Stalprodukt S.A.

Financial Statement of Stalprodukt S.A. for Year 2014

Prepared in compliance with the International Financial Reporting Standards (IFRS) approved by the European Union

Bochnia, April 2015

Selected financial data

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EUR	
	2014	2013	2014	2013
I. Net sales of products, goods and materials	1 275 168	1 248 495	304 387	296 484
II. Operating profit (loss)	37 562	14 710	8 966	3 493
III. Profit (loss) before taxation	35 633	16 166	8 506	3 839
IV. Net profit (loss)	27 151	9 938	6 481	2 360
V. Net cash flow from operating activities	57 894	106 477	13 819	25 285
VI. Net cash flow from investment activities	-49 594	-87 926	-11 838	-20 880
VII. Net cash flow from financial activities	-7 769	-33 138	-1 854	-7 869
VIII. Total net cash flow	531	-14 587	127	-3 464
IX. Total assets	1 937 924	1 941 798	454 666	468 219
X. Liabilities and provisions for liabilities	390 062	416 945	91 514	100 537
XI. Long-term liabilities	40 000	100 000	9 385	24 113
XII. Short-term liabilities	310 442	295 355	72 834	71 218
XIII. Shareholders' equity	1 547 862	1 524 853	363 152	367 683
XIV. Share capital	13 450	13 450	3 156	3 243
XV. Number of shares	6 725 000	6 725 000	6 725 000	6 725 000
XVI. Profit (loss) per ordinary share (PLN)	4,08	1,49	0,97	0,35
Diluted profit (loss) per ordinary share (PLN)				
XVII. Book value per share (PLN)	230,17	226,74	54,00	54,67
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	0,60	1,00	0,14	0,24

1. Average exchange rates of zloty in NBP during the periods covered by the financial report and comparable financial data in relation to the Euro amounted to:
a) rate of exchange at end of 2014 and 2013, 4.2623 and 4.1472 respectively
b) the average rate, calculated as the arithmetical average of the exchange rates valid on the last day of each month of the year 2014 and 2013, 4.1893 and 4.2110 respectively
c) the lowest rate for 2014 and 2013, 4.0998 and 4.0671 respectively
d) the highest rate in 2014 and 2013, 4.3138 and 4.3432 respectively.

2. Basic items of the balance sheet, profit and loss account and cash flow statement were converted into Euro and presented in selected financial data.

For conversion of currency in PLN into Euros, the following rates of EUR were used, according to the following rules:
- items of assets and liabilities were converted into Euros according to the average exchange rate announced by the NBP as at 31.12.2014 and amounting to 4.2623 and 4.1472 as at 31.12.2013. (section 1a)

- items of profit and loss account and cash flows statement were converted into Euros according to the average rate which is an arithmetic average of average EUR rates announced by the NBP on the last day of each month covered by the report and amounting to 4.1893 for the year 2014 and 4.2110 for the year 2013. (section 1b)

3. For profit-per-share calculation the number of 6,655,267 shares was adopted. In accordance with IAS, 33, 69,733 own shares purchased by the Issuer were excluded from the calculation.

4. In item XVIII the dividend-per-share level was presented, as disbursed by the Issuer in 2014 in respect of 2013.

Bochnia, 28 April 2015

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Józef Ryszka
Member of the Board –Marketing Director

Piotr Janeczek
President of the Board – Chief Executive Officer

BALANCE SHEET	Notes	thousands of PLN	
		2014	2013
Assets			
I. Fixed assets		**1 398 855**	**1 382 901**
1. Intangible fixed assets, including	1	20 040	18 191
- right of perpetual land use		19 694	17 740
2. Tangible fixed assets	2	882 839	872 705
3. Long-term receivables	3		
4. Long-term investments	4	494 275	491 179
4.1. Real estate investments		103 915	112 331
4.2. Intangible assets			
4.3. Long-term financial assets		390 360	378 848
4.4. Other long-term investments			
5. Long-term prepayments		1 701	826
5.1. Deferred income tax assets	5	1 701	826
5.2. Other prepayments			
II. Current assets		**539 069**	**558 897**
1. Inventories	6	285 082	280 361
2. Short-term receivables	7	208 429	225 543
- including trade receivables in excess of 1 year		2 318	2 012
3. Short-term investments		39 280	47 859
3.1. Short-term financial assets	8	39 280	47 859
a) loans		1 000	10 110
b) short-term securities			
c) cash and cash equivalents		38 280	37 749
3.2. Other short-term investments			
4. Short-term prepayments	9	6 278	5 134
Total assets		**1 937 924**	**1 941 798**
Liabilities and Shareholder's Equity			
I. Shareholders' Equity		**1 547 862**	**1 524 853**
1. Share capital	10	13 450	13 450
2. Own shares (stakes) (negative value)		-139	-139
3. Reserve capital	11	104 184	104 184
4. Reserve capital from revaluation	12	3 166	3 166
5. Other reserve capital	13	1 400 050	1 394 254
6. Retained earnings (losses)			
7. Net profit (loss)		27 151	9 938
II. Liabilities and provisions for liabilities		**390 062**	**416 945**
1. Provisions for liabilities	14	31 606	21 504
1.1. Provision for deferred income tax		24 400	17 285
1.2. Other provisions		7 206	4 219
a) long-term		4 789	3 040
b) short-term		2 417	1 179
2. Long-term liabilities	15	40 000	100 000
2.1. Long-term credits and loans		40 000	60 000
2.2. Other long-term liabilities			40 000
3. Short-term liabilities	16	310 442	295 355
3.1. Short-term credits and loans		61 315	
3.2. Current part of long-term credits and loans		20 000	20 000
3.3. Trade liabilities		205 862	250 008
- including trade receivables in excess of 1 year		2 077	1 979
3.4. Income tax liabilities			
3.5. Other short-term liabilities		23 265	25 347
4. Accruals	17	8 014	86
Total liabilities		**1 937 924**	**1 941 798**

Book value		**1 547 862**	**1 524 853**
Number of shares		**6 725 000**	**6 725 000**
Book value per share (PLN)	**18**	**230,17**	**226,74**
Diluted number of shares			
Diluted book value per share (PLN)			

Bochnia, 28 April 2015

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PROFIT AND LOSS ACCOUNT01.01.2014 – 31.12.2014

PROFIT AND LOSS ACCOUNT	Notes	thousands of PLN	
		2014	2013
I. Net sales of products, goods and materials, including:		**1 275 168**	**1 248 495**
1. Net sales of products	19	1 217 534	1 182 006
2. Net sales of goods and materials	20	57 634	66 489
II. Costs of products, goods and materials sold, including:		**1 160 279**	**1 165 003**
1. Production cost of products sold	21	1 101 698	1 099 295
2. Value of goods and materials sold		58 581	65 708
III. Gross profit (loss) on sales		**114 889**	**83 492**
IV. Selling costs		35 652	32 963
V. General and administrative costs		36 430	35 061
VI. Profit (loss) on sales		**42 807**	**15 468**
VII. Other operating incomes	22	6 405	4 211
VIII. Other operating costs	23	11 650	4 969
IX. Operating profit (loss)		**37 562**	**14 710**
X. Financial incomes	24	5 993	7 372
XI. Financial costs	25	7 922	5 916
XII. Profit (loss) before taxation		**35 633**	**16 166**
XIII. Income tax	26	8 482	6 228
XIV. Net profit (loss)	27	**27 151**	**9 938**
Net profit (loss)		**27 151**	**9 938**
Weighted average number of ordinary shares		**6 725 000**	**6 725 000**
The weighted average number of ordinary shares adjusted against own shares		**6 655 267**	**6 655 267**
Profit (loss) per ordinary share (PLN)	28	**4,08**	**1,49**

TOTAL COMPREHENSIVE INCOME 01.01.2014 – 31.12.2014

TOTAL COMPREHENSIVE INCOME	thousand x PLN		
	Notes	2014	2013
Net result		27 151	9 938
Differences from evaluation			
Total Comprehensive Income		**27 151**	**9 938**

Bochnia, 28 April 2015

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Statement of changes in equity for the period 01.01.2014 – 31.12.2014

Statement of changes in equity for the period from 1st January to 31st December 2014 and 2013	thousands of PLN							
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
As of 1.01.2014 (opening balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 394 254**	**9 938**		**1 524 853**
Profit distribution					5 796	-5 796		**0**
Intercapital transfer								
Dividend						-4 142		**-4 142**
Total comprehensive income for period 1.01 - 31.12.2014							27 151	**27 151**
As of 31.12.2014 (closing balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 400 050**	**0**	**27 151**	**1 547 862**
As of 1.01.2013 (opening balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 334 141**	**67 785**		**1 522 587**
Profit distribution					60 113	-60 113		**0**
Intercapital transfer								**0**
Dividend						-7 672		**-7 672**
Total comprehensive income for period 1.01 - 31.12.2013							9 938	**9 938**
Balance on this 31.12.2013 (closing balance)	**13 450**	**-139**	**104 184**	**3 166**	**1 394 254**	**0**	**9 938**	**1 524 853**

Bochnia, 28 April 2015

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CASH FLOW STATEMENT	thousands of PLN	
	2014	2013
A. Cash flow from operating activities – indirect method		
I. Net profit (loss)	27 151	9 938
II. Total adjustments	30 743	96 539
1. Depreciation	44 989	42 968
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	1 968	2 256
4. (Profit) loss on investment activities	1 608	582
5. Change in reserves	10 103	5 495
6. Change in inventories	-4 721	-36 077
7. Change in receivables	17 114	90 051
8. Change in short-term liabilities except for loans and credits	-46 228	-9 517
9. Change in accruals	5 910	781
10. Other adjustments		
III. Net cash flow from operating activities	57 894	106 477
B. Cash flow from investment activities		
I. Inflows	3 237	3 272
1. Sales of intangible and tangible fixed assets	264	62
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	2 973	3 210
- financial assets sold		
- dividends and profit share received		
- repayments of long-term loans granted		
- interest received	2 973	3 210
- other inflows from financial assets		
4 . Other investment inflows		
II. Outflows	-52 831	-91 198
1. Purchase of intangible and tangible fixed assets	-47 829	-89 726
2. Real estate property and intangible assets		
3. To financial assets, including:	-5 002	-1 472
- financial assets purchased	-5 002	-1 472
- long-term loans granted		
4. Other investment outflows		
III. Net cash flow from investment activities	-49 594	-87 926
C. Cash flow from financial activities		
I. Inflows	61 315	0
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	61 315	0
3. Issue of debentures		
4. Other financial inflows		
II. Outflows	-69 084	-33 138
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders	-4 142	-7 672
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-20 000	-20 000
5. Redemption of debentures		
6. From other financial liabilities	-40 000	
7. Contractual payments of financial lease dues		
8. Interest paid	-4 942	-5 466
9. Other financial outflows		
III. Net cash flow from financial activities	-7 769	-33 138
D. Total net cash flow	531	-14 587
E. Balance sheet change in cash	531	-14 587
F. Cash (beginning of period)	37 749	52 336
G. Cash (end of period)	38 280	37 749

Bochnia, 28 April 2015

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Cash at beginning of the reporting period represent the amount of 37,749 thousand zl, including cash at hand 136 thousand zl, on bank accounts 37,613 thousand zl, and at the end of the reporting period 38,280 thousand zl, including 109 thousand cash at hand and 38,171 thousand zl on bank accounts.

Operating activities consist of the basic (main) activities of the Company, i.e. production, trade and service and other not classified as investing or financing activities. Net cash from operating activities is a revised financial result of the Company.

The Company's investment activity is related to acquisition and sale of tangible fixed assets of a financial and proprietary nature (fixed assets, intangible assets, shares and stocks).

The Company's financial activities consist of acquisition and use of equity and foreign capital, including the short and long term credits.

Additional Information on the adopted accounting principles (policy) and other explanatory information

1. General information

Company's identification data

Name:	**Stalprodukt S.A.**
Legal form:	**Joint Stock Company**
Seat:	**Bochnia, Wygoda 69**
Country of Registration:	**Poland**
Registering Agency:	**District Court for Kraków-Śródmieście, National Court Register (KRS) No 0000055209**
Basic object of activities:	**Production of flat cold rolled sheets Polish Classification of Economic Activities (PKD) No 2432Z**

Stalprodukt SA was established on 01.07.1991, in the process of restructuring of Tadeusz Sendzimir Steelworks (now the Branch of ArcelorMittal Poland S.A.), using an innovative path of privatization. The Company started its operations on 01.07.1992, with a 60-percent participation of employees and a 40-percent participation of Tadeusz Sendzimir Steelworks in Krakow. Upon the commencement of business the Company acquired against consideration of HTS materials, inventory, work in progress and finished goods, and equipment and intangible assets of the former Metallurgical Processing Plant HTS. In 1995-1996, the Company purchased all the assets leased from Tadeusz Sendzimir Steelworks, including the right of perpetual usufruct of land, buildings, structures, machinery and equipment.

The Company's shares were introduced into public trading and the stock exchange. They are listed on the Warsaw Stock Exchange since 06.08.1997.

The Company is the manufacturer of highly processed steel products such transformer sheets and strips, cold formed profiles and tubes, hot and cold rolled sheets and strips, road safety barriers and toroidal cores. The production plants are located in Bochnia, Krakow and Tarnow. Significant part of the production goes to export markets, mainly to EU countries.

The sales of products are pursued directly by the Company and by the national sales network with departments localized all over the country, managed by the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. based in Bochnia.

Internal organizational units (subsidiaries) which prepare independent financial reports are not included in the Company's enterprize. Stalprodukt S.A. is the Parent Company and prepares a consolidated financial report.

The Company is established for an unlimited time.

The consolidated financial statements are presented for the year 2014, and comparable financial data for the year 2013

Composition of Management Board's and Supervisory Board

In the period from 01 January 2014 to 31 December 2014, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board

Józef Ryszka - Member of the Board

In the period from 1 January 2015 to 30 June 2015, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik - Chairman of the Supervisory Board

Maria Sierpińska - Vice-Chairman of the Supervisory Board

Kazimierz Szydłowski - Secretary

Janusz Bodek - Member

Sanjay Samaddar - Member

Tomasz Plaskura - Member

Tomasz Ślęzak - Member

Certified Auditor

„Accord'ab" Biegli Rewidenci Sp. z o.o.

Ul. Grabiszyńska 241

53-234 Wrocław

Banks

Bank Pekao S.A.

Bank Handlowy w Warszawie S.A.

PKO Bank Polski S.A.

BNP Paribas Bank Polska S.A.

Societe Generale S.A. Oddział w Polsce

Listing on the regulated market

The Company's shares are traded on the Warsaw Stock Exchange from 06.08.1997 r.

Significant Shareholders

As of 31.12.2014 r. the shareholders entitled to above 5 % of votes at the General Meeting of Shareholders:

- ArcelorMittal Poland S.A. holding 2 270 800 shares, accounting for 33.77 % of capital share and 6 846 800 votes, accounting for 38.20 % of the total number of votes at the General Meeting of Shareholders.

- STP Investment S.A. holding 1 959 725 shares, accounting for 29.14 % of capital share and 5 899 941 votes, accounting for 32.92 % of the total number of votes at the General Meeting of Shareholders.

- Stalprodukt-Profil S.A., holding 614 065 shares, accounting for 9.13 % of capital share and 936 349 votes, accounting for 5.22 % of the total number of votes at the General Meeting of Shareholders.

Subsidiary

In the reporting year, the Stalprodukt Capital Group embraced the following subsidiary companies subject to audit pursuant to IFRS 10:

	thousands of PLN							
	a	b	c	d	e	f	j	k
No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting
1.	Stalprodukt-MB sp. z o.o.	Bochnia	Construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100	100
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100	100
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100	100
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100	100
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100	100
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100	100
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100	100
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	51	51
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100	100
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	90,07	90,07

2. Compliance with the International Financial Reporting Standards

From January 1, 2005 Stalprodukt SA, The Issuer of securities, admitted to public trading in accordance with the Accounting Act dated 29 September 1994 (uniform text of Polish Journal of Laws Dz.U. of 2009, No. 152, item. 1223, as amended) and pursuant to the Resolution of AGM dated 30 June 2005, draws up the individual financial statements in accordance with IAS/IFRS, adopted by the European Union and related interpretations published in the form of regulations of the European Commission. The Group applied MSSF1 "the application of the international financial reporting standards for the first time" in the Annual Report for the year ended 31 December 2005. Date of transition to IFRS was 1 January 2004.

These consolidated financial statements have been drawn up in all material respects in accordance with IAS/IFRS, and in the scope not regulated by these standards, as required by the Act of 29 September 1994 on Accounting (Polish Journal of Laws Dz.U. of 2009, No. 152, item 1223, as amended) and in accordance with the requirements specified in the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent the information required by the laws of a non-member state (Polish Journal of Laws Dz.U. of 2009, No. 33, item 259).

The presented financial statements and comparable financial data include recommendations given by an entity authorized to audit.

Assumptions for the Continuation of Economic Activities

The Report was prepared with the assumption that the Company's economic activities would be continued and no circumstances indicate that such activities are threatened. As of the report signing day, the Company's Management Board does not record any facts or circumstances which would indicate a threat to the continuation of the economic activities to be pursued by the Issuer in the 12-month period following the balance-sheet day.

Functional and Presentation Currency

The currency in use, as the basic currency of the economic environment in which the Company operates is the Polish zloty. This currency is also the currency used in the consolidated financial statements.

3. Applicable accounting rules (policy)

Since 01.01.2005, the Company has been applying the accounting rules (policy), including methods of valuation of assets and liabilities, as well as revenues and expenses, determining the financial result and drawing up financial statements in accordance with IFRS, adopted by the European Union, and in matters not governed by IFRS, pursuant to the Polish Accounting Act.

To ensure a clear and full understanding of these consolidated financial statements, there are presented below the basic principles of valuation of assets and liabilities, determination of financial result and other accounting policies adopted in the Company.

Fixed assets

a) as of the date of transition to international standards, in accordance with MSSF1 "the application of International Financial Reporting Standards for the first time", the Company adopted a valuation of previously used tangible fixed assets at fair value and decided to use this value as expected (implied) cost as of this day. Revaluations were made in-house with technical staff, based on their technical and market knowledge, taking into account the previous lifetime of the assets, the degree of wear and tear, made improvements, modernization and repairs. The following lifetimes and depreciation rates were adopted for the tangible fixed assets used in the Company prior to the date of transition to IFRS: buildings 20 years (5%), structures 10 years (10%), boilers 5 years (20%), machinery and equipment for general use 5 years (20%), metallurgical machinery and equipment 10 years (10%) and other technical equipment 5 years (20%).

b) Difference (surplus) due to the initial revaluation was applied to equity as retained earnings.

c) items of tangible fixed assets, qualified as assets, initially (at time of adoption for use) are measured at cost or production cost.

The initial value of tangible fixed assets comprises their purchase price or production cost plus any costs directly related to the purchase and adaptation of the asset to a state suitable for production use.

The initial value of fixed assets is increased by the value of the expenditures on their improvement (reconstruction, development, reconstruction, modernization).

d) after the initial recognition of items of tangible fixed assets as assets, they are disclosed on the balance sheet by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation and any accumulated impairment losses. Decrease in amortization does not apply to own land, for which there is no amortization write-offs.

e) each of the components of tangible fixed assets, purchase price or production cost of which is significant when compared to the purchase price or production cost of the whole item, and the expected lifetime of which differs significantly from the expected lifetime of the whole item, is depreciated separately.

f) assets of the unit initial value up to PLN 3,500 are depreciated once, writing their value off as costs when transferring such assets to use.

g) other fixed assets or their separate and significant components are depreciated with a straight-line method based on rates estimated based on the expected period of use, taking into account the residual value, if the amount is significant. The residual value is the estimated amount that an entity has obtained from the sale of an asset, after deducting the estimated costs of disposal if the asset was as old and in such condition as expected at the end of its lifetime. There were no significant residual values identified for previously used fixed assets.

The Groups adopts the lifetime of new investments in the form of machinery and equipment 10 - 20 years.

Depreciation rates are reviewed annually for compliance with the economic lifetime of fixed assets. The residual value of fixed assets is also subject to verification.

h) fixed assets under construction are valued in the amount of total costs directly arising in connection with their acquisition or construction, less any impairment losses. Assets under construction are not depreciated until the completion of their construction and putting into use.

I) overhaul costs of fixed assets are capitalized and amortized in equal periods of repair cycles. Maintenance costs of fixed assets and their maintenance affect the result of the financial period in which they are incurred.

j) intangible assets are recognized if it is probable that they will ensure the Company the benefit in the future, which can be directly related to those assets.

They are shown at acquisition or production cost less accumulated amortization and the total amount of any impairment losses. They are amortized with a straight-line method over a period of use, which should be determined reliably. Intangible assets with an indefinite lifetime are not amortized but tested for impairment. The lifetime of intangible assets is subject to verification on the balance sheet date.

The expenses incurred for the acquisition of perpetual usufruct of land are classified by the Company as intangible assets because the title concerned, alike land, does not lose in value and is valid for an indefinite period of time. It is not subject to depreciation or redemption either.

k) if there are any indications of possible loss in value of tangible fixed assets and intangible assets, an impairment test shall be carried out and the determined revaluation write-offs shall reduce the balance sheet value of an asset, to which they refer, and they shall be included in the profit and loss account. The amount of revaluation write-offs is determined as the excess of the balance sheet value of these items over their recoverable value. The recoverable value is the higher of the following values: net selling price or value in use measured by generated cash flows of a given asset or cash-generating unit, discounted to the present value using a discount rate, which reflects current market prices of the money value over time and the risks of a given asset.

The amounts recognized as revaluation write-offs are reversed if the reasons for their creation cease to appear. The effects of such reversal are recognized in the profit or loss account as other operating income.

l) long-term loans and receivables are measured by the adjusted purchase price (amortized cost) with the use of the effective interest method, observing the principle of materiality.

The realized gains and losses arising from changes in value are recognized in the profit or loss account in the period in which they arose.

m) investment real properties (leased fixed assets) are valued in the same manner as fixed assets by the cost model, i.e. the purchase price or production cost less the amount of accumulated depreciation (amortization) and accumulated impairment losses.

n) long-term financial assets (shares) are valued at purchase prices less their impairment losses.

Current assets

a) inventories - are valued according to the actual purchase prices or production costs, not higher than their net realization values (net selling prices). Net realization value is the estimated selling price in the ordinary course of business, less estimated costs to complete the inventory item and the costs necessary to make the sale.

Total disbursements are measured by the prices of these items, which were acquired as first (FIFO principle "first in - first out").

Cost of producing finished goods and work in progress includes the cost of direct materials, labour and other costs, as well as the appropriate mark-up of indirect production costs determined on the assumption of normal capacity utilization, excluding borrowing costs.

The production costs do not include costs:

- arising from the unused production capacity and production losses,

- of general management, not associated with developing the product to a form and place in which it is found at the valuation date.

Any write-offs of inventories to net realizable value and all losses of inventories are recognized as operating costs of the period in which the write-off or loss occurred. If the circumstances, which led to the reduction of inventories, cease to prevail or if there is clear evidence of increase in net realization value, the amount of previously made write-off shall be restored (reversal of write-off). The amount corresponding to the restored value of inventories due to higher net realization value, is recognized as a reduction in inventory costs recognized in the profit and loss account in the period in which the value was restored.

The Company keeps a record of material values and quantities. It is allowed to recognize the purchase of materials as costs without keeping the record of values and quantities provided that such materials will be transmitted to use immediately after purchase.

Spare parts for machinery and equipment of long-term lifetime are disclosed in the balance sheet under tangible fixed assets.

b) short-term debts and claims for supplies and services - are recognized according to the amounts originally invoiced including write-offs for bad debt charged to other operating costs.

Denominated in foreign currency receivables are valued on the balance sheet date according to the average rate for that day, for the valuation are assumed the rates of the bank in which the Company has the largest turnover of foreign exchange. While transactions in foreign currencies are valued at the rate of immediate execution at the transaction date. The foreign exchange differences resulting from the valuation are recognized in the profit and loss account, in the period in which they arise (revenues/expenses).

According to the accepted principles (policy), the Company creates revaluation write-offs to:

- national debts not paid within 6 months, and the export receivables of more than 9 months,
- disputed receivables and receivables related to the liquidation and bankruptcy proceedings, as well as arrangements and compositions,
- interest on receivables, accrued but not paid.

c) cash and cash equivalents include cash at bank and in hand, short-term deposits and other instruments with a high degree of liquidity. They are valued at their nominal value. Denominated in foreign currency cash is valued on the balance sheet date at the closing rate, which is the immediate exchange rate. Resulting foreign exchange differences are classified as financial income or expense.

Equity

Equity of the Company includes: share capital, capital reserve, supplementary capital, revaluation reserve, retained earnings from previous years and the result of the current period. All capital is valued at nominal value. The value of own shares is deducted from equity.

a) Share capital is included in the amount specified in the contract or statute, and entered in the court register. Declared but not paid capital is recognized as a called-up capital. Share capital represents ordinary bearer shares and privileged registered shares.

b) Capital is created in the Parent Company obligatorily (by the operation of law) and is intended to cover any lack of share capital. Pursuant to the Commercial Companies Code, the Company must allocate at least 8% of annual net profits to the capital reserve until it reaches one third of the share capital.

c) The capital reserve is increased by surpluses while the shares are issued above their nominal value and the difference from the revaluation of fixed assets that were liquidated or sold. In addition, the capital reserve was increased in 2005 due to the revaluation of fixed assets to fair value at the date of transition to IFRS, as retained earnings.

d) The revaluation reserve includes the differences from the revaluation of fixed assets, land and perpetual usufruct of land, except the value resulting from the revaluation as of the date of transition to IFRS, which was disclosed in the capital reserve as retained earnings. In the case of disposition or liquidation of an asset, the relevant part of revaluation reserve is transferred to the capital reserve. A write-off due to the impairment of fixed assets that had previously been subject to the revaluation reduces the revaluation reserve to the amount of the reserve, which refers to such fixed assets.

e) Other supplementary capital is created from profit, the distribution of which is determined by the General Meeting of Shareholders. These serve to finance investments and current assets, and cover potential losses. Their use is determined by the General Meeting of Shareholders.

Liabilities

a) Bank credits, loans and other financial liabilities (leasing) are disclosed at amortized cost (corrected purchase price) with an effective interest rate method, observing the principle of materiality. Interest cost is allocated to the respective periods and disclosed in the profit and loss account.

b) Short-term trade liabilities are recognized according to the amounts originally invoiced. Liabilities denominated in foreign currencies are valued at the rate of the immediate implementation (exchange), which is the closing price on the balance sheet date. The resulting exchange differences are disclosed in the financial income or expense in the profit and loss account.

Provisions

Provisions are created when there is:

- an obligation (legal or constructive) on the balance sheet date resulting from past events,

- a probability that funds shall have to be spent,

- a possibility of making a reliable estimate calculation.

According to the accepted principles (policy), the Company creates provisions for:

- temporary income tax differences resulting from the fact that the moment when income was recognised as gained or cost as incurred was different, pursuant to the accounting law and tax regulations,

- employee benefits (retirement),

- other provisions for the expected or probable losses from business operations having a significant influence on earnings, observing the principle of materiality.

a) Provision for income taxes is created using the liability method for all temporary differences existing on the balance sheet date between the tax bases of assets and liabilities and their balance sheet amounts shown in the financial statements. Provision for deferred tax is created in relation to temporary gains, and deferred tax assets are recognized in relation to temporary losses.

In terms of depreciation, the provision (assets) for the differences between the tax and balance sheet depreciation is created for the last reporting period.

The balance sheet value of assets due to the deferred tax is reviewed on the balance sheet date and reduced as appropriate, if gaining the taxable income sufficient to realize the asset due to the deferred income tax is no longer probable. The difference between the balance of provisions and deferred tax assets at the end and the beginning of financial year affects the financial result or equity if the provisions and assets relate to operations settled directly with equity.

b) Provision for retirement benefits is determined with the actuarial method, and its amount depends on the previous period of employment specifying the degree of benefit development and the rotation rate of employment, the likelihood of payment and the discount rate. Provisions for employee benefits are accounted for on the balance sheet date, ending the financial year.

c) Pre-payments and accruals. Group makes prepayments, if they relate to future reporting periods. Accrued expenses payable are made in the amount of probable liabilities attributable to the current reporting period.

Profit and loss account

a) revenues from sales includes the fair value of revenues from sales of products, goods and services, net of tax on goods and services.

Revenues are recognized in two major categories:

- sale of products (including services),

- sale of goods and materials.

Revenues are recognized in the amount in which it is probable that the Company shall gain the economic benefits associated with the transaction and the amount of revenue can be measured reliably.

b) cost of products and services sold, goods and materials include costs directly related to their production or purchase.

Own cost is presented as broken down into two basic categories:

- cost of products sold (including services),

- value of goods and materials sold.

Cost of sales includes the costs of trade and the costs of representation and advertising. General and administrative costs include costs associated with managing the unit and the costs of administration and representation.

c) moreover, the financial result is also influenced by:

- other operating income and operating expenses indirectly related to the activities in such areas as gains and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, the creation and termination of provisions for future risks, penalties, fines and compensation, receipt or transfer of donations,

- financial income from dividends (profit sharing), interest, gains on disposal of investments, revaluation of investments, surplus from foreign exchange benefits over foreign exchange losses,

- the financial costs of interest, loss on disposal of investments, revaluation of investments, the surplus of foreign exchange losses on the positive

- mandatory financial burden as a result of income tax.

The balances of : realized exchange differences arising from positive and negative settlements, revaluation of receivables and provisions, provisions for employee benefits are reconciled against the costs of the products sold or value of goods and materials sold as presented in the profit and loss account.

d) a write-off (provision) in a full amount is created according to the accruals principle, observing the precautionary principle, for interest income. Interest received according to the cash principle is disclosed in the profit and loss account.

e) operating expenses are recorded in the period to which they relate.

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time in order to be fit for use or resale, are added to the manufacturing costs of such assets until the hand-over of these assets to use.

All other borrowing costs are disclosed directly in the profit and loss account in the period in which they are incurred. (IAS 23).

f) income tax disclosed in the profit and loss account includes some current and deferred tax. Current tax is the tax liability in respect of taxable income for the given financial year, determined using tax rates applicable on the balance sheet date and tax adjustments for previous years. Deferred tax is described under par. 1.6.

g) there was adopted the principle of cost grouping by type in the accounts under group 4 and settling them by type of activity under group 5. The Company uses and reports the calculation variant of the profit and loss account.

Leasing

Fixed assets used under financial leasing agreements, which transfer to the Company substantially all benefits and risks associated with the possession of assets, are disclosed in the balance sheet by the cost model, as all the components of tangible assets. Lease payments are allocated between finance charges and reduction of the outstanding liability. Financial expenses are accounted for directly in the profit and loss account. Fixed assets used under financial leasing are depreciated over their lifetime. Leasing agreements, under which all the risks and benefits are borne by the lessor, are classified as operating leasing agreements. Cost of leasing payments are related linearly in the profit and loss account during the contract period.

Negative goodwill

According to IFRS No. 3, negative goodwill at the time of its creation is once written off in revenues. Negative goodwill which arose before the date of transition to IFRS, was removed from the balance sheet and written off in full in the undistributed profit from previous years, thus increasing equity. Negative goodwill arising after the date of 01.01.2004 is referred directly to the profit and loss account (increased financial results).

Professional opinion, estimates and assumptions.

While drawing up the consolidated financial statements in conformity with IFRS, the Management Board has the obligation to express its professional opinion, prepare estimates and assumptions that affect the adopted rules and presented values of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and other factors, which are considered reasonable in the circumstances, and their results provide the basis to express professional opinion as to the balance sheet amounts of assets and liabilities, which do not result directly from other sources. Actual results may differ from the estimate. The estimates and associated assumptions are subject to ongoing review. Changes in accounting estimates are recognized in the period in which they were made.

Key assumptions and estimates in the process of applying the rules (policies) concerning the balance sheet amounts are:

a) revaluation write-offs of receivables,

b) revaluation write-offs of inventories,

c) provisions for retirement,

d) assets and deferred tax liabilities,

e) periods of depreciation of fixed assets.

According to our knowledge, there is no significant risk of adjustments to the balance sheet amounts of assets and liabilities within the next financial year in connection with the estimates made.

4. Changes of the applicable accounting rules (policies)

The accounting principles applied in the preparation of the present Report are coherent with the ones applied for the preparation of the Financial Report for the year ended on 31 December 2013, except for the application of the following changes in the standards and new interpretations published by the International Accounting Standards Board and approved by the European Union, applicable for the annual periods starting on or after 1 January 2014:

• IFRS 10 "Consolidated Financial Statements", approved in the EU on 11 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• IFRS 11 "Joint Arrangements", approved in the EU on 11 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• IFRS 12 "Disclosure of Interests in Other Entities", approved in the EU on 11 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• IAS 27 (revised in 2011) "Separate Financial Statements", approved in the EU on 11 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", approved in the EU on 11 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" – explanations concerning the transitional provisions, approved in the EU on 4 April 2013 (applicable for the annual periods starting on or after 1 January 2014),

• Amendments to IFRS 10 "Consolidated Financial Statements, IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statement" – Investment Entities, approved in the EU on 20 November 2013 (applicable for the annual periods starting on or after 1 January 2014),

• Amendments to IAS 32 "Financial Instruments Presentation" – Compensating Financial Assets and Financial Liabilities, approved in the EU on 13 December 2012 (applicable for the annual periods starting on or after 1 January 2014),

• Amendments to IAS 36 "Impairment of Assets" – Disclosure of Recoverable Amounts of Non-Financial Assets, approved in the EU on 19 December 2013 r (applicable for the annual periods starting on or after 1 January 2014),

• Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, approved in the EU on 19 December 2013 (applicable for the annual periods starting on or after 1 January 2014).

The application of the above standard amendments did not have a significant impact on the Entity's accounting principles as applied to date.

The standards and interpretations which have already been published and approved by the EU, but have not taken effect yet.

• Amendments to various standards “IFRS - Annual Improvements (2010-2012 cycle)” – introduced procedural changes concerning the introduction of annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) mainly focused on solving inconsistencies and disambiguating terminology – approved in the EU on 17 December 2014 (applicable for the annual periods starting on or after 1 February 2015),

• Amendments to various standards “IFRS – Annual Improvements (2011-2013 cycle)” – introduced procedural changes concerning the introduction of annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) mainly focused on solving inconsistencies and disambiguating terminology – approved by the EU on 18 December 2014 (applicable for the annual periods starting on or after 1 January 2015),

• Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions – approved in the EU on 17 December 2014 (applicable for the annual periods starting on or after 1 February 2015),

• IACS interpretation 21 “Charges” (applicable for the annual periods starting on or after 17 June 2014),

The Entity has not decided upon an earlier introduction of any standard, interpretation or amendment, which has already been published, but has not taken effect yet.

Standards and Interpretations approved by the International Accounting Standards Board, but not approved for the application in the EU.

The IFRS in the form approved by the EU do not significantly differ from the provisions adopted by the International Accounting Standards Board (IASB), except for the undermentioned standards, amendments to standards and interpretations, which have not been approved for application in the EU as of the Financial Report publication day (the undermentioned dates refer to the standards in their full versions):

• IFRS 9 “Financial Instruments” (applicable for the annual periods starting on or after 1 January 2018),

• Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures on Interests in Other Entities” and IAS 28 „Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exception (applicable for the annual periods starting on or after 1 January 2016),

• Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint ventures” – Sale or Contribution of Assets between an Investor and its

Associate or Joint Venture (applicable for the annual periods starting on or after 1 January 2016),

• IFRS 14 “Regulatory Deferral Accounts” (applicable for the annual periods starting on or after 1 January 2016),

• IFRS 15 “Revenue from Contracts with Customers” (applicable for the annual periods starting on or after 1 January 2017),

• Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (applicable for the annual periods starting on or after 1 January 2016),

• Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative (applicable for the annual periods starting on or after 1 January 2016),

• Amendments to IAS 16 “Tangible Fixed Assets” and IAS 38 “Intangible Assets” – Clarification of Acceptance Methods of Depreciation (applicable for the annual periods starting on or after 1 January 2016),

• Amendments to do MSR 16 “Tangible Fixed Assets” and IAS 41 “Agriculture: Bearer Plants” (applicable for the annual periods starting on or after 1 January 2016),

•Amendments to IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements (applicable for the annual periods starting on or after 1 January 2016),

• Amendments to various standards “IFRS Annual Improvements (2012-2014 cycle)” – introduced procedural changes concerning the introduction of annual amendments to IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) mainly focused on solving inconsistencies and disambiguating terminology (applicable for the annual periods starting on or after 1 January 2016).

According to the Entity's estimates, the above standards, interpretations and amendments to standards would not have had any significant impact on the Financial Report if the same had been applied by the Entity as of the balance sheet day.

At the same time, in addition to the provisions adopted by the EU, there still remains hedge accounting for the portfoliio of financial assets and liabilities, whose underlying principles have not yet been approved for use in the EU.

According to the Entity's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities in line with IAS 39 “Financial Instruments: Recognition and Measurement” would not have had a significant impact if the same had been applied as of the balance sheet day.

3. Notes

NOTE 1a - INTANGIBLE ASSETS	thousands of PLN	
	2014	2013
1. concessions, patents, licenses and similar	346	451
a) computer software	21	48
2. right of perpetual land use	19 694	17 740
Intangible assets, total	20 040	18 191

All intangible assets are owned by the Company Stalprodukt. The Company does not rent or lease intangible assets.

1b NOTE - Changes of intangible assets (by group type)							
thousands of PLN							
	a	b	c		d	e	
	cost of completed developmental works	goodwill	concessions, patents, licenses and similar values, including:		other intangible assets	advance payments for intangible assets	Intangible assets, total
				- computer software			
I. gross value of intangible assets at the beginning of the period			4 231	717		17 740	21 971
1. increase (due to)			68	61		1 990	2 058
- purchase			68	61		1 846	1 914
- value from valuation survey						144	144
2. decrease (due to)						36	36
- liquidation							
- sprzedaż						36	36
II. gross value of intangible assets at the end of the period			4 299	778		19 694	23 993
1. accumulated depreciation (amortization), at the beginning of the period			3 780	669			3 780
2. depreciation for the period (due to)			173	88			173
- depreciation allocated to the costs			173	8			173
- decrease due to liquidation							
III. accumulated depreciation (amortization) at the end of the period			3 953	757			3 953
1. charges for permanent loss of value at the beginning of the period							
2. write-offs for permanent loss of value at the end of the period							
IV. net value of intangible assets at the end of the period			346	21		19 694	20 040

NOTE 2a - TANGIBLE FIXED ASSETS	thousands of PLN	
	2014	2013
1. fixed assets, including:	799 913	726 779
a) land	16 796	16 612
b) buildings, premises, civil engineering objects	220 485	221 499
c) plants and machinery	556 882	483 147
d) means of transport	2 065	2 088
e) other fixed assets	3 685	3 433
2. fixed assets under construction	82 926	145 926
Tangible fixed assets, total	882 839	872 705

As of the balance sheet day, the real estate located at Wadowicka Street in Cracow is encumbered with a joint mortgage of up to PLN 150 000 thousand, supposed to secure the repayment of a long-term investment credit incurred at the PKO BP Bank based in Warsaw amounting to PLN 100 000 thousand appropriated for the majority stake of ZGH “Bolesław” S.A.in Bukowno. Other tangible assets are not encumbered with mortgages, registered pledges and ownership transfers.

Tangible fixed assets are valued according to cost, i.e. the purchase price (production cost) less accumulated depreciation (amortization). As of the balance sheet date no write-offs were made due to impairment of the value of fixed assets, as there was no indication proving it. In the reporting year it has been noted full use of the fixed assets, and volume of sales of all products was by 2,4 per cent lower than in the previous year.

2b NOTE - CHANGE OF FIXED ASSETS (BY GROUPS)						
thousands of PLN						
	- land (including perpetual usufruct)	- buildings, premises, civil engineering objects	- plants and machinery	- means of transport	- other fixed assets	Fixed assets, total
I. gross value of fixed assets at the beginning of the period	16 612	318 249	664 051	5 842	5 180	1 009 934
1. increase (due to)	184	15 155	101 792	363	526	118 020
a) investment	184	6 303	101 509	363	526	108 885
b) expert's appraisal value		436				436
c) change of status of long-term investments		8 416				8 416
d) change of spare parts included in fixed assets in accordance with IAS			283			283
2. decrease (due to)		119	835	17	12	983
a) sale						
b) liquidation		119	835	17	12	983
c) change of spare parts included in fixed assets in accordance with IAS						
d) change in long-term investments						
e) inventory differences						
II. gross value of fixed assets at the end of the period	16 796	333 285	765 008	6 188	5 694	1 126 971
1. accumulated depreciation (amortization), at the beginning of the period		96 750	180 904	3 754	1 747	283 155
2. depreciation for the period (due to)		16 050	27 222	369	262	43 903
a) depreciation included in costs		16 157	28 001	383	274	44 815
b) reduction due to sale						
c) reduction due to liquidation		107	779	14	12	912
d) reduction due to inventory shortages						
e) reduction due to contribution						
III. accumulated depreciation (amortization) at the end of the period		112 800	208 126	4 123	2 009	327 058
a) write-offs for permanent loss of value, at the beginning of the period						
b) increase						
c) decrease						
d) write-offs for permanent loss of value, at the end of the period						
IV. net value of fixed assets at the end of the period	16 796	220 485	556 882	2 065	3 685	799 913

NOTE 2c - BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2014	2013
1. own assets	799 913	726 779
2. asets used under rental, lease, tenancy or other types of agreements, including leasing agreement, including:		
Total balance sheet fixed assets	799 913	726 779

NOTE 3- CHANGE OF LONG-TERM RECEIVABLES - DID NOT OCCUR

NOTE 4 - LONG-TERM INVESTMENT (ACC. TO TITLES)	thousands of PLN	
	2014	2013
1. investment properties	103 915	112 331
2. long-term financial assets	390 360	378 848
a) stocks and shares	341 250	338 848
b) long-term loans	49 110	40 000
Long-term invenstment, total	494 275	491 179

The long-term loans stand for the loans granted to StalNet Sp. z o.o., Stalprodukt Profil S.A. and Cynk Mal S.A., in the case of which item the amount of PLN 9 110 thousand was transferred from the short-term loans to the long-term ones in connection with the concluded amendment (annex agreement).

NOTE 4a - CHANGE OF STATUS OF REAL ESTATE INVESTMENT	thousands of PLN	
	2014	2013
1. balance at the beginning of the period	112 331	116 434
2. increases		
3. decreases (due to)	8 416	4 103
a) amortization	3 853	4 094
b) liquidation of facilities	2	5
c) reclassification to fixed assets	4 561	4
4. balance at the end of the period	103 915	112 331

Investment properties constitute fixed assets including: the right of perpetual usufruct of land (PLN 18,890 thousand), buildings and structures, leased to subsidiaries and external entities. These properties are not intended for sale. Total revenues from rent for the year 2014 amounted to PLN 8,092 thousand, while the costs associated with these real properties are estimated approximately at PLN 7,225 thousand. With real estate investments valuation rules by cost model are in force, i.e. cost of purchase less accumulated depreciation (amortization) and the total amount of any deductions due to impairment of value.

NOTE 4b – LONG-TERM FINANCIAL ASSETS (OWNERSHIP STRUCTURE)	thousands of PLN	
	2014	2013
1. in subsidiaries	350 241	338 729
a) shares	341 131	338 729
b) loans granted	9 110	0
2. in other entities	40 119	40 119
a) shares	119	119
b) loans granted	40 000	40 000
Long-term financial assets, total	390 360	378 848

The stakes and shares held are not quoted on stock exchanges or regulated markets. They are not characterized with limited transferability, except for the shares of ZGH "Bolesław" S.A., in respect of which the sales Agreement concluded between the State Treasury and Stalprodukt obligates the purchaser to preserve the ownership of the shares purchased in the so called "definite period" i.e. the period, during which all the obligations imposed on the Purchaser by virtue of the Agreement will have been duly fulfilled (maximum 3 years from the date of transaction).

NOTE 4c - CHANGE IN THE BALANCE OF LONG- TERM FINANCIAL ASSETS (BY GROUP TYPES)	thousands of PLN	
	2014	2013
1. balance at the beginning of the period		
2. increase (due to)		
a) purchase of shares		
b) reclassification of loans from short- to long-term ones		
c) subscription for shares in respect of the capital increase		
3. decrease (due to)		
a) shares write off for liquidation purposes		
b) reclassification of loans from long- to short-term ones		
4. balance at the end of the period		
Long-term financial assets, total		

Subscription of shares in 2014 is connected with equity increase in Anew Institute Sp. z o.o. The increase was covered in its entirety by Stalprodukt S.A. with a cash contribution.

The shares write off for liquidation purposes is concerned with the shares of Stalprodukt Warszawa Sp. z o.o. On 04.07.2014 The District Court for Kraków -Śródmieście in Kraków, 12th Economic Department of the National Court Register removed the company from the Register of Entrepreneurs.

NOTE 4 d – SHARES IN SUBSIDIARIES

No	a	b	c	d	e	f	g	h	i	j	k	l
	thousands of PLN											
	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take-over of control/ joint control/ obtaining a significant impact	the value of shares according to the cost of purchase	value adjustme nts (total)	book value of shares	percentage of capital held	share of the total number of votes at a general meeting	indication, other than those referred to in par. j) or k), bases for control/ joint control/ significant impact
1.	Stalprodukt-MB sp. z o.o.	Bochnia	Construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	2 604	0	2 604	100	100	
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	1 200	0	1 200	100	100	
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	10 797	0	10 797	100	100	
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	900	0	900	100	100	
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	2 450	0	2 450	100	100	
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	600	0	600	100	100	
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	20 864	0	20 864	100	100	
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	32 960	0	32 960	51	51	
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	10 219	695	9 524	100	100	
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	259 232	0	259 232	90,07	90,07	

NOTE 4e - Shares in subsidiaries

	thousands of PLN																	
	a	m							n			o			p	r	s	t
		Equity of the unit, including:							Liabilities and provisions for liabilities of the unit, including:			Receivables of the unit, including:						
						Other equity, including:												
No	name of entity		- share capital	- calledup share capital (negative value)	- supplementary capital		Previous years' profit (loss)	Net profit (loss)		-long-term liabilities	- short-term liabilities		- long-term receivables	- short-term receivables	Assets of the entity, total	Revenues from sale	value of the shares in the unit not paid by the issuer	dividends received or receivable from the unit for the last financial year
1.	Stalprodukt-MB sp. z o.o.	4 943	2 604			2 339		146	560		560	2 241		2 241	5 502	4 498		
2.	Stalprodukt-Wamech sp. z o.o.	9 592	1 200			8 392		336	2 002		2 002	3 708		3 708	11 593	15 638		
3.	Stalprodukt-Centrostal sp. z o.o.	7 348	10 797			-3 449	-9 974	-5 549	100 927		100 659	55 643		55 643	108 276	389 471		
4.	Stalprodukt-Serwis sp. z o.o.	4 905	900			4 005		1 290	4 066	52	3 230	6 311		6 311	8 970	25 956		
5.	Stalprodukt-Zamość sp. z o.o.	18 414	2 450			15 964		357	4 590	197	4 177	4 154		4 154	23 004	42 995		
6.	Stalprodukt-Ochrona sp. z o.o.	1 684	600			1 084		151	532		532	807		807	2 216	4 894		
7.	STP Elbud sp. z o.o.	56 057	20 613		30 913	4 531		2 413	16 587		16 587	27 771		27 771	72 643	112 719		
8.	Cynk-Mal S.A.																	
9.	Anew Institute Sp. z o.o.	8 314	9 524		77	-1 258	-429	-879	3 091		888	778		778	11 406	653		
10.	ZGH "Bolesław" SA	500 102	166 116		191 226	142 760		37 143	345 248	9 926	164 141	114 911	1 241	113 670	845 349	817 423		

NOTE 4 f – Shares in other entities										
	thousand x PLN									
	a	b	c	d	e		f	g	h	i
					equity of the unit, including:					
No	Name (company) of the entity, indicating its legal form	Seat	Object of the enterprise	Book value of shares		- share capital	Percentage of capital held	Total number of votes at a general meeting	The value of shares not paid by the issuer	Dividends received or receivable for the last financial year
1.	Stalprodukt-Profil S.A.	Bochnia	trade in steel products				16.00	16.00		
2.	StalNet sp. z o.o.	Kraków	online trade				19.50	19.50		

Moreover, the Issuer holds some minority stakes and shares in 7 entities, for which a 100% revaluation write-down was made due to their loss of value.

NOTE 5 - Change in assets due to deferred income tax	thousands of PLN	
	2014	2013
1. Balance of assets due to deferred income tax, at the beginning of the period, including:	826	802
a) attributed to the financial result	826	802
b) attributed to equity		
2. Increases	1 506	685
a) attributed to financial result of the period in respect of deductible temporary differences (due to)	1 506	685
- appearance of temporary differences	1 506	685
b) attributed to equity in respect of negative temporary differences (due to)		
3. Decreases	631	661
a) attributed to financial result of the period in respect of negative temporary differences (due to)	631	661
- reversal of temporary differences	631	661
- changes of tax rate		
b) attributed to equity in respect of negative temporary differences (due to)		
4. Balance of assets due to deferred income tax, at the end of the period, including:	1 701	826
a) attributed to the financial result	1 701	826
b) attributed to equity		

NOTE 5a – The amounts of negative temporary differences by main groups of assets and liabilities	thousands of PLN	
	2014	2013
1. inventory (materials and products)	705	548
2. receivables	1 111	1 057
3. liabilities for employee benefits	5 462	2 742
4. liabilities due to the purchase of energy origin certificates and others	1 672	
Total negative temporary differences	8 950	4 347
Tax rate	19%	19%
Assets due to deferred income tax	1 701	826

NOTE 6 – Inventory	thousands of PLN	
	2014	2013
1. materials	183 047	159 310
2. semi-finished products and work in progress	40 433	37 477
3. finished products	56 808	77 275
4. goods	4 794	6 299
Inventory, total	285 082	280 361

As of the balance sheet date, the following charges of inventory apply:- regarding materials – a registered pledge agreement to the amount of 30,000 thousand PLN for the benefit of PKO BP S.A. and up to 20,000 thousand PLN for BNP Paribas S.A., and up to 15 000 thousand PLN for Bank Handlowy S.A., and up to 30,000 thousand PLN for Bank PKO BP S.A. and up to 25,000 thousand PLN for Bank PeKaO S.A. due to protection of the granted credit limits.

During the reporting period write-down sue to impairment of value was made on finished products to the net realizable value. The value of the write-down amounted to 705 thousand PLN.

Advances for deliveries demonstrated in receivables for deliveries and services. The value of advances for deliveries as at 31.12.2014 amounts to 105 thousand PLN.

NOTE 7a – Short-term receivables	thousand x PLN	
	2014	2013
1. from related parties	80 956	81 029
a) trade receivables, maturing:	80 956	81 029
- up to 12 months	80 956	81 029
- above 12 months		
2. receivables from other entities	127 473	144 514
a) trade receivables, maturing:	109 965	129 929
- up to 12 months	107 647	127 917
- above 12 months	2 318	2 012
b) receivables from tax, subsidy, customs, social security and other benefits	13 176	9 107
c) other	4 332	5 478
Net short-term receivables, total	208 429	225 543
a) write-downs of receivables	2 003	1 814
Gross short-term receivables, total	210 432	227 357

As of the balance sheet date applies charge of receivables: silent assignment duties in the amount of PLN 10 000 thousand, which constitutes security of the limit for guarantees and letters of credit in Bank Handlowy S.A. and the undetermined amount of the silent cession of claims from 11 customers, as security for a limit on guarantees and letters of credit in BNP Paribas Bank Polska S.A.

NOTE 7b – Change in short-term receivables write-down	thousands of PLN	
	2014	2013
Balance at the beginning of the period	1 814	3 108
1. increase (due to)	3 131	4 235
a) provision for doubtful receivables	3 131	4 235
2. decrease (due to)	2 942	5 529
a) cancellation	723	1 804
b) adjustment	11	1
c) payment	2 208	3 724
Balance of short-term receivables write-downs at the end of the period	2 003	1 814

NOTE 7c – Gross short-term receivables (currency structure)	thousands of PLN	
	2014	2013
1. in Polish currency	126 670	151 570
2. in foreign currencies (according to currencies converted into PLN)	83 762	75 787
a) in EURO	13 140	14 011
converted into PLN	55 263	58 619
b) in USD	8 076	5 593
converted into PLN	28 499	17 168
Short-term receivables, total	210 432	227 357

NOTE 7d – Trade receivables (gross) – maturing as at the balance day:	thousands of PLN	
	2014	2013
up to 1 month	97 214	109 170
above 1 month up to 3 months	60 008	53 409
above 3 months up to 6 months		
above 6 months up to 1 year		
above 1 year		
overdue receivables	35 702	50 193
Trade receivables, total (gross)	192 924	212 772
trade receivables write-downs	2 003	1 814
Trade receivables, total (net)	190 921	210 958

The normal course of sales is connected with the time interval for repayment of receivables up to 3 months.

NOTE 7e – Trade receivables, overdue (gross) – divided into unpaid receivables within the period:	thousands of PLN	
	2014	2013
up to 1 month	31 620	35 978
above 1 month up to 3 months	2 430	10 229
above 3 months up to 6 months	87	1 400
above 6 months up to 1 year	295	1 412
above 1 year	1 270	1 174
Trade receivables, total (gross)	35 702	50 193
trade receivables write-downs	2 003	1 814
Trade receivables, total (net)	33 699	48 379

Out of the total amount of gross short-term receivables, i.e. 210,432 thousand PLN, overdue receivables amount to PLN 35,702 thousand. Disputable overdue receivables did not occur. Overdue receivables only apply to trade receivables. Out of the overdue receivables, only the amount of 2,003 thousand PLN was covered by write-downs. The remaining receivables were not subject to write-downs due to the fact that part of them refers to subsidiaries and are justified by the strategy and marketing policy of the parent company. However, in relation to other external customers, overdue receivables shall be permitted in connection with securing of such receivables by bank guarantees and promissory notes. Adopted security measures divided according to the instruments used and listed with respective amounts were presented in the Table „Adopted Security Measures”.

NOTA 8a - KRÓTKOTERMINOWE AKTYWA FINANSOWE	thousands of PLN	
	2014	2013
1. in subsidiaries	1 000	10 110
a) loans granted	1 000	10 110
2. cash and other pecuniary assets	38 280	37 749
a) cash in hand and at bank	38 280	37 749
Short-term financial assets, total	39 280	47 859

The loans granted are partly related to long-term loans (in the annual repayment period).

NOTE 8b – Cash and equivalents (currency structure)	thousands of PLN	
	2014	2013
1. in Polish currency	4 016	15 847
2. in foreign currencies (according to currencies converted into PLN)	34 264	21 902
a) in Euro	3 761	2 872
converted into thousand PLN	16 099	11 941
b) in USD	5 128	3 273
converted into thousand PLN	18 165	9 961
Cash and other pecuniary assets, total	38 280	37 749

Cash and cash equivalents are invested in secure financial instruments, such as short-term deposits with a term up to 30 days. These deposits are not at risk and ensure the availability of financial resources. The interest rate on deposits negotiated each time, forms significantly above the standard interest rate of deposits. As at the balance sheet resources were invested on overnight deposits.

NOTE 9 - Short-term accruals	thousands of PLN	
	2014	2013
1. active cost accruals, including:	6 278	5 134
a) costs of insurance and subscription	85	48
b) costs of fair organized in 2012	91	48
c) staged repairs	6 019	4 963
d) other	83	75
Short-term accruals, including:	6 278	5 134

Write-offs

Asset write-offs due to impairment of value refer to long-term financial assets, which constitute long-term investments (stocks and shares in other entities) and short-term receivables and stocks of finished products. The total value of write-offs as at the balance sheet date amounts to PLN 2,708 thousand, including receivables of PLN 2,003 thousand and finished products of PLN 705 thousand.

During the reporting period there was made a write-off in the amount of PLN 705 thousand in scope of inventories of finished products and a write-off from the previous year was dissolved in the amount of PLN 547 thousand, in connection with sale of the products covered by the write-off. Write-off due to impairment of doubtful receivables was made in the amount of PLN 3,131 thousand and a part of the previous write-downs in the amount of PLN 2,942 thousand, in connection with payment of receivables, cancellation and adjustments.

NOTE 10 – Share capital (structure)								
thousands of PLN								
Series/issue	Type of shares	Share preference type	Type of limitation of rights to shares	Number of shares	Value of a series/issue according to nominal value	Manner of capital coverage	Registration date	The right to dividend (since)
A	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		128 180	256 360	cash	3.07.1991	1.07.1992
A	registered shares without preference	Non-preference		1 820	3 640	cash	3.07.1991	1.07.1992
B	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		505 490	1 010 980	cash	16.11.1993	1.01.1994
B	registered shares without preference	Non-preference		14 510	29 020	cash	16.11.1993	1.01.1994
C	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
D	ordinary bearer shares	Non-preference		780 000	1 560 000	cash	20.10.1994	1.01.1995
E	preference registered shares	5 votes at the General Shareholders' Meeting and the distribution of assets		2 165 630	4 331 260	cash	30.09.1996	1.01.1996
E	registered shares without preference	Non-preference		44 370	88 740	cash	30.09.1996	1.01.1996
F	ordinary bearer shares	Non-preference		1 105 000	2 210 000	cash	17.12.1996	1.01.1997
G	ordinary bearer shares	Non-preference		1 200 000	2 400 000	cash	13.05.1997	1.01.1997
Number of shares, total				6 725 000				
Share capital, total					13 450 000			
Nominal value of one share (in PLN)		2,00						

Preference of the property means that in the event of liquidation of the Company, the assets remaining after satisfaction of creditors shall be paid first in a nominal amount for all shares, and the rest is divided evenly on the preference shares.

The Issuer's shares owned by subsidiary companies: Stalprodukt-Centrostal sp. z o.o. 45 share items at the purchase price and balance-sheet value of PLN 1 thousand.

NOTE 11– Supplementary capital	thousands of PLN 2014	thousands of PLN 2013
1. from sale of shares above their nominal value	35 054	35 054
2. statutorily created	646	646
3. created in accordance with the statute / articles of association, above the statutorily required (minimum) value		
4. from subsidies of the shareholders / partners		
5. other (by type)	68 484	68 484
a) from revaluation of fixed assets	285	285
b) from liquidation and revaluation of fixed assets	181	181
c) from sale of shares	148	148
d) retained profit	60 510	60 510
e) transfer of profit retained in the previous years	33 998	33 998
f) negative difference between the nominal value and purchase price of own shares	-26 638	-26 638
Supplementary capital, total	104 184	104 184

Supplementary capital is mandatory created in the company (by law). According to the Code of Commercial Companies, the company must allocate to the reserve capital at least 8% of annual net profit until the capital reaches 1/3 of share capital. Supplementary capital is increased by the excess over the issue of shares above their nominal value and the difference from the revaluation of fixed assets, which have been liquidated or sold. Supplementary capital also includes profit from previous years in the amount of 33,998 thousand PLN, referring to negative goodwill from previous years and settled in accordance with IAS, as well as retained profits on revaluation of fixed assets and the right of perpetual usufruct of land, made on the date of transition to IFRS.

NOTE 12 – Revaluation reserve	thousands of PLN 2014	thousands of PLN 2013
1. from revaluation of fixed assets	3 166	3 166
Revaluation reserve, total	3 166	3 166

NOTE 13 – Other reserve capitals (by appropriation)	thousands of PLN 2014	thousands of PLN 2013
1. reserve capital for investments	1 369 560	1 363 764
2. reserve capital for financing of current assets	12 145	12 145
3. other reserve capital	18 345	18 345
Revaluation reserve, total	1 400 050	1 394 254

The remaining reserve capitals are created from profit, which distribution is agreed by Shareholders. Equity is used to financing of working capital and to covering potential losses. The General Shareholders’ Meeting decides about use of these capitals.

NOTE 14 a - CHANGE IN THE BALANCE OF RESERVE FOR DEFERRED INCOME TAX	thousands of PLN	
	2014	2013
1. The balance of deferred income tax, at the beginning of the period, including:	17 285	11 501
a) attributed to financial result (due to)	17 285	11 501
- difference between balance and taxable amortization	17 285	11 501
- investment allowance		
b) attributed to equity		
- for revaluation of fixed assets		
2. Increases	7 115	5 784
a) attributed to the financial result due to positive temporary differences (due to)	7 115	5 784
- difference between balance and taxable amortization	7 115	5 784
3. Decreases		
a) attributed to the financial result due to positive temporary differences (due to)		
- reversal of temporary differences (use of reserves for deferred income tax)		
b) attributed to the financial result due to positive temporary differences (due to)		
- difference between balance and taxable amortization		
4. Balance of reserve at the end of the period, total	24 400	17 285
a) attributed to the financial result	24 400	17 285
- due to differences between tax and balance sheet depreciation	24 400	17 285
b) attributed to equity		

Positive temporary differences relate to differences between depreciation entered in the balance sheet and tax depreciation. The amount of positive temporary differences at the beginning of the reporting period is PLN 90,972 thousand and at the end of the reporting period PLN 128,420 thousand.

NOTE 14 b – Change of the balance of other long-term reserves	thousands of PLN	
	2014	2013
1. balance at the beginning of the period	3 040	3 329
2. increases (due to)	4 158	2 044
a) provision for retirement benefits	4 103	1 989
b) use (due to)	55	55
3. dissolution (due to)	2 409	2 333
a) transfer to a short-term reserve	2 409	2 333
b) decrease of a reserve		
4. balance at the end of the period	4 789	3 040

NOTE 14 c - CHANGE IN OTHER SHORT-TERM RESERVES (BY TITLE)	thousands of PLN	
	2014	2013
1. balance at the beginning of the period	1 179	1 179
2. increases (due to)	3 969	2 333
a) transfer to a short-term reserve	2 409	2 333
b) formation of a provision for the purchase of energy origin certificates	1 560	
3. dissolution (due to)	2 731	2 333
a) paid retirement benefits	2 731	2 333
4. balance at the end of the period	2 417	1 179

NOTE 15 a – Long-term liabilities	thousands of PLN	
	2014	2013
1. Long-term credits and loans	40 000	60 000
2. other long-term liabilities (investment liabilities in respect of the purchase of ZGH "Bolesław" shares)	0	40 000
Long-term liabilities, total	40 000	100 000

The amount of PLN 40 000 thousand refers to the long-term investment credit incurred at the PKO BP S.A. Bank based in Warsaw for the purchase of the ZGH "Bolesław" shares, amounting to PLN 100 000 thousand, wherein the amount of PLN 20 000 thousand accounts for a long-term credit with an annual period of repayment (Note 16a). The repayment of the credit in quarterly installments shall continue from 01.01.2013 to 31.12.2017. The credit is secured with a joint mortgage of up to PLN 150 000 thousand placed on the real estate situated at Wadowicka Street in Kraków. In 2014 we made the investment-related obligation to raise the ZGH "Bolesław" S.A. share capital, in accordance with the sales agreement concluded between the State Treasury and Stalprodukt S.A.

NOTE 16 a – Short-term liabilities	thousands of PLN	
	2014	2013
1. to related parties	14 553	17 075
a) trade liabilities, maturing:	14 553	17 075
- up to 12 months	14 553	17 075
2. to other entities	295 889	278 280
a) credits and loans, including:	81 315	20 000
- long-term, maturing	20 000	20 000
b) trade liabilities, maturing:	191 309	232 933
- up to 12 months	189 232	230 954
- over 12 months	2 077	1 979
c) other short-term liabilities	23 265	25 347
c.1 received advances for deliveries	449	4 764
c.2 tax, customs, insurance and other liabilities	6 859	6 765
c.3 payroll	7 214	6 039
c.4 other (by title)	8 743	7 779
- social fund	7 696	7 209
- PKZP	400	427
- PZU	102	102
- other	545	41
Short-term liabilities, total	310 442	295 355

NOTE 16 b - Short-term liabilities (currency structure)	thousands of PLN	
	2014	2013
1. in Polish currency	287 831	209 826
2. in foreign currency (by currency and converted into PLN)	22 611	85 529
a) in EUR (thousands of EUR)	1 762	10 374
converted into thousands of PLN	7 440	43 364
b) In USD thousands of PLN	4 423	13 547
converted into thousands of PLN PLN	15 171	42 165
other currency in thousand PLN		
Short-term liabilities, total	310 442	295 355

NOTE 16 c - SHORT-TERM LIABILITIES FOR CREDITS AND LOANS

thousand x PLN

Name (company) of the unit, indicating its legal form	seat	The amount of credit limit/loan according to the agreement: in thousand PLN	in currency	unit	currency	The amount of credit/loan remaining for repayment: in thousand PLN	in currency	unit	currency	Interests	Term of repayment	Collaterals	Other
Bank Pekao S.A.	Kraków	75 000	0	in thousand	PLN	12 235		in thousand		Wibor+margin	September 2015	pledge on materials	credit in current account limit for guarantees and letters of credits. Within the limits the companies from Capital Group have limits of up to PLN 34,502 thousand (13,000 Stp Elbud and 21,502 Cynk-Mal S.A.)
PKO Bank Polski S.A. To 31.10.2014 Nordea Bank Polska S.A.	Warszawa	60 000	0	in thousand	PLN	11 997		in thousand		Wibor+margin	August 2015	registered pledge on material inventories, assignment of insurance policy rights, blank bill of exchange	credit limit of PLN 40,000 thousand and PLN 20,000 for guarantees and letters of credit
Bank Handlowy S.A.	Warszawa	65 000	0	in thousand	PLN	8 397		in thousand		Wibor+margin	July 2016 for short-term credit and guarantee.July 2015 for long-term guarantee	pledge on (raw) material inventories, assignment of receivables	overdraft limit in the current account and for short-term guarantees PLN 40,000 thousand. Limit for long-term guarantees PLN 25,000 thousand.
BNP Paribas Bank Polska SA	Kraków	50 000	0	in thousand	PLN	10 378		in thousand		Wibor+margin	sty-16	blank promissory note, silent transfer of dues and pledge on materials	overdraft limit in the current account – guarantees and letters of credit
Bank PKO BP S.A.	Warszawa	50 000	0	in thousand	PLN	18 308		in thousand		Wibor+margin	December 2015	promissory note, pledge on inventories	Limit for guarantees and letters of credit PLN 20.000 thousand overdraft in the current account PLN 30,000 thousand
PKO Bank Polski S.A.	Warszawa					20 000		in thousand		Wibor+margin			long-term credit of anuual repayment period

*As of 31.12.2014 the subsidiary companies used their limits up to PLN 22 041 thousand, including Cynk Mal S.A. PLN 21 196 thousand and Stp Elbud Sp. z o.o. PLN 845 thousand.

NOTE 17 – Accruals	thousands of PLN	
	2014	2013
1. deferred income	8 014	86
a) long-term (by titles)	350	
- grant	350	
b) short-term (by titles)	7 664	86
- received advances	7 664	86
Other accruals, total	8 014	86

The subsidy is related to carrying out and financing a project in the area of renewable energy sources, i.e. construction of an innovative prototype of a wind turbine with a vertical 1.5 MW axis rotor. The project concerned obtained financing from the National Centre for Research and Development with a pilot enterprise ”DEMONSTRATOR + Supporting scientific research and development works in demonstration scale”.
A respective agreement was signed in December 2013, and the planned completion date for the project is 30.09.2016. The total subsidy amount is PLN 12 539 923.

Within the consortium (grouping – apart from the Company – the Stanisław Staszic University of Science and Technology in Kraków and ANew Institue Sp. z o.o.), formed within the framework of the agreement dated 10 December 2013 regarding the implementation and financing of the above mentioned project, the following works were under way in 2014:
- making assumptions for a wind park design;
- preparing the wind park design;
- purchase of wind permanent magnet generator of parameters required for the designed wind park;
- making assumptions for the design of power converters intended to work in combination with the wind park.

NOTE 18 - Book value per 1 share
The book value per 1 ordinary share was calculated as the ratio of equity to the number of shares (PLN 1,547,862 thousand: 6,725,000 shares = PLN 230.17).

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2014	2013
1. transformer sheets	446 048	376 191
including: from related parties	0	0
2. toroidal cores	10 345	10 481
including: from related parties	0	0
3. steel sheet for banding steel	30	22
including: from related parties	30	22
4. steel sheets, hot-rolled and cold-rolled strips	108 094	151 744
including: from related parties	79 416	115 251
5. cold formed profiles	525 579	518 941
including: from related parties	270 443	251 886
6. road barriers	116 219	111 206
including: from related parties	129	19
7. services	11 219	13 421
including: from related parties	8 703	9 680
Net revenues from sales of products, total	1 217 534	1 182 006
including: from related parties	358 721	376 858

NOTE 19 a - NET INCOME FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2014	2013
1. transformer sheets	446 048	376 191
including: from related parties	0	0
2. toroidal cores	10 345	10 481
including: from related parties	0	0
3. steel sheet for banding steel	30	22
including: from related parties	30	22
4. steel sheets, hot-rolled and cold-rolled strips	108 094	151 744
including: from related parties	79 416	115 251
5. cold formed profiles	525 579	518 941
including: from related parties	270 443	251 886
6. road barriers	116 219	111 206
including: from related parties	129	19
7. services	11 219	13 421
including: from related parties	8 703	9 680
Net revenues from sales of products, total	1 217 534	1 182 006
including: from related parties	358 721	376 858

NOTE 19 b -NET SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	thousands of PLN	
	2014	2013
1. domestic	576 529	592 591
a) transformer sheets	17 405	14 492
b) toroidal cores	4 484	5 135
c) steel sheet for banding steel	30	22
d) steel sheets, hot-rolled and cold-rolled strips	92 672	128 415
e) cold formed profiles	345 131	330 521
f) road barriers	105 588	100 585
g) services	11 219	13 421
2. export	641 005	589 415
a) transformer sheets	428 643	361 699
b) toroidal cores	5 861	5 346
c) steel sheets, hot-rolled and cold-rolled strips	15 422	23 329
d) cold formed profiles	180 448	188 420
e) road barriers	10 631	10 621
Net income from sales of products, total	1 217 534	1 182 006

NOTE 20a – Net sales of goods and materials (material structure – types of activities)	thousands of PLN	
	2014	2013
1. goods	32 919	42 196
including: from related parties	30 979	37 103
2. technological waste	23 556	23 664
including: from related parties	2 171	3 060
3. other materials	1 159	629
including: from related parties	44	52
Net revenues from sales of goods and materials, total	57 634	66 489
including: from related parties	33 194	40 215

NOTE 21 – Costs by type – cost of manufacture of products sold	thousands of PLN	
	2014	2013
1. amortization	44 989	42 968
2. consumption of materials and energy	888 273	911 106
3. external services	102 251	94 351
4. taxes and fees	16 473	15 967
5. payroll	87 337	85 325
6. social insurance and other benefits	20 871	20 903
7. other costs by type (due to)	2 417	2 412
a) business trips	710	547
b) property insurance	600	670
c) representation and advertising	636	657
d) other	471	538
8. balance of exchange differences arising from: settlements, provisions against retirement allowances, finished products price reduction	-1 640	586
a) balance of exchange differences arising from settlements	-3 717	381
b) balance of provisions against retirement allowances	1 371	-343
c) provisions for loss of value of finished products	706	548
Costs by type, total	1 160 971	1 173 620
Change in stocks, products and accruals	12 809	-6 302
Cost of manufacture of goods produced for own purposes (negative value)		
Selling costs (negative value)	-35 652	-32 963
General and administrative costs	-36 430	-35 060
Cost of manufacture of products sold	1 101 698	1 099 295

NOTE 22 – Other operating revenues	thousands of PLN	
	2014	2013
1) reversed provisions (due to)	3 095	2 349
a) doubtful receivables	14	16
b) retirement benefits	2 731	2 333
c) payroll	350	
2. other, including:	3 310	1 862
a) payment of adjudicated court fees	176	
b) received compensation	1 872	780
c) revenues from sales of fixed assets	119	
d) revenues due to not collected payroll	580	
e) surplus in working capital	132	122
f) other	431	960
Other operating revenues, total	6 405	4 211

On 29.10.2014 a payment from KUKE S.A. was received in the amount of PLN 1 670 thousand, covering the outstanding dues from the contractor: PAT Zaporoztransformator Ukraina. As of 31.12.2014 the reconciled balance with the customer amounts to PLN 0.

NOTE 23 – Other operating costs	thousands of PLN	
	2014	2013
1. reserves (due to)	8 210	2 653
a) doubtful receivables	144	60
b) retirement benefits	4 103	1 990
c) landfill (waste) reclamation	55	55
d) value of finished products	706	548
e) payroll	1 642	
f) purchase of energy origin certificates	1 560	
2. other, including:	3 440	2 316
a) donations	100	154
b) costs of court proceedings	22	64
c) penalties, fines, compensations	24	71
d) shortages in financial resources	371	913
e) value of written-off receivables covered with insurance	1 670	
f) costs of tests	741	936
g) value of liquidated fixed assets		102
h) other	512	76
Other operating costs, total	11 650	4 969

NOTE 24 – Financial revenues	thousands of PLN	
	2014	2013
1. revenues due to interests, including	5 549	7 372
a) from related parties	4 251	3 151
b) from other entities	1 298	4 221
2. exchange rate differences (the excess of negative over positive)		
a) realized		
b) unrealized		
3. released provisions, due to		
c) interests		
4. other, including:	444	
a) dividend received		
b) income from the liquidation of a subsidiary company	444	
Financial revenues, total	5 993	7 372

NOTE 25 – Financial expenses	thousands of PLN	
	2014	2013
1. due to credits and loans	4 942	5 468
a) from related parties		
b) from other entities	4 942	5 468
2. other interests		
a) from related parties		
b) from other entities		
3. exchange rate differences (the excess of negative over positive), including		
a) realized		
b) unrealized		
4. released provisions, due to	381	448
a) accrued but not paid interests	381	448
5. other, including	2 599	
a) impairment losses	2 599	
Financial expenses, total	7 922	5 916

Settlement of exchange rate differences	thousands of PLN	
	2014	2013
1. positive exchange rate differences, including	14 731	14 488
a) realized	14 731	14 488
b) unrealized		
2. negative exchange rate differences	11 014	14 869
a) realized	11 014	14 869
b) unrealized		
Balance of exchange differences arising on settlements, translated into reduced production costs of the products sold	-3 717	381
Balance of exchange rate differences (Profit and loss account, note 25)		

NOTE 26 Current and deferred income tax	thousands of PLN 2014	2013
1. Gross profit (loss)	35 633	16 166
2. Differences between gross profit (loss) prior to income tax (by titles)	-34 756	-28 776
a) depreciation of fixed assets covered by investment allowance		
b) amortization of tangible and intangible deductible expenses	-37 451	-30 441
c) donations and voluntary contributions	155	156
d) provision for receivables	144	60
e) release of provision for retirement benefits	-2 731	-2 333
f) PFRON	1 322	1 343
g) Supervisory Board fees not payed out	55	55
h) write-off due to revaluation of long-term investments		
i) cost regarding provisions for retirement benefits	4 102	1 989
j) revenues from valuation		
k) social insurance for November and December '2013' and paid in January and February '2014'	-2 741	-2 825
l) social insurance for November and December '2014' and paid in January and February '2015'	2 799	2 741
m) dividend		
o) costs of representation	94	80
p) the value of disposed fixed assets from valuation	33	2
r) other	-537	397
3. Taxable income	877	-12 610
4. Income tax at the rate 19%	167	0
5. Current income tax disclosed in tax declaration for the period, including:	8 482	6 228
a) disclosed in profit and loss account	8 482	6 228
b) correction of income tax for year 2013 included in the current profit and loss account	2 293	
6. Deferred income tax due to temporary differences	6 189	6 228

NOTE 27 – PROFIT DISTRIBUTION

Net profit for the financial year 2013 amounting to 9,938,254.62 PLN divided by the General Shareholders' Meeting is as follows:
- dividend 3,993,160.20
- share in profits for the Management Board 79,506.03
- share in profits for the Supervisory Board 69,567.78
- reserve capital 5,796,612.05

Proposals for allocation of net profit for the reporting period in the amount of **27,150,861.72** PLN:
- dividend **13,310,534.00**
- share in profits for the Management Board **162,905.17**
- share in profits for the Supervisory Board **190,056.03**
- reserve capital **13,487,366.52**

NOTE 28 – Profit per 1 share

For calculation of profit per one common share were stock considered 6,655,267 shares, and this amount did not change over the financial year 2014. In accordance with IAS, 33, 69,733 own shares purchased by the Issuer were excluded from the calculation. The Company does not have a complex capital structure (stock options, warrants and other), and in scope of profit split the preferred shares do not differ from ordinary bearer shares. Therefore, no ratio of diluted profit per ordinary share is not calculated.

4. Reporting by segments

According to IFRS 8, an operating segment forms a part of an entity:

- which organizes the business, in connection with which revenues can be obtained and costs incurred,

- the results of which are subject to regular review and assessment by the main body in the entity responsible for decision making and using these results while deciding on the allocation of resources to segments,

- for which there is separate financial information available.

IFRS 8 requires disclosure of operating segments based on internal reports used in managerial accounting.

Using the management approach to segment reporting in Stalprodukt, there are two operating segments distinguished:

- Electrotechnical Sheets Segment DB,
- Profiles Segment DP.

For these segments, there is separate financial information drawn up for the Parent Company that the Management Board of the Company uses to evaluate the results of both segments for the purpose of bonus system, based on coverage margin, and for the purpose of the allocation of resources to a given segment. For the purposes of the consolidated financial statements, these data are subject to transformation in the segment of profiles.

Profiles segment includes the following products: cold formed profiles and tubes, road safety barriers and hot and cold rolled sheets and strips.

Transformer sheets segment includes transformer metal sheets and toroidal cores.

The financial statement discloses the goods as not meeting the quantitative criterion for determining the segments, along with other services under "other activities" to balance the results of the Company.

<u>Segment revenues</u> apply only to sales to external customers. Revenues of other segments in the consolidated financial statements are excluded.

<u>Segment costs</u> include the own cost of sales, including the cost of sales resulting from the operations of the segment. Segment costs do not include other operating costs, which can not be directly attributed (attributed) to the segment, general overheads costs, finance costs and income tax.

<u>Segment result</u> (profit/loss of the segment) is the difference between revenues and costs of the segment.

<u>Segment assets</u> (liabilities) are operating assets (operating liabilities) used by a segment (resulting) in operating activities, which are directly attributable to the segment (intangible assets, tangible fixed assets, inventories, receivables from customers, amounts due to

suppliers) or allocated to the segment based on a reasonable basis e.g. share of the segment in sales, profit (other assets and liabilities).

The same accounting principles, including the methods of valuation, which are presented under par. 3 of this Information, taking into account the above findings, are applicable for reporting by segments.

Required information on operating segments for the year 2014 and comparable period was estimated and presented in the following tables (in thous. PLN):

Itemization 2014	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	456 393	749 922	68 853	1 275 168
Segment costs	406 950	719 637	69 344	1 195 931
Segment result	**49 443**	**30 285**	**-491**	**79 237**
Other operating income and financial income not assigned to the segment				12 398
Other general operational costs and financial costs associated to the segment				56 002
Gross profit				**35 633**
Income tax				8 482
Net profit				**27 151**
Segment assets	776 599	695 741	116 355	1 588 695
Assets not assigned to the segment				349 229
Total assets				1 937 924
Total liabilities	154 635	222 090	13 337	390 062
Capital expenditures	43 869	2 774	1 186	47 829
Depreciation	22 623	17 441	4 925	44 989

Itemization 2013	Segments			Total
	Electrical Sheets Segment	Profiles Segment	Other Activities	
Segment revenues	386 672	781 913	79 910	1 248 495
Segment costs	366 478	752 433	79 055	1 197 966
Segment result	**20 194**	**29 480**	**855**	**50 529**
Other operating income and financial income not assigned to the segment				11 583
Other general operational costs and financial costs associated to the segment				45 946
Gross profit				**16 166**
Income tax				6 228
Net profit				**9 938**
Segment assets	734 173	724 278	138 543	1 596 994
Assets not assigned to the segment				344 804
Total assets				1 941 798
Total liabilities	147 870	253 659	15 416	416 945
Capital expenditures	78 056	1 821	62	79 939
Depreciation	20 836	17 602	4 530	42 968

7. Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

The main financial instruments used by the Company include bank loans, financial leasing agreements and short-term deposits. The main purpose of these instruments is to raise funds for the activities of companies in the Group.

The Company also have other financial instruments such as cash, supplies and services receivables and payables, which are formed directly in the course of their business.

Moreover, the Issuer has an interest in other entities, which are long-term investments.

While entering financial instruments into the accounts, they are valued at cost (purchase price), which is the fair value of the payment. Transaction costs are recognized in the initial value of financial instruments.

After initial recognition, taking into account the criterion of purchase price, financial instruments are classified into one of four categories and valued as follows:

- financial instruments measured at fair value through profit or loss. This applies to financial instruments acquired in order to generate profits through short-term fluctuations in prices,
- Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturity, which the Company intends to hold to that time. They are valued at amortized cost using the effective interest method,
- loans and receivables - are valued at amortized cost using the effective interest rate, and gains or losses are recognized in the profit and loss account. Receivables with a short maturity, for which the interest rate is not specified, are valued at the amount due,
- financial instruments available for sale (all other financial assets) - are valued at fair value and gains/losses from revaluation are recognized in the revaluation reserve until the sale of investments or reduction of its value. At this point, the total profit or loss from revaluation is referenced to the profit and loss account.

The fair value of financial instruments, which are traded on the current market, is determined in relation to the prices quoted on this market at the balance sheet date. If there is no quoted market price, fair value is estimated based on valuation techniques.

Financial liabilities that are not financial instruments measured at fair value through profit or loss are valued at amortized cost using the effective interest method.

Financial instruments are derecognised from the balance sheet when the Company loses control over contractual rights that make up the financial instrument, and this usually happens when the instrument is sold or when all cash flows attributable to that instrument are transferred to an independent third party.

At each balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or the group of financial assets. Such evidence includes: severe financial difficulties of the debtor, the disappearance of an active market for that financial instrument, adverse changes in the economic, legal and market environment of the financial instrument issuer, maintaining a significant decrease in the fair value of the instrument. When such evidence prevails, it is necessary to estimate the losses and make allowance for impairment.

Derivative financial instruments are initially recognized in the books at cost and subsequently measured at fair value. Changes in fair value of derivative financial instruments are recognized immediately in the profit and loss account. Derivatives are presented in the balance sheet as assets or liabilities held for trading.

The fair value of derivative instruments, which are traded on regulated markets, and securities available for sale is determined based on quoted market prices at the balance sheet date.

To estimate the fair value of derivative instruments, the prices of which are not quoted on regulated markets, and other financial instruments, the Company uses different methods and assumptions that are based on market conditions existing at each moment of the balance sheet.

Market and dealer quotations for specific and similar instruments are usually applied. Other techniques such as option pricing models or discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

It is assumed that the nominal value of financial assets and liabilities with a maturity less than one year, reflect their fair values, which means it does not require discounting.

The purpose and policy of risk management and measurement methods.

The Company is exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the Company's financial results. The Department of Financial and Risk Management, supervised by the Finance Director, manages the risk in the Parent Company. The main objective is to minimize the negative effects of external changes on the results obtained by the Company. Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

The main risks associated with the activities of the Company include:

a) credit risk and contractual risk,

b) liquidity risk,

c) market risk, including:

- interest rate
- currency

Credit and contractual risk

Credit risk in the Company is limited by the current examination of the creditworthiness of contracting parties, by adopting appropriate securities (bank guarantees, letters of credit, bills of exchange, suretyships) and through constant monitoring of overdue receivables. With the aim to maintain current control, the commerce and finance departments are obliged to apply the principles set out in the procedures: credit and debt collection. These procedures specify the selection of contracting parties, setting of credit limits and procedure in the case of past due receivables.

Contractual risk arises when an agreement for the sale of goods under certain conditions of delivery is reached with a customer, which gives rise to obligations on the part of the Company with respect to the contracting party to deliver a specific lot, with a commitment of the Company to proceed to production before getting full payment. The situation results in the risk incurred by the Company in the form of finished goods, which are not collected by the contracting party.

Contractual risk generally occurs in the Company only when orders are taken for custom products and evaluation is carried out by a person accepting the order. The risk is mitigated through the adoption of appropriate securities or by receiving partial or full prepayment for ordered goods before production.

Item No.	Type of security	Type of hedged risk	2014			2013		
			Amount	Currency	thous. PLN	Amount	Currency	thous. PLN
1	Bank guarantees and letters of credit	credit/contract	1 053	PLN	**1 053**	941	PLN	**941**
2	Bank guarantees and letters of credit	credit/contract	5 585	EUR	**23 805**	2 245	EUR	**9 310**
3	Bank guarantees and letters of credit	credit/contract	4 574	USD	**16 042**	2 818	USD	**8 488**
4	Suretyships	credit/contract	4 650	PLN	**4 650**	4 000	PLN	**4 000**
4	Suretyships	credit/contract	4 955	EUR	**21 120**	5 750	EUR	**23 846**
	Total				**66 670**			**46 586**

The amount at risk equals the balance of short-term receivables plus issued guarantees and sureties granted, the fair value of derivative instruments, adjusted by the adopted securities, as well as claims against the affiliates. This amount is PLN 79,491 thousand. It should be noted that the average loans in arrears ratio for 12 months of 2014 (calculated as the ratio of loans in arrears to the total outstanding balance due to supplies, work and services) for the Issuer is 9.92%, and 10.93% as of the balance sheet date.

In comparison to the year 2013 the (9.72%) increase of the annual average index is only slight, which results from the consistently pursued conservative policy for the management of credit risk and receivables.

The amount at risk in thousand PLN	2014	2013
1. The balance sheet value of outstanding balance	208 429	225 543
2. Guarantees and letters of credit issued	18 688	29 950
3. The fair value of derivative transactions	0	0
4. Adopted securities	66 670	46 586
5. Receivables in respect of affiliated entities	80 956	81 029
The amount at risk	**79 491**	**127 878**

It should be noted that most customers of the Company are those with whom the Company has been cooperating for many years.

Today, the Company has no restructured receivables, i.e. receivables in respect to the customers with whom the Company entered into an agreement to defer payment. Given the above, the credit quality should be defined as good.

Aging of receivables was presented in the notes to the balance sheet No. 7d - 7e.

Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.

In the current financial standing of the Company, with a clear advantage of financing with own funds, liquidity risk does not occur. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks.

The details concerning the credit line limits, credit-to-debt ratios and the remaining conditions were presented in 16c note.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Company's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.

As of 31.12.2014 the Company had:

loans granted in the amount of – PLN 50 110 thousand,

cash – PLN 38 280 thousand,

investment credit – PLN 60 000 thousand,

working capital facilities – PLN 61 315 thousand.

The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.

Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID), and their balance sheet values measured as of 31.12.2014 in terms of the assets and liabilities are close. Therefore, any potential changes of interest rates (both the increase and decrease) will not have a significant impact on the financial result.

SENSITIVITY TO EXCHANGE RATE RISKS	in thousand PLN	
	2014	2013
Exchange rate increase by 50 basis points		
Impact on the gross result	-165	39

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored. It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored. In contrast to 2013, in 2014 its position was mostly characterized as open short position due to the increased USD purchases.

As of 31.12.2014, the sensitivity of balance sheet positions, expressed in EUR and USD, to currency risks is only slight in relation to the scale of the pursued activities. The currency-expressed receivables and liabilities were presented in 7c and 16b notes, respectively.

SENSITIVITY TO CURRENCY RISKS	in thousand PLN	
	2014	2013
PLN WEAKENING to USD & EUR by 5%		
Impact on gross result	3 065	-444
PLN STREANGTHENING to USD & EUR by 5%		
Impact on gross result	-3 065	444

Security accounting,

Due to the small value of the used derivatives, the Group does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

8. Capital management

The policy exercised by the Management Board of the Issuer assumes the maintenance of strong capital base in order to maintain the confidence of investors, creditors and the market, and the ability to continue and further develop the Company's activities, including the realization of planned investments. Following this policy and internal procedures, the Parent Company monitors the size, structure and profitability of total equity and current capital (working) on the basis of economic ratios existing in the Company.

FINANCIAL LEVERAGE RATIO	in thousand PLN	
	2014	2013
Debt	121 315	80 000
Cash	-38 280	-37 749
Net Debt	83 035	42 251
Equity	1 547 862	1 524 853
Net Debt Relation to Equity	**5,36%**	**2,77%**

In 2012, the Company properly managed the capital, since the objectives associated also with liquidity were met. Basic ratios concerning capital structure and working capital management, as defined in the financial plan reached the expected values, which enabled the achievement of the Company's objectives, its smooth and reliable operation, and to raise funds for further development.

In the reporting period the increase of net profit per share was recorded, the maximization of which is a strategic goal for Stalprodukt. The net profit per share increased from PLN 1.49 in 2013 to PLN 4.08 in 2014.

Changes in equity for the years 2013 and 2014 are presented in the "Statement of changes in equity," which forms an integral part of the annual consolidated financial statements.

In 2012, there was a slight decrease in the share of equity in the financing of the Company. The equity ratio, calculated as the ratio of equity to total liabilities, didn't change and is taking out 0.79.

The ability to manage working capital increases profitability and reduces the risk of cash shortages. In this respect, the following activities of the Issuer should be noted in particular:

- The Parent Company manages the receivables by assessing the customers' financial standings, setting credit limits and securities, monitoring claims and collections, if any, in accordance with applicable procedures. The result of proper risk management in this regard is keeping overdue receivables at a minimum level

- The main objective of the Company's inventory management is to assess the costs and benefits and their balance. The measures to ensure the continuity and regularity of supply and diversification of sources of feedstock supply to the timely implementation of procurement and maintenance of stocks at an optimal level, are systematically taken.

- The Company maintained a substantial amount of cash on bank accounts, deposing them in profitable and safe short-term deposits, due to the need to finance current expenses resulting from operating activities, as well as the planned capital expenditures.

The proper management of capital is evidenced by the fact that the Group reached a satisfactory liquidity throughout the reporting period timely fulfilled its obligations with respect to the staff, budget and suppliers.

9. Other information and notes

Data on related companies

Transactions between the Company Stalprodukt and its subsidiaries rely on constant mutual provision of supplies and services necessary for current operations. These are typical and routine transactions concluded at arm's length within the Group and under the conditions resulting from current operations. Other significant transactions with related parties, namely the transfer of rights and obligations for valuable consideration and free of charge did not occur.

The parties are considered to be related if one of the parties has the ability to control another party or significantly influence operating and financial decisions taken by another party. To recognize a given entity as a related entity, the Company applies the principles defined in IAS 24, considering the nature of the relation and its impact on the entity's result and its financial standing.

Specification 2014	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	revenues	costs
ZGH Bolesław S.A.		33		144
Anew Institute Sp. z o.o.				649
Stalprodukt-MB sp. z o.o.	80	2 088	376	3 737
Stalprodukt-Wamech sp. z o.o.	150	2 873	1 379	8 627
Stalprodukt-Centrostal sp. z o.o.	77 042	60	362 019	862
Stalprodukt-Serwis sp. z o.o.	80	5 288	789	19 393
Stalprodukt-Zamość sp. z o.o.	78	70	770	1 105
Stalprodukt-Ochrona sp. z o.o.	21	614	228	3 036
STP Elbud sp. z o.o.	319	3 526	3 241	18 899
Cynk-Mal S.A.	3 189		23 916	9 952

Specification 2013	in thousand PLN			
	mutual claims and mutual		revenues and costs transaction liabilities	
	receivables	liabilities	receivables	costs
ZGH Bolesław S.A.		24		132
Anew Institute Sp z o.o.		45	39	1 159
Stalprodukt-MB sp. z o.o.	31	1 795	284	4 480
Stalprodukt-Wamech sp. z o.o.	148	1 442	1 427	8 973
Stalprodukt-Centrostal sp. z o.o.	72 597		377 403	612
Stalprodukt-Serwis sp. z o.o.	88	2 831	806	18 725
Stalprodukt-Zamość sp. z o.o.	78	366	757	1 328
Stalprodukt-Warszawa sp. z o.o.	2 718		4 166	
Stalprodukt-Ochrona sp. z o.o.	24	510	229	2 703
STP Elbud sp. z o.o.	376	10 061	13 387	22 648
Cynk-Mal S.A.	4 971		19 399	8 176

a) degree of the Issuer's participation in management is 51% in the companies Cynk-Mal S.A. and 90.07% in ZGH “Bolesław”, and 100% in other related parties.

In the reporting period, the Company did not undertake any more joint ventures with other entities, except for the ones mentioned herein.

Other information

1. In 2014, no activity conducted by the Issuer was abandoned.
2. During the reporting period the Company incurred capital expenditures of PLN 47,829 thousand, including expenditure on environmental protection PLN 1,343. Planned capital expenditures for 2015 amounts to about PLN 45,295 thousand. Capital expenditures shall be used to finance intangible fixed assets.
3. The average employment in occupational groups:
   - in 2014, total employment equalled 1,513 people, including 1,221 blue-collar and related workers, and 292 white-collar workers
   - in 2013, total employment equalled 1,559 people, including 1,258 blue-collar and related workers, and 301 white-collar workers

4. Remunerations, including awards, paid to managing and supervising staff in the Company amounted in the 2014 - PLN 3,126 thousand, and in the year 2013 - PLN 3,021 thousand, including the remuneration of the Management Board as appropriate: PLN 2,658 and PLN 2,201 thousand, and the remuneration of the Supervisory Board amounted to PLN 468 and PLN 820 thousand.

   Remuneration of the management and supervisory bodies of the Issuer for performing their functions in the governing bodies of subsidiaries amounted in the year 2014 - PLN 326 thousand, including managers PLN 235 thousand, and supervisors PLN 91 thousand, while in 2013 - PLN 528 thousand, including the managers PLN 454 thousand, and supervisors PLN 74 thousand.

5. Both, Stalprodukt S.A. and its subsidiaries did not give advances, credits, loans and guarantees or sureties to members of the Management Board and the Supervisory Board, except for loans from the Social Fund.

6. In the reporting period, the Issuer granted a loan guarantee to the subsidiary company Stalprodukt-Centrostal Kraków Sp. z o.o. up to the amount of PLN 20 000 thousand, in respect of the current account credit granted by the Nordea Bank S.A. (from 31.10.2014 PKO BP S.A.). As of the balance sheet day, the Company does not have any contingent liabilities, other than the above mentioned guarantee and performance bond concerning the production and installation of road barriers. As of 31.12.2014, the amount of valid guarantees in this respect totaled PLN 16 701 thousand.

7. There were no significant events relating to previous years included in the annual financial statements as at 31.12.2014, which distort the picture of the activities of the financial year 2014.

8. After 31.12.2014, in addition to the information contained in this report and the report of the Management Board, there were no other events not included in the financial statements for the year 2014, which could materially affect the situation in the Company and its future financial results.

9. The financial statements and comparable financial data, adjusted for inflation, are not presented because the cumulative average inflation rate over the last three years of operation has not reached 100%.

10. The Issuer, as the Parent Company, draws up the consolidated financial statements under the full method, including all the subsidiaries therein.

11. These financial statements of Stalprodukt S.A. for 2014 was approved by the Management Board of the Company for publication on 30 April 2015.

28 April 2015

……………………………………………………	……………………………………………………
Józef Ryszka	Piotr Janeczek
Member of the Board – Marketing Director	President of the Board – Chief Executive Officer