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I. Selected financial data

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

SELECTED FINANCIAL DATA STALPROFIL SA GROUP	(kPLN)		(kEUR)	
	H1 of 2015	H1 of 2014	H1 of 2015	H1 of 2014
Net revenues from sale of products, services, goods and materials	311 448	351 078	75 336	84 022
Operating profit (loss)	1 655	6 331	400	1 515
Gross profit (loss)	858	6 142	208	1 470
Net profit (loss) for shareholders of parent entity	405	4 329	98	1 036
Net operating cash flow	(9 927)	(9 502)	(2 401)	(2 274)
Net investment cash flow	(12 409)	(5 113)	(3 002)	(1 224)
Net financial cash flow	12 670	1 872	3 065	448
Change in cash and cash equivalents	(9 666)	(12 743)	(2 338)	(3 050)
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Total assets	639 445	632 992	152 452	148 509
Non-current liabilities	91 227	89 723	21 750	21 050
Current liabilities	217 874	209 532	51 944	49 159
Equity assigned to shareholders of parent entity	263 229	266 862	62 757	62 610
Share capital	1 750	1 750	417	411
Number of shares	17 500 000	17 500 000	17 500 000	17 500 000
Profit (loss) per ordinary share (PLN / EUR)	0.02	0.25	0.01	0.06

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 2015 (H1 of 2014) were converted according to the exchange rate being an arithmetic mean of mean fixing rates announced by the National Bank of Poland (NBP) and effective on the last day of every month of the half-year. This rate was EUR 1 = PLN 4.1341 (EUR 1 = PLN 4.1784).
- Items of the consolidated financial position statement were converted based on the mean fixing rate announced by the National Bank of Poland effective on the balance sheet date. As on June 30, 2015, this rate was EUR 1 = PLN 4.1944 (as on December 31, 2014 – EUR 1 = PLN 4.2623). Balance sheet data of the previous period are presented as at the end of the business year 2014.

Table 2 Selected financial data - STALPROFIL S.A.

SELECTED FINANCIAL DATA STALPROFIL SA	(kPLN)		(kEUR)	
	H1 of 2015	H1 of 2014	H1 of 2015	H1 of 2014
Net revenues from sale of products, services, goods and materials	194 377	195 062	47 018	46 683
Operating profit (loss)	2 314	4 105	560	982
Gross profit (loss)	3 239	3 505	783	839
Net profit (loss)	2 858	2 801	691	670
Net operating cash flow	6 469	(1 182)	1 565	(283)
Net investment cash flow	(10 627)	(5 335)	(2 571)	(1 277)
Net financial cash flow	15 355	7 192	3 714	1 721
Change in cash and cash equivalents	11 197	675	2 708	162
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Total assets	406 033	388 030	96 804	91 038
Non-current liabilities	39 950	35 492	9 525	8 327
Current liabilities	65 578	65 932	15 635	15 469
Equity	300 505	286 606	71 644	67 242
Share capital	1 750	1 750	417	411
Number of shares	17 500 000	17 500 000	17 500 000	17 500 000
Earnings (losses) per ordinary share (PLN / EUR)	0.16	0.16	0.04	0.04

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

- Items of the separate statement of profit and loss and other comprehensive income, separate cash flow statement, separate earnings per share for H1 of 2015 (H1 of 2014) were converted according to the exchange rate being an arithmetic mean of mean fixing rates announced by the National Bank of Poland (NBP) and effective on the last day of every month of the half-year. This rate was EUR 1 = PLN 4.1341 (EUR 1 = PLN 4.1784).
- Items of the separate statement of financial position were converted based on the mean fixing rate announced by the National Bank of Poland (NBP) effective on the balance sheet date. As on June 30, 2015, this rate was EUR 1 = PLN 4.1944 (as on December 31, 2014 – EUR 1 = PLN 4.2623). Balance sheet data of the previous period are presented as at the end of the business year 2014.

II. Half-yearly consolidated financial statement

Table 3 Consolidated financial position report (kPLN)

ASSETS	As on June 30, 2015	As on December 31, 2014	As on June 30, 2014
Non-current assets (long-term)	262 908	252 444	249 024
Tangible fixed assets:	241 512	226 294	226 213
Investment real properties	1 200	6 729	1 293
Goodwill	3 818	3 816	3 816
Other intangible assets	767	691	337
Deferred income tax assets	15 491	14 722	17 180
Long-term receivables and prepayments	120	192	185
Current assets (short-term)	376 537	380 548	396 499
Inventory	169 645	173 648	155 866
Short-term receivables and prepayments, including:	198 720	196 157	226 676
receivables for deliveries and services	134 832	148 354	146 918
Income tax receivables	137		388
Currency derivatives	34	292	29
Cash and cash equivalents	8 001	10 451	13 540
Total assets	639 445	632 992	645 523

LIABILITIES	As on June 30, 2015	As on December 31, 2014	As on June 30, 2014
Equity	330 344	333 737	341 907
Share capital	1 750	1 750	1 750
Share premium	8 000	8 000	8 000
Spare and reserve capital	198 873	192 064	192 064
Reserve capital from revaluation of assets	307	376	251
Retained and current profit/loss	54 299	64 672	69 921
Minority shares	67 115	66 875	69 921
Non-current liabilities	91 227	89 723	87 137
Provisions	675	676	1 354
Provision for deferred income tax	9 983	9 794	16 034
Long-term bank loans and credits	52 688	50 969	40 408
Other long-term financial liabilities	2 633	2 547	3 065
Long-term liabilities and accruals	25 248	25 737	26 276
Current liabilities	217 874	209 532	216 479
Provisions	1 817	3 017	1 199
Short-term bank loans and credits	63 697	41 629	47 736
Short-term part of long-term bank loans and credits	3 685	4 887	4 829
Other short-term financial liabilities	2 237	2 366	2 548
Short-term liabilities and accruals, including:	146 013	156 793	159 912
liabilities related to deliveries and services	92 858	104 294	102 002
Liabilities on account of income tax	291	796	249
Currency derivatives	134	44	6
Total liabilities	639 445	632 992	645 523

Table 4 Comprehensive income report (kPLN)

BY-FUNCTION	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Revenues from sale of products, services, goods and materials	311 448	351 078
Costs of products, services, goods and materials sold	288 667	323 669
Gross sales profit (loss)	22 781	27 409
Other income	2 581	3 470
Costs of goods sold	8 446	8 416
Overheads	13 789	14 602
Other costs	1 472	1 530
Operating profit (loss)	1 655	6 331
Financial income	1 284	2 254
Financial costs	2 081	2 443
Gross profit (loss)	858	6 142
Income tax	225	1 230
Net operating profit/loss	633	4 912
Net profit/loss for business year	633	4 912
Shareholders of parent entity	405	4 329
Minority shares	228	583
Other comprehensive income	16	286
Gains/losses on revaluation of tangible fixed assets		353
Income tax related to revaluation of assets	16	(67)
Total comprehensive income	649	5 198
Shareholders of parent entity	419	4 573
Minority shares	230	625

	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Earnings (loss) per share: (kPLN)		
- basic profit based on financial result of a going concern	0 .02	0 .25
- basic profit based on the financial result for the business year	0 .02	0.25

Table 5 Consolidated cash flow report (kPLN)

INDIRECT METHOD	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Operating cash flow		
Profit (loss) before taxation	858	6 142
Adjustments:	(10 785)	(15 644)
Depreciation of fixed assets	5 338	5 610
Amortization of intangible assets	97	100
Foreign exchange gains (losses)	(23)	(40)
Interest costs and income	1 304	1 669
Profit/loss on investment activity	(176)	(1 618)
Change in provisions	(1 201)	(825)
Change in inventory	4 003	(12 393)
Change in receivables and prepayments	6 443	(2 486)
Change in liabilities and accruals	(25 139)	(4 525)
Paid/refunded income tax	(1 431)	(947)
Other adjustments		(189)
Net operating cash flow	(9 927)	(9 502)
Investment cash flow		
Earnings from the sale of fixed assets and intangible assets	806	338
Expenses on the purchase of tangible fixed assets and intangible assets	13 158	5 366
Net expenditure on the purchase of subsidiaries and associated entities	2	
Other	(55)	(85)
Net investment cash flow	(12 409)	(5 113)
Financial cash flow		
Income from loans and credits	17 642	8 000
Repayment of credits and loans	2 173	3 151
Repayment of liabilities under financial lease contracts	1 318	1 394
Interest paid	1 292	1 583
Other	(189)	
Net financial cash flow	12 670	1 872
Increase/decrease in cash and cash equivalents	(9 666)	(12 743)
Cash, cash equivalents and overdrafts at the beginning of the period	(33 025)	(11 422)
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts	36	9
Cash, cash equivalents and overdrafts at the end of the period	(42 655)	(24 165)

Table 6 Statement of changes in equity (kPLN)

	Allocated to shareholders of parent entity						Minority shares	Total equity
	Share capital	Share premium	Spare capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total		
Balance as on January 1, 2015	1 750	8 000	192 064	376	64 672	266 862	66 875	333 737
Gains/losses on revaluation of tangible fixed assets				(85)	73	(12)	12	-
Income tax on equity items or items carried from equity				16		16		16
Appropriation of net profit			6 809		(6 809)	-		-
Profit/loss for business year					405	405	228	633
Dividends					(4 042)	(4 042)		(4 042)
Balance as on June 30, 2015	1 750	8 000	198 873	307	54 299	263 229	67 115	330 344
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				438		438		438
Actuarial profit (loss) related to provisions for employee benefits				69		69		69
Income tax on equity items or items carried from equity				(96)		(96)		(96)
Appropriation of net profit			6 164		(6 164)	-		-
Profit/loss for business year					(4 849)	(4 849)	(903)	(5 752)
Acquisition of shares in a subsidiary					(4 697)	(4 697)	4 697	-
Dividends					(1 575)	(1 575)	(1 560)	(3 135)
Balance as on December 31, 2014	1 750	8 000	192 064	376	64 672	266 862	66 875	333 737
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

IV. Management Board's report on the activity of STALPROFIL S.A. Group in H1 of 2015

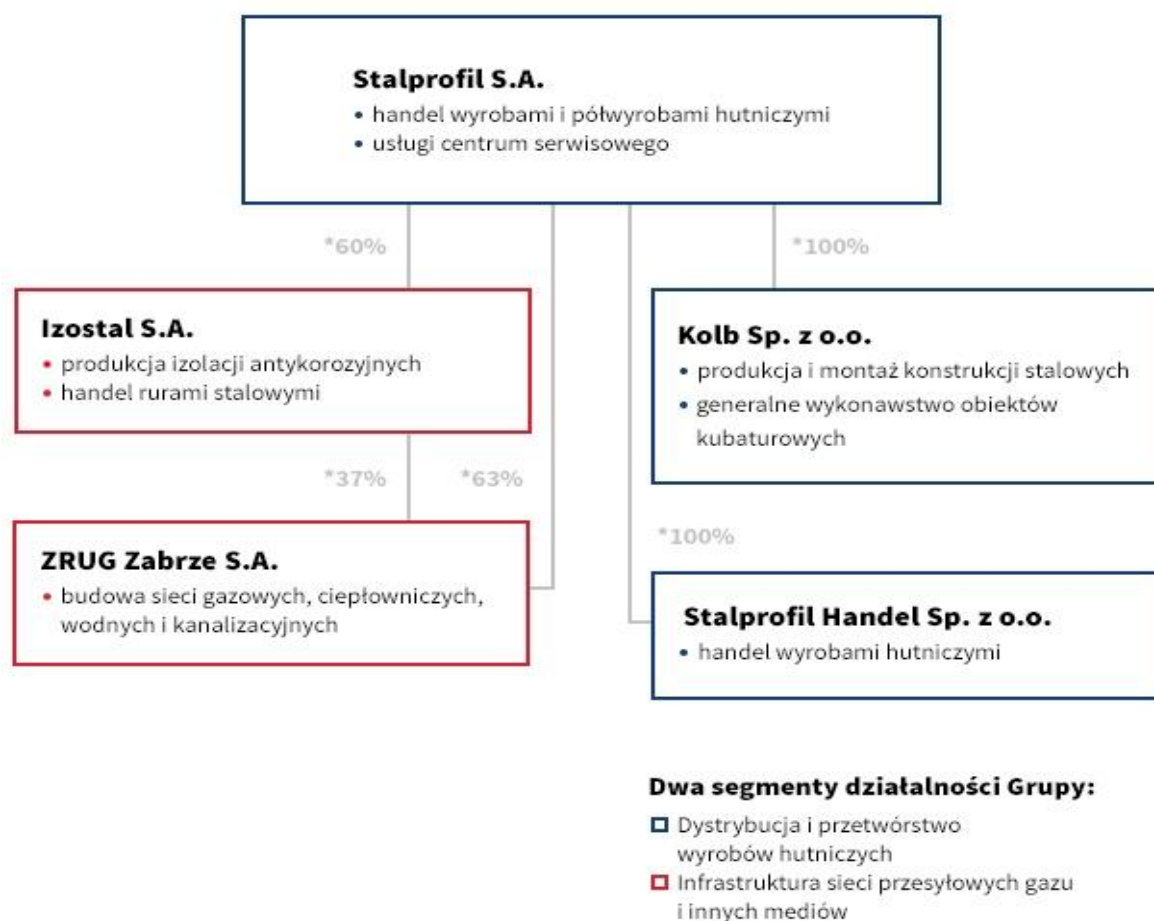
1. Organization of STALPROFIL S.A. Group

As on June 30, 2015 STALPROFIL S.A. was a parent entity for its four subsidiaries: Izostal S.A., ZRUG Zabrze sp. z o.o., KOLB sp. z o.o. and STALPROFIL HANDEL Sp. z o.o.

Table 1 Capital relations between the issuer and other entities as on June 30, 2015.

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.	26 950 000	100 .00%
STALPROFIL HANDEL Sp. z o.o.	100 000	100 .00%

Chart 1 STALPROFIL S.A. Group

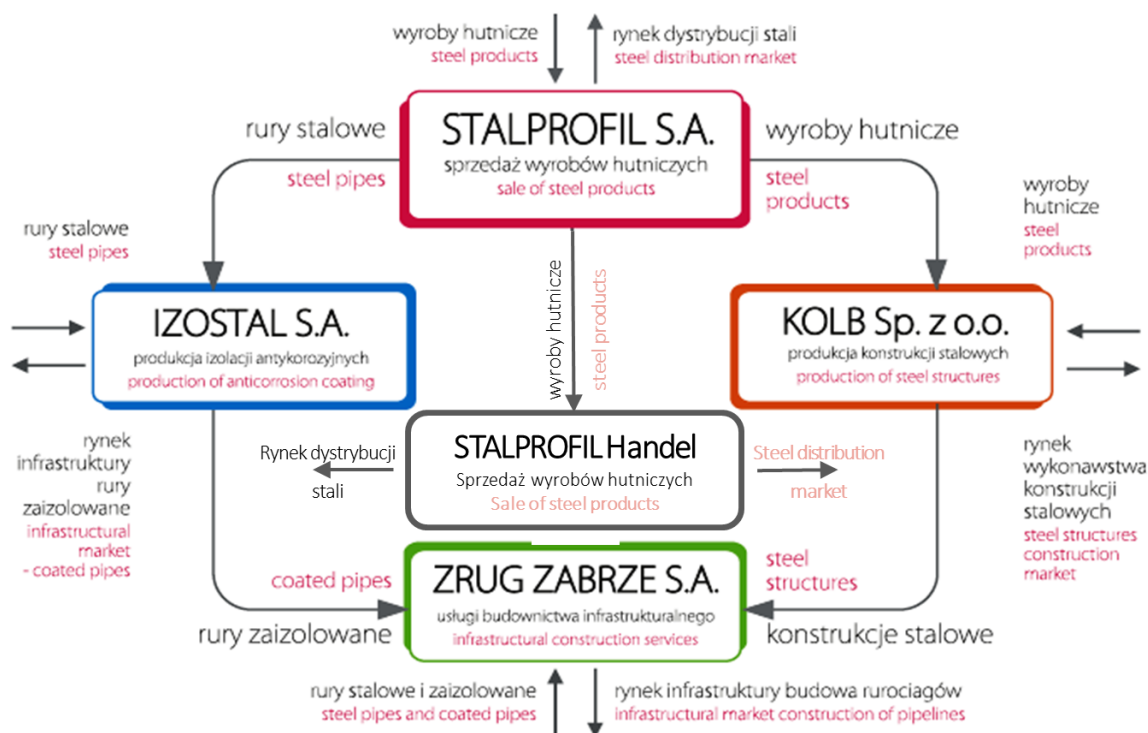


*Procentowy udział w kapitale zakładowym

A common denominator for the activity of STALPROFIL S.A. Group is steel, a subject of the activity of the Group's enterprises either as a product, material for production or a product for further

processing, or an element of service provided, e.g. an element of an investment construction service. In practice, business relations between subsidiaries and a parent company boil down to commercial cooperation in this scope. As a result of the respective business activity, the Group's entities increase the value of a steel product adding value thereto (processing, conversion, service) and they place their products at completely different markets.

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



In view of the above, while shaping the corporate identity of its Group STALPROFIL S.A. adopted a model where STALPROFIL S.A., as a parent entity, takes advantage of the scale effect thanks to a large perimeter of activity. Subsidiaries take advantage of the halo effect while being a part of the recognized organization (recognized also in the stock-exchange) and a possibility to get its support in exceptional situations, including capital support (possibility to obtain share capital or borrow money), business support (participation in bidding consortia and other joint 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, 2015 there were 530 employees in the Group.

Table 2 Employment level in the Group

Company	Status as on June 30, 2015		Status as on June 30, 2014	
	Blue-collar employees	Total	Blue-collar employees	Total
STALPROFIL S.A.	64	147	58	138
IZOSTAL S.A.	76	135	76	136
ZRUG Zabrze S.A.	96	151	107	163
KOLB sp. z o.o.	77	97	71	92
TOTAL	313	530	312	529

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

On May 22, 2015 STALPROFIL HANDEL Sp. z o.o. was registered with the initial capital of PLN 100,000, entirely covered with cash by STALPROFIL S.A. This company with 100% shareholding of STALPROFIL S.A. was established as a special purpose vehicle to support Group's activity in scope of steel products trading. STALPROFIL HANDEL Sp. z o.o. started its commercial activity in H2 of 2015, and in June 2015 this company bought a real property from ZRUG Zabrze S.A with outdoor and indoor warehousing area adapted for steel trading. The basic object of STALPROFIL HANDEL Sp. z o.o. is "wholesale of metals and metal ores" (PKD 4672Z).

3. Information about basic products, goods and services

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

- 1) Sales, processing and services in the steel market** (steel segment) covering sales of steel products by STALPROFIL S.A. and STALPROFIL HANDEL Sp. z o.o., as well as production of steel structures by 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 by IZOSTAL S.A., as well as construction and assembly services for transmission networks offered by ZRUG Zabrze S.A.

In H1 of 2015 STALPROFIL S.A. Group recorded total sales revenues of PLN 311,448,000 that is 11% lower than in H1 of 2014, which was mainly due to a temporary drop in revenues (by 25%) in the infrastructural market of transmission networks for gas and other utilities. The drop resulted from actual changes in the schedule of tenders organized by Gaz- System S.A. for both deliveries of pipes and construction of gas pipelines. In H1 of 2015 the share of this segment in Group's revenues decreased by 6.2% to 33.5%, mainly due to lower revenues of ZRUG Zabrze S.A..

Table 3 Structure of sales revenues of STALPROFIL S.A. Group in the breakup into segments of operations

Segment of operations	I-VI 2015		I-VI 2014		Dynamics
	kPLN	share	kPLN	share	
Sales, processing and services in the steel market.	207 147	66.5%	211 694	60.3%	98%

Infrastructure of transmission networks for gas and other utilities	104 301	33.5%	139 384	39.7%	75%
TOTAL	311 448	100.0%	351 078	100.0%	89%

Group's operations are influenced mainly by the activity in the steel sector, including mainly the sales of steel products as the basic object of the parent entity. The transactions in this market in H1 of 2015 constituted 66.5% of Group's sales revenues and amounted to PLN 207,147,000.

The satisfactory revenues in the steel segment (with a drop of as minor as 2% only against H1 of 2014 whereas average selling prices decreased by 5%) were obtained as a result of an 8% increase in steel sales volumes.

STALPROFIL S.A. Group took advantage of the good market situation in Poland increasing the volume of steel sold by almost 6kt. Improvement in the domestic steel market was demonstrated by an increase of steel production in Poland by 17.6% year on year. In the EU steel production increased by only 0.5%, while in other parts of the world (including Asia and North America) production levels decreased.

Steel sales results were still limited due to decreasing steel products' prices as a result of lower prices of raw materials used for steel production and a more and more aggressive export policy of China. For instance, in June 2015 an average price of hot rolled steel was lower by 11%, sections by 1% and bars by 2% compared to June 2014. Successive price corrections in the European steel market led to an actual reduction in financial results of steel distributors and made customers refrain from intense purchasing and stock building.

Also KOLB Sp. z o.o. contributed positively to the value of revenues as it extended its present operations (production of steel structures) and became a general contractor for large size facilities. Over the year, the company is at present a general contractor for 2-3 contracts. In H1 of 2015 the company's results improved significantly following implementation of contracts for the following customers:

- Śl.F.U.G. Montana S.A. - construction of a warehouse bay.
- TENNECO Stanowice – construction of a production bay.
- Energocenter Sp. z o.o. – redesign of the switching station Czechowice-Dziedzice and extension and redesign of the transformer and switching station.
- VITROTERM MURÓW S.A. - extension of the production and storage facility.

In H1 of 2015 KOLB sold 1,239 t of steel structures and generated a net profit in spite of strong competition from the market. An antidote for low margins persisting in the steel structures market is to increase volumes and diversify sales. An extensive sales offer of KOLB, including general contracting, makes it possible to generate better results. KOLB's order-book for 2015 is full to a large extent.

As foreseen, H1 of 2015 was worse for the infrastructural market of transmission networks for gas and other utilities. Sales revenues realized by the Group in this segment amounted to PLN 104,301,000 which makes a decrease by 25% compared to H1 of 2014.

In H1 of 2015 IZOSTAL S.A. recorded a 4% increase in its revenues year on year. Due to delayed tenders and temporary limitation in purchasing by OGP Gaz-System S.A., the company made

deliveries to other customers. In the coming quarters IZOSTAL is likely to significantly increase its sales to OGP Gaz-System S.A. and Polska Spółka Gazownictwa sp. z o.o.

Revenues in the infrastructural segment dropped significantly due to lower turnover in the gas pipelines construction market where ZRUG Zabrze S.A. operates.

When it comes to the infrastructural segment, the Group's revenues from general contracting of transmission networks in H1 of 2015 amounted to PLN 29 million (decrease by 56%). The result was mainly connected with the time schedule of the biggest contracts for the construction of gas pipelines executed by ZRUG Zabrze S.A. (including Szczecin-Gdańsk gas pipeline, 204 km long, as well as Gałów – Kielczów gas pipeline, 42 km long) and lack of new big contracts from Gaz-System S.A. The current status of the works related to the aforesaid contracts is as follows:

- Szczecin – Gdańsk gas pipeline, DN700:
 - Stage II Karlino – Koszalin and Stage III Koszalin – Słupsk - done, final acceptance on July 24, 2015,
 - Stage IV Słupsk – Wiczlino - the entire length of the gas pipeline was connected and filled in with gas, technical acceptance was done, and a permit for use of this gas pipeline section was awarded. Currently works are in progress to repair coating deficiencies and provide cathode (anticorrosion) protection for this part of the gas pipeline. After these works are completed final acceptance will take place. The Management Board of ZRUG requested OGP Gaz-System to define a "not-in-default" date of the final acceptance on October 9, 2015.
- Gałów – Kielczów gas pipeline, DN500, underwent technical acceptance by OGP Gaz – System S.A. and since August 3, 2015 it has been filled in with gas. The contract proceeds according to schedule. Currently, the quality of the works performed is not questioned.

Infrastructure of Polish gas transmission and distribution system is now being extended and thoroughly upgraded. In H1 of 2015 the activity of OGP Gaz-System S.A. related to the next investment perspectives focused mainly on the performance of contract award procedures to select the suppliers of coated pipes,

On April 17, 2015 IZOSTAL, in consortium with STALPROFIL S.A., concluded the framework agreement with OGP Gaz-System S.A. on the supply of steel pipes with external coating and internal painting and diameters DN700 and DN1000. The pipes will be delivered for the investments planned until 2018. The actual contract specifies terms and conditions of awarding and delivering partial contracts which can be concluded by Gaz-System S.A. with the consortium as one of the contractors. Gaz-System shall choose the suppliers of specific pipe batches (from among the suppliers with whom similar framework contracts were concluded) by limited public tenders. The framework contract with OGP Gaz-System S.A. provides for the supply of pipes of a total length of approx. 1057 km. According to the notice by Gaz-System total net consideration for partial contracts within the framework contract shall not exceed PLN 1,839 million. The contracts opens up optimistic sales increase forecasts for IZOSTAL for the coming years.

When it comes to the first investment perspective of Gaz-System S.A., both companies of the Group were significantly involved. IZOSTAL supplied 44% of steel pipes (386.1 km) and 60% of

coating. ZRUG Zabrze S.A. constructed 24% of gas pipelines length (204 km) for OGP Gaz-System S.A. in the first investment perspective which started in 2012.

Table 4 Sale of basic goods, products and services of STALPROFIL S.A. Group in specific segments

	Product groups	I-VI 2015	I-VI 2014	Dynamics
I	Sales, processing and services in steel market, including:			
1.	Sales of steel products (t)	85 114	79 167	108%
2.	Sales of steel structures (t)	1 239	1 318	94%
II	Infrastructure of transmission networks for gas and other utilities, including:			
1.	Sales of anti-corrosion coatings for steel pipes, including:	168 472	216 034	78%
	- external anti-corrosion coating (m ²)	136 672	168 577	81%
	- internal anti-corrosion coating (m ²)	27 516	47 457	58%
2.	Sale of the services related to the production of transmission networks (kPLN)	29 151	66 055	44%

4. Basic sales markets

In H1 of 2015 the Group recorded domestic sales revenues of PLN 272,381,000, which made an 11% decrease against the same period of 2014 (table 5). Share of export in the revenues from sales of goods and services increased by 0.2 percentage point and amounted to 12.5% in the reporting period.

Lower sales level in the domestic market is a consequence of temporary reduction in contracts in the infrastructural market of transmission networks completion of the first investment perspective related to the construction of the national transmission network for gas and lengthy tender procedures connected with the next investment perspective for years 2014-2018. The foregoing concerns both the supplies of coated steel pipes for (IZOSTAL S.A.) and construction of transmission networks (ZRUG Zabrze S.A.).

Table 5 Sales revenues of STALPROFIL S.A. Group in the breakup into domestic and export markets

Sales direction	I-VI 2015		I-VI 2014		Dynamics
	kPLN	share	kPLN	share	
Domestic	272 381	87.5%	307 764	87.7%	89%
Export	39 067	12.5%	43 314	12.3%	90%
TOTAL	311 448	100.0%	351 078	100.0%	89%

The major sales market in the reporting period was the European Union, with 89.4% share in export sales. Significant customers from this region were companies from such countries as the Czech Republic, Slovakia, Germany, Estonia, Hungary, Latvia, Romania and Lithuania. The second largest sales market comprised European countries from outside the European Union. The share of these countries in export sales was 10.6%. This group included companies from countries such as Turkey, Russia, Belarus and Norway among others.

Table 6 Export sales directions - STALPROFIL S.A. Group

Geographical area	I-VI 2015		I-VI 2014		Dynamics
	kPLN	share	kPLN	share	

European Union (EU-28)	34 933	89.4%	36 712	84.8%	95%
Europe (without EU-28)	4 134	10.6%	6 602	15.2%	63%
TOTAL	39 067	100.0%	43 314	100.0%	90%

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

In H1 of 2015 the Group's major supplier was ArcelorMittal Group. The value of goods purchased from ArcelorMittal amounted to 43.5% of total costs of goods and materials bought by STALPROFIL S.A. Group. The dominant market position of ArcelorMittal in Poland (largest share in the domestic production of steel products) makes it the major supplier of steel products to leading Polish steel distributors, including STALPROFIL S.A. ArcelorMittal's share in the supply of steel pipes used by IZOSTAL S.A. is also significant.

ArcelorMittal Poland S.A. is the biggest shareholder of STALPROFIL S.A., with 31.48% of shareholding and 32.68% of voting power in the Company.

Table 7 Major suppliers (at least 10% share of purchases in purchasing costs)

Specification	I-VI 2015		I-VI 2014	
	kPLN	share	kPLN	share
ArcelorMittal Group	125 590	43.5.	123 143	38.0%
Costs of products, goods and materials sold	288 667	100.0%	323 669	100.0%

STALPROFIL S.A. Group has got a really diversified portfolio of customers, which finds confirmation in the fact that turnover with none of their customers exceeded 10% of total sales revenues of the Group in the analyzed period.

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 2015 with affiliated entities as parties to these transactions, were of a typical and routine character and were concluded on arm's length conditions. Their nature was a consequence of the current operations of these entities. These were mainly commercial transactions and concerned deliveries of steel products, including steel pipes, from the major supplier of STALPROFIL S.A. Group, namely ArcelorMittal.

Routine commercial transactions were also conducted between subsidiaries of STALPROFIL S.A. Group, and they resulted from their complementary objects.

7. Analysis of the basic economic and financial indicators

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

In H1 of 2015 STALPROFIL S.A. Group generated sales revenues of PLN 311,448,000 that is at the level by 11% lower than in H1 of 2014.

In H1 of 2015 steel segment revenues dropped by 2% and transmission networks segment revenues dropped by 25% against H1 of 2014.

The differences in dynamics in specific segments were related to different market conditions in the steel market and transmission networks infrastructural market.

H1 of 2015 was characterized by continuing reduction in the prices of steel products combined with a moderate increase in demand for steel, mainly in the domestic market. In H1 of 2015 the Group increased its sales volume in the steel segment by 8% against H1 of 2014. However, as steel prices continued dropping, revenues went down slightly by 2% (average selling price in H1 of 2015 was by 5% lower than in H1 of 2014). The Group did not want to maximize steel trading at any cost but focused on sales margins and safety of commercial transactions.

Also KOLB Sp. z o.o. contributed positively to the value of revenues as it successfully extended its present operations and became a general contractor for large size facilities. KOLB's net result for H1 of 2015 amounted to PLN 1,047,000.

In view of the relatively stable situation in the steel segment, H1 of 2015 was worse for the infrastructural market of transmission networks. In this period sales revenues realized in this segment amounted to PLN 104,301,000, which means they were lower by 25% than in H1 of 2014. As tender procedures for the supply of coated pipes for OGP Gaz-System S.A. are still getting postponed, the fact that IZOSTAL S.A. generated the revenues and results comparable to the previous year should be considered a success.

Lack of new large contracts from Gaz-System S.A. hit ZRUG Zabrze S.A. more severely with revenues from the construction of gas pipelines reduced by more than 50%.

ZRUG Zabrze S.A. - leader of the consortium of contractors - is currently finalizing the construction of the Szczecin-Gdańsk gas pipeline, DN700, 204 km long, and going on with the construction of the Gałów-Kielczów gas pipeline, 42 km long. Unfortunately, participation in these projects awarded by public tenders (lowest price selection) with small provisions in the cost budget related to unforeseen events affects the results of ZRUG Zabrze S.A. and consequently the results of STALPROFIL S.A. Group.

Negative net result of PLN (-3,010,000) recorded by ZRUG Zabrze S.A. in H1 of 2015 accommodates the foreseen loss on these contracts till the date of their completion. The following events affected profitability of both contracts:

- Szczecin-Gdańsk gas pipeline, DN700, Stage II-IV - it was necessary to bear additional and unforeseen costs related to repairing quality defects of the constructed gas pipeline, mainly on the sections erected by subcontractors. Total cost budget to complete the contract carried to the result of 2014 turned out to be insufficient due to longer duration and extension of the scope of finishing works compared to the time schedule and budget estimated by ZRUG Zabrze S.A. at the stage of 2014 result calculation.
- Gałów-Kielczów gas pipeline, DN500 - negative profitability of the contract, below the project assumptions, due to the following: (a) in Q2 of 2015 a consortium partner had to be replaced (the partner discontinued the works on their section of the gas pipeline) with several other subcontractors at a total cost higher than originally contracted and (b) it was necessary to bear additional costs to speed up the works on the section abandoned by a consortium partner to avoid a risk of penalties for default. Currently, Gałów-Kielczów gas

pipeline, DN 500, is on schedule and there are no reservations as to the quality of the works.

Delays and faulty performance on the aforesaid gas pipelines are mainly by default of ZRUG's subcontractors, mainly INSTALGAZ as the main subcontractor for the construction of Szczecin–Gdańsk gas pipeline, and a member of contractor consortium for Gałów-Kielczów gas pipeline.

As part of remedy actions undertaken to minimize delays and repair defects in the works ZRUG Zabrze S.A. took over from its subcontractors the works performed in default and finished them on its own or introduced other substitute subcontractors. The costs of substitute subcontractors and removal of defects are successively passed on to the negligent subcontractors. Unfortunately part of the costs had to be borne by ZRUG Zabrze S.A., which generated a negative financial result for the company.

Lengthy works and procedures related to the final acceptance of Szczecin–Gdańsk gas pipeline pose a risk connected with delays in contract implementation, including a risk that the financial result of ZRUG Zabrze S.A. will be getting worse. Only after the completion of the contract will it be possible to fully assess the negative consequences of delays in contract implementation and their influence of the result of the company and the Group.

However, the Management Board of ZRUG Zabrze S.A. anticipates that the result of the aforesaid contract should not deteriorate significantly by the contract completion date. According to the Management Board of ZRUG Zabrze S.A. there came about cause-and-effect events allowing the company to request OGP Gaz-System S.A. (in line with the terms and conditions of the binding contract) to consider the delay in contract completion objectively justified. The delay was caused by the following, among others:

- a. it was necessary to modify the project documents as a result of events which had not been foreseen at the stage of documents preparation,
- b. external conditions of work performance (mainly geological and the ones resulting from the impact of external factors on the object of the contract)
- c. activity of the authorities and institutions with competences closed to authorities which influenced the contract completion date.

The factors which might have caused changes in the investment completion dates have been presented to OGP Gaz-System S.A. and are now under analysis by OGP Gaz-System S.A. The Management Board of ZRUG Zabrze believes that the justification of later completion date (October 9, 2015) discussed in the request should be accepted by OGP Gaz-System S.A., and consequently the new completion date should be defined as requested by ZRUG Zabrze S.A. Therefore, the "postponement" in contract completion date should not have any significant impact on the negative financial result of the company or the Group.

Eventually, STALPROFIL S.A. Group, recording lower (by 11%) sales revenues in H1 of 2015 had an operating profit of PLN 1,655,000 which was at the level of 26% of H1 of 2014. EBITDA was at the level of PLN 7,090,000.

The financial activity result of the Group in H1 of 2015 amounted to PLN (-) 797,000 against PLN (-) 189,000 in H1 of 2014. In H1 of 2015 the financial activity result was influenced mainly by the

costs of external borrowing (investment loans, working capital loans, bank guarantees, leasing, factoring, etc.) totaling at PLN 1,398,000.

As a result, in H1 of 2015, STALPROFIL S.A. Group generated a consolidated net profit for the shareholders of the parent entity at the level of PLN 405,000.

The negative result of ZRUG Zabrze S.A. reduced the consolidated earnings of the Group for shareholders of the parent entity by the amount of approx. PLN 3,400,000.

7.2. Commentary on basic items in the financial position statement of STALPROFIL S.A. Group.

In H1 of 2015 the balance sheet amount decreased slightly by 1% against end of 2014.

As on June 30, 2015 current assets constituted 59% of total assets, and non-current assets were at the level of 41% of total assets. The following significant changes were recorded for the major asset categories compared to December 31, 2014:

- increase in tangible fixed assets by PLN 15,218,000 that is by 7%, mainly as a result of expenditure made by STALPROFIL and IZOSTAL; the purchase of a real property by STALPROFIL HANDEL Sp. z o.o. from ZRUG Zabrze S.A. (PLN 5,556,000) was also positive for the value of tangible fixed assets of the Group with the property reclassified from investment property to tangible fixed assets;
- inventory decreased by PLN 4,003,000 (2%), mainly as a result of lower inventory in the steel segment and higher inventory in the infrastructural segment;
- receivables and prepayments increase slightly by PLN 2,563,000 (1%), with trade receivables decreasing by PLN 13,522,000 (9%) mainly due to their lower level in the infrastructural segment;
- cash decreased by PLN 2,450,000 that is by 23%. It is a changeable item, depending on current payment needs of the Group, demand for transactions financing, and also on the currency hedging policy.

As on June 30, 2015 the following significant changes were recorded for the major liabilities categories compared to December 31, 2014:

- equity decreased by PLN 3,393,000 (1%) to the level of PLN 330,344,000, which was mainly due to the negative result of ZRUG Zabrze S.A.
- long-term liabilities increased by PLN 1,504,000 (2%) to the level of PLN 91,227,000, which was mainly due to an increase in long-term loans. Group companies utilize investment loans as well as long-term working capital loans to finance the current working capital requirement. The status of the loans is discussed in Note no. 11.
- Short-term liabilities increased by PLN 8,342,000 (4%), which was a result of an increase in liabilities related to short-term bank loans (including a short-term part of long-term loans) by 53% and a decrease in trade payables by 11%, mainly in the steel segment.

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

7.3.1. Debt ratios

As on June 30, 2015 the Group's debt increased by 0.7% against December 31, 2014, mainly as a result of an increase in long-term debt.

Table 8 Debt ratios of STALPROFIL SA Group

Debt	June 30, 2015	December 31, 2014
Debt ratio ¹	48.0%	47.3%

STALPROFIL S.A. Group utilizes both short-term and long-term funding sources for its current business operations, and it also utilizes investment loans. The Group entities diversify their borrowing sources. In H1 of 2013 IZOSTAL S.A. concluded an IRS transaction to secure itself against interest rate changes in connection with the use of an investment loan till 2016.

7.3.2. Liquidity ratios

Keeping a safe level of financial liquidity is an important strength of the Group in both segments. To prevent the risk of worse financial liquidity, the Group keeps its net working capital at a proper level and optimizes the level of inventory, receivables and payables. The Group has a possibility to increase the level of available credit lines' utilization.

The days sales outstanding ratio is at a safe level.

The dominant majority of the Group's trade receivables, mainly in the steel segment, have the insurance cover. The only exception includes sale to O.G.P. Gaz-System S.A., where there is no insurance cover.

Table 9 Liquidity ratios of STALPROFIL SA Group

Financial liquidity	June 30, 2015	December 31, 2014
Current ratio ²	1.73	1.82
Quick ratio ³	0.95	0.99

7.3.3. Profitability ratios

In H1 of 2015 profitability ratios of decreased vs. H1 of 2014, mainly due to negative profitability of ZRUG Zabrze S.A. The other Group companies record positive profitability levels close to the previous year.

Table 10 Profitability ratios of STALPROFIL SA Group

Profitability	H1 of 2015	H1 of 2014
Return on sales ⁴	0.2%	1.3%

¹ Total liabilities to total assets

² Current assets to short-term liabilities

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

⁴ Net sales result / Sales income

Operating profitability ⁵	2.3%	3.4%
Net return on sales ⁶	0.2%	1.4%
ROA ⁷	0.1%	0.8%
ROE ⁸	0.2%	1.5%

ROE and ROA decreased due to a lower net result of the Group.

8. Implementation of investment projects

In H1 of 2015, entities from STALPROFIL S.A. Group spent a total amount of 15,135 kPLN on investments in tangible fixed assets and intangible assets.

Table 11 Capex structure, STALPROFIL S.A. Group

Capital expenditure in particular segments of operations	H1 of 2015 (in kPLN)	H1 of 2014 (in kPLN)
Capital expenditure in the steel sector - expenditure on tangible and intangible fixed assets	13 158	980
Investment expenditure in the transmission networks infrastructure - expenditure on tangible and intangible fixed assets	1 977	6 273
TOTAL STALPROFIL S.A. GROUP	15 135	7 253

In H1 of 2015 STALPROFIL S.A. Group focused on the development of its potential in the steel sector and spent the total of PLN 13,158,000. The expenditure was made mainly for the modernization and development of warehouse infrastructure in the warehouse in Dąbrowa Górnicza. Total expenditure for this purpose will amount to PLN 27,221,000, with PLN 18,937,000 to be spent in 2015. Expenditure on this investment is financed with:

- an investment loan of PLN 19,00,000 (to be repaid by December 2020),
- leasing (overhead cranes) of PLN 2,030,000,
- Company's own funds: PLN 6,191,000.

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

Company KOLB Sp. z o.o. made relatively small reconstruction-type investments, mainly for the modernization and development of its production infrastructure and purchase of transport means.

⁵ EBIDTA / Sales revenues

⁶ Net result / Sales revenues

⁷ Net result / Average assets

⁸ Net result / Average equity

In H1 of 2015, the capital expenditure in the segment of transmission networks amounted to PLN 1,977,000 and was related mainly to expenditure incurred by IZOSTAL S.A. for completing the development of warehouse facilities. ZRUG Zabrze S.A. incurred expenditure on the implementation of an integrated ERP system. The main aim of this investment will be the improvement of the efficiency of managing long-term contracts held by the company.

In H1 of 2015 a new entity joined STALPROFIL Group, i.e. STALPROFIL HANDEL Sp. z o.o. that will trade in steel based on the commercial warehouse in Zabrze purchased from ZRUG Zabrze. Total capital expenditure of STALPROFIL S.A. incurred in H1 of 2015 on creating the above-mentioned company amounted to PLN 102,000.

In 2016 STALPROFIL S.A. Group plans to complete its key investment project involving the modernization and development of warehousing infrastructure of the warehouse in Dąbrowa Górnicza.

The main item in this year's plan of the companies belonging to the infrastructural sector is the completion of warehousing facilities by IZOSTAL S.A. to be used mainly for storing small-diameter black pipes. ZRUG Zabrze S.A., the other representative of the infrastructural sector of transmission networks, is not planning any significant investments in 2015 apart from the purchase and implementation of an integrated ERP system (expenditure of PLN 460,000).

The investments to be implemented by the Group in 2015 will be financed from its internal funds, investment loans and by leasing.

The implementation of investment plans proceeds as planned.

9. Information on granting sureties for credits or loans or providing guarantees

Companies of STALPROFIL S.A. Group did not grant sureties to entities from outside the Group. Sureties and guarantees granted to affiliated entities by companies belonging to the Group were provided against a payment. Compensation for sureties and guarantees given does not differ from commonly applied compensation and is established on an arms-length basis. Off-balance liabilities as on June 30, 2015 was presented in Note no. 25.

10. List of pending proceedings, including court proceedings

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

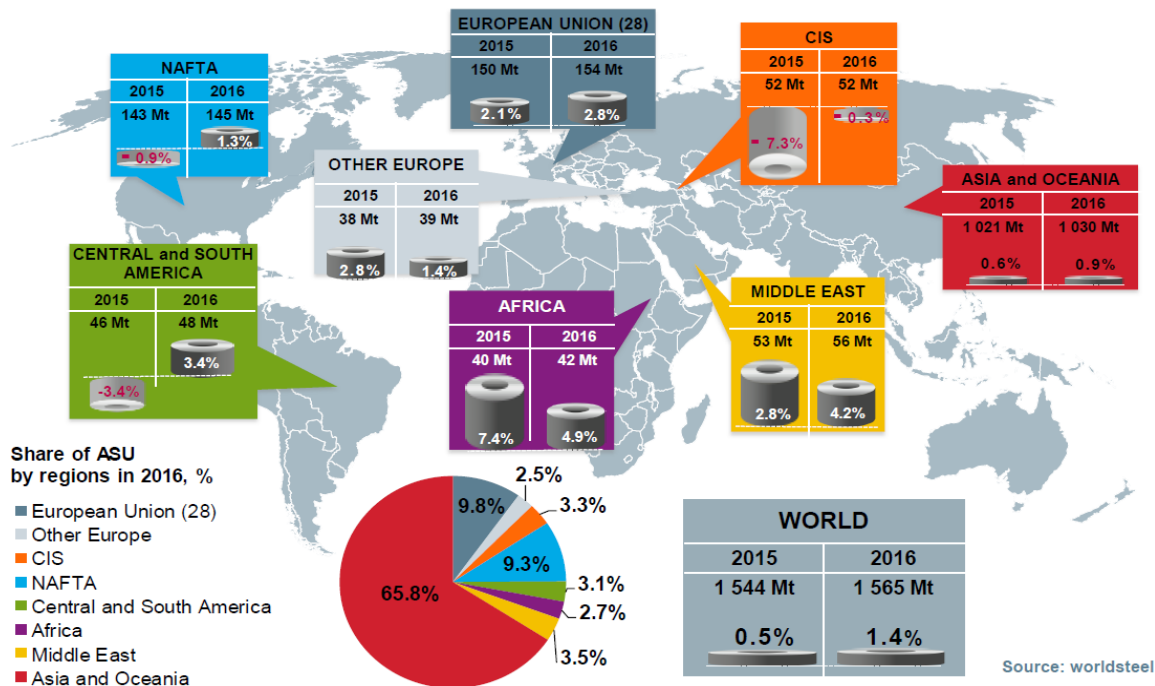
11. Management Board's opinion on a possibility to fulfill the previously published forecasts

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

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

The main factor determining the actual results of STALPROFIL S.A. Group is the current market situation in the steel distribution sector and infrastructural investments market, including investments related to gas transmission networks. In H1 of 2015 the steel segment generated considerably higher income for the Group, and the situation in the steel market remained stable. Forecast increase in production and apparent steel consumption in the long-term is optimistic. The forecast production increase in the domestic and European steel-consuming sectors should have a positive impact on demand and should stabilize prices of steel products in the coming periods. According to EUROFER April forecasts, a recovery may be expected in the European steel market in 2015 since all steel-consuming sectors will record a production increase by 2.2% on average. Steel consumption will increase as a result of the production increase in steel-consuming sectors. According to recent forecasts of another organization – World Steel Association – apparent steel consumption in EU 28 will increase in 2015 by 2.1%, and by 2.8% in 2016.

Fig.1 Forecast steel consumption in the years 2015 and 2016 according to the World Steel Association



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

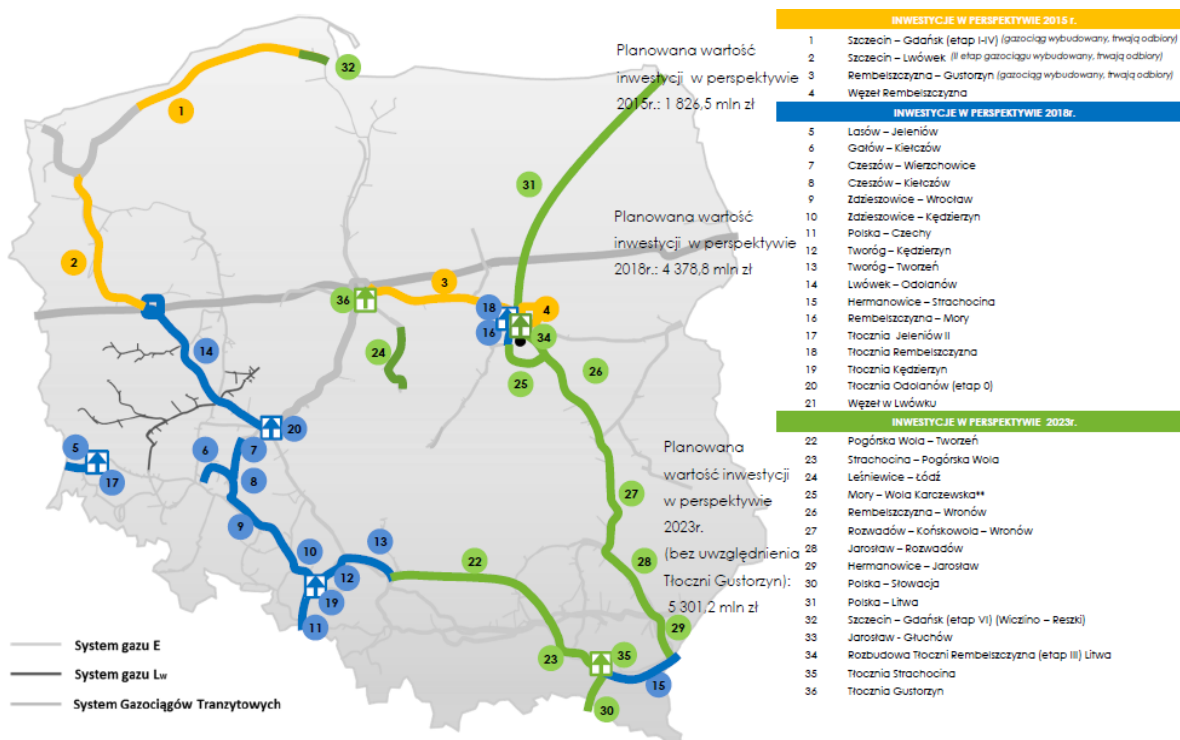
Prospects for the development of steel industry and steel products distribution sector in the coming quarters should be considered optimistic. Still there are risks related to low prices of input materials for steel production: iron ore and coking coal. Forecasts do not show significant changes in prices of these raw materials that would be followed by changes in steel product prices. What can be observed now on the global market is that the iron ore prices stopped falling.

Despite the growing demand for steel in EU, steel plants still find it difficult to achieve satisfactory profitability levels. According to the European Steel Association (Eurofer), the problem is that the improved demand for steel is satisfied mainly through imports which may increase this year by approx. 5%. Increased steel imports to EU lead to an increase of price competition and drop in producer's margins. Imports come mainly from China. China still has production overcapacity and the domestic demand is falling. This forces Chinese steel plants to increase export which destabilizes situation not only in Europe but worldwide.

Moreover, considerably stronger PLN especially against EUR also increases import and price competition on the Polish market.

Forecasts for the market of gas transmission networks are much more predictable. This prospective market is now at the stage between the 2009-2014 perspective which is coming to an end with a delay, and the new perspective until 2018. This results in a temporary slowdown and lack of new big orders. In the years 2015-2023 GAZ-SYSTEM S.A. plans to build approx. 2000 km of new gas pipelines in the Western, Southern and Eastern Poland (Fig. 2).

Fig. 2 List of key investments of Gaz – System S.A. planned till 2023



Source: OGP Gaz-System S.A.

The development plan, prepared and implemented with a delay, is based on the assumption of two more investment perspectives:

- 2018 perspective will include the most crucial investment tasks, being part of the North-South corridor, expected to ensure conditions facilitating the creation of a regionally integrated gas market in Central and Eastern European states.

- 2023 perspective will include the completion of modernization works on the domestic transmission system in Eastern Poland, and will provide conditions for the integration of Baltic states' market with the market of Central and Eastern European states.

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

Due to an extensive scope of investment works, GAZ-SYSTEM S.A. decided to follow the optimum procedure of completing investment projects involving purchases of materials for the construction of gas pipelines (pipes and fittings), directly from producers (investor's supplies).

In April 2015 OGP GAZ-SYSTEM S.A. finalized public tender procedure for the supply of pipes with diameters 700 and 1000mm. Frame contracts with contractors will be effective for four years from their signing. Specific orders will be fulfilled based on separate partial contracts concluded each time after the best offer has been selected in a closed public tender. This will provide supplies of pipes for the construction of strategic gas pipelines by GAZ-SYSTEM S.A. Total amount to be spent by GAZ-SYSTEM S.A. on the performance of these contracts will not exceed the approximate amount of PLN 1.84 billion net. 10 contractors, including IZOSTAL/STALPROFIL consortium and 8 companies/consortia were selected following a completed tender procedure, to supply pipes with diameter of 700 mm and 1000 mm, and 2 suppliers for 700 mm- diameter pipes only.

Considerable demand for the construction of new gas pipelines and replacement of the existing ones should also come from Polska Spółka Gazownictwa. It plans to spend PLN 3.8 billion on this purpose over the next 6 years (supplies of pipes + execution), with 1.5 thousand km of distribution gas pipelines to be built for this amount. IZOSTAL intends to participate in the completion of these investments. All this indicates that for companies operating on the market of pipe suppliers and coating producers (such as IZOSTAL S.A), year 2016 and the following years will be much better when it comes to turnover and financial results than the previous period.

At the same time the selection of contractors for the construction of gas pipelines being part of the so called North-South corridor, is in progress. In 2015 GAZ-System S.A. plans to finalize 6 tenders for the construction of transmission gas pipelines DN700 and DN1000 of the total length of approx. 352 km. ZRUG Zabrze S.A. intends to participate in these tenders in co-operation with sector partners.

Development and modernization of gas transmission networks by OGP Gaz-System and modernization of the gas distribution network by PGNiG create a huge future market for suppliers of coated pipes and companies which build gas pipelines. STALPROFIL S.A. Group, through its subsidiaries IZOSTAL and ZRUG Zabrze, has the potential to service this market.

The last few years have been difficult for construction companies operating in the gas sector. The lowest-price criterion and big competition during tender procedures has considerably decreased profitability of this sector and eliminated a number of entities from that sector.

Aware of the risk related to the performance of other long-term contracts at the turn of 2014 and 2015, ZRUG Zabrze S.A. launched a restructuring program aimed among others at

- improving the efficiency of long-term contract management through

- improving the principles of appraisal and bidding
- improvement of the operational and financial control of long-term contracts,
- implementation of IT tools, including ERP system, improving cost controlling for construction projects and monitoring of the works' status.
- supervision over settlements with contractors.
- adjusting employment level and structure to the orders portfolio held
- reducing remuneration costs through amendments to collective labor agreements
- increasing the efficiency of machines and equipment utilization
- real properties restructuring;
 - January 15, 2015, the Company concluded a preliminary agreement on the sale of real property located at ul. Pyskowicka in Zabrze for the price of PLN 1,200,000, at the same time leasing the real property to the future owner
 - June 30, 2015, the Company concluded an agreement on the sale of real property located at ul. Magazynowa in Zabrze for the price of PLN 10,000,000 for STALPROFIL HANDEL Sp. z o.o., which will trade in steel products based on the property purchased. At the same time ZRUG Zabrze S.A. leased from STALPROFIL HANDEL Sp. z o.o. (on an arms-length basis) a part of the real property for its own needs.

Implementation of the integrated ERP system (July to December 2015) will contribute to the improvement of:

- the quality of the Company's biddings,
- control over budgets and schedules of pending projects through planning and periodic monitoring of the cost budget and income and cash flows for projects and the company,
- risk monitoring and assessment
- efficiency of the utilization of the company's resources thanks to the approach to planning at the project's and company's level (as regards people, machines, materials and financing), and analytical record of the utilization of individual resources.
- improvement of the operational efficiency of construction tasks thanks to planning and monitoring of projects' implementation in the Construction Process Management Module related to MS Project.
- improvement of the project-related documentation flow thanks to the use of Kancelaria module which will cover the whole company, starting from the headquarters to individual construction offices. It will improve the efficiency of purchasing and sales processes, and in particular settlements with subcontractors and suppliers.

The implementation of the new system supplemented with an incentive system will support the orientation of the whole organization on keeping the projects' budgets and achieving results assumed for individual contracts.

These activities should improve the performance efficiency of long-term contracts obtained under the new investment procedure, nevertheless the Group's results in H2 of 2015 will depend on the efficiency of long-term contracts that are now under implementation i.e. Szczecin-Gdańsk and Gałów-Kielczów.

Gałów-Kielczów contract is performed according to the schedule, however due to the necessity to replace a partner of the executive consortium in Q2 of 2015 (who discontinued works on the construction of the section of the gas pipeline that was entrusted to them), with a few other subcontractors, reduced the return on the contract which is now negative.

Prolonged procedures related to the final acceptance of Szczecin-Gdańsk gas pipeline create a risk of delays in the contract performance, including a risk of further deterioration of the financial result of ZRUG Zabrze S.A. Full assessment of the negative consequences of possible delays in the contract performance and their impact on the result of the company and the Group will only be possible after its completion, also due to the joint and several liability of the investor and the contractor for settlement of remuneration for subcontractors and further subcontractors, arising from art. 647¹ of the civil code. Taking this provision into account, it may not be ruled out that in the final stage of settling the contract with the investor and subcontractors, it may turn out to be necessary to create provisions for liabilities towards subcontractors (or further subcontractors). Neither can it be ruled out that due to the financial situation of subcontractors, it may become necessary to make a write-off for receivables due from them.

Nevertheless, the Management Board of ZRUG Zabrze S.A. expects that in view of the fact that Szczecin-Gdańsk contract is highly advanced and the small scope of works remaining to be done, there should be no further deterioration of the result on this contract. The Management Board of ZRUG Zabrze S.A. believes that there were certain cause-and-effect chains of events which justified the request to OGP Gaz-System S.A. (under provisions of the contract binding the parties), for accepting the objectively justified postponement of the deadline for the contract performance to October 9, 2015. The Management Board of ZRUG Zabrze S.A. claims that the justification for the postponing of the contract performance date should be accepted by OGP Gaz-System S.A., and as a result a new deadline for the contract performance will be set as requested by ZRUG Zabrze S.A. Thus the postponement of the deadline for the completion of the investment should not significantly deteriorate the financial result of the Company and the Group.

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

Group's financial standing is correlated with the macroeconomic situation of Poland. Financial results of the Group are influenced by such general factors as GDP growth rate, investments growth rate, changes in state interest rate, inflation rate, foreign exchange rates, state fiscal policy. There is a risk that in case the economic growth rate goes down in Poland or globally, or some protectionist instruments are used that can have a negative impact on the Group's functioning, the financial results recorded may change. What can be especially detrimental to the operations of the Group is the reduction in capital expenditure in economy, slowdown in GDP growth dynamics, more restrictive fiscal and monetary policy of the state.

Because of the fact that companies belonging to STALPROFIL S.A. Group operate in different sectors, they are exposed to risks affecting all companies of the Group and risks characteristic for each of them individually. The characteristics of basic risks which basically affect almost all entities belonging to STALPROFIL S.A. Group irrespective of the sector in which they operate is as follows:

13.1. Major risk factors for all companies belonging to the Group

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

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

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

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

Using bank loans, the Group entities are exposed to the risk of changeable interest rates. In H1 of 2015 IZOSTAL S.A. utilized the security on part of its credit exposure by concluding the IRS transaction. Other Group companies have not used any instruments to secure themselves against the change in interest rates, however, they monitor the market on an ongoing basis and diversify the borrowing sources.

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

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

To prevent the risk of losing financial liquidity, the Group keeps its net working capital at a proper level, optimizes the level of receivables and liabilities and keeps an optimum level of credit limits.

In the past crisis years the Company showed high resistance to economy-affecting problems, such as difficult access to borrowing sources, payment backlogs and difficulties with financial liquidity.

Trade credit risk,

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

The dominant majority of the Group's receivables has an insurance cover. In case of establishing cooperation with a customer, for whom no limit was granted by the insurer, companies belonging to the Group try to obtain other "hard" securities for the trade credit.

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

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

Extreme weather conditions (very low temperatures, heavy precipitation etc.) may also have a negative effect on the level of income from the construction of gas pipelines in the infrastructural sector of transmission networks. As winter in the reporting period was mild, STALPROFIL S.A. Group was not exposed to the influence of seasonal factors.

13.2. Important risk factors and threats for the steel sector:

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

Results of the steel sector are influenced to the biggest extent by the state of the domestic and EU economies which are the Group's sales markets. It has a direct effect on the economic situation on the steel market, and thus on the sales volumes of steel products and margins obtained. Steel products market was restrained in H1 of 2015 because of dropping steel prices.

There is still a risk related to the current situation on raw materials markets which may have a negative impact on the steel market. Despite the forecast increased apparent steel consumption in 2015, what can hinder a considerable growth of steel products' prices on global markets, may be the continued decrease of prices of raw materials used for the production of steel.

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

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

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

Situation on the foreign exchange market remains a risk factor for the situation on the steel market. Significant foreign exchange fluctuations observed influence profitability and intensity of foreign

transactions, as well as price relations in the domestic market. For example, significant appreciation of PLN against EU leads to an increase in the imports of steel products, being then price competitive, and thus lead to a decrease in domestic market prices. On the other hand, weak PLN results in an increased activity of exporters and stimulates price increases.

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

The factor that may increase the inflow of cheap steel products to the European market is the weaker ruble which makes Russian export more attractive. Pressure on the European market also results from the expansion of Chinese producers who increased activity on export markets due to a drop in demand on the domestic market.

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

Major suppliers of STALPROFIL S.A. Group include ArcelorMittal Group only. The value of finished and semi-finished steel products in H1 of 2015 reached 43.5% of the total purchase costs of the Group and has remained at a similar level over the last years. The leading market position of ArcelorMittal Group in Poland (with its subsidiary entity, ArcelorMittal Poland S.A., being the major shareholder of STALPROFIL S.A., holding 32.68% of votes at the General Meeting of the Company, and a 70% share in the domestic production of steel), makes it a major supplier of steel products for the leading steel distributors in Poland, including STALPROFIL S.A. Group. Company's cooperation with ArcelorMittal is based on arm's length conditions.

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

Contract risk related to trading in steel products

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

Risk related to VAT fraud practices followed by dishonest entrepreneurs

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

The Group follows principles of responsible and reliable trade. However, it is not possible to completely eliminate the risk of consequences, including tax consequences, of the activities of dishonest entrepreneurs being transferred on fair entities operating on the market.

Other risks:

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

13.3. Important risks and threats for the segment transmission networks for gas and other utilities:***Risk of the gas sector limiting orders for pipe supplies and construction of gas pipelines***

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

This risk of a long-term reduction in the number of orders for the supply of pipes and construction of gas pipelines is mitigated by the strategy of diversifying gas supply sources adopted by Poland and by restrictive regulations imposed by the EU regarding environment protection and CO2 emission. These factors somehow enforce the implementation of large gas and petroleum sector investments in Poland, which make it possible to become independent of supplies from the East.

Moreover, the risk of limited orders for the supply of pipes and construction of gas pipelines is limited by the necessity for investors to promptly utilize EU funds allocated for the extension of gas transmission network.

Risk related to assuring the quality of products and services offered

The customers for the products and services offered by the Group are entities operating in the gas and petroleum sectors, which are characterized by high quality requirements. Failure to fulfill quality-related requirements entails the risk of fines or damages. Requirements set for contractors building gas pipelines are very strict. GAZ-SYSTEM S.A. – the key investor on this market – allows only contractors with relevant competencies, adequate experience in the construction of pipelines for the transmission of liquid or gaseous fuels, and human resources (an adequate number of welders, operators of welding equipment and welding specialists who fulfill requirements of relevant standards), technical potential (cranes, diggers, draining equipment), and sufficient capital.

The quality of services offered by companies of 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.

Coatings produced by the Group and contractor services related to pipelines meet the top quality standard requirements. However, there is no possibility to exclude the occurrence of a breakdown resulting from a design or human error.

Risk of getting dependent on customers

Due to the structural characteristics of the Polish gas market, companies from the infrastructural segment are indirectly dependent on PGNiG S.A. (prospecting for, extraction, sale and distribution of gas) and O.G.P Gaz-System S.A. (operator of the transmission system), as well as on the investments planned and implemented by these companies. Due to the change in the pipes purchasing policy (investor deliveries for big investment projects) by the above-mentioned entities, the Group sells part of its products directly to these companies. In addition to sales of goods and services, mainly to OGP Gaz-System S.A., the Group provides services to the companies being contractors or subcontractors of investments. To minimize the risk of getting dependent on its customers, the Group searches for additional sales markets, both in Poland (private gas companies) and abroad. Examples of such markets include petroleum market and the road sector.

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

While extending the scope of activity on the gas market with respect to the construction of transmission networks, the Group's entities, being members of consortia and guarantors of loans and credits, are exposed to the risk related to the performance of those contracts.

The risk is in particular related to performance bonds and guarantees covering the repayment of advance payments related to the construction of gas pipelines, issued at the request of companies belonging to the Group, with OGP Gaz-System S.A. being the beneficiary.

Furthermore, companies belonging to the Group, being members of executive consortia and parties requesting the issue of the above-mentioned performance bonds, also bear the risk of contractual penalties: for a delay in the performance of contracts, for delays in the removal of defects during the period covered by the quality guarantee or warranty. The extended deadlines for the performance of contracts increase the risk of contractual penalties.

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

The performance of long-term contracts also creates the risk of margin adjustment during its performance. When a margin is adjusted on the whole contract, it becomes necessary to adjust the

current result to the level of margin adjusted on the entire contract. The final return on the project may significantly differ from the level assumed at the stage of bidding and the first executive budget. Estimation of the margin on the entire contract requires periodic adjustment of the estimated level of revenues and costs according to the advancement of works, based on a correct flow of information. The Group implements procedures and tools supporting the bidding process, budgeting, regular control of costs and contracts advancement.

Significant risk is also related to the timely performance and the quality of works entrusted to subcontractors whose production potential and financial situation may turn out to be insufficient to ensure correct performance of the contract. Furthermore, there is a risk of deteriorated standing of subcontractors during the performance of works under a long-term contract.

Consequences of a failure to perform or incorrect performance of a contract by subcontractors may impact those companies belonging to the Group that are directly involved in the performance of a construction contract or provide the performance bond. It is not possible to fully eliminate the risk caused by the consequences of incorrect performance of works by subcontractors.

Difficulties with performance of contracts by subcontractors (or subcontractors' difficult financial situation), may also lead to complications as regards contractors' settlements (companies belonging to STALPROFIL S.A. Group) with subcontractors or their subcontractors. Moreover, due to joint and several liability of the investor and contractor for settling compensation for subcontractors and their subcontractors, arising from provision 6471 of the Civil Code, the disputable settlements of the contractor with subcontractors, or disputable settlements (or their lack) with subcontractors with their subcontractors, may have a negative influence on the contractor's settlements with the investor.

Risk of changeable prices of production resources

Profitability of anti-corrosion coating services provided by IZOSTAL S.A. depends on the changes in the prices of production resources, including mainly prices of chemical agents, polyethylene and polypropylene in particular. Share of these resources in the cost structure is around 20%. Prices of chemical raw materials are highly correlated with oil prices in global markets, which may be subject to fluctuations due to a current political and economic situation. The cost factors discussed above may lead to periodic deterioration of the financial results of IZOSTAL and the cost-effectiveness level achieved. To minimize the risk of changing prices of production resources, the Company diversifies its sources of supply.

Risk of changeable prices of steel pipes

Steel pipe price in the product "coated steel pipe" is around 70% of the product's value. The observed volatility of prices on the steel pipes market affects the income and margins obtained by IZOSTAL, to avoid the risk related to the volatility of steel pipes prices, IZOSTAL optimizes stock levels and adjusts them to the scope of the activity run. In special cases, steel pipes are purchased at current prices for restocking purposes in the volumes that let the Company sell goods with a profit. When purchasing pipes for large projects, IZOSTAL negotiates prices with suppliers and

concludes contracts that make it possible to maintain the negotiated price irrespective of the situation on the steel market.

Changes in prices of pipes can influence the Group's revenues and profitability, both in the core coating segment and in the sale of goods. The Company secures itself against changeable prices in specific contracts and in the short term fluctuations in pipes' prices have a limited impact on the profitability of specific contracts. Anyway, 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 have influence on 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, 2015, Mr. Zenon Jędrocha, Management Board member, held 30 shares of STALPROFIL S.A. of the total face value of PLN 3,00 and 1,584 shares of subsidiary company IZOSTAL S.A. of the face value of PLN 3,168.00.

To the Company's knowledge on June 30, 2015 no other Management Board or Supervisory Board Member of STALPROFIL S.A. held any issuer's shares. Number of shares held by managing and supervising persons has not changed since the publication of the previous regular report.

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

Table 12 Shareholding structure of STALPROFIL S.A. as on the day of providing the report for H1 of 2015

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%

V. Half-yearly condensed financial statement

Table 1 Financial position report (kPLN)

ASSETS	As on June 30, 2015	As on December 31, 2014	As on June 30, 2014
Non-current assets (long-term)	214 506	190 048	218 815
Tangible fixed assets	67 228	55 655	53 597
Other intangible assets	82	53	24
Long-term financial assets	135 025	119 132	155 713
Deferred income tax assets	12 171	15 208	9 481
Current assets (short-term)	191 527	197 982	197 622
Inventory	116 885	127 431	118 015
Short-term receivables and prepayments, including:	68 697	65 251	71 721
Receivables on account of supplies and services	63 839	63 167	69 142
Receivables on account of income tax	137		388
Short-term financial assets	7	8	9
Currency derivatives	3	178	
Cash and cash equivalents	5 798	5 114	7 489
Total assets	406 033	388 030	416 437

LIABILITIES	As on June 30, 2015	As on December 31, 2014	As on June 30, 2014
Equity	300 505	286 606	310 431
Share capital	1 750	1 750	1 750
Share premium	8 000	8 000	8 000
Spare and reserve capital	198 873	192 064	192 064
Reserve capital from revaluation of assets	89 024	76 233	105 816
Retained and current profit/loss	2 858	8 559	2 801
Long-term liabilities	39 950	35 492	40 616
Provisions	396	396	416
Provision on account of deferred income tax	1 094	750	2 200
Long-term bank loans and credits	37 525	34 346	38 000
Other long-term financial liabilities	935		
Short-term liabilities	65 578	65 932	65 390
Provisions	403	1 213	49
Short-term bank loans and credits	13 317	10 862	6 140
Other short-term financial liabilities	144		
Short-term liabilities and accruals, including:	51 580	53 454	59 195
Liabilities on account of supplies and services	47 835	51 464	55 609
Liabilities on account of income tax		359	
Currency derivatives	134	44	6
Total liabilities	406 033	388 030	416 437

Table 2 Comprehensive income statement (kPLN)

BY-FUNCTION	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Revenues from the sale of products, services, goods and materials	194 377	195 062
Costs of products, services, goods and materials sold	180 131	179 210
Gross profit/loss on sales	14 246	15 852
Other income	563	645
Costs of goods sold	7 585	7 212
Overheads	4 865	4 789
Other costs	45	391
Operating profit/(loss)	2 314	4 105
Financial income	1 875	438
Financial costs	950	1 038
Gross profit (loss)	3 239	3 505
Income tax	381	704
Net operating profit/ (loss)	2 858	2 801
Net profit/(loss) for business year	2 858	2 801
Other comprehensive income	12 791	(6 876)
Gains/(losses) on revaluation of assets (shares in subsidiaries)	15 791	(8 488)
Income tax on revaluation of assets (shares in subsidiaries)	(3 000)	1 612
Total comprehensive income	15 649	(4 075)

	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Profit (loss) per share: (kPLN)		
- basic profit based on financial result of a going concern	0,16	0,16
- basic profit based on the financial result for the business year	0,16	0,16

Table 3 Cash flow statement (kPLN)

INDIRECT METHOD	From Jan 1, 2015 to Jun 30, 2015	From Jan 1, 2014 to Jun 30, 2014
Operating cash flow		
Profit/loss before taxation	3 239	3 505
Item adjustments:	3 230	(4 687)
Depreciation of fixed assets	1 070	1 241
Amortization of intangible assets	14	28
Foreign exchange gains / losses	(48)	
Interest costs and income	571	756
Profit/loss on investment activity	(138)	(47)
Change in provisions	(810)	(1 206)
Change in inventory	10 546	(3 749)
Change in receivables and prepayments	(3 990)	(10 596)
Change in liabilities and accruals	(3 489)	9 394
Paid/refunded income tax	(496)	(508)
Net operating cash flow	6 469	(1 182)
Investment cash flow		
Earnings from the sale of fixed assets and intangible assets	236	47
Earnings from interest	44	52
Expenses on the purchase of tangible fixed assets and intangible assets	10 805	434
Net expenditure on the purchase of subsidiaries and associated entities	102	5 000
Net investment cash flow	(10 627)	(5 335)
Financial cash flow		
Earnings from credits and loans	16 202	8 000
Interest paid	658	808
Other	(189)	
Net financial cash flow	15 355	7 192
Increase/decrease in cash and cash equivalents	11 197	675
Cash, cash equivalents and overdrafts at the beginning of the period	(5 724)	702
Gains/losses on exchange rate differences regarding valuation of cash, cash equivalents and overdrafts	24	
Cash, cash equivalents and overdrafts at the end of the period	5 497	1 377

Table 4 Statement of changes in equity (kPLN)

	Share capital	Share premium	Supplementary capital	Reserve capital from revaluation of assets	Retained and current profit/loss	Total
Balance as on January 1, 2015	1 750	8 000	192 064	76 233	8 559	286 606
Profit/(loss) from valuation of assets (shares in subsidiaries)				15 791		15 791
Income tax on equity items or items carried from equity				(3 000)		(3 000)
Appropriation of net profit			6 809		(6 809)	-
Profit/loss for business year					2 858	2 858
Dividends					(1 750)	(1 750)
Balance as on June 30, 2015	1 750	8 000	198 873	89 024	2 858	300 505
Balance as on January 1, 2014	1 750	8 000	185 900	112 692	7 739	316 081
Profit/(loss) from valuation of assets (shares in subsidiaries)				(45 069)		(45 069)
Actuarial profits / (losses) related to provisions for employee benefits				58		58
Income tax on equity items or items carried from equity				8 552		8 552
Appropriation of net profit			6 164		(6 164)	-
Profit/loss for business year					8 559	8 559
Dividends					(1 575)	(1 575)
Balance as on December 31, 2014	1 750	8 000	192 064	76 233	8 559	286 606
Balance as on January 1, 2014	1 750	8 000	185 900	112 692	7 739	316 081
Profit/(loss) from valuation 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)
Balance as on June 30, 2014	1 750	8 000	192 064	105 816	2 801	310 431

