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I. Selected financial data

Table 1 Selected financial data of STALPROFIL S.A. Group

SELECTED FINANCIAL DATA STALPROFIL S.A. GROUP	(kPLN)		(kEUR)	
	H1 of 2014	H1 of 2013	H1 of 2014	H1 of 2013
Net revenues from sale of products, services, goods and materials	351 078	447 475	84 022	106 188
Operating profit (loss)	6 331	15 634	1 515	3 710
Gross profit (loss)	6 142	14 524	1 470	3 447
Net profit (loss) for shareholders of parent entity	4 329	8 018	1 036	1 903
Net operating cash flow	(9 502)	(25 714)	(2 274)	(6 102)
Net investment cash flow	(5 113)	(10 228)	(1 224)	(2 427)
Net financial cash flow	1 872	14 134	448	3 354
Change in cash and cash equivalents	(12 743)	(21 808)	(3 050)	(5 175)
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Total assets	645 523	625 129	155 140	150 735
Non-current liabilities	87 137	79 921	20 942	19 271
Current liabilities	216 479	202 995	52 027	48 947
Equity assigned to shareholders of parent entity	271 986	277 572	65 367	66 930
Share capital	1 750	1 750	421	422
Number of shares	17 500 000	17 500 000	17 500 000	17 500 000
Profit (loss) per one ordinary share (PLN / EUR)	0.25	0.46	0.06	0.11

Selected financial data presented in the financial statement were converted to EUR as follows:

- Items of the consolidated statement of profit and loss and other comprehensive income, consolidated cash flow statement, consolidated earnings per share for 2013 (2012) were converted according to the fixing rate being an arithmetic mean of mean exchange rates announced by the National Bank of Poland (NBP) and effective on the last day of every month. This rate was EUR 1 = PLN 4.1784 (EUR 1 = PLN 4.1736).
- Items of the consolidated financial position report were converted based on the fixing rate announced by the National Bank of Poland effective on the balance sheet date. As on June 30, 2014, this rate was EUR 1 = PLN 4.1472 (as on December 31, 2013 – EUR 1 = PLN 4.1472). Balance sheet data of the previous period are presented as at the end of the business year 2013.

Table 2 Selected financial data - STALPROFIL S.A.

SELECTED FINANCIAL DATA STALPROFIL SA	(kPLN)		(kEUR)	
	H1 of 2014	H1 of 2013	H1 of 2014	H1 of 2013
Net revenues from sale of products, services, goods and materials	195 062	211 824	46 683	50 267
Operating profit (loss)	4 105	2 703	982	641
Gross profit (loss)	3 505	1 845	839	438
Net profit (loss)	2 801	1 462	670	347
Net operating cash flow	(1 182)	3 315	(283)	787
Net investment cash flow	(5 335)	(3 492)	(1 277)	(829)
Net financial cash flow	7 192	15 514	1 721	3 682
Change in cash and cash equivalents	675	15 337	162	3 640
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2014
Total assets	416 437	398 118	100 083	95 997
Non-current liabilities	40 616	32 403	9 761	7 813
Current liabilities	65 390	49 634	15 715	11 968
Equity	310 431	316 081	74 607	76 216
Share capital	1 750	1 750	421	422
Number of shares	17 500 000	17 500 000	17 500 000	17 500 000
Profit (loss) per one ordinary share (PLN / EUR)	0,16	0,08	0,04	0,02

Selected financial data presented in the financial statement were converted to EUR as follows:

- Items of the consolidated statement of profit and loss and other comprehensive income, consolidated cash flow statement, consolidated earnings per share for H1 of 2014 (H1 of 2013) were converted according to the fixing rate being an arithmetic mean of mean exchange rates announced by the National Bank of Poland (NBP) and effective on the last day of every month. This rate was EUR 1 = PLN 4.1784 (EUR 1 = PLN 4.214).
- Items of the separate statement of financial position were converted based on the fixing rate announced by the National Bank of Poland (NBP) effective on the balance sheet date. As on June 30, 2014, this rate was EUR 1 = PLN 4.1472 (as on December 31, 2013 – EUR 1 = PLN 4.1472). Balance sheet data of the previous period are presented as at the end of the business year 2013.

II. Introduction to interim consolidated financial statement of STALPROFIL S.A. Group

1. General information

The Issuer is a public limited company established by transformation of PHU STALPROFIL, a limited liability company operating since December 22, 1988. On June 17, 1998 Extraordinary Shareholders' Meeting of PHU STALPROFIL sp. z o.o. passed a resolution on the transformation of a limited liability company into a public limited company, said resolution entering into force on June 30, 1998 after registration by court of registration. The company was registered by the District Court in Katowice, under KRS no. 0000113043. The Company's registered office is located in Dąbrowa Górnicza at ul. Roździeńskiego 11a. The Company has been listed in the Warsaw Stock Exchange since April 26, 2000.

The objects of STALPROFIL S.A. (hereinafter referred to as the "Company") and its Subsidiaries (jointly referred to as the "Group") are as follows:

- sale of steel products,
- production and sale of elements of infrastructure of transmission networks for gas and other utilities,
- processing of steel, including production of steel structures
- construction and assembly services, including construction of gas transmission networks
- other activity, including transactions in raw materials for steelmaking and provision of shipping and other services

As on June 30, 2014 STALPROFIL S.A. Group comprised STALPROFIL S.A. as a parent entity and the following subsidiaries:

- IZOSTAL S.A. with its registered office in Zawadzkie,
- ZRUG Zabrze S.A. with its registered office in Zabrze,
- KOLB Sp. z o.o. with its registered office in Kolonowskie.

Composition of the Management Board of STALPROFIL S.A. as on June 30, 2014 was as follows:

- Jerzy Bernhard - Management Board President
- Sylwia Potocka-Lewicka - Management Board Vice President
- Zenon Jędrocha - Management Board Vice President
- Henryk Orczykowski - Management Board Vice President

Composition of the Supervisory Board of STALPROFIL S.A. as on June 30, 2014 was as follows:

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

Supervisory Board's Audit Committee has the following members:

- Tomasz Ślęzak - Chairman
- Jacek Zub - Member
- Krzysztof Lis - Member

III. Half-yearly consolidated financial statement

Table 3 Financial position report (kPLN)

ASSETS	As on June 30, 2014	As on December 31, 2013	As on June 30, 2013
Fixed assets (long-term)	249 024	245 580	245 328
Tangible fixed assets	226 213	225 084	225 275
Investment real properties	1 293	-	-
Goodwill	3 816	3 816	3 855
Other intangible assets	337	419	525
Deferred income tax assets	17 180	16 003	15 360
Long-term receivables and prepayments	185	258	313
Current assets (short-term)	396 499	379 549	407 950
Inventory	155 866	143 473	150 700
Short-term receivables and prepayments, including:	226 676	222 292	244 974
Receivables for deliveries and services	146 918	151 652	175 438
Receivables on account of income tax	388	62	127
Short-term financial assets	-	-	3 012
Currency derivatives	29	49	1
Cash and cash equivalents	13 540	12 922	8 385
Fixed assets held for sale	-	751	751
Total assets	645 523	625 129	653 278

LIABILITIES	As on June 30, 2014	As on December 31, 2013	As on June 30, 2013
Equity	341 907	342 213	330 606
Share capital	1 750	1 750	1 750
Share premium	8 000	8 000	8 000
Spare and reserve capital	192 064	185 900	185 900
Reserve capital from revaluation of assets	251	(35)	-
Retained and current profit/loss	69 921	81 957	71 364
Minority shares	69 921	64 641	63 592
Non-current liabilities	87 137	79 921	108 162
Provisions	1 354	1 354	1 223
Provision for deferred income tax	16 034	14 133	13 528
Long-term bank loans and credits	40 408	34 581	62 237
Other long-term financial liabilities	3 065	3 085	3 912
Long-term liabilities and accruals	26 276	26 768	27 262
Current liabilities	216 479	202 995	214 510
Provisions	1 199	2 024	1 190
Short-term bank loans and credits	47 736	34 309	49 433
Short-term part of long-term bank loans and credits	4 829	5 809	7 357
Other short-term financial liabilities	2 548	2 362	2 426
Short-term liabilities and accruals, including:	159 912	158 123	153 768
Liabilities related to deliveries and services	102 002	98 868	92 944
Liabilities on account of income tax	249	296	93
Currency derivatives	6	72	243
Total liabilities	645 523	625 129	653 278

Table 4 Comprehensive income statement (kPLN)

BY-FUNCTION	From January 1, 2014 to June 30, 2014	From January 1, 2013 to June 30, 2013
Revenues from sale of products, services, goods and materials	351 078	447 475
Costs of products, services, goods and materials sold	323 669	406 969
Gross sales profit/loss	27 409	40 506
Other income	3 470	5 355
Costs of goods sold	8 416	9 209
Overheads	14 602	16 006
Other costs	1 530	5 012
Operating profit/loss	6 331	15 634
Financial income	2 254	2 164
Financial costs	2 443	3 274
Gross profit/loss	6 142	14 524
Income tax	1 230	2 844
Net operating profit/loss	4 912	11 680
Net profit/loss for business year	4 912	11 680
Allocated to:		
Shareholders of parent entity	4 329	8 018
Minority shares	583	3 662
Other comprehensive income	286	-
Gains/losses on revaluation of assets	353	
Income tax related to revaluation of assets	(67)	
Total comprehensive income	5 198	11 680
Allocated to:		
Shareholders of parent entity	4 573	8 018
Minority shares	625	3 662

	From January 1, 2014 to June 30, 2014	From January 1, 2013 to June 30, 2013
Earnings per share: (kPLN)		
- basic profit based on financial result of a going concern	0.25	0.46
- basic profit based on the financial result for the business year	0.25	0.46

Table 5 Cash flow statement (kPLN)

INDIRECT METHOD	From January 1, 2014 to June 30, 2014	From January 1, 2013 to June 30, 2013
Operating cash flow		
Profit/loss before taxation	6 142	14 524
Adjustments:	(15 644)	(40 238)
Depreciation of fixed assets	5 610	5 200
Amortization of intangible assets	100	142
Foreign exchange gains/losses	(40)	(292)
Interest costs and income	1 669	2 616
Profit/loss on investment activity	(1 618)	(76)
Change in provisions	(825)	(937)
Change in inventory	(12 393)	22 898
Change in receivables and prepayments	(2 486)	(103 989)
Change in liabilities and accruals	(4 525)	36 062
Paid/refunded income tax	(947)	(1 862)
Other adjustments	(189)	
Net operating cash flow	(9 502)	(25 714)
Investment cash flow		
Earnings from the sale of fixed assets and intangible assets	338	693
Earnings from interest		42
Expenses on the purchase of tangible fixed assets and intangible assets	5 366	7 827
Loans granted		3 000
Other	(85)	(136)
Net investment cash flow	(5 113)	(10 228)
Financial cash flow		
Income from loans and credits	8 000	17 926
Repayment of credits and loans	3 151	
Repayment of liabilities under financial lease contracts	1 394	1 265
Interest paid	1 583	2 527
Net financial cash flow	1 872	14 134
Increase/decrease in cash and cash equivalents	(12 743)	(21 808)
Cash, cash equivalents and overdrafts at the beginning of the period	(11 422)	319
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts	9	67
Cash, cash equivalents and overdrafts at the end of the period	(24 165)	(21 489)

Table 6 Statement of changes in equity (kPLN)

	Allocated to shareholders of parent entity							Total equity
	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total	Minority shares	
Balance as on January 1, 2014	1 750	8 000	185 900	(35)	81 957	277 572	64 641	342 213
Gains/losses on revaluation of tangible fixed assets				353		353		353
Income tax on equity items or items carried from equity				(67)		(67)		(67)
Appropriation of net profit			6 164		(6 164)	-		-
Profit/loss for business year					4 329	4 329	583	4 912
Issue of shares by a subsidiary					(4 697)	(4 697)	4 697	-
Dividends					(5 504)	(5 504)	-	(5 504)
Balance as on June 30, 2014	1 750	8 000	192 064	251	69 921	271 986	69 921	341 907
Balance as on January 1, 2013	1 750	8 000	176 066	-	79 183	264 999	62 271	327 270
Actuarial profit (loss) related to provisions for employee benefits				(43)		(43)		(43)
Income tax on equity items or items carried from equity				8		8		8
Appropriation of net profit			9 834		(9 834)	-		-
Adjustment on account of merger of companies					(39)	(39)		(39)
Profit/loss for business year					14 954	14 954	5 460	20 414
Acquisition of shares in a subsidiary					143	143	(749)	(606)
Dividends					(2 450)	(2 450)	(2 341)	(4 791)
Balance as on December 31, 2013	1 750	8 000	185 900	(35)	81 957	277 572	64 641	342 213
Balance as on January 1, 2013	1 750	8 000	176 066	-	79 183	264 999	62 271	327 270
Appropriation of net profit			9 834		(9 834)	-		-
Profit/loss for business year					8 018	8 018	3 662	11 680
Dividends					(6 003)	(6 003)	(2 341)	(8 344)
As on June 30, 2013	1 750	8 000	185 900	-	71 364	267 014	63 592	330 606

IV. Management Board's report on the activity of STALPROFIL S.A. Group in H1 of 2014

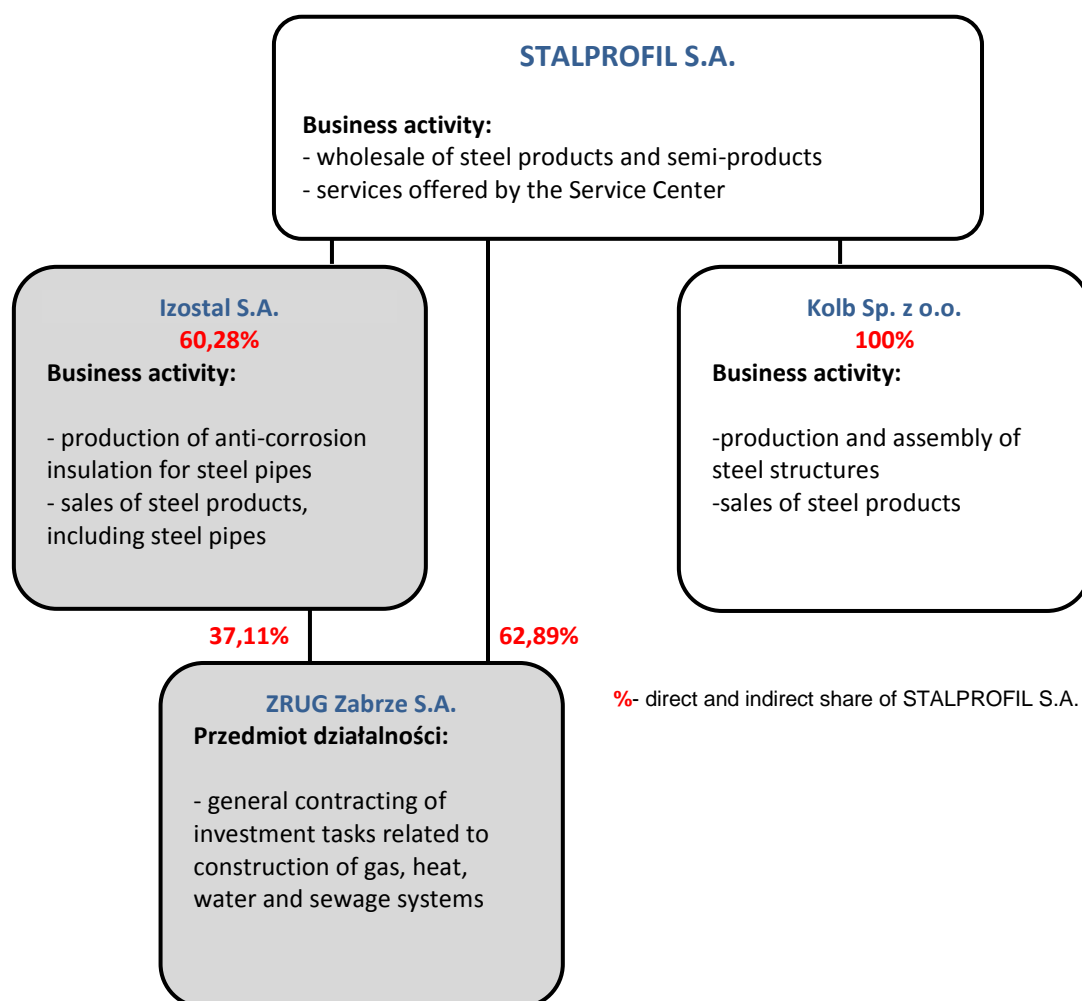
1. Organization of STALPROFIL S.A. Group

As on June 30, 2014 STALPROFIL S.A. was a parent entity for three subsidiaries: IZOSTAL S.A., ZRUG Zabrze S.A. and KOLB sp. z o.o.

Table 7 Capital relations between the issuer and other entities as on June 30, 2014.


Subsidiary's name	Share capital	Shareholding of STALPROFIL S.A. in share capital
IZOSTAL S.A.	65 488 000	60.28%
ZRUG Zabrze S.A.	26 950 000	62.89%
KOLB sp. z o.o.	3 098 000	100.00%


Chart 1 STALPROFIL S.A. Group



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 - Sales, processing and services in steel market

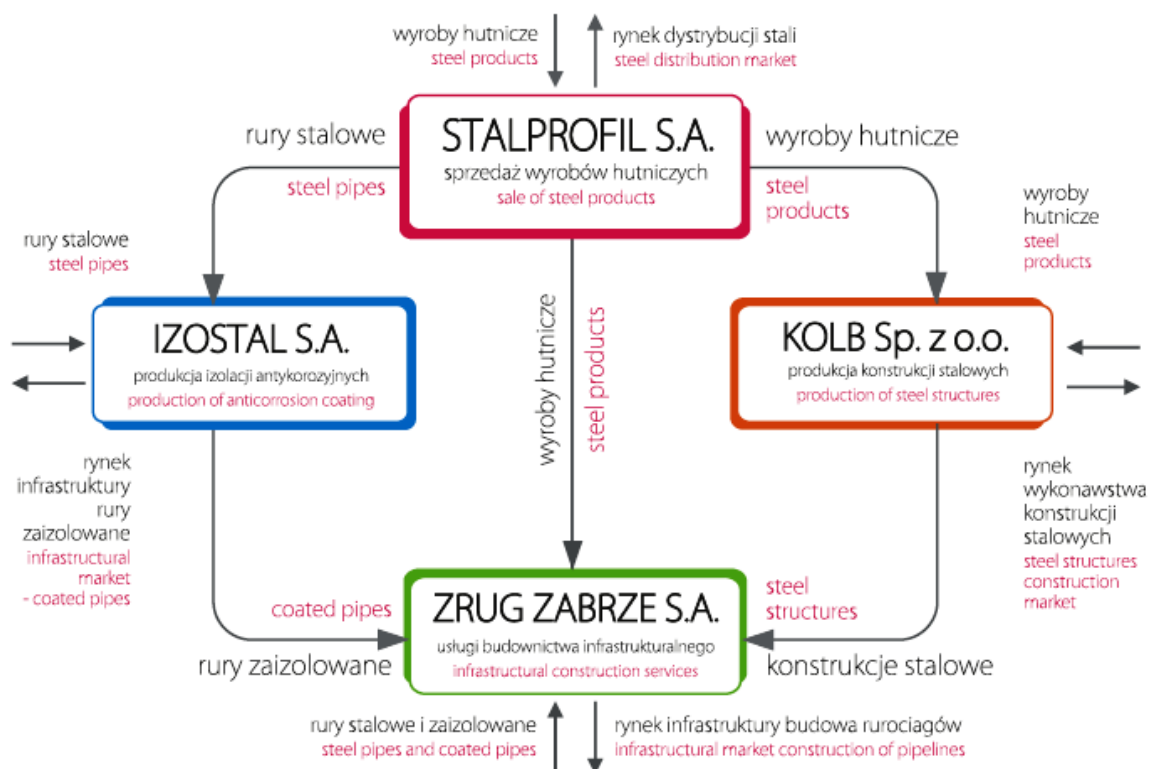
 - Infrastructure of transmission networks for gas and other utilities

A common denominator for the activity of the STALPROFIL S.A. Group is a steel product, which in the activity of specific Group entities is present either as goods, material for production or a product for further processing, or an element of the service provided, e.g. an element of an investment construction service. In practice, business relations between subsidiaries and dominant company boil down to commercial cooperation in this scope. As a result of business activity, Group entities add value to the steel product they buy (by processing, conversion, service) and they place their products at completely different markets.

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

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In view of the foregoing, while shaping the corporate identity of its Group STALPROFIL S.A. adopted a model where STALPROFIL S.A., as a parent entity, uses the scale effect for its image while informing stakeholders about a broad range of its activity through a number of enterprises forming the group, and a large perimeter of activity. Subsidiaries take advantage of the halo effect and inform their partners on being part of the recognized organization (recognized also in the

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stock-exchange) and a possibility to get its support in exceptional situations, including capital support (possibility to obtain share capital or borrow money), business support (participation in bidding consortia and other joint ventures), they can also get support in the form of sureties, guarantees etc.

Thanks to the economy of scale, the entire STALPROFIL S.A. Group streamlines its functioning in a significant way by eliminating double activities or identical or even competitive offers.

As on June 30, 2014 there were 529 employees in the Group.

Table 8 Employment level in the Group

Company	As on June 30, 2014		As on June 30, 2013	
	Blue-collar employees	Total	Blue-collar employees	Total
STALPROFIL S.A.	58	138	63	143
IZOSTAL S.A.	76	136	93	147
ZRUG Zabrze S.A.	107	163	117	177
KOLB sp. z o.o.	71	92	63	83
Total	312	529	336	550

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2. Changes in the structure of STALPROFIL S.A. Group

On March 26, 2014 the Annual General Shareholders' Meeting of ZRUG Zabrze S.A. adopted a resolution on an increase in the share capital of this company by PLN 15,000,000.00 (to PLN 26,950,000.00) through the issue of:

- a) 2,500,000 series C ordinary registered shares of a face value of PLN 2 per share to be acquired under closed subscription by the existing shareholder, that is STALPROFIL S.A.
- b) 5,000,000 series D ordinary registered shares of a face value of PLN 2 per share to be acquired under private subscription offered to IZOSTAL S.A. with its registered seat in Zawadzkie, with the exclusion of the subscription right for the existing shareholder, that is STALPROFIL S.A.

The issue price of series C and series D shares was equal to their face value, namely PLN 2 per share. Series C and series D shares were subscribed for by contributing cash for them. On May 26, 2014 the District Court in Gliwice, 10th Business Division of the National Court Register registered an increase in the share capital of ZRUG Zabrze S.A. After an increase in capital through the issue of series C and series D share, the shareholding of ZRUG Zabrze S.A. is as follows: STALPROFIL S.A. – share in votes and capital of 68.94% and 62.89%, respectively, IZOSTAL S.A. – share in votes and capital of 31.06% and 37.11%, respectively.

The share capital of ZRUG Zabrze was increased for the following reasons:

- to increase the company's working capital for financing its current operations by the amount of PLN 10,000,000.00,
- to purchase machinery and plant required to construct large-diameter pipelines (1,000 mm) - amount of PLN 5,000,000.00.

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New opportunities come up in the gas market, which makes it possible for ZRUG Zabrze S.A. to grow further. In 2014-2017, OGP GAZ-SYSTEM S.A., a company of strategic importance for Poland, responsible for natural gas transmission, is planning to develop new transmission pipelines of diameters of 700 mm and 1,000 mm, and overall length of 1,057 km, the total estimated value of which will come to approx. PLN 5.0 billion. Moreover, the plans of Polska Spółka Gazownictwa Sp. z o. o. for 2014-2020 include construction of medium-pressure and low-pressure gas pipelines of the overall length of 1,485 km and estimated value of approx. PLN 3.8 billion. By improving the capital standing of ZRUG Zabrze S.A., which deals with the construction of pipelines, STALPROFIL S.A. Group will be in the position to become involved in said investments of strategic importance for Poland.

3. Information about basic products, goods and services

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

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

In H1 of 2014 STALPROFIL S.A. Group recorded total sales revenues of PLN 351,078,000, that is by 22% less than in H1 of 2013.

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Table 9 Structure of sales revenues of STALPROFIL S.A. Group in the breakdown into branch segments

Branch segment	January - June 2014		January - June 2013		Dynamics
	kPLN	share	kPLN	share	
Sales, processing and services in steel market	211 694	60.3%	190 387	42.5%	111%
Infrastructure of transmission networks for gas and other utilities	139 384	39.7%	257 088	57.5%	54%
Total	351 078	100,0%	447 475	100,0%	78%

Group's operations are influenced mainly by its activity in the steel segment, including mainly the sales of steel products as the basic objects of the parent entity. The transactions in this market in H1 of 2014 made up 60.3% of Group's sales revenues.

Temporary decrease in revenues (by 46%), resulting from the calendar of bidding procedures, was visible in the infrastructural market of transmission networks for gas and other utilities served by Izostal S.A. and ZRUG Zabrze S.A. In H1 of 2014 the share of this segment in Group's revenues amounted to 39.7%.

Increase in revenues in the steel distribution segment resulted from discontinuation of negative trends in European economy and slight improvement in market situation. Market situation improvement is visible through an increase in H1 of 2014 of steel production in Poland by 9.1% year on year, and in the EU by 3.8% year on year. Steel trading, however, was limited due to permanent decreases in the prices of steel products, which steel manufacturers could afford following lower prices of raw materials, mainly iron ore. Successive adjustment of prices in the European steel market, which in H1 of 2014 brought a decrease in average prices of sections by

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10% and hot rolled sheet by 8% year on year resulted in reduction of financial results of steel distributors and prevented customers from intensifying purchasing and stock-building.

Additional revenues in the steel segment were generated by KOLB sp. z o.o., producer of steel structures. Through this company, in H1 of 2014 the Group increased its sales of steel structures by 133% year on year. KOLB sp. z o.o. is characterized by stable financial standing and full order-book for the coming months. Low profitability in the steel structures market is compensated by KOLB by increasing production volumes and work productivity, as well as extending the scope of operations by general contracting of investments.

Total sales revenues of the Group generated in the steel market in H1 of 2014 amounted to PLN 211,694,000, which makes an increase of 11% against H1 of 2013. Increased turnover in the steel sector was accompanied by improved days receivables outstanding.

As anticipated, H1 of 2014 was worse for the infrastructural market of transmission networks for gas and other utilities. Sales revenues of the Group in this segment amounted to PLN 139,384,000, decreasing by 46% against H1 of 2013. In H1 of 2014 the volume of internal and external coating for steel pipes sold by Izostal S.A., active in this market, was by 71% lower than in H1 of 2013. This decrease was triggered by temporary market situation: since September 2013 the Company has not delivered pipes to the main customer, OGP Gaz-System S.A., as the supplies under the Framework Contract effective before had been completed and this operator has not placed new large orders. Further large orders from this key market player are now in the bidding phase and are to be implemented in 2014 - 2018. In January 2014 the company took part in a tender announced by OGP Gaz-System S.A. for the conclusion of the framework contract for the supply of 1,057 km of DN 700 and DN 1000 pipes with external coating and internal anti-corrosion protection.

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Submission by Izostal S.A. was accepted in the first stage of the bidding procedure. The scope of the planned investments is larger than for the first framework contract, and the budget is estimated by OGP Gaz – System S.A. at the level of PLN 4.4 - 5 billion.

In the infrastructural segment, in H1 of 2014 the Group recorded sales revenues related to the construction of transmission networks of PLN 66 million, that is by 26% lower year on year. This was mainly due to the time schedule of the biggest contract for the construction of Szczecin-Gdańsk gas pipeline, 204 km long, which is implemented by ZRUG Zabrze S.A.

As a result of reduced order-book in the infrastructural segment in this period (which, however, had been foreseen), total revenues of STALPROFIL S.A. Group were by 22% lower than in H1 of 2013. Significant reduction in revenues in the infrastructural segment was to some extent compensated by better sales results in the steel products segment (volume increase by 10%) and steel structures segment (volume increase by 133%).

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Table 10 Sale of basic goods, products and services of STALPROFIL S.A. Group in particular segments

	Product groups	H1 of 2014	H1 of 2013	Dynamics
I	Sales, processing and services in steel market, including:			
1.	Sales of steel products (t)	79 167	71 722	110%
2.	Sales of steel structures (t)	1 318	566	233%
II	Infrastructure of transmission networks for gas and other utilities, including:			
1.	Sales of anti-corrosion coatings for steel pipes, including:	216 034	738 697	29%
	- external anti-corrosion coating (m ²)	168 577	410 690	41%
	- internal anti-corrosion coating (m ²)	47 457	328 007	14%
2.	Sale of steel pipes to infrastructural market (t)	15 934	39 017	41%
3.	Sale of the services related to the production of transmission networks (kPLN)	66 059	89 469	74%

4. Basic sales markets

In H1 of 2014 STALPROFIL S.A. Group recorded domestic sales revenues of PLN 307,764,000, that is by 23% lower year on year (table 35). Share of exports in sales revenues increased by 1.1 percentage points, and was 12.3% in the reporting period. Reduction in domestic sales is a result of temporary drop in activity of Group entities in the infrastructural market of transmission networks as a consequence of completing the first bidding perspective for the construction of the national transmission network for gas, and delayed bidding procedures for the next investments in 2014-

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2018. The foregoing refers both to the deliveries of coated steel pipes for OGP Gaz-System S.A. (IZOSTAL S.A.), and general contracting of transmission gas pipelines (ZRUG Zabrze S.A.).

Table 11 Sales revenues of STALPROFIL S.A. Group in the breakup in domestic and export markets

Sales direction	H1 of 2014		H1 of 2013		Dynamics
	kPLN	Percentage	kPLN	Percentage	
Domestic	307 764	87.7%	397 338	88.8%	77%
Export	43 314	12.3%	50 137	11.2%	86%
Total	351 078	100.0%	447 475	100.0%	78%

Major export sales market in the reporting period covered European Union countries, with 84.8% of share in export sales. Significant customers from this region were companies from such countries as the Czech Republic, Hungary, Estonia, Slovakia, Lithuania, Romania, and Latvia. The second largest sales market were European countries from outside the European Union. The share of these countries in export sales was 15.2%. This group included companies from Norway, Turkey and Belarus, among others.

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Table 12 Export sales directions - STALPROFIL S.A. Group

Geographical area	H1 of 2014		H1 of 2013		Dynamics
	kPLN	share	kPLN	share	
European Union (EU-28)	36 712	84.8%	44 717	89.2%	82%
Europe (without EU-28)	6 602	15.2%	5 246	10.5%	126%
Other	0	0.0%	174	0.3%	0%
Total	43 314	100.0%	50 137	100.0%	86%

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

In H1 of 2014 ArcelorMittal Group was the biggest supplier of STALPROFIL S.A. Group - the value of goods bought from ArcelorMittal made up 38% of total material and goods purchasing costs of STALPROFIL S.A. Group. The dominant market position of ArcelorMittal Group in Poland (ArcelorMittal Poland S.A. has a leading share in the national production of steel products) makes this group the main supplier to major Polish distributors, including STALPROFIL S.A. ArcelorMittal Group has also a significant share in the supplies of steel pipes used by the Group, mainly IZOSTAL S.A. ArcelorMittal Poland S.A. is the major shareholder of the Group's parent entity, that is STALPROFIL S.A., holding 31.48% of shares and 32.68% of votes.

Table 13 Major suppliers (at least 10% share in purchasing costs)

Specification	H1 of 2014		H1 of 2013	
	turnover in kPLN	share	turnover in kPLN	share
ArcelorMittal Group	123 143	38,0%	145 082	35,6%

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Costs of products, goods and materials sold	323 669	100,0%	406 969	100,0%
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In H1 of 2014, the major customer of the Group was OGP Gaz-System S.A. This entity is the biggest Polish operator of transmission networks, and the biggest customer of Group companies (ZRUG Zabrze S.A. and IZOSTAL S.A.) when it comes to the supplies of coated steel pipes and gas pipeline erection services. The value of sales to this customer reached the level of 11.9% of total sales revenues of STALPROFIL S.A. Group.

Table 14 Major customers (at least 10% share in sales revenues)

Specification	H1 of 2014		H1 of 2013	
	turnover in kPLN	share	turnover in kPLN	share
OGP Gaz-System S.A.	41 612	11.9%	178 520	39.9%
Total sales revenues	351 078	100.0%	447 475	100.0%

6. Information about the transactions with affiliates concluded by the issuer or its subsidiaries

Transactions concluded by STALPROFIL S.A. Group entities in H1 of 2014 with affiliated entities as parties to these transactions, were of a typical and routine character and were concluded on arm's length conditions, and their character resulted from the current operations of these entities. These were mainly commercial transactions and concerned deliveries of steel products, including

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steel pipes, from the main supplier of the STALPROFIL S.A. Group, namely ArcelorMittal, which through its subsidiary, ArcelorMittal Poland S.A., is the major shareholder of STALPROFIL S.A. Routine commercial transactions were also conducted between subsidiaries of STALPROFIL S.A. Group, and it is a result of their complementary objects.

7. Analysis of basic economic and financial indicators

7.1. Commentary to the main items of the comprehensive income statement of STALPROFIL S.A. Group.

In H1 of 2014 STALPROFIL S.A. Group generated sales revenues of PLN 351,078,000, that is by 21.5% lower year on year. Revenues in the infrastructural segment of transmission networks in H1 of 2014 compared to H1 of 2013 were lower by 46%, and in the same period revenues in the steel segment were higher by 11%.

Different dynamics scenarios in specific segments are related to completely different market conditions of steel market and transmission networks infrastructural market in these periods. H1 of 2014 was characterized by lower prices of steel products (according to Steel Business Briefing, average steel price in H1 of 2014 compared to H1 of 2013 was lower by 8-10% depending on the product group) accompanied by a moderate increase in demand for steel. In spite of continuing price drops, Stalprofil Group increased its revenues in this segment and improved its margins slightly compared to H1 of 2013. The Group did not aim at maximizing steel sales but focused on margins and security of business transactions.

Compared to moderately optimistic steel market situation, H1 of 2014 in the infrastructural market of transmission networks was weak, especially when it comes to the level of actual revenues. In H1

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of 2014 sales revenues realized by STALPROFIL S.A. Group in the infrastructural segment of transmission networks amounted to PLN 139,384,000, which meant a decrease of 46% against H1 of 2013.

As expected, H1 of 2014 brought temporary but significant reduction in demand in the domestic market of gas infrastructure, which affected the operations of the Group's infrastructural segment. Infrastructure of Polish gas transmission and distribution system is now being extended and upgraded thoroughly. However, in H1 of 2014 the activity of OGP Gaz-System S.A. and PGNiG S.A. focused on tender procedures, first to select pipe suppliers, and then to choose contractors for construction of consecutive gas pipeline sections. In January 2014 Izostal S.A. took part in a tender (prequalification) announced by OGP Gaz-System S.A. for the conclusion of the framework contract for the supply of 1,057 km of DN 700 and DN 1000 pipes with external coating and internal anti-corrosion coating. The purchasing budget related to this investment program estimated by the Customer is at the level of PLN 4.4-5 billion. Submission by Izostal S.A. was accepted at this stage of the tender, and after prequalification the company is short listed among qualified pipe suppliers. Currently, Izostal is waiting for the framework contract to be signed.

Revenues in this segment were significantly boosted by ZRUG Zabrze S.A. - in H1 of 2014 the company generated PLN 89,685,000 of revenues on the sale of construction and erection services for gas transmission networks. The actual level of revenues of ZRUG Zabrze S.A. follows progress in the works on the implementation of the contract for Szczecin-Gdańsk gas pipeline.

Eventually, STALPROFIL S.A. Group, recording lower sales revenues in H1 of 2014 had an operating profit of PLN 6,331,000, which was at the level of 40% in H1 of 2013, and EBITDA was at the level of: PLN 12,041,000.

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Financial activity result of the Group in H1 of 2014 was (minus) PLN 189,000 compared to (minus) PLN 1,110,000 in H1 of 2013. Financial activity result in H1 of 2014 was influenced mainly by service costs of external borrowing (investment loans, working capital loans, bank guarantees, leasing, factoring etc.) which in total amounted to PLN 1,775,000, and also by a positive balance of foreign exchange rate differences in the amount of PLN 562,000. The forex risk hedging strategy applied by the Group brought positive results, that is a positive balance of exchange rate differences. Companies belonging to the Group secure themselves against exchange rate risk through natural hedging or forward transactions. Additionally, Izostal S.A. uses IRS transaction to hedge interest rate risk. Consequently, operations of STALPROFIL S.A. Group entities in H1 led to the generation of consolidated net profit for shareholders of the parent entity at the level of PLN 4,329,000, that is 54% of the result recorded in H1 of 2013. The actual profit is shown on a conservative basis (net profit was made realistic by revaluation write-offs for receivables and inventory, shown in notes no. 5 and no. 6).

The Group puts special emphasis on timely collection of receivables from customers. The majority of trade receivables of the Group in the steel segment were covered by trade receivables insurance.

7.2. Commentary to the main items of the financial position statement of STALPROFIL S.A. Group

In H1 of 2014 the balance sheet amount decreased slightly by 1% against the level at the end of H1 of 2013.

No significant changes occurred in the structure of the Group's assets in the reporting period. As on June 30, 2014 current assets of the Group constituted 61%, and fixed assets 39% of total

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assets. When it comes to major categories of assets, the following changes were reported compared to their status as on June 30, 2013:

- increase in tangible fixed assets by 0.5% as a result of actual investment expenditure,
- increase in inventory by over 3%, as a result of aligning stocks levels with the current market demand,
- receivables and prepayments decreased by around 7%, mainly in the infrastructural segment with Izostal S.A. having lower turnover level,
- increase in cash by PLN 5,155,000, that is by over 61%. It is a changeable item, depending on current payment needs of the Group, working capital requirement, and also on the currency hedging policy.

As on June 30, 2014 the following changes were recorded by STALPROFIL S.A. Group for the main items of liabilities compared to June 30, 2013:

- equity increased by PLN 11,301,000, that is by over 3%, to the level of PLN 341,907,000, which was mainly due to accumulation of net profit,
- long-term liabilities decreased by PLN 21,025,000, that is by over 19% to the level of PLN 87,137,000 mainly due to a decrease in long-term loans. Group companies have investment loans to maintain. Moreover, the Group is also a party to long-term working capital loans, which partly finance the ongoing working capital requirement,

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- short-term liabilities increased slightly by around 1%, mainly due to an increase in trade payables by almost 10%, among others due to higher purchasing level of Stalprofil in H1 of 2014,
- short-term loans (taken by Stalprofil and Izostal) decreased by over 7%, including short-term part of long-term loans, that is by PLN 4,225,000 in total, to the level of PLN 52,565,000.

7.3. Evaluation of financial assets management of STALPROFIL S.A. Group

7.3.1. Debt ratios

As on June 30, 2014 Group's debt decreased compared to June 30, 2013, mainly due to a decrease in long-term bank loans, especially at Izostal and Stalprofil.

Table 15 Debt ratios of STALPROFIL SA Group

Debt	H1 of 2014	H1 of 2013
Total debt ratio ¹	47.0%	49.4%

STALPROFIL S.A. Group utilizes both short-term and long-term borrowing sources for its business. Group entities diversify their borrowing sources. The cost of loans is based on variable WIBOR, LIBOR or EUROIBOR.

In H1 of 2014, Izostal S.A. concluded an IRS transaction to hedge itself against the risk of changeable interest rates due do the utilization of the investment loan till 2014 and 2016.

¹ Total debt to total assets

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According to banks, the Issuer and its subsidiaries continue to have a good credit rating all the time.

7.3.2.Liquidity ratios

Maintaining financial liquidity is an important advantage of the Group in both segments. To prevent the risk of worse financial liquidity in the future, the Group keeps its net working capital at a proper level, continuously monitors and optimizes the level of inventory, receivables and liabilities. The Group has a possibility to increase the level of credit lines' utilization.

The Group puts special emphasis on timely collection of receivables from customers. Overdue receivables ratio is at a safe level, and the length of the overdue period is shorter than average one for both segments of the industry.

The dominant majority of the Group's receivables, mainly in the steel segment, have the insurance cover. Sale to O.G.P. Gaz-System S.A. is excluded from insurance cover, here the Group decided not to resign from it. Stable standing of this customer guarantees that there will be no risk of insolvency, and resignation from insurance cover translates into significant reduction of insurance policy costs.

Table 16 Liquidity ratios of STALPROFIL SA Group

Financial liquidity	H1 of 2014	H1 of 2013
Current ratio ²	1.83	1.90
Quick ratio ³	1.11	1.20

² Current assets to short-term liabilities

³ (Current assets – Inventory) / Short-term liabilities

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7.3.3. Profitability ratios

In H1 of 2014 sales profitability of the Group decreased compared to H1 of 2013, mainly due to lower demand from the infrastructural segment of transmission networks resulting from a temporary reduction in requirement from the leader of gas transmission market and main customer of the Group, namely OGP Gaz-System S.A.

Table 17 Profitability ratios of STALPROFIL SA Group

Profitability	H1 of 2014	H1 of 2013
Return on sales ⁴	1,3%	3,4%
Operating profitability ⁵	3,4%	4,7%
Net return on sales ⁶	1,4%	2,6%
ROA ⁷	0,8%	2,0%
ROE ⁸	1,5%	3,6%

ROE and ROA decreased, yet they are still at a good level for the industries where Group entities operate.

⁴ Net sales result / Sales income

⁵ EBITDA/ Sales revenues

⁶ Net result / Sales revenues

⁷ Net result / Average assets

⁸ Net result / Average equity

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8. Implementation of investment projects

In H1 of 2014 entities belonging to STALPROFIL S.A. Group spent a total amount of PLN 7,253,000 on investments in tangible and intangible assets.

Table 18 Structure of investment expenditure of STALPROFIL S.A. Group

Investment expenditure in particular segments of operations	H1 of 2014 (kPLN)	H1 of 2013 (kPLN)
Investment expenditure - steel segment, including:	980	1 676
<i>Expenditure on tangible and intangible fixed assets</i>	980	1 676
Investment expenditure - infrastructural segment of transmission networks, including:	6 273	5 332
<i>Expenditure on tangible and intangible fixed assets</i>	6 273	5 332
TOTAL STALPROFIL S.A. GROUP	7 253	7 008

In H1 of 2014 investment activity of STALPROFIL S.A. Group focused on further extension of production capacity of companies from infrastructural segment of transmission networks for gas and other utilities (Izostal and ZRUG Zabrze), and to a smaller extent on steel trading and processing segment.

A total amount spent by the Group on investments in steel trading and processing segment in H1 of 2014 was PLN 980,000, including PLN 532,000 of investment expenditure made by Kolb and covering mainly refurbishment and upgrade of production infrastructure.

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Investment expenditure in the segment of transmission networks in H1 of 2014 amounted to PLN 6,273,000 and was connected, among others, with continuation by Izostal S.A. of its investment program comprising extension of the warehousing infrastructure - PLN 4,033,000. In H1 of 2014 also ZRUG Zabrze S.A. made some investment purchasing at a total amount of PLN 2,240,000, mainly specialist equipment (e.g. Volvo pipe positioners and pumps for bentonite slurry) required for the contract for the construction of Szczecin-Gdańsk gas pipeline.

By 2016 STALPROFIL S.A. is going to have completed implementation of the investment project in steel segment , that is the upgrade and extension of warehousing infrastructure and modification of logistics in the warehouse in Dąbrowa Górnicza, for a total value of around 27.2 million. Extension of the warehouse bay will be connected with liquidation of open-air storage yards for steel products. The logistics system of the warehouse is also going to be modified. The investment in question will expedite customer service and increase indoor storage area of Dąbrowa Górnicza warehouse, which should be translated directly into an increase in the sales level and financial result of Stalprofil S.A.

The main item in this year's investment plan of entities belonging to the infrastructural segment is the construction of the warehouse bay by Izostal S.A., where small-diameter black pipes are to be stored. Expenditure for this project is planned at the level of PLN 3,000,000, and the investment should be completed in 2015.

The investments implemented by the Group in 2014 are to be financed from the Group's internal funds, investment loans and by leasing. There are no risks to the implementation of investment projects.

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9. Information on actual loan sureties or guarantees

Stalprofil S.A. Group companies did not grant any sureties to any entities from outside the Group. Sureties granted by Stalprofil S.A. to subsidiaries do not entail a business risk related to the repayment of debtors' liabilities.

Sureties and guarantees were given by Group companies against consideration. Consideration for actual sureties and guarantees does not differ from the commonly accepted amounts and is determined on arm's length conditions. Off-balance sheet liabilities as on June 30, 2014 were as follows:

Table 19 Contingent liabilities (kPLN)

Sureties granted by Stalprofil S.A. (kPLN) to related parties

Beneficiary	Debtor	Loan repayment date	Loan amount	Enforceability clause validity date	Enforceable amount
ING Bank Śląski S.A.	ZRUG Zabrze S.A.	October 7, 2014	6 000	October 12, 2021	6 000
mBank S.A.	ZRUG Zabrze S.A.	July 30, 2014	753	October 30, 2015	1 130
		November 6, 2017	43	February 6, 2017	56
		January 15, 2016	221	January 15, 2017	290
		March 28, 2016	177	March 28, 2017	230
		November 28, 2014	5 000	September 30, 2015	7 500
	KOLB sp. z o.o.	April 30,	871	January 31,	1 000

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

** PLN 871,130.00 - amount of surety for the investment loan with the limit of PLN 4,200,000 (amount utilized as on June 30, 2014: PLN 677,550.00).

PLN 2,000,000 - sponsor's declaration issued by the Company as a security of the loan offered to Kolb Sp. z o.o. by ING Bank Śląski S.A.

Sureties given by Izostal S.A. (kPLN) to related parties

Beneficiary	Debtor	Loan repayment date	Loan amount	Enforceability clause validity date	Enforceable amount
Bank Zachodni WBK S.A.	ZRUG Zabrze S.A.	December 17, 2014	5 000	December 17, 2017	10 000

Sureties given by Izostal S.A. to affiliated entities - bid bond guarantees, contract performance guarantees and maintenance guarantee

Beneficiary	Debtor	Loan repayment date	Bond amount	Limit validity date	Limit amount
Eurovia Polska S.A.	ZRUG Zabrze S.A.	June 18, 2017	3 250	June 18, 2017	3 250
mBank S.A.	ZRUG Zabrze S.A.	July 21.11, 2014	2 000	November 21, 2014	2 000

Total value of guarantees granted by companies of Stalprofil S.A. Group	As on June 30, 2014	As on December 31, 2013
Bid bond guarantees, contract performance guarantees and maintenance guarantees, including:	51 199	49 315
- to OGP Gaz - System S.A.	39 367	41 741
Advance payment bond (gross amount), including to:	51 500	51 500

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- OGP Gaz - System S.A.	51 500	51 500
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Total value of securities established on the assets of Stalprofil S.A. Group	As on June 30, 2014	As on December 31, 2013
Pledge on fixed assets	23 443	32 774
Pledge on inventory	115 500	115 500
Mortgage	56 937	104 636
Transfer of receivables from buildings insurance agreement	112 054	111 931
Transfer of trade receivables - according to estimated annual turnover	27 000	40 000
Transfer of trade receivables - according to estimated monthly sales level	2 500	2 000

10. List of pending proceedings, including court proceedings.

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

11. Management Board's opinion on a possibility to fulfill the previously published forecasts.

STALPROFIL S.A. did not publish any financial results forecasts for the Company or for the Group.

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12. Factors that might influence the financial results of STALPROFIL S.A. Group in the next half-year.

The main factor determining the actual results of STALPROFIL SA Group is the current market situation in the steel distribution sector and infrastructural investments market, including investments related to gas transmission networks.

Long-term forecasts regarding the situation in the steel market are optimistic. Apparent consumption of steel in Poland should in the coming years increase considerably faster than in EU. Unstable geopolitical situation (Ukraine, Middle East) is still an important risk factor as is the unstable situation in the Euro zone which in turn have impact on the situation in financial markets, in particular in the foreign exchange market and may influence the level of demand in markets where the Group companies operate.

The Company is of the opinion that despite the aforementioned risks after the slowdown observed in H1 of 2014, prices and demand for steel should go up in the following quarters in the light of intense infrastructural investments financed with EU funds from the new perspective for the years 2014-2020.

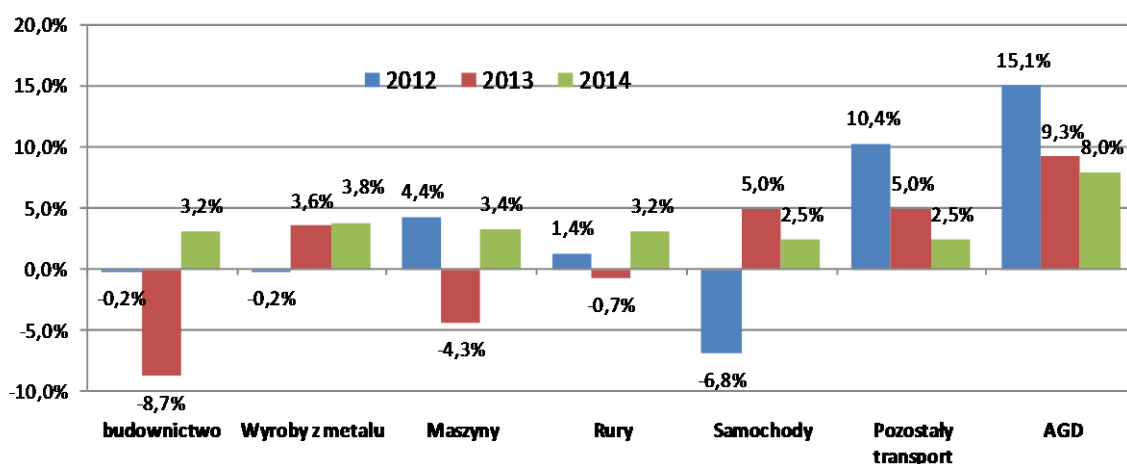
What directly affects the levels of steel production and demand is the condition of steel consuming sectors. According to the April forecasts of EUROFER, one may expect a revival in the European steel market to take place in the years 2014-2015, since all steel-based industries will increase production levels. The total production in steel-consuming sectors in EU will go up by 2.7% in 2014, and by 3.1% in 2015, including 1.4% and 2.2% growth in building industry in 2014 and 2015 respectively.

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Production level in steel-consuming sectors in Poland will also go up in 2014 (chart 1), including the building and steel structures sector which uses up approx. 44% of steel consumed in Poland, including the metal production sector where it will go up by 3.8%, and machine industry by 3.4% which are the main of customers for goods offered by Stalprofil S.A.

Chart 1 Increase/drop in production in steel consuming sectors in Poland y/y (%)



Source: HIPH (Polish Metallurgical Chamber of Commerce and Industry)

Steel consumption will grow as production in steel-consuming sectors increases. According to the recent forecasts of World Steel Association, made in April, global apparent steel consumption will grow by 3.1% in 2014, similarly to the EU. The World Steel Association expects that in 2015 global

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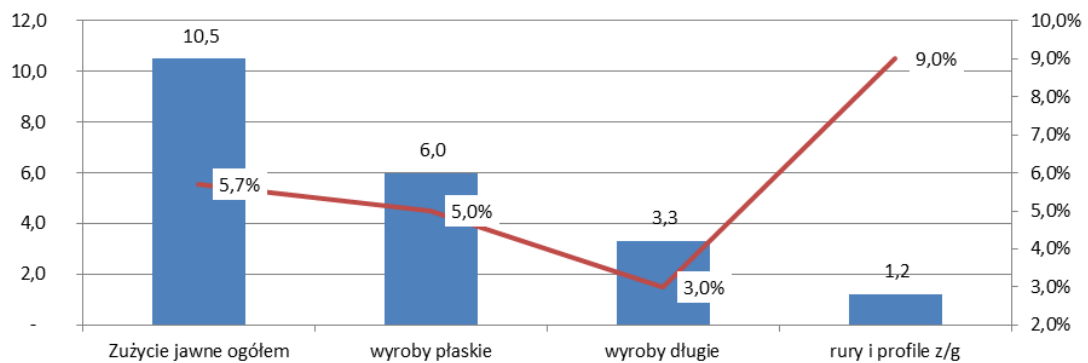
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steel consumption will go up by 3.3%, and by 3% in EU. According to the HIPH forecasts (chart 2), in 2014 steel consumption in Poland will grow by 5.7%.

The Company expects that big infrastructural investments financed from funds available in the new EU perspective (years 2014-2020), will start only at the end of 2014. Significant improvement in the sector and intensified demand for steel products may be expected in 2015. Despite the fact that the aforementioned forecasts entail certain risk, prospects of growth of the steel industry and the steel products distribution sector in the coming years should be considered stable or even optimistic.

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Source: HIPH

What is optimistic, is the continuation of domestic infrastructural investments financed with EU subsidies, as well as an improved situation as regards investments on the part of enterprises. Steel distributors and consumers should start the process of rebuilding low stock levels. First symptoms appeared at the beginning of Q3 of 2014.

The introduction of VAT reverse-charge mechanism on October 1, 2013 has also had a positive impact on the market as it eliminated from the market those entities which evaded VAT in steel trading and offered underpriced products. It restored market stability and fair competition rules.

However, situation on the steel distribution market is dynamic due to possible negative influence of the aforementioned external risk factors.

STALPROFIL S.A. Group places particular emphasis on the development of the transmission networks sector due to optimistic forecasts related to the growth of the market in the coming years.

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OGP Gaz-System S.A. finalizes preparations for the performance of stage II of major investments implemented as part of revamping and construction of the national gas network, as well as the EU policy aiming at establishment of an integrated natural gas transmission network, improved gas supplies security in the EU and setup of the common European energy market.

OGP Gaz-System S.A. announced a tender to select suppliers and conclude further frame contracts as regards deliveries of coated pipes for big investment projects. The contracts will cover the supply by selected vendors of around 1,057 km of DN 700 and DN 1000 pipes (with external and internal coating), for the erection of transmission gas pipelines.

Companies belonging to Stalprofil S.A. Group have the necessary qualifications and financial potential to participate in these investments, including deliveries of coated pipes (following preliminary selection process Izostal is now listed as a qualified supplier and is waiting for the frame contract to be signed), as well as the construction of gas pipelines through ZRUG Zabrze which is now building the longest section of DN 700 gas pipeline Szczecin - Gdańsk (204 km), and is preparing for the construction of gas pipeline Gałów-Kielczów (43 km) in the second half of 2014.

Domestic gas transmission and distribution market undergoes major transformations while getting closer to the level of Western European countries and preparing itself for the new function as an infrastructure fully integrated with neighboring countries and enabling gas transit in different directions, thus guaranteeing flexibility in gas supplies. Growth outlooks for Polish economy indicate a significant increase in demand for gas, while the European Union puts pressure on the creation of the common integrated gas market, with Polish infrastructure making it possible to transport gas in different geographical directions. A very big increase of gas demand may take

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place in the domestic power utilities market where an annual increase of demand for gas at the level of 6.2 billion m³ may be expected.

The forecast adopted by Gaz-System, based on an optimum growth of the gas market, which is the most realistic option, assumes an increase in gas consumption from the current level of 14-15 billion m³ to 25.1 billion m³ in 2018.

Significant changes in the gas transmission market started in 2009, and first covered the construction and integration with the transmission system of the LNG terminal in Świnoujście, including the essential extension of the transmission system. Moreover, the system was integrated with the system of the Czech Republic, and the connection with Germany was extended. This stage of activity will be finalized in 2014. The growth plan for 2014-2023 (Fig. 1), prepared by OGP Gaz-System S.A. foresees two new perspectives of investment projects in order to fulfill the following objectives:

- 2018 perspective (shown in figure 1), with implementation of the most important investment projects as a part of the North-South Corridor, in order to secure the conditions for the establishment of the regionally integrated gas market in the countries of Central and Eastern Europe,
- 2023 perspective, where the upgrade of the national transmission system in the eastern part of Poland will be completed, and conditions will be secured to integrate the Baltic states market with the CEE market.

As a result of expansion projects in the domestic gas transmission market in years 2014-2023, the country will have a fully functional gas transmission system integrated with the gas system of

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neighboring countries, thanks to which there will be an appropriate infrastructural base for long-term development and functioning of a competitive gas market in Poland.

Implementation of further tasks will contribute to reducing vulnerability of the system to outages in gas supplies and increasing flexibility in responding to changes expected in the gas market.

According to the above-mentioned plans of Gaz-System, there will be a significant demand for coated gas pipes, and given the fact that in 2023 over 60% of gas pipelines will have been over 36 years old and in need of upgrading or reconstruction, a huge market is going to be created going forward. STALPROFIL S.A. Group, through its subsidiary companies Izostal and ZRUG Zabrze is already prepared to serve this market in both aspects, namely delivering steel pipes with anti-corrosion coating and offering pipeline building service.

In a long-term horizon, the Group plans to remain active while searching for new attractive products within the broadly-understood steel industry. This objective can be fulfilled through further extension of business of STALPROFIL S.A. and within the Group. The dominant entity is also going to initiate and support investments of the entities comprising the Group, the purpose of which will be to produce goods complementary to the Group's offer. Availability of such products within STALPROFIL S.A. Group could result in a synergy effect by taking advantage of corporate interrelations.

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Fig. 1 Planned layout of the North-South Corridor of gas transmission pipelines - perspective 2014 - 2018 (source: OGP Gaz-System S.A.)

Odcinek zachodni programu rozwoju korytarza północ-południe na obszarze zachodniej i południowej Polski	Dł. (km)
Zdzieszowice - Wrocław	130
Czeszów - Kietczów	33
Czeszów - Wierchowice	14
Lwówek - Odolanów	178
Zdzieszowice - Kędzierzyn	19
Tworóg - Tworzeń	56
Tworóg - Kędzierzyn	47
Kędzierzyn-Koźle - Hat	60
Odcinek południowy programu rozwoju korytarza północ-południe na obszarze zachodniej i południowej Polski	
Strachocina - Pogórska Wola	120
Pogórska Wola - Tworzeń	160
Strachocina - granica RP	64
Inne odcinki przesyłowe gazu grupy E	
Rembelszczyzna - Mory	28
Mory - Wola Karczewska	82
Leśniewice - Łódź	66
RAZEM	1 057



¹ Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Wyciąg z PLANU ROZWOJU w zakresie zaspokojenia obecnego i przyszłego zapotrzebowania na paliwa gazowe na lata 2014-2023, Warszawa, 1 lipca 2013 r., s.18

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13. Description of basic threats and risks related to the remaining months of the business year.

Financial results of the Group are influenced by such general factors as GDP growth rate, investments growth rate in Poland and the neighboring countries, changes in state interest rates, inflation rate, foreign exchange rates, state fiscal policy. There's a risk that the Issuer's financial results may change if the growth rate in Poland and Europe falls. What can be especially detrimental to the operations the Group is the reduction in investment expenditure in economy, slowdown in GDP growth dynamics, uncontrolled inflation increase, more restrictive fiscal and monetary policy of the state.

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

13.1. Significant risk factors and threats for all companies belonging to the Group

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

In connection with the realized export sales and purchases of imported products in foreign currencies (mainly in EUR), Group entities are exposed to the foreign exchange risk that may have a negative impact on the realized sales margins and foreign exchange rates. In order to reduce this risk, the Group companies (mainly STALPROFIL S.A. and Izostal S.A) secure their currency transactions using natural hedging, forward transactions and plain vanilla options for securing their open position. What should be noted however is that the use of natural hedging and securing instruments mitigates negative impact of foreign exchange fluctuations on the financial result, yet it

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does not eliminate this impact entirely. In the periods of abrupt and deep changes of foreign exchange rates, exchange rate differences originating from the settlements of receivables and payables may, to a smaller extent, be mitigated by natural hedging and securing instruments.

Interest rate risk and risk related to other loan service costs

As Group entities use bank loans, they are exposed to the risk of changeable interest rates.

Izostal S.A. uses IRS (an instrument securing against interest rate changes), implemented in connection with the utilization of an investment loan.

In view of the current economic situation, other Group companies do not currently have instruments securing against interest rate changes, however they monitor the market in this scope on an ongoing basis.

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

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

Trade credit risk

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Due to the postponed payment terms, the entities from the Group are exposed to the risk of the trade credit. In order to limit that, the Group regularly analyzes the rating of its customers. The dominant majority of the Group's receivables in the steel sector have an insurance cover. If there is no possibility to insure receivables, the Group companies try to obtain other securities for the trade credit. Sales to O.G.P. Gaz-System S.A. are an exception, in this case the Group excluded receivables from insurance policies. Since this customer's situation is stable, there is no risk of insolvency, and the exception made considerably reduces insurance costs.

Risk of seasonal decrease in revenues in case of very unfavorable weather conditions (like severe winters etc.)

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

Group's sales in the infrastructural segment of transmission networks for gas and other utilities depends on weather conditions and work schedules adopted by contractors. During severe winters, the intensity of investments such as construction of transmission networks, drops and there are delays in the performance of some works which are already in progress (e.g. civil works), which altogether has a negative impact on the turnover of the subsidiaries operating in this segment – IZOSTAL S.A. and ZRUG Zabrze S.A.

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Contract risk related to steel products deliveries and participation of the Group companies in infrastructural investments in the gas market.

It is not possible to fully eliminate the contract risk related to changing conditions of contracts' performance against what was originally assumed.

One of the risks is related to underestimated costs of contracts' performance (contract valuation risk). Such risk may materialize if it becomes necessary to pay more for performing particular works than it was originally planned or if it turns out that additional works, which were not taken into account, must be completed to perform the contract. Such situations may reduce the contract margin if there is no possibility to transfer additional costs to the orderer. The risk is all the bigger as the highly competitive investment market is a "customer market" which often imposes stiff conditions of contracts' performance, including a fixed price, transferring the risk of deficiencies or design errors, or the risk of changing the scope and cost of works, which are not always possible to be identified before an offer is made or a contract signed. In case of contracts settled based on the percentage-in-completion method - especially those with a relatively long completion period, in case of which the beginning and completion fall in different reporting periods - the review of contract completion costs may require the adjustments of settlements made in previous reporting periods to be recognized in the current period in order to show the financial result which takes into account reviewed level of costs and income in contracts. Contract performance entails the risk of contractual penalties if they are stipulated in contracts concluded.

It is not fully possible to completely eliminate the risk related to the conclusion of transactions with entities whose financial standing cannot be assessed in full and which can suddenly lose their insurance limits and access to their funding sources.

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Group entities extend their operations in the gas market and participate in large tenders for the construction of pipelines as a leader or a consortium member (e.g. STALPROFIL S.A. together with its subsidiary ZRUG Zabrze S.A.). The Group is exposed to the risk related to the implementation of the contracts in the transmission pipelines construction market, which is connected with joint and several liability under performance bonds and warranties granted to each other by companies belonging to the Group, as a result of which part of the risk is transferred on Group entities which are not directly involved in contract performance.

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

13.2. Important risks and threats for the steel sector:

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

The financial results of the steel segment are to the most extent influenced by the condition of Polish and EU economies, where the Company has its sales markets. The economic conditions translate directly into steel market situation and in consequence steel products sales volumes and sales margins. Contrary to what was expected, the situation on the steel products' market did not improve in H1 of 2014 and producers were gradually cutting prices. Long-term forecasts concerning the economic situation and increase in steel consumption remain optimistic, yet one should still take into consideration a possibility of temporary corrections caused by turbulences in external markets. Group's resistance to any potential market recession in this sector is reinforced by its centralized distribution system which generates relatively low fixed costs. The Group, with

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appropriate capital resources and rich commercial offer, is prepared to function on a volatile steel market.

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

An important risk factor for the future situation in the steel market is the continuing volatility in the financial markets, especially in the forex market. Significant foreign exchange fluctuations influence profitability of import and intensity of foreign transactions, as well as price relations in the domestic market. For example, significant appreciation of PLN against EURO may lead to an increase in the imports of steel products, being then price-competitive, and thus lead to a decrease in prices in the domestic market. On the other hand, weak PLN results in an increased activity of domestic exporters and stimulates price increases.

Group entities monitor pricing trends in the steel market on an ongoing basis, adjusting their purchasing and stocks levels to the current market situation.

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

ArcelorMittal is the only group among major suppliers of STALPROFIL SA – the value of steel products and semis bought from AM made for over 38% of the Group's total costs of purchasing goods and materials. The leading market position of ArcelorMittal Group in Poland (ArcelorMittal Poland S.A. - the major shareholder of STALPROFIL S.A., holding 32.68% of votes at the General

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Meeting of the Company, and has an approx. 70% share in the domestic production of steel), makes it a major supplier of steel products for the leading steel distributors in Poland, including those from STALPROFIL S.A. Group. Cooperation of the Group with ArcelorMittal is based on arm's length conditions. As for the other part of supplies, the Group has a very diversified portfolio of suppliers, which finds confirmation in the fact that turnover with none of these suppliers exceeded 10% of purchasing costs in the analyzed period.

Risk of stronger competition

This risk is related to a possible stronger competition from powerful distribution groups, including domestic and foreign manufacturers.

13.3. Important risks and threats for the infrastructural segment of transmission networks for gas and other utilities:

Risk related to the general situation in the infrastructural market of transmission networks for gas

The financial results of Stalprofil S.A. Group in the infrastructural segment of transmission networks for gas and other utilities will be influenced mainly by the growth rate of this market, that is the implemented and planned investments in the gas sector, financed mainly by OGP Gaz-System S.A. and PGNiG S.A. The risk is minimized by the strategy of diversifying gas sources adopted by Poland, and by restrictive regulations related to environment protection and CO₂ emission imposed

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by the EU. These factors somehow enforce the commencement of large investments in gas and petroleum sectors in Poland, which may increase the level of products sold. Additionally, this risk is limited by a necessity to utilize EU funds by the prescribed dates. Also the investigations of the shale gas deposits in Poland let one believe in the high potential of the gas market.

Risk related to assuring the quality of services offered

The customers for the products and services offered by the Group are entities operating in the gas and petroleum sectors, which are characterized by high quality requirements. These customers do usually expect performance guarantees and/or warranties. The quality of services offered by the Group is assured by the implemented and followed principles underlying the Quality Management System and compliance certificates for products admitted for use in the construction industry, issued and supervised by authorized certification authorities who confirm the observance of requirements. Coating produced by the Group and contractor services related to pipelines meet the requirements of the top quality standards.

Risk of getting dependent on customers

Due to the structural characteristics of the Polish gas market, companies from the infrastructural segment are indirectly dependent of: PGNiG S.A. (prospecting for, extraction, sale and distribution of gas) and OGP Gaz-System S.A. (operator of transmission system), and investments planned and implemented by these companies. Due to the change in the pipes purchasing policy by the aforementioned entities, the Group sells part of its products directly to these companies. In addition

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to direct sales, mainly to OGP Gaz-System S.A., the Group provides services to companies being contractors or subcontractors of investments. To minimize the risk, the Group searches for additional sales markets, both in Poland (private gas companies), and abroad. An example of such a market is petroleum market and road sector.

Risk of changeable prices of production resources

Profitability of anti-corrosion coating services provided by Izostal S.A. depends on changes in the prices of production resources, including mainly parts of chemical agents, mainly polyethylene and polypropylene. Share of these resources in the cost structure is around 20%. Prices of chemical raw materials are highly correlated with oil prices in global markets, which due to the current political and economic situation may be subject to significant fluctuations. Aforesaid cost factors may contribute to periodic deterioration of the Group's financial results and profitability levels. To mitigate the risk of changeable prices of production resources, this company follows the sources diversification strategy through cooperation with several entities at each production stage.

Risk of changeable prices of steel pipes

Steel pipe price in the product "coated steel pipe" is around 70% of the product's value. Price fluctuations in steel pipes market have influence on the Group's margins and results, mainly the ones recorded by Izostal S.A. In order to avoid the risk of changeable prices of steel pipes, Izostal S.A. optimizes its stock levels adapting them to the scope of its operations. In special cases, steel

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pipes are purchased at current prices for restocking purposes in volumes that let the Company sell goods with profit. As for the purchasing of pipes for large projects, Group entities negotiate the prices with suppliers and conclude contracts that make it possible to maintain the negotiated price irrespective of the situation in the steel market. Changes in pipes' prices can influence Group's revenues and profitability, both in the core coating segment and in the sale of goods. The Group secures itself against changeable prices in specific contracts and, on a short-term basis, pipes' prices have limited impact on the profitability achieved. Nevertheless, on a long-term basis, it is good for the Group if pipes' prices are high (at the revenues and margin levels), and the decrease in pipes' prices may result in the decrease in revenues and profits on the sale of pipes.

14. Issuer's shares held by managing and supervising persons

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

15. List of shareholders holding at least 5% votes at General Shareholders' Meeting

The following table shows the shareholders of STALPROFIL S.A. who - to the best of our knowledge - held at least 5% of votes at the General Meeting as on the day of announcing this

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half-yearly report. The information in the table is based on the information obtained from the shareholders in line with Art. 69 paragraph 1 of the Act of September 4, 2008 on amendments to the public offering act and conditions for marketing financial instruments in the organized trading system and public companies, and amendments to other laws.

Table 20 Shareholding structure of STALPROFIL S.A. as on the day of providing the report for H1 of 2014:

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

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V. Half-yearly condensed financial statement

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Table 21 Financial position report (PLN thousand)

ASSETS	As on 30.06.2014	As on 31.12.2013	As on 30.06.2013
Non-current assets (long-term)	218 815	221 989	231 326
Tangible fixed assets	53 597	54 389	54 853
Other intangible assets	24	51	78
Long-term financial assets	155 713	159 201	169 687
Deferred income tax assets	9 481	8 348	6 708
Current assets (short-term)	197 622	176 129	194 580
Inventory	118 015	114 266	102 009
Short-term receivables and prepayments, including:	71 721	61 076	84 400
Receivables on account of supplies and services	69 142	58 909	80 182
Receivables on account of income tax	388		127
Short-term financial assets	9	9	3 022
Currency derivatives		49	1
Cash and cash equivalents	7 489	729	5 021
Total assets	416 437	398 118	425 906

LIABILITIES	As on 30.06.2014	As on 31.12.2013	As on 30.06.2013
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Equity	310 431	316 081	318 689
Share capital	1 750	1 750	1 750
Share premium	8 000	8 000	8 000
Spare and reserve capital	192 064	185 900	185 900
Reserve capital from revaluation of assets	105 816	112 692	121 577
Retained and current profit/loss	2 801	7 739	1 462
Long-term liabilities	40 616	32 403	48 300
Provisions	416	416	403
Provision on account of deferred income tax	2 200	1 987	2 897
Long-term bank loans and credits	38 000	30 000	45 000
Short-term liabilities	65 390	49 634	58 917
Provisions	49	1 255	375
Short-term bank loans and credits	6 140	55	15 201
Short-term liabilities and accruals, including:	59 195	48 213	43 258
Liabilities related to deliveries and services	55 609	45 896	38 313
Liabilities on account of income tax		107	
Currency derivatives	6	4	83
Total liabilities	416 437	398 118	425 906

Table 22 Comprehensive income statement (PLN thousand)

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CALCULATION TABLE	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Revenues from sale of products, services, goods and materials	195 062	211 824
Costs of products, services, goods and materials sold	179 210	197 749
Gross sales profit/loss	15 852	14 075
Other income	645	3 954
Costs of goods sold	7 212	5 723
Overheads	4 789	5 553
Other costs	391	4 050
Operating profit/loss	4 105	2 703
Financial income	438	799
Financial costs	1 038	1 657
Gross profit/loss	3 505	1 845
Income tax	704	383
Net operating profit/loss	2 801	1 462
Net profit/loss for business year	2 801	1 462
Other comprehensive income	(6 876)	12 948
Gains/losses on revaluation of tangible fixed assets (shares in subsidiaries)	(8 488)	(15 594)
Income tax related to assets revaluation (shares in subsidiaries)	1 612	28 542

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Total comprehensive income	(4 075)	14 410
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	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Profit per share: (PLN)		
- basic profit based on financial result of a going concern	0,16	0,08
- basic profit based on the financial result for the business year	0,16	0,08

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Table 23 Cash flow statement (PLN thousand)

INDIRECT METHOD	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Operating cash flow		
Profit/loss before taxation	3 505	1 845
Item adjustments:	(4 687)	1 470
Depreciation of fixed assets	1 241	1 056
Amortization of intangible assets	28	58
Interest costs and income	756	1 370
Profit/loss on investment activity	(47)	(20)
Change in provisions	(1 206)	(1 288)
Change in inventory	(3 749)	10 061
Change in receivables and prepayments	(10 596)	(9 235)
Change in liabilities and accruals	9 394	(313)
Paid/refunded income tax	(508)	(219)
Other adjustments		
Net operating cash flow	(1 182)	3 315
Investment cash flow		
Earnings from the sale of fixed assets and intangible assets	47	20
Earnings from interest	52	116

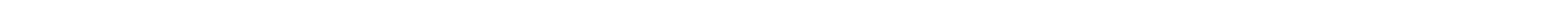
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Repayments of loans		1 000
Expenses on the purchase of tangible fixed assets and intangible assets	434	1 628
Net expenditure on the purchase of subsidiaries and associated entities	5 000	
Loans granted		3 000
Net investment cash flow	(5 335)	(3 492)
Financial cash flow		
Earnings from loans and credits	8 000	17 000
Interest paid	808	1 486
Net financial cash flow	7 192	15 514
Increase/decrease in cash and cash equivalents	675	15 337
Cash, cash equivalents and overdrafts at the beginning of the period	702	(11 470)
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts		
Cash, cash equivalents and overdrafts at the end of the period	1 377	3 867

Table 24 Statement of changes in equity (PLN thousand)

	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
As on 01.01.2014	1 750	8 000	185 900	112 692	7 739	316 081
Profit/loss from the revaluation of assets (shares in subsidiaries)				(8 488)		(8 488)
Income tax on equity items or items carried from equity				1 612		1 612
Appropriation of net profit			6 164		(6 164)	-
Profit/loss for business year					2 801	2 801
Dividends					(1 575)	(1 575)
As on 30.06.2014	1 750	8 000	192 064	105 816	2 801	310 431
As on 01.01.2013	1 750	8 000	176 066	108 629	12 284	306 729
Profit/loss from the revaluation of assets (shares in subsidiaries)				(26 597)		(26 597)
Income tax on equity items or items carried from equity				30 627		30 627
Appropriation of net profit			9 834		(9 834)	-
Adjustment on account of companies' merger					(62)	(62)
Profit/loss for business year					7 801	7 801
Dividends					(2 450)	(2 450)
As on 31.12.2013	1 750	8 000	185 900	112 692	7 739	316 081
As on 01.01.2013	1 750	8 000	176 066	108 629	12 284	306 729
Profit/loss from the revaluation of assets (shares in subsidiaries)				(15 594)		(15 594)
Income tax on equity items or items carried from equity				28 542		28 542
Appropriation of net profit			9 834		(9 834)	-
Profit/loss for business year					1 462	1 462
Dividends					(2 450)	(2 450)
As on 30.06.2013	1 750	8 000	185 900	121 577	1 462	318 689



VI. Condensed notes

1. Information on achievements and major events concerning the issuer in H1 of 2014.

In the reporting period STALPROFIL S.A. informed about major steel products purchase transactions concluded with entities belonging to ArcelorMittal Group - regular reports 4/2014,7/2014 and 17/2014. ArcelorMittal Group is the biggest steel producer in the world and in Poland, it is also the main supplier of steel products to STALPROFIL S.A. A contract of the highest value concluded between the parties in H1 was a transaction for the purchase of steel products for the value of PLN 25 527 thou. concluded in February 2014. The transaction covered steel products manufactured by: ArcelorMittal Ostrava A.S. seated in Ostrava, ArcelorMittal Esch-Belval, Differdange, Rodange seated in Luxemburg, ArcelorMittal Bergara S.A. seated in Bergera and ArcelorMittal Poland S.A. seated in Dąbrowa Górnicza. The total value of deliveries from ArcelorMittal to Group entities is shown in table 37.

On January 20, 2014 STALPROFIL S.A. concluded four appendices to loan agreements with BZ WBK S.A. which extend the validity and update conditions of utilizing particular credit lines provided for the Company by BZ WBK S.A. Following the conclusion of the aforementioned appendices to loan agreements, STALPROFIL S.A. extended the availability of the following bank products by another year:

- renewable working capital loan in PLN up to PLN 10.000.000 - available till January 25, 2015,
- renewable working capital loan in EUR up to EUR 500,000 - available till January 25, 2015,
- overdraft up to PLN 10.000.000 - available till January 25, 2015,
- working capital loan (long-term) up to PLN 10.000.000 - available till January 25, 2016.

On February 19, 2014 STALPROFIL S.A. received information that BZ WBK S.A. signed an agreement granting a limit for opening company's letters of credit without financing, in the amount of PLN 5.000.000. The line for letters of credit was provided till May 31, 2015 (letters of credit may be opened till December 31, 2014), and will be utilized by the Company mainly to finance its current and foreign trade. BZ WBK S.A. confirmed its readiness to provide credit support for the Company at the current level (PLN 55.000.000), however credit lines of lower value (PLN 35.000.000 + EUR 500.000) were extended at the request of the Company. The decision is related to adjusting the level of external financing to the Company's current needs.

On February 3, 2014 STALPROFIL S.A. concluded a long-term working capital loan agreement with mBank S.A. in Warsaw, Corporate Banking Branch in Katowice, the loan with the limit of PLN 10 million is to be financed from EIB resources. The loan in question has been granted to the Company for a period till February 12, 2016 and is to be used for financing its current activity. At the same time, based on an appendix to the overdraft agreement of January 30, 2014 concluded between STALPROFIL S.A. and mBank S.A., the overdraft limit was reduced from PLN 15 million to PLN 5 million and extended by another year (till January 29, 2015). The reduction of the overdraft limit which was in fact its conversion into a long-term working capital loan was requested

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by STALPROFIL S.A. and performed in line with the Company's credit policy. STALPROFIL S.A. may continue to utilize the credit limit with mBank S.A. in the total amount of PLN 35 million, including the following additionally to the aforementioned loans:

- long-term renewable working capital loan of PLN 10 million till June 29, 2015,
- long-term renewable working capital loan of PLN 10 million till January 29, 2016.

On June 3, 2014 the Management Board of STALPROFIL S.A. received information that Bank Polska Kasa Opieki S.A. (Pekao S.A.) seated in Warszawa, signed an agreement on multi-purpose credit facility in the amount of PLN 10 000 000,00 for financing the Company's current activity. The credit limit has been granted till May 30, 2015. On June 3, 2014 the Company received information that Bank Pekao S.A. signed an agreement on establishing a registered pledge on items specified as to their type, concluded between Bank Pekao S.A. and STALPROFIL S.A. to secure the Bank's receivables on account of the aforementioned credit limit granted by the Bank. Based on the agreement of May 30, 2014 Stalprofil S.A. establishes in favor of the Bank a registered pledge on steel products' stocks belonging to the Company. The value of the registered pledge in the Company's books as on the day of concluding the agreement is PLN 11 264 820,46.

Appendix to a contract of May 10, 2012 concluded between the consortium (Contractor) consisting of: ZRUG Zabrze S.A. being the leader of the consortium, and Stalprofil SA seated in Dąbrowa Górnicza (member of the consortium) and Operator Gazociągów Przesyłowych Gaz System S.A. seated in Warszawa (the Orderer), for the general performance of the investment project called "The construction of gas pipeline DN 700 Szczecin-Gdańsk: Stage II Karlino-Koszalin, Stage III Koszalin-Słupsk and Stage IV Słupsk-Wiczlino", was signed on May 15, 2014. The purpose of the appendix is to extend the deadline for investment completion (final acceptance) till November 14,

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2014 (inclusive), the original deadline was set for June 30, 2014. The final acceptance will be made when the Orderer receives interim acceptance protocols for Stages II and III signed by the parties, deadline: September 30, 2014 (inclusive). Deadline for the completion of the subject of the contract has been changed due to geological conditions not allowed for in the Terms sheet, the necessity to change the planned Rzechcinka Młyńska HDD, and the necessity to extend Łupawa HDD as well as the fact that the Orderer was not able to fill the installation on the dates agreed with the Contractor.

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

Primary factor determining the results recorded by STALPROFIL S.A. is the current situation on the steel distribution market. H1 of 2014 was a period characterized by a slight increase in demand for steel and a high pressure on steel products' prices which were lower than in the corresponding period of the previous year. Decrease in steel products' prices observed in H1 2014 did not encourage customers to rebuilt stocks and increase demand over the current consumption. Stalprofil S.A. in H1 of 2014 were by 8% lower than those recorded in the corresponding period of the previous year. However, the value of sales revenues in H1 of 2013 was considerably impacted by the sales of steel pipes for the infrastructural sector which amounted to approx. PLN 36 million. This year the sales of steel pipes have been significantly lower due to a temporary drop in orders from the infrastructural sector. Although market environment has been unfavorable for distributors

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(drop in steel prices), in H1 of 2014 Stalprofil increased the volume of steel products sold (long and flat) by 10% to 79 167 tons.

As a result of the sales revenues achieved and the cost discipline followed, the Company recorded an operating profit of PLN 4 105 thou. i.e. 52% higher than in H1 of 2013.

As for the financial activity, in H1 of 2014 the Company recorded the result of: (-) PLN 600 thou. i.e. over 258 thou. better than in the corresponding period of the previous year. The difference is related mainly to cost of interest on loans which is lower by PLN 681 thou.

As a result of the restrictive cost policy followed by the Company and rational financial activity, market factors (low demand, falling prices) were effectively mitigated and in H1 of 2014 the Company recorded a better net result i.e. PLN 2 801 thou. against PLN 1 462 thou. recorded in H1 of the previous year.

3. Explanations on seasonality or cyclical character of the issuer's business.

Generally speaking, seasonality has no significant impact on the results of total sales of steel products. Drop in sales may occur in case of exceptionally severe winters with heavy snowfall (logistic problems, problems with assembling structures, slowdown in production in the construction sector).

Thanks to a mild winter, in the reporting period STALPROFIL S.A. Group was not exposed to factors impacted by seasonality.

4. Inventory, including inventory revaluation write-offs.

Table 25 Inventory
(PLN thou.)

From 01.01 to 30.06.2014

	Valuation based on the purchasing price/product on cost	Amount of inventory write-offs at the beginning of the period	Costs of inventory revaluation write-offs reversal recognized as write-offs reduction in the period	Amounts of inventory revaluation write-offs recognized as cost in the period	Amount of inventory write-offs at the end of the period	Value of inventory recognized as cost in the period	Balance sheet value at the end of the period	Value of obligations securing inventory
	1	2	3	4	5 = 2 - 3 + 4	6	7 = 1 - 5	8
Goods	120 762	4 067	1 320	-	2 747	178 989	118 015	73 000
TOTAL	120 762	4 067	1 320	-	2 747	178 989	118 015	73 000
including long-term part								

1. In the period January to June 2014 the Company reversed part of the inventory revaluation write-off made last year in the amount of 1,320 due to the fact that they were sold this year. Value of inventory recognized as cost in the period January to June 2014 was recognized at purchase prices less revaluation write-offs (column 6). A pledge in the amount of PLN 73,000 has been established on inventory in connection with loans granted to Stalprofil S.A. by banks.

From 01.01 to 31.12.2013

	Valuation based on the purchasing price/product on cost	Amount of inventory write-offs at the beginning of the period	Costs of inventory revaluation write-offs reversal recognized as write-offs reduction in the period	Amounts of inventory revaluation write-offs recognized as cost in the period	Amount of inventory write-offs at the end of the period	Value of inventory recognized as cost in the period	Balance sheet value at the end of the period	Value of obligations securing inventory
	1	2	3	4	5 = 2 - 3 + 4	6	7 = 1 - 5	8
Goods	118 333	3 156	2 288	3 199	4 067	388 528	114 266	63 000
TOTAL	118 333	3 156	2 288	3 199	4 067	388 528	114 266	63 000
including long-term part								

1. In the period January to December 2013 the Company reversed part of the inventory revaluation write-off made last year in the amount of 2,288 due to the fact that they were sold this year. Value of inventory recognized as cost in the period January to December 2013 was recognized at purchase prices less revaluation write-offs (column 6). A pledge in the amount of PLN 63,000 has been established on inventory in connection with loans granted to Stalprofil S.A. by banks.

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

In the period described revaluation write-offs were made only for receivables at risk which were presented in note no. 4 (Receivables and prepayments and accruals).

6. Creation, increase, utilization and release of provisions.

Table 26 Provisions
(PLN thou.)

From 01.01 to 30.06.2014

	Provisions for retirement and similar benefits	Other provisions	Total
Value at the beginning of the period, including:	420	1 251	1 671
- short-term at the beginning of the period	4	1 251	1 255
- long-term at the beginning of the period	416	-	416
Increases	-	-	-
Reductions	-	1 206	1 206
-utilized over the year	-	765	765
- reversed but non-utilized	-	441	441
Value at the end of the period, including:	420	45	465
- short-term at the end of the period	4	45	49
- long-term at the end of the period	416	-	416

1. Provisions for retirement severance pays were established in line with IAS 19. Provisions are revalued at the end of each business year.

7. Income tax, including provisions and assets on account of deferred income tax.

Table 27 Income tax
(PLN thou.)

MAIN ITEMS OF TAX BURDEN/CREDITS IN PROFIT AND LOSS ACCOUNT AND COMPREHENSIVE INCOME STATEMENT	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Current income tax	12	-
- current charges on account of income tax	12	-
Deferred income tax	692	383
- burden/credit on account of deferred income tax related to occurrence and reversal of temporary differences	692	383
Tax burden/credit shown in profit & loss account	704	383
- assigned to going concern	704	383
Income tax related to the items shown under total other income	(1 612)	(28 542)
- burden/profit on account of deferred tax related to revaluation of financial assets	(1 612)	(28 542)
Tax burden/credit shown in profit and loss and other comprehensive income	(908)	(28 159)

CURRENT INCOME TAX	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Gross financial result before going concern taxation	3 505	1 845
Gross financial result before taxation	3 505	1 845
Costs which does not constitute tax deductible expenses	715	2 268
Additions to costs	3 799	3 184
Non-taxable income	477	1 536
Additions to income	135	18
Result after deductions	79	(589)
Donation	15	-
Income deductions - retained losses	-	-
Taxable income	64	-
CIT rate (%)	19%	19%
Current charges on account of income tax	12	-

DEFERRED INCOME TAX	Balance sheet		Profit and loss account	
	As on 30.06.2014	As on 31.12.2013	From 01.01 to 30.06.2014	From 01.01 to 30.06.2013
Provision on account of deferred income tax				
positive exchange rate differences	41	56	(15)	29
discount on goods	243	-	243	132
Damages	-	-	-	85
interest not covered by revaluation write-off	12	27	(15)	1
revaluation of provisions for employee benefits	6	6	-	-
valuation of financial assets (shares of subsidiaries)	1 898	1 898	-	(22 880)
Gross provision - deferred income tax	2 200	1 987		

Deferred income tax assets				
interest charged	5	5	-	-
negative foreign exchange differences	10	15	5	(20)
provisions for future costs	13	246	233	239
provisions for employee benefits	86	86	-	-
revaluation write-offs for receivables	79	34	(45)	(236)
revaluation write -offs for inventory	522	773	251	253
costs which do not constitute tax deductible expenses/ tax cost in future periods	104	139	35	12
deductible tax loss	-	-	-	(112)
revaluation of provisions for employee benefits	-	-	-	-
valuation of financial assets (shares of subsidiaries)	8 662	7 050	(1 612)	(5 663)
Gross assets - deferred income tax	9 481	8 348		
Burden/credit on account of deferred income tax shown in profit and loss			692	383
Burden/credit on account of deferred income tax shown in other comprehensive income			(1 612)	(28 542)

8. Tangible assets, including major purchase and sale transactions of tangible fixed assets and major liabilities on account of purchases of tangible fixed assets

Table 28 Tangible fixed assets
(PLN thou.)

From 01.01 to 30.06.2014

	Land	Buildings and structures	Means of transport	Machinery and plant	Other	Investments in progress	Total
Gross value at the beginning of the period	3 588	60 885	1 267	6 902	1 631	68	74 341
Increases	-	-	-	140	-	308	448
– acquisition	-	-	-	140	-	308	448
Reductions	-	-	335	20	16	-	371
- sales	-	-	335	-	-	-	335
- other	-	-	-	20	16	-	36
Gross value at the end of the period	3 588	60 885	932	7 022	1 615	376	74 418
Amortization at the beginning of the period	-	12 593	1 235	4 705	1 419	-	19 952
depreciation for the period	-	894	27	284	36	-	1 241
Reductions	-	-	335	21	16	-	372
Amortization value at the end of the period	-	13 487	927	4 968	1 439	-	20 821
Impairment write-offs at the end of the period	-	13 487	927	4 968	1 439	-	20 821
Net value at the end of the period	3 588	47 398	5	2 054	176	376	53 597

1. Maximum mortgage on a real property in Katowice-Panewniki 35000
2. The right of perpetual usufruct of land, which is not subject to depreciation, is recognized in land.

From 01.01 to 31.12.2013

	Land	Buildings and structures	Means of transport	Machinery and plant	Other	Investments in progress	Total
Gross value at the beginning of the period	3 588	43 315	1 267	6 490	1 635	16 389	72 684
Increases	-	17 611	-	656	-	(16 321)	1 946
– acquisition	-	1 222	-	656	-	68	1 946
- transferred for use	-	16 389	-	-	-	(16 389)	-
Reductions	-	41	-	244	4	-	289
- sales	-	-	-	36	-	-	36
- liquidation	-	41	-	208	4	-	
Gross value at the end of the period	3 588	60 885	1 267	6 902	1 631	68	74 341
Amortization at the beginning of the period	-	11 067	1 166	4 375	1 342	-	17 950
depreciation for the period	-	1 529	69	575	81	-	2 254
Reductions	-	3	-	245	4	-	252
Amortization value at the end of the period	-	12 593	1 235	4 705	1 419	-	19 952
Impairment write-offs at the end of the period	-	12 593	1 235	4 705	1 419	-	19 952
Net value at the end of the period	3 588	48 292	32	2 197	212	68	54 389

1. Maximum mortgage on a real property in Katowice-Panewniki 35 000
2. The right of perpetual usufruct of land, which is not subject to depreciation, is recognized in land.

9. Major settlements related to court cases.

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

The Company has no major settlements related to court cases.

10. Adjustments of errors from previous periods.

There were no errors requiring adjustment.

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

Profits and losses on account of financial assets valuation have been recognized in the comprehensive income statement for H1 of 2014. Changes in the value of financial assets (shares in subsidiaries), are mainly the result of current market valuation of IZOSTAL S.A. shares quoted on the Warsaw Stock Exchange (note no. 2), the value of which is determined based on market quotation on the balance sheet day. As on June 30, 2014 the stock exchange value of IZOSTAL S.A. shares was by 6.8% lower than the value as on December 31, 2013 which was reflected in the lower fair value of the block of shares. Fair value of long-term financial assets which are not traded on the active market (e.g. shares in KOLB sp. z o.o., and ZRUG Zabrze S.A.), is determined based

on valuations made at the end of a financial year, by an independent licensed expert with experience in valuation of financial instruments. Fair value of shares in KOLB sp. z o.o. and ZRUG Zabrze S.A. was determined based on the income method by discounting forecast cash flows. Following the increase of the capital of ZRUG Zabrze S.A. by PLN 15 million and its registration the company was valued again. Based on the review of capital market data and information characterizing the position of ZRUG, an independent expert opinion showed that the rationale for determining the fair value for balance-sheet purposes and its verification in the following years, is still valid and that the valuation of the fair value of shares held in ZRUG Zabrze S.A. in the amount recognized at year-beginning increased by the value of the capital contributed, adopted by the Company's Management Board for presentation purposes (report for Q1 of 2014), is correct. Change in the shareholding structure has no impact on this conclusion as STALPROFIL has a privileged position in the shareholding structures of both ZRUG and IZOSTAL.

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

12. Information on unpaid credits or loans or violation of important provisions of a credit or loan agreement.

In the reporting period there were no cases of violating provisions of credit or loan agreements to which the issuer is a party. The Company repays its credits and loans on a regular basis according to effective agreements.

13. Information about transactions with affiliates concluded by the issuer or its subsidiaries

Transactions concluded in H1 of 2014 by STALPROFIL S.A. with affiliates were of typical and routine character and were concluded on arm's length conditions, and their nature was a result of ongoing operations of the aforementioned entities. These were mainly commercial transactions and were related mostly to supplies of semi-finished and finished steel products, including steel pipes, from the main supplier of STALPROFIL S.A., being at the same time the main shareholder of the dominant entity - ArcelorMittal Poland S.A. Routine commercial transactions were also conducted between STALPROFIL S.A. and companies belonging to STALPROFIL S.A. Group as a result of their complementary objects.

The Company did not grant any loans, sureties or guarantees to the issuer's managing and supervising persons or its affiliates in the reporting period. Loans granted on arm's-length terms to other affiliates were specified in note no.2.

14. Change of the method used for valuation of financial instruments.

In H1 of 2013 the Company did not change the method of valuating financial instruments.

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

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

16. Issue, buyout and repayment of non-shareholding and capital commercial papers

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

17. Dividend payment (or declaration)

On June 12, 2014 the Annual General Meeting of Stalprofil S.A. passed a resolution on the distribution of net profit for 2013. PLN 1 575 000,00 was allocated for dividend payment i.e. PLN 0.09 per share. The date for determining the right to dividend was set for September 10, 2014, and the dividend payment date for October 1, 2014.

18. List of events that followed the day on which the condensed interim financial statement was prepared.

There were no events that followed the day on which the condensed interim financial statement was prepared, which were not included in this report but which might have influenced future financial results.

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

Changes in off-balance sheet liabilities, which occurred since the closing of the previous business year, were disclosed in table no. 59. Item "Sureties and guarantees" shows a surety granted by STALPROFIL S.A. related to the repayment of advance payment received by ZRUG Zabrze S.A. from Gaz-System S.A. in connection with the performance of the contract for the "Construction of gas pipeline DN 700 Szczecin-Gdańsk, Stage II - gas pipeline DN 700 Karlino-Koszalin, Stage III - gas pipeline DN 700 Koszalin-Słupsk and Stage IV - gas pipeline DN 700 Słupsk-Wiczlino" in the amount of PLN 51 500 thou.

Table 29 Change in contingent liabilities of STALPROFIL S.A. from 31.12.2013 to 30.06.2014 (PLN thou.)

	31.12.2013	30.06.2014	Delta
Mortgages	35 000	35 000	0
Sureties and guarantees	79 038	79 038	0
Transfer of trade receivables	42 000	29 500	-12 500

29.08.2014	Jerzy Bernhard	Management Board	.....
Date	name and surname	President	signature
		position/function	
29.08.2014	Sylwia Potocka-Lewicka	Management Board Vice-	.....
Date	name and surname	President	signature
		position/function	
29.08.2014	Zenon Jędrocha	Management Board Vice-	.....
Date	name and surname	President	signature
		position/function	
29.08.2014	Henryk Orczykowski	Management Board Vice-	.....
Date	name and surname	President	signature
		position/function	
29.08.2014	Stanisława Tys	Chief Accountant	.....
Date	name and surname		signature
		position/function	

VII. Management Board's declaration concerning financial statements

presented pursuant to §90 clause 1 item 4 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities and conditions of recognizing information required by law of a non-EU state as equivalent

The Management Board of STALPROFIL S.A. states that to the best of their knowledge, the condensed interim consolidated financial statement of STALPROFIL S.A. Group for H1 of 2014, comparative data and condensed interim stand-alone financial statement of STALPROFIL SA for H1 of 2014 and comparative data were prepared in line with effective accounting principles, and truly, reliably and clearly reflect the financial and property situation of STALPROFIL S.A. Group and its financial result, and that the half-yearly Management Board's report on the activity of STALPROFIL S.A. Group presents reliable information on the development and achievements of STALPROFIL S.A. Group, including information on basic threats and risks.

29.08.2014	Jerzy Bernhard	Management Board President	.....
date	name and surname	position/function	signature
29.08.2014	Sylwia Potocka-Lewicka	Management Board Vice- President	.....
date	name and surname	position/function	signature
29.08.2014	Zenon Jędrocha	Management Board Vice- President	.....
date	name and surname	position/function	signature
29.08.2014	Henryk Orczykowski	Management Board Vice- President	.....
Date	name and surname	position/function	signature

VIII. Management Board's declaration concerning the chartered auditor

presented pursuant to §90 clause 1 item 5 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information submitted by issuers of securities and conditions of recognizing information required by law of a non-EU state as equivalent

The Management Board of STALPROFIL S.A. declares that the entity authorized to examine financial statements which examined this half-yearly shortened consolidated financial statement of STALPROFIL S.A. Group for H1 of 2014, and the half-yearly stand-alone financial statement of STALPROFIL SA for H1 of 2014, was selected in line with law regulations, and that the entity in question and chartered auditors, who examined this report, met the requirements necessary to issue an independent report in line with effective regulations and professional standards.

29.08.2014	Jerzy Bernhard	Management Board President	.....
Date	name and surname	position/function	signature
29.08.2014	Sylwia Potocka-Lewicka	Management Board Vice- President	.....
Date	name and surname	position/function	signature
29.08.2014	Zenon Jędrocha	Management Board Vice- President	.....
date	name and surname	position/function	signature
29.08.2014	Henryk Orczykowski	Management Board Vice- President	.....
date	name and surname	position/function	signature

