and from January 1, 2013 to September, 30, 2013. The consolidated interim financial statement was prepared on a historical cost basis, except for financial assets available for sale, financial assets and liabilities (including derivatives) measured at fair value as shown in the profit and loss account, as well as long-term financial assets settled through equity.

Key accounting rules applied for preparation of this consolidated interim financial statement were specified in detail in the annual report of STALPROFIL S.A. for 2013. The rules did not change against the ones applied in the corresponding period of the previous year.

### **2. Change in the method of financial instruments measurement.**

Financial instruments valuation methods did not change compared to the ones used in the corresponding period of the previous year.

### **3. Change in the classification of financial assets related to changes in the purpose for which they are utilized.**

In the reporting period there were no changes in the classification of financial assets related to changes in the purpose for which they are utilized.

## II. QUARTERLY CONSOLIDATED FINANCIAL STATEMENT OF STALPROFIL S.A. GROUP

Table 1 Financial position report of Stalprofil S.A. Group (kPLN)

ASSETS	As on September 30, 2014	As on June 30, 2014	As on December 31, 2013	As on September 30, 2013
<b>Non-current assets (long-term)</b>	<b>253 004</b>	<b>249 024</b>	<b>245 580</b>	<b>246 833</b>
Tangible fixed assets	230 111	226 213	225 084	225 316
Investment real properties	1 293	1 293		
Goodwill	3 816	3 816	3 816	3 816
Other intangible assets	376	337	419	477
Deferred income tax assets	17 208	17 180	16 003	16 953
Long-term receivables and prepayments	200	185	258	271
<b>Current assets (short-term)</b>	<b>389 377</b>	<b>396 499</b>	<b>379 549</b>	<b>387 609</b>
Inventory	137 258	155 866	143 473	122 199
Short-term receivables and prepayments, including:	243 299	226 676	222 292	239 560
Receivables for deliveries and services	164 073	146 918	151 652	160 800
Receivables on account of income tax		388	62	
Currency derivatives	151	29	49	97
Cash and cash equivalents	8 669	13 540	12 922	25 002
Long-term assets classified for sale			751	751
<b>Total assets</b>	<b>642 381</b>	<b>645 523</b>	<b>625 129</b>	<b>634 442</b>

<b>LIABILITIES</b>	<b>As on September 30, 2014</b>	<b>As on June 30, 2014</b>	<b>As on December 31, 2013</b>	<b>As on September 30, 2013</b>
<b>Equity</b>	<b>347 164</b>	<b>341 907</b>	<b>342 213</b>	<b>338 947</b>
Share capital	1 750	1 750	1 750	1 750
Share premium	8 000	8 000	8 000	8 000
Spare capital	192 064	192 064	185 900	185 900
Reserve capital from revaluation of assets	251	251	(35)	
Retained and current profit/loss	76 386	69 921	81 957	79 447
Minority shares	68 713	69 921	64 641	63 850
<b>Long-term liabilities</b>	<b>90 404</b>	<b>87 137</b>	<b>79 921</b>	<b>69 828</b>
Provisions	1 354	1 354	1 354	1 188
Provision on account of deferred income tax	16 006	16 034	14 133	15 028
Long-term bank loans and credits	44 157	40 408	34 581	22 909
Other long-term financial liabilities	2 905	3 065	3 085	3 688
Long-term liabilities and accruals	25 982	26 276	26 768	27 015
<b>Short-term liabilities</b>	<b>204 813</b>	<b>216 479</b>	<b>202 995</b>	<b>225 667</b>
Provisions	991	1 199	2 024	2 218
Short-term bank loans and credits	35 580	47 736	34 309	38 121
Short-term part of long-term bank loans and credits	4 752	4 829	5 809	9 296
Other short-term financial liabilities	2 678	2 548	2 362	2 229
Short-term liabilities and accruals, including:	160 500	159 912	158 123	173 331
Liabilities related to deliveries and services	109 973	102 002	98 868	119 450
Liabilities on account of income tax	310	249	296	469
Currency derivatives	2	6	72	3
<b>Total liabilities</b>	<b>642 381</b>	<b>645 523</b>	<b>625 129</b>	<b>634 442</b>

Table 2 Profit and loss account and other comprehensive income statement of STALPROFIL S.A.  
Group (kPLN)

CALCULATION TABLE	July 1 to September 30, 2014	January 1 to September 30, 2014	July 1 to September 30, 2013	January 1 to September 30, 2013
<b>Revenues from sale of products, services, goods and materials</b>	<b>199 926</b>	<b>551 004</b>	<b>242 295</b>	<b>689 773</b>
<b>Costs of products, services, goods and materials sold</b>	<b>185 612</b>	<b>509 281</b>	<b>223 633</b>	<b>630 606</b>
<b>Gross sales profit/loss</b>	<b>14 314</b>	<b>41 723</b>	<b>18 662</b>	<b>59 167</b>
Other income	1 334	4 805	549	5 904
Costs of goods sold	4 210	12 626	4 416	13 624
Overheads	6 860	21 463	8 118	24 111
Other costs	712	2 241	414	5 426
<b>Operating profit/loss</b>	<b>3 866</b>	<b>10 198</b>	<b>6 263</b>	<b>21 910</b>
Financial income	535	2 788	1 655	3 865
Financial costs	861	3 304	1 412	4 732
<b>Gross profit/loss</b>	<b>3 540</b>	<b>9 682</b>	<b>6 506</b>	<b>21 043</b>
Income tax	652	1 882	1 125	3 969
<b>Net operating profit/loss</b>	<b>2 888</b>	<b>7 800</b>	<b>5 381</b>	<b>17 074</b>
<b>Net profit/loss for business year</b>	<b>2 888</b>	<b>7 800</b>	<b>5 381</b>	<b>17 074</b>
Allocated to:				
Shareholders of parent entity	2 535	6 864	4 374	12 405
Minority shares	353	936	1 007	4 669
<b>Other comprehensive income</b>	<b>-</b>	<b>286</b>	<b>-</b>	<b>-</b>
Gains/(losses) on revaluation of assets		353		
Income tax on revaluation of assets		(67)		
<b>Total comprehensive income</b>	<b>2 888</b>	<b>8 086</b>	<b>5 381</b>	<b>17 074</b>
Allocated to:				
Shareholders of parent entity	2 535	7 108	4 374	12 405
Minority shares	353	978	1 007	4 669

	January 1 to September 30, 2014	January 1 to September 30, 2013
<b>Profit per share: (kPLN)</b>		
- basic profit based on financial result of a going concern	0,39	0,71
- basic profit based on the financial result for the business year	0,39	0,71

Table 3 Cash flow statement of Stalprofil S.A. Group (kPLN)

INDIRECT METHOD	July 1 to September 30, 2014	January 1 to September 30, 2014	July 1 to September 30, 2013	January 1 to September 30, 2013
<b>Operating cash flow</b>				
<b>Gross profit/loss</b>	<b>3 540</b>	<b>9 682</b>	<b>6 506</b>	<b>21 043</b>
<b>Item adjustments:</b>	<b>10 968</b>	<b>(4 675)</b>	<b>65 026</b>	<b>24 795</b>
Depreciation of fixed assets	2 751	8 361	2 620	7 820
Amortization of intangible assets	49	149	55	197
Foreign exchange gains/losses	(99)	(139)	(251)	(542)
Interest costs and income	863	2 533	812	3 428
Profit/loss on investment activity	(3)	(1 621)	(7)	(83)
Change in provisions	(208)	(1 033)	993	56
Change in inventory	18 608	6 215	28 501	51 398
Change in receivables and prepayments	(16 653)	(19 139)	5 325	(98 664)
Change in liabilities and accruals	5 918	1 393	27 629	63 698
Paid/refunded income tax	(258)	(1 205)	(716)	(2 578)
Other adjustments		(189)	65	65
<b>Net operating cash flow</b>	<b>14 508</b>	<b>5 007</b>	<b>71 532</b>	<b>45 838</b>
<b>Investment cash flow</b>				
Earnings from the sale of fixed assets and intangible assets	135	473	108	801
Earnings from interest			127	169
Repayments of loans			3 000	3 000
Expenses on the purchase of tangible fixed assets and intangible assets	6 220	11 586	2 557	10 384
Net expenditure on the purchase of subsidiaries and associated entities			606	606
Loans granted				3 000
Other	(40)	(126)	(70)	(226)
<b>Net investment cash flow</b>	<b>(6 125)</b>	<b>(11 239)</b>	<b>2</b>	<b>(10 246)</b>
<b>Financial cash flow</b>				
Earnings from loans and credits	4 000	4 000		
Repayment of credits and loans	10 328	5 480	35 360	17 434
Repayments of liabilities under financial lease contracts	802	2 195	628	1 893
Dividends paid to Company shareholders	3 135	3 135	4 790	4 790
Interest paid	835	2 418	925	3 452
<b>Net financial cash flow</b>	<b>(11 100)</b>	<b>(9 228)</b>	<b>(41 703)</b>	<b>(27 569)</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>(2 717)</b>	<b>(15 460)</b>	<b>29 831</b>	<b>8 023</b>
<b>Cash, cash equivalents and overdrafts at the beginning of the period</b>	<b>(24 165)</b>	<b>(11 422)</b>	<b>(21 489)</b>	<b>319</b>
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts	(8)	1	1	68
<b>Cash, cash equivalents and overdrafts at the end of the period</b>	<b>(26 882)</b>	<b>(26 882)</b>	<b>8 342</b>	<b>8 342</b>

Table 4 Statement of changes in equity of Stalprofil S.A. Group (kPLN)

	Allocated to shareholders of parent entity						Minority shares	Total equity
	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total		
<b>As on July 1, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>251</b>	<b>69 921</b>	<b>271 986</b>	<b>69 921</b>	<b>341 907</b>
Profit/loss for business year					2 535	<b>2 535</b>	353	<b>2 888</b>
Dividends					3 930	<b>3 930</b>	(1 561)	<b>2 369</b>
<b>As on September 30, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>251</b>	<b>76 386</b>	<b>278 451</b>	<b>68 713</b>	<b>347 164</b>
<b>As on January 1, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	<b>(35)</b>	<b>81 957</b>	<b>277 572</b>	<b>64 641</b>	<b>342 213</b>
Gains/losses on revaluation of tangible fixed assets				353		<b>353</b>		<b>353</b>
Income tax on equity items or items carried from equity				(67)		<b>(67)</b>		<b>(67)</b>
Appropriation of net profit			6 164		(6 164)	-		-
Profit/loss for business year					6 864	<b>6 864</b>	936	<b>7 800</b>
Issue of shares by a subsidiary					(4 697)	<b>(4 697)</b>	4 697	-
Dividends					(1 574)	<b>(1 574)</b>	(1 561)	<b>(3 135)</b>
<b>As on September 30, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>251</b>	<b>76 386</b>	<b>278 451</b>	<b>68 713</b>	<b>347 164</b>

	Allocated to shareholders of parent entity						Minority shares	Total equity
	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total		
<b>As on January 1, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>176 066</b>	-	<b>79 183</b>	<b>264 999</b>	<b>62 271</b>	<b>327 270</b>
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	<b>14 954</b>	5 460	<b>20 414</b>
Acquisition of shares of a subsidiary company					143	<b>143</b>	(749)	<b>(606)</b>
Dividends					(2 450)	<b>(2 450)</b>	(2 341)	<b>(4 791)</b>
<b>As on December 31, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	<b>(35)</b>	<b>81 957</b>	<b>277 572</b>	<b>64 641</b>	<b>342 213</b>
<b>As on January 1, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>176 066</b>	-	<b>79 183</b>	<b>264 999</b>	<b>62 271</b>	<b>327 270</b>
Appropriation of net profit			9 834		(9 834)	-		-
Profit/loss for business year					12 405	<b>12 405</b>	4 669	<b>17 074</b>
Acquisition of shares of a subsidiary company					143	<b>143</b>	(749)	<b>(606)</b>
Dividends					(2 450)	<b>(2 450)</b>	(2 341)	<b>(4 791)</b>
<b>As on September 30, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	-	<b>79 447</b>	<b>275 097</b>	<b>63 850</b>	<b>338 947</b>

### III. QUARTERLY CONDENSED FINANCIAL STATEMENT OF STALPROFIL S.A.

Table 5 Financial position statement of STALPROFIL S.A. (kPLN)

ASSETS	As on September 30, 2014	As on June 30, 2014	As on December 31, 2013	As on September 30, 2013
<b>Non-current assets (long-term)</b>	<b>218 156</b>	<b>218 815</b>	<b>221 989</b>	<b>219 664</b>
Tangible fixed assets	53 233	53 597	54 389	54 908
Other intangible assets	10	24	51	65
Long-term financial assets	155 516	155 713	159 201	155 202
Deferred income tax assets	9 397	9 481	8 348	9 489
<b>Current assets (short-term)</b>	<b>180 993</b>	<b>197 622</b>	<b>176 129</b>	<b>183 445</b>
Inventory	102 024	118 015	114 266	85 406
Short-term receivables and prepayments, including:	74 846	71 721	61 076	90 331
Receivables for deliveries and services	73 148	69 142	58 909	88 578
Receivables on account of income tax		388		
Short-term financial assets	9	9	9	9
Currency derivatives	14		49	43
Cash and cash equivalents	4 100	7 489	729	7 656
<b>Total assets</b>	<b>399 149</b>	<b>416 437</b>	<b>398 118</b>	<b>403 109</b>

LIABILITIES	As on September 30, 2014	As on June 30, 2014	As on December 31, 2013	As on September 30, 2013
<b>Equity</b>	<b>314 494</b>	<b>310 431</b>	<b>316 081</b>	<b>312 602</b>
Share capital	1 750	1 750	1 750	1 750
Share premium	8 000	8 000	8 000	8 000
Spare capital	192 064	192 064	185 900	185 900
Reserve capital from revaluation of assets	105 656	105 816	112 692	109 426
Retained and current profit/loss	7 024	2 801	7 739	7 526
<b>Long-term liabilities</b>	<b>31 398</b>	<b>40 616</b>	<b>32 403</b>	<b>20 096</b>
Provisions	416	416	416	403
Provision on account of deferred income tax	1 982	2 200	1 987	2 693
Long-term bank loans and credits	29 000	38 000	30 000	17 000
<b>Short-term liabilities</b>	<b>53 257</b>	<b>65 390</b>	<b>49 634</b>	<b>70 411</b>
Provisions	5	49	1 255	1 150
Short-term bank loans and credits	1 120	6 140	55	11 622
Short-term liabilities and accruals, including:	51 911	59 195	48 213	57 254
Liabilities related to deliveries and services	50 050	55 609	45 896	54 983
Liabilities on account of income tax	219		107	382
Currency derivatives	2	6	4	3
<b>Total liabilities</b>	<b>399 149</b>	<b>416 437</b>	<b>398 118</b>	<b>403 109</b>

Table 6 Profit and loss account and other comprehensive income statement of STALPROFIL S.A.  
(kPLN)

CALCULATION TABLE	July 1 to September 30, 2014	January 1 to September 30, 2014	July 1 to September 30, 2013	January 1 to September 30, 2013
<b>Revenues from sale of products, goods and materials</b>	<b>111 760</b>	<b>306 822</b>	<b>113 376</b>	<b>325 199</b>
<b>Costs of products, goods and materials sold</b>	<b>103 348</b>	<b>282 558</b>	<b>103 826</b>	<b>301 574</b>
<b>Gross sales profit/loss</b>	<b>8 412</b>	<b>24 264</b>	<b>9 550</b>	<b>23 625</b>
Other income	123	768	139	4 093
Costs of goods sold	3 729	10 941	3 418	9 141
Overheads	2 310	7 099	2 952	8 505
Other costs	(4)	387	40	4 090
<b>Operating profit/loss</b>	<b>2 500</b>	<b>6 605</b>	<b>3 279</b>	<b>5 982</b>
Financial income	2 501	2 939	3 991	4 790
Financial costs	327	1 365	561	2 218
<b>Gross profit/loss</b>	<b>4 674</b>	<b>8 179</b>	<b>6 709</b>	<b>8 554</b>
Income tax	450	1 155	622	1 005
<b>Net operating profit/loss</b>	<b>4 224</b>	<b>7 024</b>	<b>6 087</b>	<b>7 549</b>
<b>Net profit/loss for business year</b>	<b>4 224</b>	<b>7 024</b>	<b>6 087</b>	<b>7 549</b>
<b>Other comprehensive income</b>	<b>(160)</b>	<b>(7 035)</b>	<b>(12 151)</b>	<b>797</b>
Gains/(losses) on revaluation of assets (shares in subsidiaries)	(197)	(8 685)	(15 001)	(30 596)
Income tax on revaluation of assets (shares in subsidiaries)	37	1 650	2 850	31 393
<b>Total comprehensive income</b>	<b>4 064</b>	<b>(11)</b>	<b>(6 064)</b>	<b>8 346</b>

	January 1 to September 30, 2014	January 1 to September 30, 2013
<b>Profit (loss) per share: (kPLN)</b>		
- basic profit based on financial result of a going concern	0,40	0,43
- basic profit based on the financial result for the business year	0,40	0,43

Table 7 Cash flow statement of STALPROFIL S.A. (kPLN)

INDIRECT METHOD	July 1 to September 30, 2014	January 1 to September 30, 2014	July 1 to September 30, 2013	January 1 to September 30, 2013
<b>Operating cash flow</b>				
<b>Gross profit/loss</b>	<b>4 674</b>	<b>8 179</b>	<b>6 709</b>	<b>8 554</b>
<b>Item adjustments:</b>	<b>5 809</b>	<b>1 122</b>	<b>24 981</b>	<b>26 450</b>
Depreciation of fixed assets	614	1 855	515	1 570
Amortization of intangible assets	14	41	14	72
Interest costs and income	335	1 091	341	1 712
Income from dividends	(2 369)	(2 369)	(3 553)	(3 553)
Profit/loss on investment activity		(47)	(6)	(26)
Change in provisions	(44)	(1 251)	775	(513)
Change in inventory	15 991	12 242	16 603	26 664
Change in receivables and prepayments	(3 139)	(13 735)	(5 961)	(15 196)
Change in liabilities and accruals	(5 653)	3 742	16 435	16 121
Paid/refunded income tax	60	(447)	(247)	(466)
Other adjustments			65	65
<b>Net operating cash flow</b>	<b>10 483</b>	<b>9 301</b>	<b>31 690</b>	<b>35 004</b>
<b>Investment cash flow</b>				
Earnings from the sale of fixed assets and intangible assets		47	6	26
Earnings from interest	27	79	68	184
Earnings from dividends	2 369	2 369	3 553	3 553
Repayments of loans			3 000	4 000
Expenses on the purchase of tangible fixed assets and intangible assets	311	745	639	2 267
Net expenditure on the purchase of subsidiaries and associated entities		5 000	606	606
Loans granted				3 000
<b>Net investment cash flow</b>	<b>2 085</b>	<b>(3 250)</b>	<b>5 382</b>	<b>1 890</b>
<b>Financial cash flow</b>				
Earnings from loans and credits				
Repayment of credits and loans	9 000	1 000	30 500	13 500
Dividends paid to Company shareholders	1 575	1 575	2 449	2 449
Interest paid	374	1 182	437	1 922
<b>Net financial cash flow</b>	<b>(10 949)</b>	<b>(3 757)</b>	<b>(33 386)</b>	<b>(17 871)</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>1 619</b>	<b>2 294</b>	<b>3 686</b>	<b>19 023</b>
<b>Cash, cash equivalents and overdrafts at the beginning of the period</b>	<b>1 377</b>	<b>702</b>	<b>3 867</b>	<b>(11 470)</b>
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts				
<b>Cash, cash equivalents and overdrafts at the end of the period</b>	<b>2 996</b>	<b>2 996</b>	<b>7 553</b>	<b>7 553</b>

Table 8 Statement of changes in equity of STALPROFIL S.A. (kPLN)

	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
<b>As on July 1, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>105 816</b>	<b>2 801</b>	<b>310 431</b>
Gains/(losses) on revaluation of assets (shares in subsidiaries)				(197)		<b>(197)</b>
Income tax on equity items or items carried from equity				37		<b>37</b>
Profit/loss for business year					4 224	<b>4 224</b>
<b>As on September 30, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>105 656</b>	<b>7 024</b>	<b>314 494</b>
<b>As on January 1, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	<b>112 692</b>	<b>7 739</b>	<b>316 081</b>
Gains/(losses) on revaluation of assets (shares in subsidiaries)				(8 685)		<b>(8 685)</b>
Income tax on equity items or items carried from equity				1 650		<b>1 650</b>
Appropriation of net profit			6 164		(6 164)	<b>-</b>
Profit/loss for business year					7 024	<b>7 024</b>
Dividends					(1 575)	<b>(1 575)</b>
<b>As on September 30, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>192 064</b>	<b>105 656</b>	<b>7 024</b>	<b>314 494</b>

	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
<b>As on January 1, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>176 066</b>	<b>108 629</b>	<b>12 284</b>	<b>306 729</b>
Gains/(losses) on revaluation of assets (shares in subsidiaries)				<b>(26 597)</b>		<b>(26 597)</b>
Gains/losses on valuation of investments available for sale carried to equity				<b>33</b>		<b>33</b>
Income tax on equity items or items carried from equity				<b>30 627</b>		<b>30 627</b>
Appropriation of net profit			<b>9 834</b>		<b>(9 834)</b>	<b>-</b>
Total income and costs for a financial year recognized directly in equity					<b>(62)</b>	<b>(62)</b>
Profit/loss for business year					<b>7 801</b>	<b>7 801</b>
Dividends					<b>(2 450)</b>	<b>(2 450)</b>
<b>As on December 31, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	<b>112 692</b>	<b>7 739</b>	<b>316 081</b>

<b>As on January 1, 2013</b>	<b>1 750</b>	<b>8 000</b>	<b>176 066</b>	<b>108 629</b>	<b>12 284</b>	<b>306 729</b>
Gains/(losses) on revaluation of assets (shares in subsidiaries)				<b>(30 596)</b>		<b>(30 596)</b>
Income tax on equity items or items carried from equity				<b>31 393</b>		<b>31 393</b>
Adjustment on account of companies' consolidation					<b>(23)</b>	<b>(23)</b>
Appropriation of net profit			<b>9 834</b>		<b>(9 834)</b>	<b>-</b>
Profit/loss for business year					<b>7 549</b>	<b>7 549</b>
Dividends					<b>(2 450)</b>	<b>(2 450)</b>
<b>As on September 30, 2014</b>	<b>1 750</b>	<b>8 000</b>	<b>185 900</b>	<b>109 426</b>	<b>7 526</b>	<b>312 602</b>

## IV. NOTES TO THE CONSOLIDATED QUARTERLY FINANCIAL STATEMENT OF STALPROFIL S.A. GROUP

### 1. General information

STALPROFIL S.A. was registered in the District Court in Katowice under KRS no. 0000113043. The Company is seated in Dąbrowa Górnicza, ul. Roździeńskiego 11 a. The Company has been listed on Warsaw Stock Exchange since 2000. As on September 30, 2014 STALPROFIL S.A. Group is formed by the parent entity i.e. STALPROFIL S.A. and subsidiary companies i.e.:

- IZOSTAL S.A. seated in Zawadzkie,
- ZRUG Zabrze S.A. seated in Zabrze,
- KOLB sp. z o.o. seated in Kolonowskie,

No change was made to the composition of the Management Board of STALPROFIL S.A. in the reporting period. Composition of the Management Board of STALPROFIL S.A. as on September 30, 2014:

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

In Q3 2014 there were no changes in the composition of the Supervisory Board of STALPROFIL S.A. and it was as follows on September 30, 2014:

- Stefan Dzienniak - chairman
- Jacek Zub - vice chairman
- Tomasz Ślęzak - member
- Marcin Gamrot - member
- Jerzy Goinski - member
- Jarosław Kuna - member
- Krzysztof Lis - member

An Audit Committee functions within the Supervisory Board of STALPROFIL S.A. Its composition on September 30, 2014 was as follows:

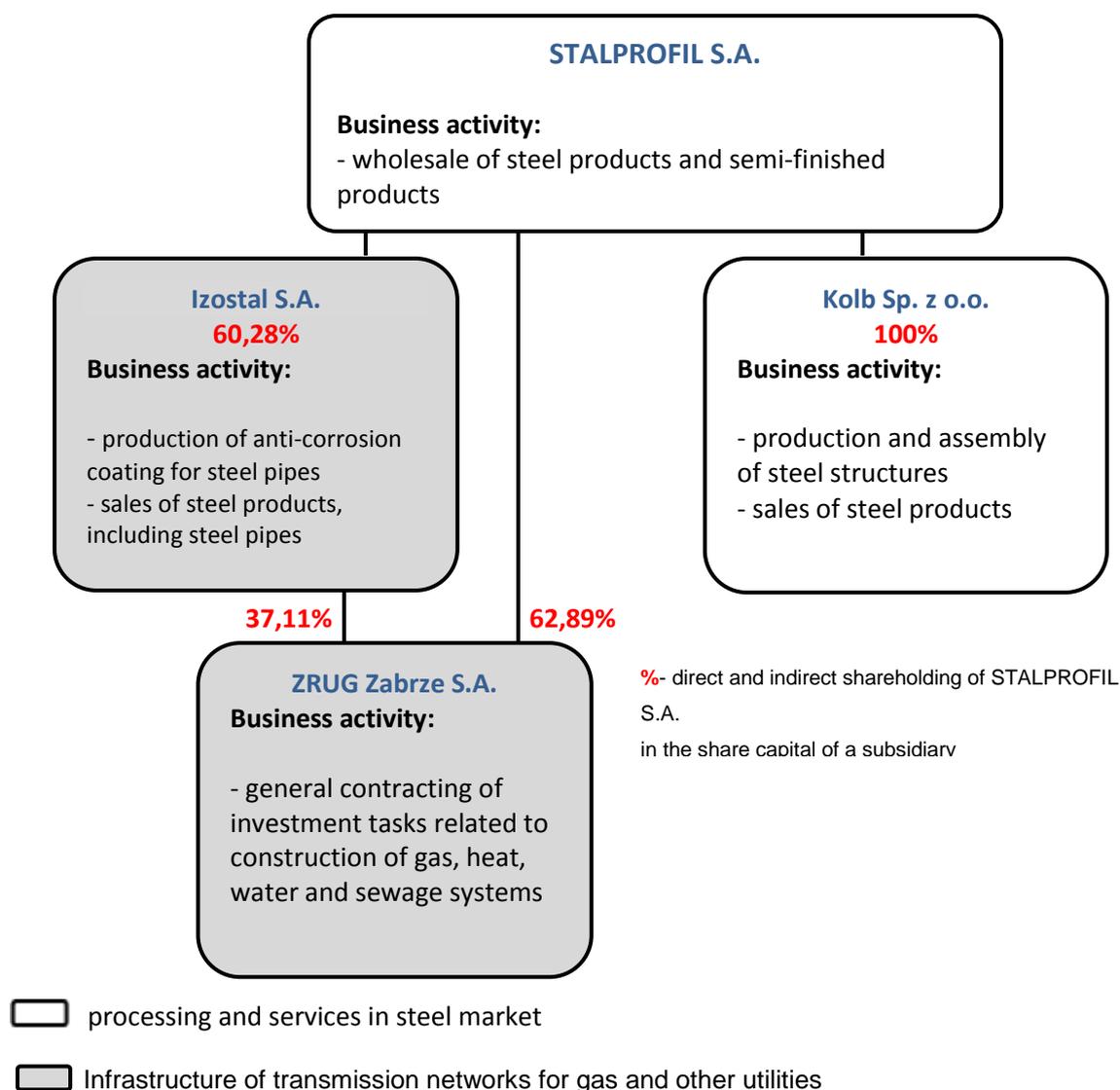
- Tomasz Ślęzak - chairman
- Krzysztof Lis - member
- Jacek Zub - member

### 2. Organization of STALPROFIL S.A. Group

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

1. segment of sales, processing and services in the steel market, represented mainly by STALPROFIL S.A. and KOLB sp. z o.o.,
2. infrastructure of transmission networks for gas and other utilities, represented by IZOSTAL S.A. and ZRUG Zabrze sp. z o.o.

Chart 1 STALPROFIL S.A. Group



As on the day of preparing this report, three subsidiaries are subject to consolidation obligation: IZOSTAL S.A., ZRUG Zabrze S.A. and KOLB sp. z o.o.

Table 11 Shareholding of Stalprofil S.A. in the subsidiaries subject to consolidation (as on 30.09.2014)

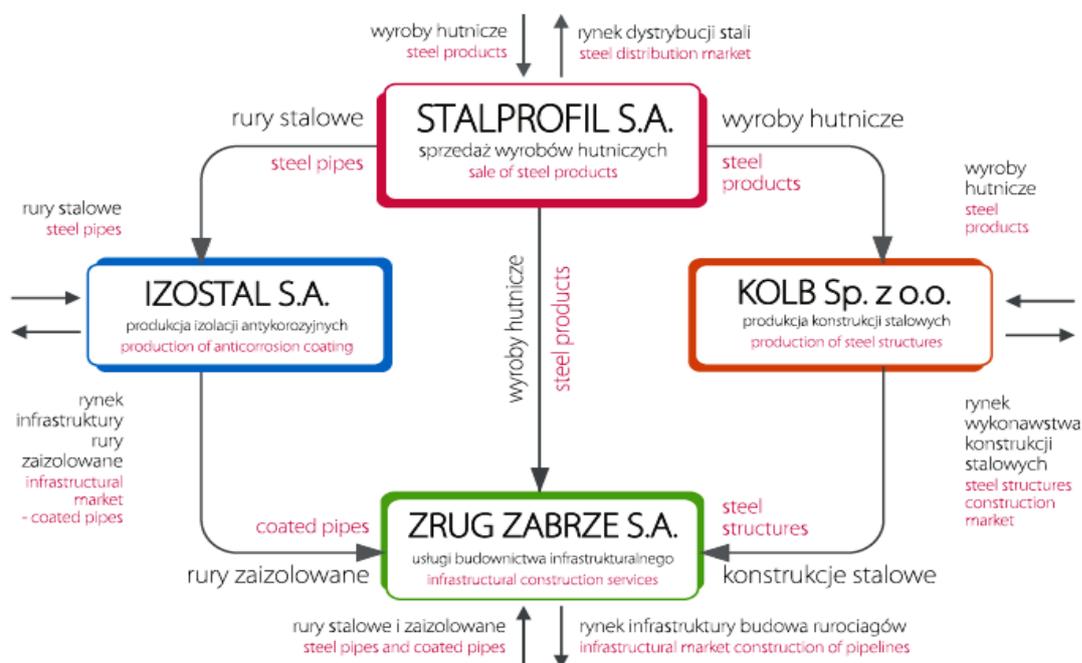
Subsidiary's name	Share capital (PLN)	Shareholding of STALPROFIL S.A. in share capital	Share of STALPROFIL S.A. in votes
IZOSTAL S.A.	65 488 000	60,28%	60,28%
ZRUG Zabrze S.A.	26 950 000	62,89%	68,94%
KOLB sp. z o.o.	3 098 000	100,00%	100,00%

The core business of the Group and the parent entity i.e. STALPROFIL S.A., is trade in steel products from unalloyed steel. All the subsidiaries complement each other, and the parent entity's core

business. The business activity of IZOSTAL S.A. involves anticorrosive coating of steel pipes and trade in steel pipes, ZRUG Zabrze S.A. performs works connected with construction and repairs of gas, heat, water and sewage networks, whereas KOLB sp. z o.o. manufactures and assembles steel structures and builds large-size facilities. All subsidiaries also trade in steel products.

A common denominator for the activity of STALPROFIL S.A. Group is steel goods, which are present in the activity of 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. element of an investment construction service. In practice, business relations between subsidiaries and parent company boil down to commercial cooperation in this scope. As a result of 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 different markets. Subsidiaries supplement their core business by supplying unprocessed steel products to contractors operating mainly in markets corresponding to their core business.

Chart 2 Business relations within and outside STALPROFIL S.A. Group



Employment level in the Group in Q3 2014 did not change significantly, the table below shows employment in break-up into individual companies belonging to the Group.

Table 12 Employment in the Group (FTEs)

Company	As on September 30, 2014		As on September 30, 2013	
	Blue-collar employees	Total	Blue-collar employees	Total
STALPROFIL S.A.	57	138	62	140
IZOSTAL S.A.	77	137	86	139
ZRUG Zabrze S.A.	105	159	122	182
KOLB sp. z o.o.	75	98	62	83
<b>Total</b>	<b>314</b>	<b>532</b>	<b>332</b>	<b>544</b>

### **3. Changes in the structure of STALPROFIL S.A. Group**

In Q3 2014 there were no significant changes in the structure of STALPROFIL S.A. Group.

### **4. Brief description of achievements or failures and a list of major events that occurred in Q3 2014**

In Q3 2014 STALPROFIL S.A. Group recorded satisfactory financial results in the context of temporary but considerable drop in demand in the domestic gas infrastructure market. Demand in the steel market increased although falling prices of raw materials used for steel production did not facilitate significant increase in steel products prices as it was expected earlier.

Despite an over 2% increase in the volume of steel products sold, in Q3 2014 the Group recorded lower income from sales in the steel segment due to lower average prices of steel products against Q3 2013. At the turn of August and September 2014 prices of steel products increased but still they remained below the level of Q3 2013.

The Group achieved a higher volume of steel products sold thanks to efficient commercial infrastructure in Stalprofil's warehouse in Katowice. The Group consequently extends its portfolio of products stored in Katowice by adding higher-margin products. Stalprofil plans to introduce the well-tried commercial and logistic model in its other warehouse in Dąbrowa Górnicza. Therefore in Q3 2014 intense preparations started to launch an investment aimed at its thorough modernization. Expenditure on this task will amount to PLN 24,296 thou. net, the completion date was set for June 30, 2016.

Kolb Sp. z o.o. also contributed to the revenues of the steel sector which extended its business activity based on the construction of steel structures with general contracting of large-size facilities. In Q3 2014 the Company recorded sales income of PLN 18,021 thou. and achieved a positive financial result despite big competition and low prices in the steel structures market. An increase in the sales volume has been an antidote for KOLB sp. z o.o to low margins in this market. For the period of 9 months of 2014 the Company increased the tonnage of structures built by 64%.

Gas infrastructure of the Polish transmission and distribution system is now being developed and thoroughly modernized. In Q3 activities of OGP Gaz-System S.A. and PGNiG S.A. with respect to further investment prospects were focused mainly on the engineering stage and tender procedures aimed at selecting suppliers of coated pipes. 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 insulation and internal anticorrosive protection. Budget estimated by the Ordering Party with respect to this investment is PLN 4.4 - 5 billion. Izostal S.A. is now waiting to sign the frame contract which may take place in the following quarter.

In Q3 2014, despite a temporary decrease in demand in the gas market, the Group recorded satisfactory results in the transmission networks segment. In view of a temporary drop in sales of coated steel pipes for OGP Gaz-System S.A., IZOSTAL S.A. delivered products to other customers. However, it is highly probable that sales to OGP Gaz-System S.A. will significantly increase in the following quarters. On October 15, 2014 Izostal signed a contract with Wrocław branch of OGP Gaz-System. for the sale and delivery of DN 300 steel pipes for the construction of Polkowice-Żary gas pipeline. The value of the contract is PLN 25,566 thou. gross, the completion date falls 12 months from the day on which the contract was concluded.

Income of the infrastructure segment was made up for by ZRUG Zabrze.S.A., which being the leader of the Consortium, continued the construction of gas pipeline DN 700 Szczecin - Gdańsk of the length of 204 km and started the construction of another gas pipeline DN 500 Gałów - Kiełczów of the length of 41.6km.

ZRUG Zabrze S.A. concluded an appendix to the contract for the construction of gas pipeline DN 700 Szczecin – Gdańsk with OGP Gaz-System S.A. postponing the deadline for the completion of the gas pipeline to December 22, 2014. The deadline was postponed at the request of ZRUG Zabrze and was justified by :

- the necessity to remove errors or modify the engineering documentation,
- the necessity to perform additional works which were not originally foreseen,
- unforeseen difficulties related to works performed in difficult conditions.

Since the original deadline for the completion of the gas pipeline has been considerably extended, there is a risk that the actual profitability of the contract may differ from the originally assumed. Possible deviations from the planned costs and revenues and their impact on the Group's result will be possible to determine after contract completion and performance of the related additional works (including determination of the cost of additional works and the degree to which the cost is covered by the Investor.)

In order to reduce future risk related to the valuation of long-term contracts which concerns KOLB sp. z o.o. and ZRUG Zabrze S.A., the companies, supported by Stalprofil, are implementing controlling and IT tools which facilitate the management of long-term contracts in place. The tools will facilitate and support:

- current assessment of the degree to which long term-contracts are advanced as regards facts and costs,
- current estimation of costs to be borne till the contract completion,
- management of contract risks,
- current assessment of contracts' profitability and their impact on the company's financial result.

### List of other important events in Q3 2014.

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 of STALPROFIL S.A. Group with this contractor since August 9, 2013 (publication of regular report 33/2013) reached 35 485 kPLN and exceeded 10% of the Company's equity. Contract for the sale of steel products of November 4, 2013 of the value of 4 294 kPLN for the supply of steel products by STALPROFIL S.A. to MONTANA S.A. in November 2013 is the contract of the highest value concluded in this period between companies belonging to STALPROFIL S.A. Group and MONTANA S.A.

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 - Kiełczów 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. According to the terms and conditions of the contract concluded, for the performance of the works contracted, the consortium, of which ZRUG Zabrze S.A. is a member, will receive a compensation of PLN 40 971 243,42 gross (contract value). The contract completion date (investment completion date) falls 19 months from the date on which the contract is concluded.

On July 29, 2014 IZOSTAL S.A. concluded another commercial contract with company ArcelorMittal Flat Carbon Europe S.A. Unit in Poland seated in Dąbrowa Górnicza. Following this transaction, the total value of the contracts concluded by IZOSTAL S.A. with ArcelorMittal Group since October 14, 2013 (current report no. 27/2013) exceeded 10% of the Company's equity and amounted to 19,158 kPLN (net). In the period discussed, the contract for the purchase by IZOSTAL S.A. of hot rolled coils from ArcelorMittal Flat Carbon Europe S.A., Unit in Poland concluded on May 29, 2014 of the total value of 8 369 kPLN net was the contract of the highest value.

On September 15, 2014, the Management Board of IZOSTAL S.A. was informed about the selection by Operator Gazociągów Przesyłowych Gaz-System S.A. seated in Wrocław of the bid submitted by IZOSTAL S.A. as the most favorable one in the public procurement tender *„deliveries of coated steel pipes DN 300 for the construction gas pipeline DN 300 Polkowice-Żary, including an acceptance protocol in line with PN-EN 10204 or equivalent.”*. The net value of the aforesaid bid submitted by the Company is 20785 kPLN, which is 25565 kPLN gross. The terms sheet provides for the realization of deliveries of coated steel pipes within 12 months from the date of concluding the agreement.

## 5. Description of factors and events having significant impact on the actual financial results recorded by the issuer, particularly those that are not typical.

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

- sales in the field of steel industry as the domain of STALPROFIL S.A., including steel processing with production of steel structures by KOLB sp. z o.o.,
- activity related to the infrastructure of transmission networks for gas and other utilities, covering the production of anti-corrosion insulation for steel pipes by IZOSTAL S.A., as well as construction and assembly services for transmission networks provided by ZRUG Zabrze S.A.

Business diversification in the Group makes it more resistant to changes of the business situation in individual sectors and makes it possible to periodically focus the capital on that sector which is more efficient in a given period. In Q3 2014 the steel segment generated considerably higher income for the Group, and the situation in the steel market remained stable.

Table 9 Results of STALPROFIL S.A. Group for Q3 2014, segment-wise (kPLN)

STALPROFIL S.A. Group	Q3 2014			Q3 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
<b>Sales revenues</b>	<b>121 223</b>	<b>78 703</b>	<b>199 926</b>	<b>129 143</b>	<b>113 152</b>	<b>242 295</b>
share in total revenues	60,6%	39,4%	<b>100,0%</b>	53,3%	46,7%	<b>100%</b>
<b>Internal sales cost</b>	<b>112 231</b>	<b>73 381</b>	<b>185 612</b>	<b>119 617</b>	<b>104 016</b>	<b>223 633</b>
<b>Gross sales profit</b>	<b>8 992</b>	<b>5 322</b>	<b>14 314</b>	<b>9 526</b>	<b>9 136</b>	<b>18 662</b>
gross profit to total sales	62,8%	37,2%	<b>100,0%</b>	51,0%	49,0%	<b>100,0%</b>

Development of the situation in the steel segment is, to a big extent, determined by changes in steel products' prices. In Q3 2014, at the turn of August and September, there was a slight increase in steel products prices accompanied by increased demand for steel products. However, despite an over 2% increase in steel products sales volume, the Group's income in Q3 2014 was 6% lower than in Q3 2013. The result was a consequence of lower average sales prices in Q3 2014 against Q3 2013. In the period Q3 2013 / Q3 2014 average prices of steel products in the European market decreased in the following way: sections by 5.5%, hot rolled strips by 3% and cold-rolled strips by 0.5%. Only prices of ribbed bars increased by over 5% but their share in the Group's sales structure was small.

The Group's priority as regards trade in steel products is to achieve the highest return on sales and not to maximize the sales volume. Therefore the Group promotes sales of products with higher margins and adjusts its commercial infrastructure to achieve this purpose. Moreover in view of the risk of insolvency in some steel consuming sectors (e.g. the construction sector), the Group was very cautious when concluding business transactions in these markets, effecting those transactions that were covered by receivables' insurance.

In Q3 2014, the transmission networks sector generated almost 40% of revenues and approx. 37% of gross profit on sales of the entire Group. Thus its share in the Group's revenues was by approx. 7% lower and the gross profit on sales was by 12% lower than in the corresponding period of the previous year.

Total volume of internal and external coating for steel pipes decreased as a result of a temporary reduction in demand from OGP Gaz-System S.A. which is now preparing for big public procurement contracts (approx. 1057 km of steel pipes DN 700 and DN 1000 to be completed by 2018. In Q3 2014 Izostal recorded sales revenues of PLN 51 768 kPLN, recording the net profit of 890 kPLN.

In Q3 2014, the second company operating in the infrastructure sector i.e. ZRUG Zabrze S.A., recorded sales revenues of 46 757 kPLN and recorded a little net loss of (-) 23 kPLN. The relatively high level of quarterly income of ZRUG Zabrze results from the final stage of works under the effective strategic contract for the construction of gas pipeline Szczecin - Gdańsk, which also has the biggest impact on the results generated by the company. The completion of this contract has been considerably postponed due to objective reasons which may affect its profitability. The final impact of the contract on the Group's result will be possible to identify when the contract is completed and all the related additional works are performed (including determination of costs of additional works and the extent to which they are covered by the Investor).

Total revenues recorded by STALPROFIL S.A. Group in Q3 2014 amounted to 199 926 kPLN i.e. over 17% less than in the corresponding period of the previous year. Whereas the Group's operating profit amounted to PLN 3 866 kPLN.

The result of the Group's financial activity was (-) 326 kPLN against 243 kPLN recorded in Q3 2013. The financial activity result in Q3 2014 was to the biggest extent impacted by a lower balance of positive exchange rate differences (decrease from 1 101 kPLN in Q3 2013 to 153 kPLN in Q3 2014. In Q3 2014 companies belonging to Stalprofil Group paid the total cost of interest (on loans and leasing) of 865 kPLN and were lower by 52 kPLN against costs incurred in Q3 2013. Group entities regularly take steps to limit financial costs by optimizing the debt level.

The Group secures its foreign currency cash flows mainly with the use of natural hedging and forward transactions. Furthermore, company Izostal S.A. secures the percentage rate risk with the use of the IRS transaction.

In Q3 2014 STALPROFIL S.A. Group recorded consolidated net profit of 2 888 kPLN, including for the shareholders of the parent entity in the amount of 2 535 kPLN. Whereas in the corresponding quarter of the previous year, profit for the shareholders of the parent entity amounted to 4 374 kPLN.

## **6. Influence of seasonality on operations of Stalprofil SA Group in Q3 2014.**

Basic elements impacted by seasonality which may influence the activity of individual entities belonging to STALPROFIL S.A. Group:

### **a) sales, processing and services in the steel market**

Generally speaking, seasonality has no significant impact on the results of total sales of steel products. Drop in sales may occur in case of exceptionally severe winters (logistic problems, problems with assembling structures, slowdown in case of production in the construction sector) It regards both STALPROFIL S.A. and KOLB sp. z o.o.

### **b) infrastructure of transmission networks for gas and other utilities**

The sales result of the Group in the segment of infrastructural networks for transmission of gas and other utilities depend on the seasons. Higher turnover is usually generated in this segment in quarters 2 to 4, depending on weather conditions and works schedules adopted by investment project contractors. During severe winters, the intensity of investments such as construction of transmission networks drops, and is combined with delays in the performance of some already started works (e.g. civil works), which altogether has a negative impact on the turnover of the subsidiaries operating in this segment – IZOSTAL S.A. and, mainly, ZRUG Zabrze sp. z o.o.

In the reporting period STALPROFIL S.A. Group was not exposed to factors impacted by seasonality.

## **7. Information about transactions with affiliates concluded by the issuer or its subsidiaries on conditions other than arms-length basis.**

All transactions concluded by the Company with affiliated entities were effected on arm's length conditions.

The main supplier of STALPROFIL S.A. is an affiliated entity i.e. ArcelorMittal Commercial Sections S.A. (plus other entities from ArcelorMittal Group incl. ArcelorMittal Poland S.A., which holds 32.68 % of votes at the General Shareholders' Meeting of the company). Commercial transactions concluded in Q3 2014 by STALPROFIL S.A. with entities belonging to ArcelorMittal Group or subsidiaries – IZOSTALS.A., ZRUG Zabrze S.A. and KOLB Sp. z o.o. -were of a typical and routine character. They involved mainly supplies of steel products, and their nature and conditions were a result of ongoing operations of the issuer and affiliated entities.

Routine arms-length commercial transactions were also concluded between individual subsidiaries and affiliated companies of STALPROFIL S.A. and were a result of their complementary objects.

## 8. Information on sureties for a credit or a loan or guarantees granted by STALPROFIL S.A. or its subsidiary.

Companies of Stalprofil S.A. Group did not grant sureties to entities from outside the Group. Off-balance sheet liabilities of the Group's entities as on September 30, 2014.

Table 14 a-c Guarantees given by entities belonging to STALPROFIL S.A. Group (kPLN)

### a) Sureties and guarantees given by Stalprofil S.A. to affiliates

Beneficiary	Debtor	Loan repayment date	Amount of the surety for a credit or a guarantee
ING Bank Śląski S.A.	ZRUG Zabrze S.A.	December 1, 2014.	6 000
mBank S.A.	ZRUG Zabrze S.A.	November 6, 2017	43
		15.01.2016	221
		28.03.2016	177
		28.11.2014	5 000 *
	KOLB sp. z o.o.	30.04.2015	871 **

\*power of attorney for the account at mBank S.A.

\*\* 871.130,00 PLN - amount of surety for the investment loan with the limit of PLN 4,200,000 /amount utilized as on September 30, 2014 is 387 kPLN

### b) Sureties for credit given by Izostal S.A. to affiliated entities

Beneficiary	Debtor	Loan repayment date	Loan amount
Bank Zachodni WBK S.A.	ZRUG Zabrze S.A.	17.12.2014	5 000

### c) Sureties given by Izostal S.A. to affiliated entities (contract performance guarantees and defects and failures removal guarantee)

Beneficiary	debtor	Validity date	Bond amount
Eurovia Polska S.A.	ZRUG Zabrze S.A.	18.06.2017	3 250
mBank S.A.	ZRUG Zabrze S.A.	21.11.2014	2 000
Bank Zachodni WBK S.A.	ZRUG Zabrze S.A.	25.02.2021	4 097

Table 105 Guarantees given at the request of companies belonging to STALPROFIL S.A. Group (kPLN)

Total value of guarantees granted by companies of Stalprofil S.A. Group	As on September 30, 2014	As on December 31, 2013
Bid bond guarantees, contract performance guarantees and defects and failures removal guarantee, incl. in favor of:	47 815	49 315
OGP Gaz-System S.A.	39 629	41 741
Advance payment bond (gross amount), including to:	51 500	51 500
OGP Gaz-System S.A.	51 500	51 500

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 case of payments under

the guarantee, the issuer has a recourse against Group companies. Guarantees granted by external entities at the request of companies belonging to STALPROFIL S.A. Group, the beneficiary of which is OGP Gaz-System S.A., exceed 10% of STALPROFIL S.A. equity and reached 91 129 kPLN at the end of the reporting period. Remuneration for guarantees granted does not differ from conditions commonly used in the market.

## **9. List of pending proceedings, including court proceedings.**

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.

## **10. Management Board's opinion on a possibility to fulfill the previously published forecasts.**

STALPROFIL SA did not publish any forecast financial results for the Company or the Group.

## **11. Issuer's shares held by managing and supervising persons.**

According to the information available to the Company, as on September 30, 2014, Mr. Zenon Jędrocha, Management Board member, held 30 shares of STALPROFIL S.A. of the total nominal value of PLN 3,00 and 1 584 shares of subsidiary company IZOSTAL S.A. of the total nominal value of PLN 3 168,00. To the Company's knowledge on September 30, 2014 no other Management Board or Supervisory Board Member of STALPROFIL S.A. held any issuer's shares. The number of shares held by managing and supervising persons has not changed since the submission of the last report for the previous period.

## **12. List of shareholders holding at least 5% votes at General Shareholders Meeting**

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 quarterly report. The information in the table is based on the 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. There have been no changes in the issuer's shareholding structure since the day on which the previous quarterly report was submitted.

Table 16 Shareholding structure of STALPROFIL S.A. as on the day of providing the report for Q3 of 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%
<b>Total</b>	<b>17 500 000</b>	<b>100,00%</b>	<b>33 500 000</b>	<b>100,00%</b>

### 13. Information on stocks revaluation write-offs.

Table 17 Stocks revaluation write-offs, STALPROFIL S.A. Group (kPLN)

July 1 to September 30, 2014				
	Amount of inventory write-offs at the beginning of the period	Costs of inventory revaluation write-offs reversal recognized as write-offs reduction in the period	Amounts of inventory revaluation write-offs recognized as cost in the period	Amount of inventory write-offs at the end of the period
	1	2	3	4 = 1 - 2 + 3
Material	108	2	-	106
Work in process	88	88	-	-
Finished products	21	-	-	21
Goods	2 747	549	-	2 198
<b>TOTAL</b>	<b>2 964</b>	<b>639</b>	<b>-</b>	<b>2 325</b>

January 1 to September 30, 2014				
	Amount of inventory write-offs at the beginning of the period	Costs of inventory revaluation write-offs reversal recognized as write-offs reduction in the period	Amounts of inventory revaluation write-offs recognized as cost in the period	Amount of inventory write-offs at the end of the period
	1	2	3	4 = 1 - 2 + 3
Material	112	6	-	106
Work in process	193	193	-	-
Finished products	24	3	-	21
Goods	4 067	1 869	-	2 198
<b>TOTAL</b>	<b>4 396</b>	<b>2 071</b>	<b>-</b>	<b>2 325</b>

## 14. Revaluation write-offs of financial assets, tangible fixed assets, intangible assets or other assets.

Table 18 Receivables revaluation write-offs, STALPROFIL S.A. Group (kPLN)

	July 1 to September 30, 2014	January 1 to September 30, 2014
<b>Impairment write-offs at the beginning of the period</b>	<b>5 588</b>	<b>6 581</b>
<b>Recognition in the period of impairment losses</b>	<b>763</b>	<b>1 677</b>
<b>Reversal in the period of impairment losses</b>	<b>183</b>	<b>2 090</b>
<b>Impairment write-offs at the end of the period, incl.:</b>	<b>6 168</b>	<b>6 168</b>
receivables on account of supplies and services, incl.:	3 777	3 777
principle receivable	2 521	2 521
interest receivable	1 256	1 256
other	2 391	2 391

## 15. Creation, increase, utilization and release of provisions.

Table 19 Provisions, STALPROFIL S.A. Group (kPLN)

	July 1 to September 30, 2014		
	Provisions for retirement and similar benefits:	Other provisions	Total
<b>Value at the beginning of the period, including:</b>	<b>2 498</b>	<b>55</b>	<b>2 553</b>
- short-term at the beginning of the period	1 144	55	1 199
- long-term at the beginning of the period	1 354	-	1 354
<b>Increases</b>	<b>291</b>	<b>10</b>	<b>301</b>
- established in the period and increase in the existing ones	291	10	301
<b>Reductions</b>	<b>454</b>	<b>55</b>	<b>509</b>
- utilized over the year	454	46	500
- reversed but non-utilized	-	9	9
<b>Value at the end of the period, including:</b>	<b>2 335</b>	<b>10</b>	<b>2 345</b>
- short-term at the beginning of the period	981	10	991
- long-term at the beginning of the period	1 354	-	1 354

	January 1 to September 30, 2014		
	Provisions for retirement and similar benefits:	Other provisions	Total
<b>Value at the beginning of the period, including:</b>	<b>1 743</b>	<b>1 635</b>	<b>3 378</b>
- short-term at the beginning of the period	389	1 635	2 024
- long-term at the beginning of the period	1 354	-	1 354

<b>Increases</b>	<b>1 521</b>	<b>10</b>	<b>1 531</b>
- established in the period and increase in the existing ones	1 521	10	1 531
<b>Reductions</b>	<b>929</b>	<b>1 635</b>	<b>2 564</b>
-utilized over the year	929	1 185	2 114
- reversed but non-utilized	-	450	450
<b>Value at the end of the period, including:</b>	<b>2 335</b>	<b>10</b>	<b>2 345</b>
- short-term at the beginning of the period	981	10	991
- long-term at the beginning of the period	1 354	-	1 354

## 16. Deferred income tax assets and provisions.

Table 20 Income tax, STALPROFIL S.A. Group (kPLN)

	Balance sheet			Profit and loss account	
	As on September 30, 2014	As on June 30, 2014	As on December 31, 2013	July 1 to September 30, 2014	January 1 to September 30, 2014
<b>Provision on account of deferred income tax</b>					
positive exchange rate differences	47	41	56	6	(9)
tangible assets valuation	884	877	872	7	12
depreciation	132	142	71	(10)	61
discount on goods	19	243	-	(224)	19
Damages	149	1	205	148	(56)
Interest not covered by revaluation write-off	-	52	83	(52)	(83)
value of fixed assets under lease	1 051	1 068	935	(17)	116
accruals - long-term contracts	13 644	13 530	11 898	114	1 746
revaluation of provisions for employee benefits	13	13	13	-	-
revaluation of financial assets	67	67	-	-	67
<b>Provision on account of deferred income tax</b>	<b>16 006</b>	<b>16 034</b>	<b>14 133</b>		

<b>Deferred income tax assets</b>					
interest charged	111	82	104	(29)	(7)
value of lease liabilities	686	744	607	58	(79)
negative foreign exchange differences	9	10	15	1	6
provisions for future costs	2	89	1 682	87	1 680
provisions for employee benefits	429	448	267	19	(162)
write-offs for receivables	413	268	227	(145)	(186)
revaluation write -offs for inventory	442	564	835	122	393
costs which do not constitute tax deductible expenses/ tax cost in future periods	203	188	444	(15)	241
accruals - long-term contracts	11 528	11 378	9 018	(150)	(2 510)
Other	127	113	27	(14)	(100)
unrealized margin	1 269	1 385	1 405	116	136
Deductible tax loss	1 968	1 890	1 351	(78)	(617)
revaluation of provisions for employee benefits	21	21	21	-	-
revaluation of financial assets	-	-	-	-	-
<b>Deferred income tax assets</b>	<b>17 208</b>	<b>17 180</b>	<b>16 003</b>		

Burden / (credit) on account of deferred income tax shown in the profit and loss account	(56)	601
Burden / (credit) on account of deferred income tax shown in other comprehensive income statement	-	67

### **17. Information on significant transactions of purchase and sale of tangible assets and major liabilities on account of purchases of tangible fixed assets**

There were no significant purchase and sale transactions of tangible fixed assets or major liabilities on account of purchases of tangible fixed assets (exceeding 10% of the value of issuer's capital) in the reporting period.

### **18. Major settlements related to court cases.**

There were no major settlements in the reporting period related to court cases. The Company has no major settlements related to court cases.

### **19. Adjustments of errors from previous periods.**

There were no errors requiring adjustment in the previous reporting periods.

### **20. Changes in the economic situation and operating conditions that have a significant impact on the fair value of financial assets and the entity's financial liabilities.**

Changes in the item "Profits and losses on account of financial assets valuation, shown in Total comprehensive income statement of STALPROFIL S.A. for Q3 2014 are mainly the result of current market valuation of IZOSTAL S.A. shares quoted on the Warsaw Stock Exchange, the fair value of which is determined based on market quotation on the balance sheet day. As on September 30, 2014 the stock exchange value of IZOSTAL S.A. shares was by 0.17% lower than the value as on June 30, 2013 which was reflected in the valuation of fair value of shares (Table 25).

Fair value of long-term financial assets, which are not actively traded on the active market (e.g. shares in KOLB sp. z o.o., and ZRUG Zabrze S.A.), is determined based on valuations made at the end of a financial year by an independent licensed expert with experience in valuation of financial instruments. Fair value of shares in KOLB sp. z o.o. and ZRUG Zabrze S.A. was determined based on the income method by discounting forecast cash flows

As on each balance-sheet day, the issuer evaluates whether there are objective reasons for reducing the fair value of each asset or a group of financial assets. Whereas at the end of a financial year, the Company performs an asset impairment test and in justified cases revalues them.

Table 21 Change in the fair value of financial assets of STALPROFIL S.A. in Q3 2014 (kPLN)

Financial assets	Assets fair value as on September 30, 2014	Assets fair value as on June 30, 2014	Difference
Shares of Izostal S.A.	116 460	116 657	-197
shares of ZRUG Zabrze S.A.	20 526	20 526	0
shares of KOLB sp. z o.o.	16 230	16 230	0
<b>TOTAL</b>	<b>153 216</b>	<b>153 413</b>	<b>-197</b>

Change in the value of the aforementioned financial assets was reflected in the reduction of the reserve capital from the revaluation of assets by the amount of PLN 160 kPLN and increase in assets on account of deferred income tax by 37 kPLN.

## **21. Information on unpaid credits or loans or violation of important provisions of a credit or loan agreement.**

There were no cases of violating provisions of credit or loan agreements to which STALPROFIL S.A. or subsidiaries are a party in the reporting period. Companies from STALPROFIL S.A. Group repay their credits and loans on a regular basis according to effective agreements.

## **22. Issue, buyout and repayment of no-shareholding and capital commercial papers.**

In the reporting period there was no issue, buyout and repayment of the issuer's no-shareholding and capital commercial papers.

## **23. Dividend payment (or declaration).**

September 10, 2014 was the date for determining the right to dividend on STALPROFIL S.A. shares. October 1, 2014 was the dividend payment day. The Company paid dividend for the Company's shareholders in the amount of 1.575 kPLN i.e. PLN 0.09 dividend for each share. The dividend was paid on all 17,500.000 shares issued by the Company.

In the reporting period, the subsidiary company Izostal S.A. also paid dividend from net profit generated in 2013. On May 14, 2014 the General Meeting of Izostal S.A. passed a resolution on the payment of dividend in the amount of 3.929 kPLN i.e. PLN 0.12 per share. The date for determining the right to dividend fell on August 12, 2014, and the dividend payment date on September 1, 2014. The Company paid the dividend in line with the resolution of the General Meeting. The dividend was paid on all shares issued by Izostal S.A. Stalprofil S.A. received 2.368kPLN dividend.

## 24. Changes in contingent liabilities or assets since the closing of the previous business year.

Table 22 Total value of securities established on the assets of companies belonging to STALPROFIL S.A. Group (kPLN)

Total value of securities established on the assets of Stalprofil S.A. Group	As on September 30, 2014	As on December 31, 2013
Pledge on fixed assets	23 081	32 774
Pledge on inventories	115 500	115 500
Mortgages	56 937	104 636
Transfer of receivables from buildings insurance agreement	109 183	111 931
Assignment of receivables related to commercial contracts in the amount of total annual sales	27 500	40 000
Transfer of trade receivables	2 000	2 000

Information on sureties and guarantees granted by entities belonging to STALPROFIL S.A. Group is presented in section V/8.

## 25. List of events that followed the day on which the financial statement was prepared and not included in the statement, which might considerably influence future financial results.

On November 12, 2014 ZRUG Zabrze S.A. concluded an appendix to the contract with OGP Gaz System S.A. for the construction of gas pipeline DN 700 Szczecin – Gdańsk, which postponed the completion date to December 22, 2014. Since the original date for the completion of this gas pipeline was significantly extended, there is a risk that the actual profitability of the contract may differ from the original assumptions. Possible deviations from the planned costs and revenues and their impact on the Group's result will be possible to determine after contract completion and performance of the related additional works (including determination of the cost of additional works and the degree to which the cost is covered by the Investor.)

## 26. Other information which might have a significant impact on the evaluation of the property and financial situation, as well as the financial result of STALPROFIL S.A. Group.

STALPROFIL S.A. Group shows high resistance to economy-affecting problems, such as difficult access to borrowing sources, payment backlogs and difficulties with financial liquidity. The financial situation of STALPROFIL S.A. Group remains stable which is important in view of the changeable situation in markets where the Group entities operate. The Group is in possession of working capital necessary to conduct business activity on the current scale and enabling further development of this activity. In addition to the available internal funds, the business sustainability is ensured by bank loans, including medium-term working capital loans which may be increased if there is a bigger demand for the Group's working capital.

The risk of insolvency in steel-consuming sectors decreased in the reporting period. The dominant majority of the Group's receivables related to steel trading have an insurance cover.

Group companies insure their assets and periodically verify insurance sums and the possibility of the occurrence of new risks.

The Group also insures its civil liability on account of the business activity run.

## **27. Factors that might influence the financial results of STALPROFIL**

### **S.A. Group in the next quarter.**

The main factor determining the actual results of STALPROFIL SA Group is the current market situation in the steel distribution sector and investments market, including investments related to gas transmission networks. Business diversification in the Group makes it more resistant to changes of the business situation in individual sectors, and makes it possible to periodically focus the capital on that sector which is more efficient in a given period. In Q3 2014 the steel segment generated considerably higher income for the Group, and the situation in the steel market remained stable.

#### **a) Steel segment.**

Forecast long-term development of the situation in the steel segment looks more and more optimistic as regards increase of production and apparent steel consumption. Forecast production growth of those sectors of Polish and European economy that consume steel should have a positive impact on demand and stabilize prices of steel products in the following periods. According to EUROFER in 2015 a recovery may be expected in the European steel market since all steel-consuming sectors will record a production increase by 3.1% on average. Steel consumption will increase as a result of a production increase in steel-consuming sectors. According to September forecasts of another organization – World Steel Association – apparent steel consumption in EU 28 will increase in 2014 by 4%, and by 2.9% in 2015.

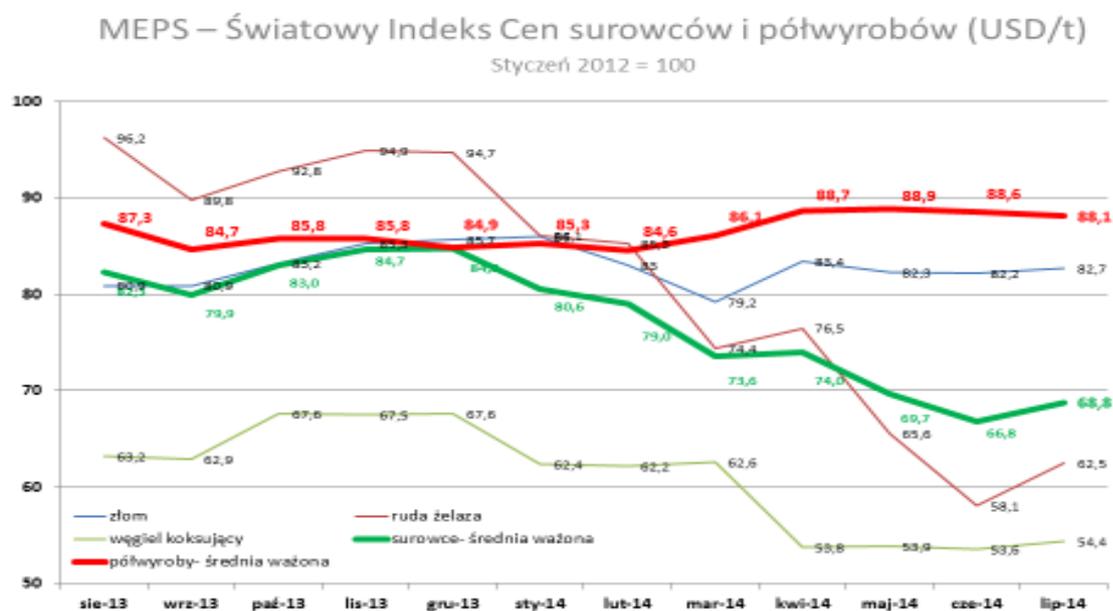
Thanks to big infrastructural investments financed under the new EU budget perspective, Polish market should grow faster than EU market.

Despite the fact that the forecasts are burdened with risk, development prospects for the steel sector and steel products distribution sector in the following years should be considered optimistic.

Development of economic situation in Poland and in the euro zone, as well as political situation in Ukraine and Russia are still a source of risk. EU restrictions imposed on Russia led to an economic slowdown of EU economies, 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 materials markets which may have a negative impact on the steel market. Statistics for Q3 2014 do not suggest a major break resulting from a dynamic reversal of downward trend in case of steel product prices. In Q3 2014 only a moderate increase of steel product prices was observed which had a very small impact on the recovery of the demand. Despite the recovery, the drop in prices of raw materials used for the production hindered a considerable increase in steel products prices in global markets (cf. Fig. 1).

Fig. 1 Price dynamics of semis and raw materials for steel production acc. to MEPS International

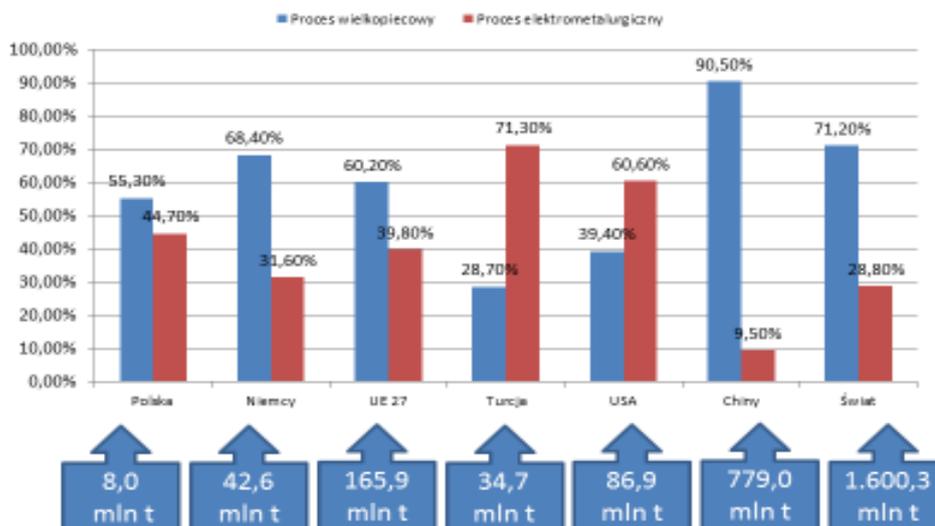


Reduction of production costs for steel producers who use the blast furnace process (thanks to a drop in the prices of coke and iron ore), makes the situation comfortable for steel producers who improved profitability of production without the need to increase prices of finished products. It is not possible to exclude the risk of further drop in steel products' prices if prices of raw materials for steel production continue to fall. Steel producers, who process scrap and use induction furnaces in the production process, have less possibility to reduce prices of finished products. The profitability of such production is considerably lower than blast furnace-based production due to relatively high and stable scrap prices. Price movements of steel plants which produce steel mainly from scrap may stabilize steel prices on the European market.

Fig. 2 presents production of steel in break-up into regions and steel production method.

Fig.2 Production of steel in various regions of the world in 2013 as per the production process (source: World Steel Association)

### Produkcja stali w poszczególnych regionach świata w roku 2013 wg procesu wytwórczego



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. According to estimates of the World Steel Association, global production capacity of steel producers are currently utilized as at the end of September 2014 in approx. 76%.

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

#### b) Segment of gas transmission networks infrastructure

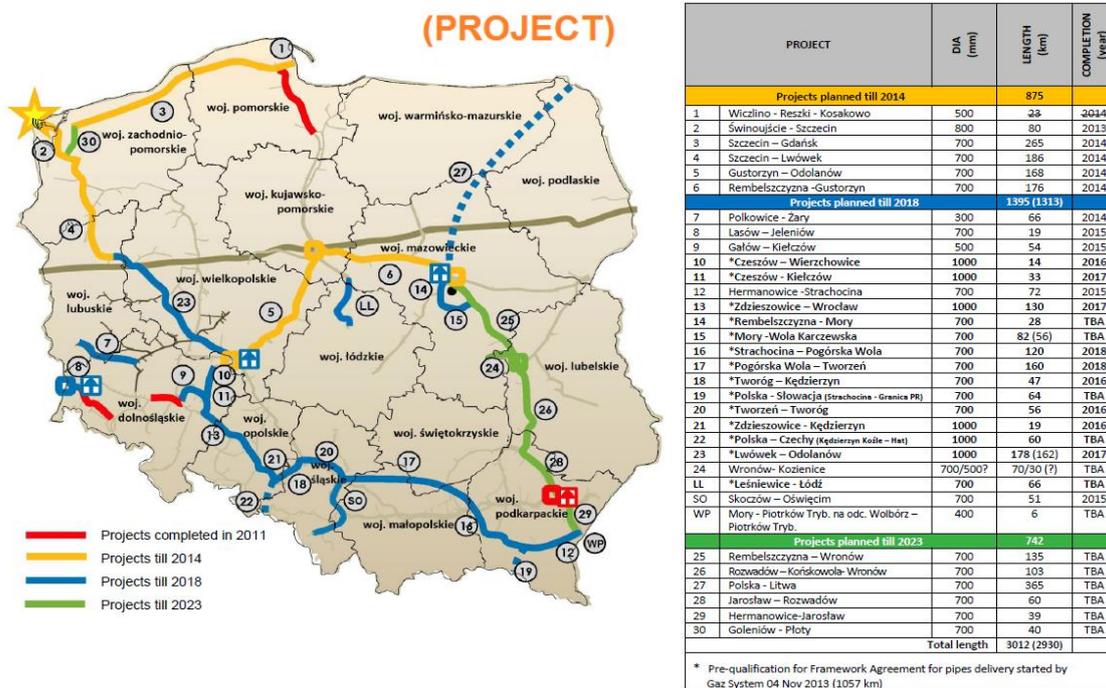
Forecasts for the market of gas transmission networks are much more predictable. The prospective infrastructural market of transmission networks for gas and other utilities is now speeding up. Favorable outlooks for this market demonstrate themselves in projects implemented as part of revamping and construction of the national gas network, as well as the EU policy aiming at establishment of the integrated natural gas transmission network, improved gas supplies security in the EU and setup of the common European energy market.

In connection with the performance of the 2nd perspective of the development of gas transmission networks, OGP Gaz-System S.A. announced in Q4 2013 a tender aimed at selecting suppliers and concluding further frame contracts for the supplies of coated pipes for big 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 (Izostal) and gas pipelines construction (ZRUG Zabrze).

Domestic gas transmission and distribution market is undergoing considerable transformation involving adjustment to the level of West European countries and preparation for holding a new function as infrastructure fully integrated with neighboring countries which facilitates gas transit in various directions, thus ensuring flexible gas supplies. Outlooks for the domestic economy show a considerable increase of gas demand, whereas what can be observed in EU is the emphasis on the creation of a common integrated gas market within which Polish infrastructure will facilitate transport of gas in various geographical configurations. A very big increase of gas demand is observed in the domestic power utilities market where an annual increase of demand for gas at the level of 6.2 billion m<sup>3</sup> may be expected. The realistic forecast on gas market growth, adopted by Gaz-System, assumes an increase in gas consumption from the current level of 14-15 billion m<sup>3</sup> to 25.1 billion m<sup>3</sup> in 2018.

Fig. 3 Planned gas investments 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. Furthermore, a system connection with the Czech Republic was provided, and the connection with Germany was extended. This stage will be completed in 2014.

The development plan for the years 2014-2023 prepared by Gaz-System S.A. assumes two more perspectives for investment activities aimed at completing 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.

Activities involving the development of the domestic gas transmission market planned for the years 2014-2023 will result in the creation of a fully functional transmission system which will be integrated with gas systems in the neighboring countries and will provide an adequate infrastructural basis for long-term development and functioning of a competitive gas market in Poland.

The above-mentioned plans ensure considerable demand for coated gas pipes. Moreover, in 2023 over 60% of gas pipelines will be over 36 years old and will have to be modernized and replaced.

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 and construct 1.5 thou. km of distribution gas pipelines.

Development and modernization of gas transmission networks by OGP Gaz-System and modernization of gas distribution network by PGNiG will in future create a huge market for coated pipes' suppliers and companies which construct gas pipelines.

The special act on LNG terminal of 2009 was amended in July 2014. The act extends the list of investments in gas infrastructure built based on simplified administrative procedures. The amended act covers a number of new investments, including gas pipelines of the length of 3.4 thou. km - new connections with Lithuania and Slovakia and development of the existing interconnector with the Czech Republic, as well as more than 10 domestic gas pipelines. The list also includes the construction of gas storages facilities of the capacity of at least 250 million cubic meters. The amendment simplifies administrative procedures related to those investments. It is estimated that the amendment will shorten the process by 14 to 23 months thanks to: immediate enforceability of administrative decisions, shorter time limits for making appeals against the decisions, considering appeals, issuing building permits, eliminating the necessity to include gas pipelines in land management plans etc. To justify the amendments, government officials emphasized that the existing national gas network does not make it possible to efficiently distribute gas from the LNG terminal all over the country. If deliveries from the East are stopped, there will be no possibility to deliver required volumes of gas from other directions to some regions, particularly southern and eastern Poland. In order to facilitate transmission of gas from sources located in other parts of Poland it is necessary to eliminate bottlenecks in the transmission system existing among others in transmission mains. Therefore further gas pipelines have been covered by the Special Law.

Update of the Law shows that investments in gas infrastructure are deemed very important by the Polish government. The passing of this amendment will expedite the construction of further gas pipelines, including gas pipelines supplying the planned new gas-fired power blocks.

Thanks to its subsidiaries, Izostal and ZRUG Zabrze, STALPROFIL S.A. Group is already prepared to service this market both in scope of supplies of steel pipes with anticorrosive coating and construction of gas pipelines.