Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2014 to 30.06.2014

Bochnia, August 2014

Contents:

1. Capital Group's Structure

The Stalprodukt S.A. Capital Group embraces the Parent Company and 10 Subsidiary Companies involved in the below-mentioned segments of activity:

- **Stalprodukt-Centrostal Kraków sp. z o.o. -** wholesale and retail trade of metal products
- **Stalprodukt-Wamech sp. z o.o. -** production of steel constructions, spare parts and rendering alteration services
- **Stalprodukt-Serwis sp. z o.o. -** alteration services
- **Stalprodukt-Zamość sp. z o.o. -** production of construction woodwork
- **Stalprodukt-MB sp. z o.o. -** road construction and maintenance, erection of road safety barriers
- **STP Elbud sp. z o.o. –** production of steel constructions and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o.** - personal and property security services
- **Cynk-Mal S.A.** - production of galvanized hoop iron and wire
- **ZGH „Bolesław" S.**A. - excavation of non-ferrous metal ores and zinc and lead production
- **Anew Institute sp. z o.o. -** designing renewable energy sources

the Level of Parent Company's Shareholding in Subsidiary Companies is as follows:

- in Cynk-Mal – 51 %
- in ZGH „Bolesław" – 86.92 %
- in other companies – 100 % shares each.

The Parent Company's main object of activity is the manufacture of highly processed steel products, i.e. electrical and transformer sheets and strips, cold formed profiles, road safety barriers, toroidal cores and hot- and cold-rolled steel sheets and strips.

The Parent Company and all the Capital Group's Subsidiary Companies were subject to consolidation except for Stalprodukt-Warszawa sp. z o.o. - company under liquidation (as of 30.06.2014 the Company's Extraordinary General Meeting passed a resolution on the conclusion of liquidation proceedings, and on 4.07.2014, the Kraków-Śródmieście District Court in Kraków, 12th Economic Department of the National Court Register deleted the Company's entry from the Register of Entrepreneurs).

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2009, No 152, item 1223 with subsequent amendments), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

2. Assessment of Economic and Financial Standing

In the first half of 2014, the return on sales (ROS) was recorded as follows on particular levels:

Itemization	1st half of 2014	1st half of 2013
Return on sales	3.5	3.1
Operating margin	4.3	3.1
Gross margin	4.0	3.2
Net margin	2.9	2.4

The recorded values of return on assets (ROA) and return on equity (ROE) were as presented below:

Itemization	1st half of 2014	1st half of 2013
Return on assets	1.3	1.1
Return on equity	2.3	1.6

The recorded values of financial liquidity, calculated according to the static approach, were as presented below:

Itemization	1st half of 2014	1st half of 2013
Current ratio	2.0	2.1
Quick ratio	1.0	1.2

In the reporting period the Group recorded a decrease of consolidated sales by PLN 16 011 thousand, i.e. by 1.1% in relation to the ones achieved in the analogical period of the previous year. The decrease resulted from the decline in prices, mainly in the Electrical Sheets Segment, maintained throughout the 1st half of 2014. At the same time, it should be stated that the sales value decrease, expressed both as an absolute value and as a percentage, is only slight. This mainly resulted from the increased sales volumes. In the Profiles Segment the volume increase amounted to 3.2% while in the Steel Sheets Segment the volume increase reached the level of 12.3 %.
The sales volume increase in the Steel Sheets Segment was accompanied by record-low price levels. Compared to the 1st half of 2013, the decline in prices amounted to 11.5 %. Considering the above and the fact that the volumes were increased in spite of the 30% switch-off of the production capacity, related to the modernization of equipment connected with the introduction of the modern transformer sheets technology (HiB), the Steel Sheets Segment's results should receive a positive assessment.
In the 1st half of the year, the Profiles Segment saw a stabilization in prices compared to the 1st half of 2013. The increase of sales volumes by 3.2%, accompanied by the reduced manufacturing costs, resulted in the Segment's higher profitability. The Segment recorded a profit increase by PLN 3.4 million, i.e. by 14.9 %.

In the first half of 2014, the Zinc Segment sales amounted to PLN 655.8 million, which stands for a decrease by 3.2 % in relation to the first half of 2013. The sales achieved by the Zinc Segment reflect the maintained level of London Metal Exchange prices. Even though zinc prices increased by 5.9 %, but lead prices recorded a decrease by 3.5 %, and silver prices decreased by as much as 24.6 %. Despite the lower sales achieved by the Segment, the final result was improved by PLN 5.4 million. The Zinc Segment generated 8.8 % of zinc more than in the comparable period of 2013. The higher rate of return also resulted from the reduction of the manufacturing costs of the products sold.

The Stalprodukt Group's financial standing is good and stable. This is indicated by the basic economic and financial ratios, characterizing economic activities, whose level corresponds to the present market conditions. The Group is not affected by any payment backlogs, consistently pursuing its approved risk management policy Both the Issuer and the majority of the Capital Group companies enjoy financial liquidity and credit capacity. Only Stalprodukt-Centrostal sp. z o.o. is experiencing some financial difficulties in connection with the economic downward trend on the market of steel finished products.

In the ZGH „Bolesław" Group, the company „Gradir Montenegro" is suffering from financial difficulties in connection with its high financial costs and lack of appropriate working capital. In the first quarter of 2014 the subsidiary company ZGH „Bolesław" S.A. conducted talks aimed at selling a block of shares. The transaction details were presented in the Consolidated Financial Report's section - „Other Information" and in current reports disclosed to the public.

Considering the Capital Group's balance sheet structure, no significant changes took place. The assets decreased by PLN 5 million, i.e. by 0.2 %, including the fixed assets decrease by 0.5 %, and current assets increase by 0.4 %. The equity increased by the amount of PLN 13.5 million, i.e. by 0.8 %, and liabilities decreased by PLN 18.5 million, i.e. by 1.5 %.
As a result of the above changes, the book value per ordinary share changed from PLN 261.16 to PLN 263.16.

During the entire reporting period the Group enjoyed very good financial liquidity, which is confirmed by the liquidity ratios maintained at high levels, it punctually settled all its liabilities, both in respect of the employees and suppliers, as well as towards the state budget and financial institutions. During the reporting period only the companies: Stalprodukt-Centrostal Spółka z o.o. and Gradir Montenegro d.o.o based in Niksic (Montenegro) experienced difficulties maintaining the financial liquidity and credit capacity.

In the assessment of the financing banks, the Stalprodukt Capital Group is continuously enjoying good credit capacity while the results achieved and the transparent assets and ownership status allow the Group to obtain multi-form financing for its activities. All the credit lines, which were precisely described in the last Consolidated Financial Report for 2013, are still functioning and are extended by the banks in due time. Most of the credit lines are used as limits for guarantees and letters of credit in current accounts. They, additionally, secure the Group's internal financing sources.

In order to maintain the good financial and liquidity standing, further restructuring undertakings are being carried out in respect of the Company's activities, financing sources and its expansion to new supply and sales markets, rational management of inventories and costs reduction.

The achieved and planned financial results indicate that the undertaken investment projects are not threatened.
The management of financial resources should be recognized as correct, which is confirmed by good economic ratios and maintained financial liquidity and credit capacity as well as punctual settlement of the liabilities incurred.

3. Sales of Basic Products

3.1 Electrical Sheets Segment

- **Transformer Sheets and Strips**

In the first half of 2014, the value of the transformer sheets sold amounted to almost PLN 210 million. This result stands for the increase of the sales volume by 12 % and decrease of the sales value by 0.7 % compared to the analogical period of 2013. The downward trend in the prices was still being felt in the first half of the year though the negotiations conducted in respect of the second half of the year gave a strong signals of the trend's reversal.

The sales conditions were better in the export sales – the sales value was achieved at the previous year's level.
In the 1st half of 2013, the following countries were listed among the main (above 5 %) transformer sheets export directions: India, Italy, Germany, Croatia, Austria and Brazil.

The domestic sales dropped by ¼ in relation to the 1st half of 2013 even though the domestic sales accounted for merely 3% of the total transformer sheets sales.

Market Environment
Most transformer sheets producers started the year 2014 with a resolution to reverse the unfavorable price trend in the industry. The economic slowdown, maintained for a few years, brought the electrical sheet prices down to a very low level and its potential growth is, additionally, obstructed by the supply-demand disproportion. The growth of production potential mostly concerns Chinese manufacturers.

The first significant attempt at the introduction of price increases was made by Japanese manufacturers. In January, they proposed a price increase for high steel grades at the level of 100 USD/T. Although this proposal was not accepted instantly, the move taken by these producers became exemplary to others. Thus, the beginning of the year marked the period of lowest possible sheet steel prices ever recorded in the past few years, however, in the following months the trend started to reverse gradually.

One should, however, expect that the overproduction problem will not disappear instantly. At present, many manufacturers are focused on surviving, mainly trying to sell conventional electrical grain-oriented sheets (CGO). Others are trying to specialize themselves in manufacturing the high quality sheets, such as Hi-B (Japanese companies, Korean Posco and Chinese Baosteel).

India has been an attractive market for transformer sheets producers already for a few years now. This market is exceptionally absorptive, and, according to forecasts, its absorptivity will still be growing in the years to come. According to the TechSci Research Report the compound annual growth rate (CAGR) will increase by 14% at the Indian transformer market in the years 2013-2018. It is expected that the growth will be possible thanks to the investment projects to be launched by the Indian government within the framework of the twelfth ”5-year plan”. According to the plan, approximately USD 200 billion will be appropriated for investments aimed at the improvement and development of the energy infrastructure. In their report TechSci claim that the government decided to limit the transformers imports from China and Korea and that the stricter import procedures in respect of electrical grain-oriented sheets (GO) are also supposed to serve the domestic production of transformers.

On the other hand, assessing the US market condition after the introduction of antidumping customs duties, analysts unanimously claim that the US authorities, definitely, harmed their domestic market more than the external suppliers. The AK Steel and ATI explain that the reason behind the petition was the will to get protected against the dumping prices. However, there is only scarce evidence supporting the thesis that the imported volumes really affected the market adversely. Foreign suppliers were trying not to sell their products in the USA at prices lower than the US manufacturers' base price. As it, consequently, turned out, instituting the antidumping procedures against all the US external suppliers, Americans made their biggest transformer producers transfer their production outside the US borders (Canada, Mexico).

- **Toroidal Cores**

In the 1st half of 2014, the sales value of toroidal cores and laminations amounted to PLN 5.4 million (increase by 7 % on a year-to-year basis), which was accompanied by the volumes increase by 20 % in relation to the 1st half of 2013. The absence of analogy between the volume and value increases was caused by the 11-per cent decline in prices.
The sales structure was markedly changed in favor of the exports increase – at present export sales account for 61 % and domestic sales, respectively, 39 % (the structure in the 1st half of 2013 was: 49 % exports / 51 % domestic sales).

Market Environment

The toroidal cores market conditions are connected with the transformer sheets market conditions. European cores producers, in possession of excessive production capacities, apply aggressive sales policies, consisting in price reductions and extended payment deadlines. Additionally, the transformer sheets overproduction and easy access to strips (through steel service centers) enable the purchase of charge materials at relatively low prices.
A new trend is marked by reverse diversification, i.e. transformer producers launching their own production of toroidal cores.

3.2 Profiles Segment

- **Cold Formed Profiles**

In the 1st half of 2014, the Group achieved a 10-per cent increase of sales volumes and 8-per cent increase of sales values (in excess of PLN 274.5 million) in respect of cold-formed profiles and tubes, as compared to the 1st half for 2013.
In the present sales structure domestic sales account for 2/3 and exports for 1/3.

According to the data disclosed by the Metallurgical Chamber of Industry and Commerce *(HIPH – Hutnicza Izba Przemysłowo-Handlowa)* in Poland, in the period from January to June 2014, 445 thousand tons of tubes were produced (increase by 6 %), including the production of:
-seamless tubes, reaching the level of 72 thousand tons (increase by 8 %),
- welded tubes reaching the level of 372 thousand tons (increase by 6 %), cold-formed closed profiles - 274 thousand tons (increase by 6 %).

Whereas, the data on the tubes apparent consumption in the period from January to May 2014 are as follows:
- total apparent consumption of tubes: 454 thousand tons (increase by 0.2 %), including seamless tubes: 78 thousand tons (increase by 3 %); welded tubes: 377 thousand tons (decrease by 0.4 %), including cold formed closed profiles: 245 thousand tons (increase by 12 %).

After the initial five months of the current year, the imports of profiles and tubes (typical of the Group's manufacturing profile) to Poland only slightly exceeded 89 thousand tons. This result accounts for a 27-per cent increase over the previous year.

Market Environment

In the 1st quarter of 2014, the EU steel works manufactured 3.2 per cent more tubes than in the analogical period of 2013. The production of tubes of the smallest diameters, used, among others, in the motor and construction industries and also large-size transmission pipes, is developing most dynamically.

Throughout 2014, tube production in the UE is expected to increase by 2.7 per cent, and in 2015 – by 3.6 per cent.

The Polish market conditions became difficult due to the massive competition and growing share of imports. Poland is not the only country affected by this problem, in fact the whole Europe is. According to EUROFER, the imports will still retain their high level this year and in the next year if third countries will still be aggressively depositing their surpluses on international markets. This would be a very bad signal to the European metallurgical industry, which has already been suffering from an enormous pressure exerted on the profit margins.

The first half of 2014 was quite difficult for the profiles market and the prices were subject to a slight, but noticeable downward trend. However, in the middle of the year, the conditions started to improve and, at present, the market is slowly returning to the norm. The symptoms of market recovery and increased demand for profiles can be seen in such sectors as: railways, construction or power sector. However, it is far too early for full optimism. Many of the planned infrastructural investments, which are expected to generate the greatest demand for steel profiles, are still at the stage of tender procedures and the prospects of their implementation are distant.

- **Road Safety Barriers**

It is difficult to compare the 1st half of 2014 to the analogical period of the previous year. In 2013, the Group recorded a substantial decrease of sales proceeds in this range of products as, because of the unfavorable weather conditions, sales opportunities were extremely limited.
In 2014, a definite improvement can be observed; an increase of sales volumes by 48 % in relation to the 1st half of 2013 as well as an increase of barrier sales value by 44 % were recorded, which stands for approximately PLN 47.7 million of sales proceeds.

Market Environment

Because of the absence of big orders for the supply and erection of barriers, Stalprodukt S.A. concentrated on winning smaller orders, whose the implementation deadline falls on the 2nd half of 2014.

Despite the fact that numerous bids were opened in the 1st and 2nd quarter of the current year, most of the procedures have not yet been resolved. The period between the bid opening, contractor's selection and signing of a contract ranges from 3 to 6 months. Consequently, the majority of the construction projects will start to be carried out in the 2nd half of 2014. Considering the project completion time, ranging from 18 to 36 months, it should be stated that in 2015, barriers erection will only be possible to a limited degree within the planned investment projects. This means, that in respect of the road barriers sales, the year 2015 may turn out to be poorer than 2014. Due to the above described circumstances, a remarkable improvement can be expected in the years 2016 – 2020.

Products of Steel Service Centers

Despite the fact that plans have been made to increase the sales of products offered by the steel service centers, the achievements to this end are unsatisfactory.
In the first half of 2014, the sales value of the steel service centers' products amounted to PLN 56.6 million, which translates to the decreases (both in terms of the sales volume and value) of about 1/3 compared to the analogical period in 2013.
The sales were mostly oriented towards the domestic market (88 % of total sales).

In the first half of the year both the imports of cold-rolled and hot-rolled steel sheets increased by over 20%, which, apart from the low prices and significant overproduction, was an additional factor directly affecting the market conditions.

Market Environment

The steel service centers market conditions fluctuated differently for particular market players – some noticed a slight market recovery, others are continuing their big investment projects and still others have not yet noticed the increase of demand and assess the market conditions negatively. The main features of this market are the low prices and significant overproduction. In the Polish Union of Steel Distributors (PUDS) member-companies – the processing capacities total 3.66 million tons per year (31 slitting lines and 41 cut-to-length lines). PUDS assesses the potential of the entire Polish steel service centers' market as totalling 6.5 million tons per year.

PUDS assesses that the demand for the steel service centers' services will be driven by the infrastructural undertakings and growing production in the sectors, traditionally, connected with sheet steel processing, such as motor industry and household appliances industry. The PUDS optimistic prospects are supported by the recovery in the machine industry, among rolling stock producers and in the broadly-defined construction industry.

3.3. Zinc Segment

In the 1st half of 2014, the Zinc Segment net sales totaled PLN 655 832 thousand and, in relation to the comparable period of the previous year when the sales amounted to PLN 677 798 thousand, decreased by 3.2 %.
The net sales achieved in the 1st half of 2014 reflect the quite low LME prices level. Even though the zinc prices increased by 5.9 %, but lead prices recorded a decrease by 3.5 %, while silver prices decreased by as much as 24.6 %.

The prices of metals fundamental for ZGH „Bolesław" S.A. and its subsidiary companies were as follows:

1st half of 2014:
- Average LME zinc price – USD/T 2051
- Average LME lead price – USD/T 2101
- Average LME silver price - USD/oz. 20.05

USD exchange rate PLN 3.0466

1st half of 2013:
- Average LME zinc price – USD/T 1937
- Average LME lead price – USD/T 2177
- Average LME silver price – USD/oz. 266

USD exchange rate PLN 3.1803

The lower sales achieved in the 1st half of 2014 have resulted from the lower lead and silver sales levels. In the 1st half of 2014, the base prices of these metals were lower as well as their sales volumes.

The volumes decreases in relation to the 1st half of 2013 reached: 24.1% in the case of lead and 24.9 % in the case of silver.
Whereas the zinc sales were higher by 3.3%, due to the sales volumes increased by 2.7 thousand tons and base prices higher by 1.5%. However, this increase did not cover the lead and silver decreases.

4. Basic Threats and Risks Associated with the Remaining Months of the Reporting Year

4.1. Global and Domestic Economic Conditions

This year's economic conditions have been significantly improved over the previous year's ones, which is confirmed by the GDP growth rate in the first half of 2014. The growth concerned reached the level of 3.4 % in the first quarter and 3.2 % in the second quarter of the current year. (For comparison, in the analogical periods of 2013 the GDP growth rate indicators reached the levels of, respectively, 0.4 % and 0.8 %). Despite the fact that in the recent weeks the 201 GDP growth forecasts have been reduced in Poland (due, among others, to the fears of the Ukrainian crisis impact on the exporters' position), it still seems possible that the economic growth will reach 3 % in the current year. The new EU financial perspective, approved for the years 2014-2020, within the framework of which successive infrastructural investments will be financed, gives a development opportunity to such industries as construction or steel structures sector. This will, in turn, be hospitable to the growth of steel products consumption.

According to the Eurostat's data, Poland is listed among the three fastest developing European Union countries, i.e. following Hungary (GDP growth 3.7 per cent) and Latvia (3.5 per cent). Also Great Britain recorded a relatively high economic growth (3.1 per cent). However, the German economy's growth rate has been decreasing – in the second quarter, this country's GDP increased in the second quarter, on a year-to-year basis, by 1.3 per cent, but decreased in relation to the previous quarter by 0.2 per cent.

4.2. Steel Industry Condition and its Market Environment

After the difficult year 2013, the steel industry condition should undergo systematic improvements. The steel demand will be growing along with the launched infrastructural investments, financed from the EU budget. The undertakings carried out in the domestic power sector (construction of new power units) and rail industry (network modernization) provide big opportunities for the industry. All these projects generate a big demand for metallurgical products. Likewise the construction industry, which is slowly recovering. The still remaining problem is the issue of payment backlogs and weak condition of some customers. In effect, we still have to finance our recipients' activities to an excessive degree.

The improved condition of the Polish steel industry is confirmed by the crude steel volume data in respect of the 1st half of the current year. In this period 4.2 million tons of steel were produced, which accounts for an over 9-per cent increase over the previous year.

The condition of the European steel industry was also improved. In the first quarter, the EU demand for steel increased by 7 per cent, on a year-to-year basis. This reflects the intensified activity on the part of end-users resulting in the distributors' and users' need to restock their inventories. The second quarter estimated data confirm this trend is going to continue.

In accordance with the Eurofer Association's forecasts, in the current year, the growth of steel consumption should occur in the key industrial sectors, such as: construction, machine industry, machine engineering, motor industry, household equipment industry, production of steel tubes and other steel products etc. Consequently, Eurofer assumes both the growth of apparent steel consumption (increase by 3.2% against the 0.5% decrease in 2013), and real steel consumption (increase by 1.9 % against 1.9 % decrease in 2013) in 2014.

Development Forecasts for the Group's Particular Operating Segments

Electrical Sheets Segment

In the recent years, the dynamic development of the global transformer steel production capacity and its excessive supply in relation to the reported demand, have been the main problems of the Electrical Sheets Segment. The situation may further worsen if successive investment projects, oriented towards the expansion of production capacity, will be streamlined although such a scenario is very unlikely at the present moment.

The increasing demand, observed at the beginning of the year, and also the reversal of the unfavorable price trends, to have been maintained for the several recent quarters, are also worth noting. Market signals confirm that the price increases have a permanent character and will be continued in the second half of the year.

Profiles Segment

In the 2nd half of 2014, market conditions should be similar to the ones typical of the initial six months of the current year, which stands for the retention of a slight sales volumes increase in the entire profiles segment, as compared to the previous year, considering similar price levels. Better results should be achieved in the profiles and road barriers product groups, whereas poorer results are expected in the group of steel service centers, whose competitive position is poor.

4.3 Exchange Market Zinc and Lead Price Levels

The Zinc Segment's results are closely connected with the exchange market prices for such metals as: zinc, lead and silver. The Group has no influence over the fluctuation of these metals' prices as the same are dependent on numerous external factors.

The increase of exchange market prices in the 1st half of 2014 over the analogical period of 2013, and also the continuation of this favorable price trend at the beginning of the 3rd quarter of the current year provide this Group's Segment with an opportunity to improve its results in the 2nd half of the current year and also in the entire year 2014.

4.4 Ukrainian Crisis Impact on Supply Markets

Ukrainian steel works are an important source of charge material supply necessary in profiles production. The intensification of the Ukrainian crisis may cause limitations in supplies from this direction, which, if larger purchases from other suppliers may prove necessary, may adversely affect the production costs and, thus, the level of profitability achieved by the Group in this production segment.

5. Other Information

5.1. Changes in the Group's Structure

- As of 2 December 2013, the Extraordinary Meeting of Shareholders of Bol-therm Sp. z o.o., Bolsped Sp. z o.o. and General Meeting of Shareholders of the Boloil S.A. company, passed resolutions on the merger of the above mentioned companies, consisting in the transfer of the entire assets of the Boloil S.A. company and Bolsped Sp. z o.o. company (as the two merged companies - Acquirees) in favor of the Bol-therm Sp. z o.o. company (the merging company - Acquirer) under art. 492 par. 1 subpar. 1 of the Code of Commercial Companies. As of 31 December 2013, Kraków-Śródmieście District Court in Kraków, 12th Economic Department made recorded (File No: KR.XII NS-REJ.KRS/22626/13/820) the above described merger of the companies: Boloil S.A., Bolsped Sp. z o.o. and Bol-therm Sp. z o.o. in the Acquirer's i.e. Bol-therm Sp. z o.o's .register, (National Court Register No KRS: 000030681). At the same time, the change in the company's business name from Bol-therm Sp. z o.o. to Boltech Sp. z o.o. was recorded. The 1 January 2014 is the companies' merger day (Acquisition Day).

- As of 30 June 2014, the Extraordinary Meeting of Shareholders of the company: Stalprodukt - Warszawa Sp. z o.o. under liquidation – passed the Resolution No 3/2014 concerning the completion of the liquidation proceedings, and as of 4 July 2014, the Kraków-Śródmieście District Court in Kraków, 12th Economic Department of the National Court Register cancelled the company's business registration.

5.2. Management Board's Standpoint on Potential Realization of Previously Published Forecasts

The Capital Group does not publish any forecasts of financial results.

5.3. Listing of Shareholders, Entitled Directly or Indirectly Through Subsidiaries, To At Least 5% of the General Number of Votes at the General Meeting of Shareholders

1. ArcelorMittal Poland S.A. holding 2 270 800 shares, accounting for 33.77 % of capital share and 6 846 800 votes, accounting for 38.20 % of the total number of votes at the General Meeting of Shareholders.
2. STP Investment S.A. holding 1 959 725 shares, accounting for 29.14 % of capital share and 5.899.941 votes, accounting for 32.92 % of the total number of votes at the General Meeting

of Shareholders.

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

5.4. Listing of Managerial and Supervisory Officers Holding Stalprodukt Shares

1. Managerial Officers:
- Piotr Janeczek - holding 114 865 shares
- Józef Ryszka - holding 504 shares

2. Supervisory Officers:
- Stanisław Kurnik - holding 2 900 shares
- Maria Sierpińska - holding 11 880 shares
- Kazimierz Szydłowski - holding 7 012 shares
- Janusz Bodek - holding 62 640 shares

The above information stand in accordance with the Company's status of knowledge as of the day the report was issued.

5.5. Listing of Proceedings Pending in Court, Arbitration Tribunal or Public Administration Agency

The Group is not a party to any pending court proceedings, the object of which are liabilities or receivables of the Parent Company or any subsidiary company thereof, of value amounting to at least 10 % the Parent Company's equity.

5.6. Transations with Associated Companies

The transactions with associated companies in the 1st half of 2014 are concerned with:
- sales of products and goods to the companies within the Stalprodukt Capital Group,
- rendering services to Stalprodukt S.A. by its subsidiary companies.

These are typical and routine transactions, rendered on a continuous basis, concluded according to market conditions, within the Capital Group and resulting from the on-going operating activities.

On 25 June 2014, the company ZGH „Bolesław" S.A. granted a loan to the subsidiary company: Gradir Montenegro d.o.o. amounting to USD 1 000 thousand. The single-time repayment will take place on 31 December 2015.

As of 4 July 2014, Stalprodukt S.A. extended the previously granted guarantee for the Nordea Bank Polska S.A. in respect of the liabilities incurred by Stalprodukt-Centrostal Kraków Sp. z o.o. in respect of the current account credit, amounting to PLN 20 000 thousand. The guarantee was granted for the period of one year.

No other material transactions with associated companies took place in the reporting period.

5.7. Information on Granted and Obtained Loans, Sureties and Guarantees

In the reporting period, the Stalprodukt Company and its subsidiary companies did not grant any loans or credits, guarantees or sureties, jointly amounting to at least 10 % of the Issuer's equity.

5.8. Other Information Essential for the Assessment of the Staffing, Property and Financial Standing, Financial Result and Changes Thereof and Essential for the Assessment of the Group's Capacity to Settle Liabilities

All the information essential for the assessment of the staffing, property and financial standing, financial result and changes thereof and essential for the assessment of the Group's capacity to settle its liabilities, are included herein or in the „Additional Information" sheet.

5.9. Factors Likely To Affect the Group's Results In the Perspective of At Least the Coming Quarter

In the Issuer's assessment, the factors likely to affect the Group's results in the perspective of, at least, the coming quarter shall be:

- fluctuating transformer sheets price levels,
- fluctuating charge material prices,
- political developments in the eastern Ukraine,
- fluctuating prices and demand for the Company's products, especially in the profiles segment,
- exchange market metal price levels, in respect of such metals as zinc and lead,
- fluctuating currency exchange rates,
- global and European economic conditions connected with the continued financial crisis.

5.10. Composition of Management Board's and Supervisory Board

<u>Management Board Composition</u>

In the period from 1 January 2014 to 30 June 2014, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board
Józef Ryszka - Member of the Board

Supervisory Board Composition

In the period from 1 January 2014 to 30 June 2014, the Stalprodukt Supervisory Board was composed of:

Stanisław Kurnik	- Chairman of the Supervisory Board
Maria Sierpińska	- Vice-Chairman of the Supervisory Board
Kazimierz Szydłowski	- Secretary
Janusz Bodek	- Member
Sanjay Samaddar	- Member
Tomasz Plaskura	- Member
Tomasz Ślęzak	- Member

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