



REPORT FOR THE FIRST HALF YEAR 2013

Drawn up in accordance with the
INTERNATIONAL STANDARDS OF FINANCIAL REPORTING

TABLE OF CONTENTS

INTRODUCTION TO THE FINANCIAL STATEMENT	4
I. NAME (FIRM) AND SEAT, BASIC SUBJECT OF THE ACTIVITY AND INDICATION OF THE COMPETENT COURT KEEPING THE REGISTER	5
II. DURATION OF THE COMPANY ACTIVITY.....	6
III. PERIOD COVERED BY THE FINANCIAL STATEMENT.....	6
IV. INFORMATION ABOUT THE FINANCIAL STATEMENT THE COMPOSITION OF WHICH COMPRISES THE INTERNAL ORGANISATION UNITS DRAWING UP INDIVIDUAL FINANCIAL STATEMENTS	6
V. INFORMATION REFERRING TO THE FINANCIAL STATEMENT WHICH WAS DRAWN UP WITH THE ASSUMPTION OF THE CONTINUITY OF THE BUSINESS ACTIVITY BY THE COMPANY TOGETHER WITH INDICATING THE CIRCUMSTANCES SHOWING THE SERIOUS THREAT FOR THE CONTINUITY OF THE BUSINESS ACTIVITY	6
VII. DESCRIPTION OF THE IMPORTANT APPLIED ACCOUNTING PRINCIPLES.....	6
SHORTENED FINANCIAL STATEMENT	13
I. SELECTED FINANCIAL DATA WITH CALCULATION IN EURO	14
II. REPORT ON FINANCIAL SITUATION DRAWN UP FOR THE DAY OF 30TH JUNE 2013.....	15
III. REPORT ON THE TOTAL REVENUES FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013 (CALCULATION VARIANT)	16
IV. REPORT ON THE CHANGES IN EQUITIES FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013	17
V. REPORT ON THE CASH FLOWS FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013 (INDIRECT METHOD).....	19
VI. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENT DRAWN UP FOR THE DAY OF 30TH JUNE 2013	20
1. TANGIBLE FIXED ASSETS	20
2. OTHER INTANGIBLE ASSETS	24
3. INVESTMENT REAL ESTATE	25
4. GOODWILL.....	25
5. SHORT-TERM AND LONG-TERM FINANCIAL ASSETS	25
6. INVENTORIES	26
7. RECEIVABLES AND PREPAYMENTS	27
8. INCOME TAX RECEIVABLES	28
9. LIABILITIES AND ACCRUALS	28
10. CREDITS AND LOANS	30
11. OTHER FINANCIAL LIABILITIES	31
12. INCOME TAX LIABILITIES.....	31
13. PROVISIONS	31
14. PENSION PROVISIONS AND OTHERS	33
15. GUARANTEES	34
16. EXTRA BALANCE ITEMS INCLUDING CONDITIONAL LIABILITIES	34

17.	AGREEMENTS OF OPERATIONAL LEASING	35
18.	LIABILITIES DUE TO FINANCIAL LEASING	35
19.	BONDS CONVERTIBLE ON SHARES	36
20.	INITIAL CAPITAL	37
21.	SURPLUS FROM THE SALE OF SHARES OVER THEIR NOMINAL VALUE	37
22.	RESERVE AND SUPPLEMENTARY CAPITAL	37
23.	OWN SHARES	38
24.	DIVIDENDS	38
25.	UNCERTAINTY OF BUSINESS CONTINUITY	38
26.	MERGER OF ECONOMIC ENTITIES	38
27.	INCOMES FROM SALES OF PRODUCTS, GOODS AND MATERIALS	38
28.	DATA REFERRING TO THE PRIME COSTS	39
29.	BASIC DATA REFERRING TO THE EMPLOYMENT	39
30.	FINANCIAL COSTS AND REVENUES	40
31.	STATE SUBSIDIES	40
32.	OTHER OPERATIONAL COSTS AND INCOMES	41
33.	INCOME TAX	41
34.	CONSTRUCTION AGREEMENTS	44
35.	TRANSACTIONS WITH RELATED ENTITIES	44
36.	PROFIT FOR ONE SHARE	45
37.	CASH AND ITS EQUIVALENTS	46
38.	FINANCIAL INSTRUMENTS	46
39.	EXPLANATIONS REFERRING TO THE INTERNATIONAL STANDARDS OF FINANCIAL REPORTING AND THE INFORMATION ABOUT THE COMPARABILITY OF PRESENTED DATA.	50
40.	EVENTS AFTER THE BALANCE SHEET DATE	50
41.	REMUNERATION OF THE CHARTERED ACCOUNTANT	50
42.	ACCEPTANCE OF THE FINANCIAL STATEMENT TO BE PUBLISHED	50

MANAGEMENT BOARD'S REPORT ON THE ACTIVITY OF IZOSTAL S.A. IN FIRST HALF OF YEAR 2013 51

I.	DISCUSSION OF BASIC ECONOMIC AND FINANCIAL VALUES PRESENTED IN THE ANNUAL FINANCIAL REPORT	52
II.	DESCRIPTION OF SIGNIFICANT RISK FACTORS AND DANGERS	55
IV.	INFORMATION ABOUT THE CORE PRODUCTS, GOODS AND SERVICES TOGETHER WITH SPECIFICATION OF THEIR VALUE AND QUANTITY	56
V.	INFORMATION ABOUT THE TRADE MARKETS WITH THE DIVISION INTO DOMESTIC AND FOREIGN ONES AND THE INFORMATION ABOUT THE SOURCES OF SUPPLIES OF MATERIALS TO PRODUCTION, IN GOODS AND SERVICES	57
VI.	INFORMATION ABOUT CONCLUDED AGREEMENTS WHICH ARE SIGNIFICANT FOR THE ISSUER'S ACTIVITY	58
VII.	INFORMATION ABOUT ISSUER'S ORGANISATIONAL OR CAPITAL CONNECTIONS WITH OTHER ENTITIES AND SPECIFICATION OF ITS MAIN DOMESTIC AND FOREIGN INVESTMENTS	59
VIII.	INFORMATION ABOUT SIGNIFICANT TRANSACTIONS CONCLUDED BY THE ISSUER OR DEPENDENT ENTITY WITH THE RELATED ENTITIES ON THE CONDITIONS OTHER THAN THE MARKET ONES	59
IX.	INFORMATION ABOUT THE AGREEMENTS REFERRING TO CREDITS AND LOANS TAKEN AND TERMINATED IN A GIVEN ACCOUNTING YEAR	59
X.	INFORMATION ABOUT LOANS GRANTED IN A GIVEN ACCOUNTING YEAR	60
XI.	INFORMATION ABOUT GUARANTEES AND WARRANTIES OBTAINED AND GRANTED IN THE GIVEN ACCOUNTING YEAR....	61

XII. DESCRIPTION OF THE USE OF INCOMES FROM ISSUE BY THE ISSUER TO THE MOMENT OF DRAWING UP THE STATEMENT.	62
XIII. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND THE FORECASTS OF RESULTS FOR A GIVEN YEAR ANNOUNCED BEFORE	62
XIV. ASSESSMENT REFERRING TO THE FINANCIAL RESOURCES MANAGEMENT WITH JUSTIFICATION	63
XV. ASSESSMENT OF THE POSSIBILITY TO REALIZE INVESTMENT INTENTIONS	64
XVI. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S COMPANY AND THE DESCRIPTION OF THE DEVELOPMENT PROSPECTS OF THE ISSUER'S ACTIVITY AT LEAST TO THE END OF THE ACCOUNTING YEAR	64
XVII. CHANGES IN THE BASIC RULES OF THE ISSUER'S ENTERPRISE MANAGEMENT	69
XVIII. ALL AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND THE MANAGING PERSONS ASSUMING THE COMPENSATION IN THE CASE OF THEIR RESIGNATION OR DISMISSAL FROM TAKEN POSITION	69
XIX. VALUE OF REMUNERATIONS, REWARDS OR BENEFITS OF THE PERSONS MANAGING OR SUPERVISING THE ISSUER	70
XX. SPECIFICATION OF THE TOTAL NUMBER AND NOMINAL VALUE OF ALL ISSUER'S SHARES AND SHARES BEING POSSESSED BY THE PERSONS MANAGING AND SUPERVISING THE ISSUER	70
XXI. LIST OF SHAREHOLDERS POSSESSING AT LEAST 5% OF VOTES IN WZA [GENERAL MEETING OF SHAREHOLDERS]	70
XXII. INFORMATION ABOUT THE AGREEMENTS KNOWN TO THE ISSUER AS A RESULT OF WHICH THE CHANGES IN THE PROPORTIONS OF SHARES POSSESSED BY THE CURRENT SHAREHOLDERS MAY OCCUR	72
XXIII. OTHER INFORMATION ABOUT THE CONTROL SYSTEM OF EMPLOYEES' SHARES.....	72
XXIV. INFORMATION ABOUT THE AGREEMENT WITH THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS	72
XXV. THE MANAGEMENT BOARD'S STATEMENTS.....	73
XXVI. THE MANAGEMENT BOARD'S STATEMENT	73



INTRODUCTION TO THE SHORTENED FINANCIAL STATEMENT

DRAWN UP FOR THE PERIOD OF 6 MONTHS ENDED ON 30TH JUNE 2013

I. NAME (FIRM) AND SEAT, BASIC SUBJECT OF THE ACTIVITY AND INDICATION OF THE COMPETENT COURT KEEPING THE REGISTER

Izostal Spółka Akcyjna (Izostal S.A.) with its registered office in Zawadzkie was formed on the basis of the notary deed of 14th July 1993. It was registered by the Economic Court in Opole on 3rd August 1993 with number RHB 1899. The company was entered to the National Court Register (KRS) on 23rd April 2001 in the District Court VIII Economic Division of KRS in Opole with number 0000008917.

The subject of the activity of Izostal S.A. is performing the production and trade activity and in particular:

- Treatment and coating of metals (25.61.Z.)
- Wholesale of hardware, plumbing and heating equipment and supplies (46.74.Z)
- Manufacture of other plastic products (22.29.Z)
- Manufacture of plastic plates, sheets, tubes and profiles (22.21.Z)
- Recovery of sorted materials (38.32.Z)
- Construction of utility projects for fluid (42.21.Z)
- Other financial service activities, except insurance and pension funding n.e.c. (64.99.Z)
- Other business support service activities n.e.c. (82.99.Z).
- Technical testing and analysis (71.20.B)
- Research and experimental development on biotechnology (72.11.Z)
- Other research and experimental development on natural sciences and engineering (72.19.Z)
- Machining (25.62.Z)
- Repair of fabricated metal products (33.11.Z)
- Trade of electricity (35.14.Z)
- Non-specialised wholesale trade (46.90.Z)
- Freight rail transport (49.20.Z)
- Freight transport by road (49.41.Z)
- Warehousing and storage (52.10.B)
- Engineering activities and related technical consultancy (71.12.Z)
- Renting and leasing of other machinery, equipment and tangible goods n.e.c. (77.39.Z)
- Other manufacturing n.e.c. (32.99.Z)
- Manufacture of metal structures and parts of structures (25.11.Z)
- Manufacture of other fabricated metal products n.e.c. (25.99.Z)
- Wholesale of metals and metal ore (46.72.Z)
- Wholesale of waste and scrap (46.77.Z)

The composition of the Supervisory Board on 30th June 2013 was as follows:

- Jerzy Bernhard – the President of the Supervisory Board
- Jan Chebda – the Secretary of the Supervisory Board
- Andrzej Baranek – the member of the Supervisory Board
- Jan Kruczak - the member of the Supervisory Board
- Lech Majchrzak - the member of the Supervisory Board
- Adam Matkowski - the member of the Supervisory Board

The composition of the Management Board on 30th June 2013 was as follows:

- Marek Mazurek – the President of the Management Board, the General Manager
- Jacek Podwiński – the vice-president of the Management Board, the Commercial Manager

II. DURATION OF THE COMPANY ACTIVITY

The company has been formed for the unlimited time period.

III. PERIOD COVERED BY THE FINANCIAL STATEMENT

The half-year financial statement presents data for the day of 30th June 2013 and for the period from 1st January 2013 to 30th June 2013 together with the comparative data for the analogical periods of year 2012.

IV. INFORMATION ABOUT THE FINANCIAL STATEMENT THE COMPOSITION OF WHICH COMPRISES THE INTERNAL ORGANISATION UNITS DRAWING UP INDIVIDUAL FINANCIAL STATEMENTS

Izostal S.A. does not possess internal organisational units drawing up individual financial statements.

V. INFORMATION REFERRING TO THE FINANCIAL STATEMENT WHICH WAS DRAWN UP WITH THE ASSUMPTION OF THE CONTINUITY OF THE BUSINESS ACTIVITY BY THE COMPANY TOGETHER WITH INDICATING THE CIRCUMSTANCES SHOWING THE SERIOUS THREAT FOR THE CONTINUITY OF THE BUSINESS ACTIVITY

This financial statement has been drawn up with the assumption that the business activity shall be continued.

VI. INFORMATION ABOUT THE FINANCIAL STATEMENT DRAWN UP FOR THE PERIOD IN WHICH THE COMPANIES MERGED

There was no merger of Companies in the audited period.

VII. DESCRIPTION OF THE IMPORTANT APPLIED ACCOUNTING PRINCIPLES

The financial statement of Izostal S.A. has been drawn up in accordance with the International Financial Accounting Standard (IFRS) accepted by the European Union and in the scope required by the Ordinance of the Minister of Finance dated 19th February 2009 concerning the current and periodical information which the issuers of securities submit (Journal of Laws no 33 item 259 with further amendments) and covers the period from 1st January to 30th June 2013 and the comparative period from 1st January to 30th June 2012.

The presented financial statement complies with all IFRS requirements accepted by the European Union and presents the financial and proprietary situation of the Company for 30th June 2013 and 30th June 2012, its results and cash flows for the period from 1st January 2013 to 30th June 2013 and from 1st January 2012 to 30th June 2012 in a reliable way.

This financial statement together with the data for the I half of year 2013 was subject to the audit of an independent chartered accountant and the data referring to year 2012 come from the audited financial statement.

Application of the new and verified IFRS standards

Standards and interpretations applied for the first time in year 2013.

In year 2013 the Company accepted the following new and updated standards and interpretations issued by the Council of International Accounting Standards and the Committee to Interpret the International Accounting Standards and the standards approved to be applied in the European Union which are used to the activity run by it and binding in the annual accounting periods from 1st January 2013:

- IFRS 13 "Fair value measurement" (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IAS 19 "Employee benefits" – amendments to the accounting of benefits after the employment period (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IAS 1 "Presentation of financial statements" – presentation of the components other total incomes (binding in respect to annual periods commencing on 1st July 2012 or after this date),
- Interpretation of IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (binding in respect to annual periods commencing on 1st January 2013 or after this date),

- Amendments to IFRS 1 “First-time Adoption of International Financial Standards” – Heavy hyperinflation and removal of rigid terms for the ones applying IFRS for the first time (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - compensating financial assets and liabilities (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IFRS 1 “First-time Adoption of International Financial Standards” – Government loans (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IAS 12 “Income taxes” – Deferred tax: performance of assets (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to different standards “Improvements to IFRS (2012)” – amendments performed within the procedures of initiating annual improvements to IFRS published on 17th May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) directed mainly to solve inconsistencies and to specify the vocabulary (binding in respect to annual periods commencing on 1st January 2013 or after this date),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – transfer of financial assets approved by the EU on 22nd November 2011 (binding in respect to annual periods commencing on 1st July 2011 or after this date).

The acceptance of the aforementioned standards and interpretations has not caused any significant amendments in the accounting policy of the Company or in the presentation of financial statements.

Standards and interpretations which have been published to be approved and to be used in the EU but have not been introduced yet

On the day of this statement preparation, the Company did not use the following standards, amendments of standards and interpretations which have been published and approved to be applied in the EU but have not entered in force yet:

- IFRS 10 “Consolidated Financial Statements” (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- IAS 27 (amended in year 2011) “Separated Financial Statements” (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- IAS 28 (amended in year 2011) “Investments in Associates and Joint Ventures” (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- IFRS 11 “Joint Arrangements” (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- IFRS 12 “Disclosures of Interests in Other Entities” (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- Amendments to IAS 32 “Financial Instruments: Presentation” – compensation of financial assets and liabilities (binding in respect to annual periods commencing on 1st January 2014 or after this date),

The company decided not to take advantage of the possibility to apply the aforementioned amendments to the standard earlier.

Standards and interpretations accepted by RIAS which have not been approved by the EU yet

IFRS in a shape approved by the EU do not differ from the regulation accepted by the Council of International Accounting Standards (RIAS) in a significant way at present, except for the following standards, amendments to standards and interpretations which according to the status for 28th August 2013 were not accepted to be used:

- IFRS 9 “Financial Instruments” (binding in respect to annual periods commencing on 1st January 2015 or after this date),
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – obligatory date of binding and interim provisions,
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – obligatory date of binding and interim provisions,

- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” – explanations about interim provisions (binding in respect to annual periods commencing on 1st January 2014 or after this date),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” – investment units (binding in respect to annual periods commencing on 1st January 2014 or after this date),

According to the Company estimates, the aforementioned standards, interpretations and amendments of standards would not have had a significant influence on the financial statement if they had been used on the balance day.

Description of accepted accounting principles

Valuation of items presented in foreign currencies

Functional currency and presentation currency

The items included in the financial statement are valued in the functional currency.

The functional currency and the presentation currency of the Company is PLN.

The amounts in this financial statement are presented in thousands of PLN unless it is marked otherwise.

Transactions and balances

Transactions expressed in foreign currencies are converted into functional currency according to the exchange rate binding on the date of transaction, whereas the balances of settlements and money for the balance day are valued according the closing exchange rate of the leading bank (assets according to the purchase rate liabilities according to the sale rate). The exchange rate differences due to valuation are presented in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are presented according to the purchase price or the production costs reduced by the cumulated depreciation.

Purchased rights of perpetual usufruct of the land are presented in lands and are not subject of depreciation.

Fixed assets with the unit value not exceeding 3.5 thousand zloty are depreciated once, in a month of putting them in use.

The depreciation of fixed assets occurs according to the rates reflecting the foreseen period of their use.

The method of line depreciation is applied to depreciate fixed assets. The use periods for the particular items of fixed assets are as follows:

Buildings and constructions	from 10 to 50 years
Machines and devices	from 3 to 40 years
Vehicles	from 5 to 10 years
Other fixed assets	from 5 to 40 years

Verification of the applied depreciation rates is performed every year for the day of 31st December of a given year.

The agreements of financial leasing are activated as the tangible fixed assets on the day of the leasing commencement.

Intangible assets

Intangible assets are presented according to the price of their purchase. The use period for the intangible fixed assets amounts from 2 to 5 years.

The depreciation of intangible fixed assets takes place according to the rates reflecting the foreseen period of their use. The method of line depreciation is applied to depreciate intangible fixed assets with the specific period of use.

Leasing

The agreements of financial leasing transferring the whole risk on the unit and all profits arising from possessing the leasing objects are activated on the day of the leasing commencement, in the current value of minimal leasing fees.

The leasing fees are divided between financial costs and capital part decreasing the balance of liabilities due to leasing.

The financial costs are entered in the books on the accrual basis in the moment of incurring it in the burden of profit and loss account.

Investments

All investments are at first presented according to the purchase price responding the fair value of the made payment, covering the costs connected with the investment purchase.

After first presentation, the investment classified as "to be sold" and "accessible to be sold" are valued according to the fair value. Profits and losses from investments indicated to be sold and available to be sold are presented in the profit and loss account.

Long-term financial assets are presented according to the purchase price responding the fair value of the made payment, covering the costs connected with the investment purchase, reduced by the performed deductions due to the loss of the fair value.

Inventories

Inventories are valued according to the purchase price or the production costs, not higher than the net sale price on the balance day. The amount of all deductions of the inventories value from the level of net value which may be obtained and all losses in inventories are presented as the cost of the period in which the deduction or losses took place.

The cost is determined with the use of the method "first in, first out" (FIFO).

Receivables for deliveries and services and other receivables

Receivables for deliveries and services the maturity term of which amounts usually in the branch from 30 to 120 days are taken and presented according to the amounts primarily invoiced with the consideration of updating write-offs of the doubtful or bad debts. The write-offs for doubtful receivables are assessed when the obtaining of the full amount of the receivables is not probable. The bad debts are written off as losses in the moment of noticing their irrecoverability.

Cash and equivalents of cash

Cash and short-term deposits presented in the balance sheet cover cash in bank and in the cash-desk and short-term deposits with the primary period of maturity not exceeding three months.

The balance of cash and its equivalents presented in the cash flow consists of the aforementioned cash and its equivalents, reduced by the unpaid credits in the current accounts.

The credit in the current account is presented in the balance sheet as the item of short-term credits and loans within short-term liabilities.

Cash presented both in the balance sheet as well as in the cash flows does not include the money gathered in a separate account of the Employees' Social Fund.

Provisions

The provisions are created when the entity has the obligation to do so (by law or it is expected habitually) arising from the past events or when it is likely that satisfying this obligation causes the necessity that the money causing economic profits shall outflow and the reliable assessment of the amount of this liability is possible.

The company makes provisions for the pensions and service anniversary awards. The value of the provisions made for this purpose is updated for the balance sheet day (31st December of a given year).

Loss of value

The company inspects the balance value of the assets at each balance sheet day in order to determine whether there are no prerequisites indicating the possibility that they lose their value. Should the existence of such prerequisites be noticed, the recovery value of a given asset is estimated in order to determine the potential write-off due to this title. The recovery value is determined as the higher amount of two values which are: the fair value decreased by the sale costs or the use value which corresponds with the current value of the estimation of future cash flows discounted with the use of the discount rate including the current market money value in time and the specific risk for a given asset if it exists.

Should the recovery value be lower than the net book value of the asset, the book value is reduced to the recovery value. The loss due to this fact is presented as the cost in the period in which the loss of value occurred.

Should the loss of value be reversed, the net value of the assets is increased to the new assessed recovery value, however, not higher than the net value of this asset which would be assessed if the loss of value would not be recognized in previous periods. The reverse of the loss of value is presented as the correction of costs of the period in which the prerequisites causing the loss of value stopped to exist.

Revenues

Revenues on sale are presented in the fair value of the payments received or due and represent the receivables for products, goods and services delivered within the normal business activity after decreasing them by discounts, VAT and other taxes connected with sale.

The revenues on sales are presented if the following conditions are satisfied:

- The purchaser received significant risk and benefits arising from the ownership rights to goods and products,
- The Company stops being permanently engaged in management of sold goods in a rate in which this function is usually performed for the goods to which the property right is possessed or it does not perform an effective control over them,
- The amount of revenues may be assessed in a reliable way,
- There is a likelihood that the economic benefits shall be obtained from the transaction and the incurred costs as well as the ones which shall be incurred in connection with the transaction may be valued in a reliable way.

The revenues are presented only when it is likely that the economic profits connected with the performed transaction are obtained. The moment of the sale of products, goods and materials means the moment of transfer the rights to them to the receiver. The moment of the service sale is its performance and acceptance by the contractor. Should there be any doubt referring to the recovery of the due amount which has been included in the revenues, the irrecoverable amount or the amount to which the recovery stopped being likely, is taken in the costs and not as the correction of the primarily taken amount of incomes.

The amount of revenues arising from the transaction is specified as an agreement. Its value is determined according to the fair value of the payment taking into consideration the amounts of trade discounts.

The fair value of the payment is determined by discounting all future incomes on the basis of calculation interest rate. The difference between the fair value and the nominal value of payment is taken as the income for interest. The income for interest are included in the growing way in respect to the main due amount in accordance with the method of effective interest rate.

Dividends

The payments of dividends for the benefit of the Company shareholders is presented as the liability in the financial statement of the entity in the period in which they were approved by the Company shareholders.

Income tax

For the needs of the financial reporting the provision for the income tax is created in respect to all interim differences existing for the balance sheet day between the tax value of assets and liabilities and their balance value presented in the financial statement. Provisions for the deferred income tax are created in the value of the income tax amount which has to be paid in future in connection with the existence of positive interim difference i.e. differences which cause the increase in the basis for the income tax calculation in the future.

The assets due to the deferred income tax are determined in the amount predicted to be deducted from the income tax in the future in connection with the negative interim differences which cause the decrease in the basis for the income tax calculation in the future. The balance sheet value of the assets due to the deferred income tax is verified for each balance sheet day and is reduced by the amount by which it is likely to obtain the taxable profit enough to realise the assets due to the deferred income tax partially or totally. The balance sheet value of the assets due to the deferred income tax is verified for each balance sheet day and is reduced by the amount by which it is likely to obtain the taxable profit enough to realise the assets due to the deferred income tax partially or totally.

Costs of external financing

Costs of external financing which may be directly assigned to purchase, construction or production of adapted assets are presented as a part of the purchase price or the production cost in accordance with the alternative approach of the International Accounting Standard no 23.

Valuation principles of unfinished production

Unfinished production is valued according to the real cost of the use of input materials i.e. costs of the use of black pipes.

Valuation principles of finished products

Finished products are valued according to the planned production cost specified for particular range of products. After the end of each month the real production costs are determined for the realised orders. The deviations created as a result of it are entered in the separate accounts. During the month the finished goods are valued to expenditure according to the planned production cost. After the end of the month, the deviations are settled, leading the value of the finished goods to the real cost.

Equities

Equities are presented in the division into their kinds and according to the principles specified in the provisions of law and the provisions of the Articles of the Company.

Share capital is presented according to its nominal value, in the amount consistent with the Articles of the Company and the entry to the competent Court Register.

The declared but unpaid capital contributions are presented as the due contributions for the capital. The own shares and due contributions for the share capital decrease the value of equities.

The capital from the issue of shares over their nominal value is created from the surplus over the issue price of shares over their nominal value reduced by the costs of this issue.

The costs of the issue of shares with the increase in equities reduce the capital from the shares issue over their nominal value to the value of surplus of the shares issue over the nominal value of shares.

Reporting referring to the segments

The Company does not run a separate, detailed reporting referring to the operational segments. The company works in the reporting segment covering production, sale and services connected with the anticorrosive insulation of steel pipes and the delivery of pipes for the benefit of the gas and petrochemical industry. The internal and external insulation is a complementary product. This segment constitutes a strategic subject of the business activity, other activity is not significant.

The issuer acts in one geographical segment. The volume of the export sale is the sale of the countries of European Community so to the countries with the same economic environment and similar political conditions. The detailed elements and resources are not assigned to particular kinds.

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński



SHORTENED FINANCIAL STATEMENT

DRAWN UP FOR THE PERIOD OF 6 MONTHS ENDED ON 30TH JUNE 2013

I. SELECTED FINANCIAL DATA WITH CALCULATION IN EURO

Selected financial data	In thousand PLN		In thousand EURO	
	For the period from 01.01. to 30.06.2013	For the period from 01.01. to 30.06.2012	For the period from 01.01. to 30.06.2013	For the period from 01.01. to 30.06.2012
Net revenues from sales of products, goods and materials	196 791	233 969	46 700	55 383
Profit (loss) on operating activities	11 253	14 412	2 670	3 411
Gross profit (loss)	11 192	13 302	2 656	3 149
New profit (loss)	9 016	10 729	2 140	2 540
Net cash flows from operating activities	-46 592	5 059	-11 057	1 198
Net cash flows from investment activities	4 306	-14 287	1 022	-3 382
Net cash flows from financial activities	277	-11 827	66	-2 800
Change of cash and its equivalents	-42 009	-21 055	-9 969	-4 984
Number of shares	32 744 000	32 744 000	32 744 000	32 744 000
Profit (loss) on one ordinary share (in PLN / EUR)	0,28	0,33	0,07	0,08
Diluted number of shares	32 744 000	32 744 000	32 744 000	32 744 000
Diluted profit (loss) for one ordinary share (in PLN / EUR)	0,28	0,33	0,07	0,08
	Value for 30.06.2013	Value for 31.12.2012	Value for 30.06.2013	Value for 31.12.2012
Total assets	277 270	280 803	64 046	68 686
Long-term liabilities	43 335	42 309	10 010	10 349
Short-term liabilities	75 800	83 479	17 509	20 420
Equities	158 135	155 015	36 528	37 918

The selected financial data presented in the financial statement have been calculated for Euro in the following way: items referring to the report on total revenues, reports on cash flows, profit (loss) for one ordinary share and diluted profit (loss) for one ordinary share for I half-year 2013 (I half-year 2012) was calculated according to the exchange rate constituting the arithmetic mean of the average exchange rates announced by the Central Bank of Poland binding for the last day of each month of the half-year. This rate amounted to 1 EURO = 4.2140 zloty (1 EURO = 4.2246 zloty). The items of the report on financial situation have been calculated according to the average exchange rate announced by the Central Bank of Poland, binding for the balance sheet day. This rate amounted on 30th June 2013 - 1 EURO = 4.3292 zloty (for 31.12.2012 - 1 EURO = 4.0882 zloty).

II. REPORT ON FINANCIAL SITUATION DRAWN UP FOR THE DAY OF 30TH JUNE 2013

ASSETS	Note	Value for 30.06.2013	Value for 31.12.2012	Value for 30.06.2012
A. Fixed assets (long-term)		137 588	137 731	141 461
1. Tangible fixed assets	1	136 864	136 256	136 899
2. Other intangible assets	2	162	185	168
3. Investment accessible for sale		0	0	0
4. Long-term financial assets	5	0	0	3 820
5. Deferred tax assets	33	274	925	155
6. Long-term receivables and long-term prepayments	7	288	365	419
B. Current assets (short-term)		139 682	143 072	109 594
1. Inventory	6	45 130	59 972	34 212
2. Short-term receivables and short-term prepayments	7	93 949	51 851	63 786
Including trade receivables	7	91 761	47 787	60 253
3. Income tax receivables	8	0	0	0
4. Short-term financial assets	5	0	7 376	12
5. Currency forwards		0	0	208
6. Cash and its equivalents	37	603	23 873	11 376
Total assets		277 270	280 803	251 055

LIABILITIES	Note	Value for 30.06.2013	Value for 31.12.2012	Value for 30.06.2012
A. Equity		158 135	155 015	145 438
1. Share capital	20	65 488	65 488	65 488
2. Surplus from the sale of shares over their nominal value	21	38 175	38 175	38 175
3. Supplementary and reserve capitals	22	45 456	31 046	31 046
4. Previous and current profit/loss		9 016	20 306	10 729
B. Long-term liabilities		43 335	42 309	41 582
1. Provisions	13	294	294	224
2. Provision for deferred income tax	33	111	112	208
3. Long-term bank credits and loans	10	16 560	14 630	14 172
4. Other long-term financial liabilities		1 969	2 446	2 929
5. Long-term liabilities and accruals	9	24 401	24 827	24 049
C. short-term liabilities		75 800	83 479	64 035
1. Provisions	13	167	307	13
2. Short-term bank credits and loans	10	32 069	7 905	0
3. Short-term part of long-term bank credits and loans	10	4 195	10 112	10 200
4. Other short-term financial liabilities	11	1 060	1 265	975
5. Short-term liabilities and accruals	9	38 057	63 640	52 543
Including trade liabilities	9	27 704	56 677	39 984
6. Income tax liabilities	12	93	250	304
7. Currency forwards		159	0	0
Total liabilities		277 270	280 803	251 055

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński

III. REPORT ON THE TOTAL REVENUES FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013 (CALCULATION VARIANT)

CALCULATION VARIANT	Note	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
A. Revenues from sales of products, goods and materials	27	196 791	233 969
B. Cost of products, goods and materials sold	28	176 854	212 334
C. Gross profit (loss) on sales		19 937	21 635
D. Selling costs	28	3 447	2 081
E. General and administrative costs	28	5 998	5 836
F. Other revenues	32	1 011	715
G. Other expenses	32	250	21
H. Profit/loss on operating activities		11 253	14 412
I. Financial revenues	30	1 049	1 174
J. Financial costs	30	1 110	2 284
K. Gross profit / loss		11 192	13 302
L. Income tax	33	2 176	2 573
M. Profit / loss on business activities		9 016	10 729
N. Other total revenues		0	0
- Profit/loss on updating the valuation of the tangible fixed assets		0	0
- Profit / loss on the valuation of investments accessible to be sold taken to input capital		0	0
- Profit / loss referring to the security of the cash flows (effective part)		0	0
- Exchange rate difference from the valuation of entities acting abroad		0	0
- Income tax connected with the items presented in other total revenues		0	0
O. Total revenues		9 016	10 729

Profit for one share		For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
- basic from the financial result of the continued activity (in zloty)		0,28	0,33
- basic from the financial result for the accounting year (in zloty)		0,28	0,33
- diluted from the financial result of the continued activity (in zloty)		0,28	0,33
- diluted from the financial result for the accounting year (in zloty)		0,28	0,33

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński

IV. REPORT ON THE CHANGES IN EQUITIES FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013

	Equity	Surplus from the sale of shares over their nominal value	Own shares	Supplementary and reserve capital	Reserve capital from the actualisation of the assets valuation	Previous year and current profit / loss	Total
Value for 01.01.2013	65 488	38 175	0	31 046	0	20 306	155 015
Changes in the equity in I half-year 2013	0	0	0	14 410	0	-5 394	9 016
Division of the net profit	0	0	0	14 410	0	-14 410	0
Issue of the share capital	0	0	0	0	0	0	0
Profit / Loss in the accounting year	0	0	0	0	0	9 016	9 016
Costs of the share issue	0	0	0	0	0	0	0
Recording of the share capital	0	0	0	0	0	0	0
Total revenue and costs taken in I half-year 2013	0	0	0	0	0	0	0
Dividend	0	0	0	0	0	- 5 896	- 5 896
Value for 30.06.2013	65 488	38 175	0	45 456	0	9 016	158 135

	Equity	Surplus from the sale of shares over their nominal value	Own shares	Supplementary and reserve capital	Reserve capital from the actualisation of the assets valuation	Previous year and current profit / loss	Total
Value for 01.01.2012	65 488	38 175	0	17 479	0	19 134	140 276
Changes in the equity in 2012	0	0	0	13 567	0	6 739	20 306
Division of the net profit	0	0	0	13 567	0	-13 567	0
Issue of the share capital	0	0	0	0	0	0	0
Profit / Loss in the accounting year	0	0	0	0	0	20 306	20 306
Costs of the share issue	0	0	0	0	0	0	0
Recording of the share capital	0	0	0	0	0	0	0
Total revenue and costs taken in 2012	0	0	0	0	0	-5 567	-5 567
Dividend	0	0	0	0	0	-5 567	-5 567
Value for 30.12.2012	65 488	38 175	0	31 046	0	20 306	155 015

	Equity	Surplus from the sale of shares over their nominal value	Own shares	Supplementary and reserve capital	Reserve capital from the actualisation of the assets valuation	Previous year and current profit / loss	Total
Value for 01.01.2012	65 488	38 175	0	17 479	0	19 134	140 276
Changes in the equity in I half- year 2012	0	0	0	13 567	0	-2 838	10 729
Division of the net profit	0	0	0	13 567	0	-13 567	0
Issue of the share capital	0	0	0	0	0	0	0
Profit / Loss in the accounting year	0	0	0	0	0	10 729	10 729
Costs of the share issue	0	0	0	0	0	0	0
Recording of the share capital	0	0	0	0	0	0	0
Total revenue and costs taken in I half-year 2012	0	0	0	0	0	-5 567	-5 567
Dividend	0	0	0	0	0	-5 567	-5 567
Value for 30.06.2012	65 488	38 175	0	31 046	0	10 729	145 438

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński

V. REPORT ON THE CASH FLOWS FOR THE PERIOD FROM 1ST JANUARY 2013 TO 30TH JUNE 2013 (INDIRECT METHOD)

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Cash flows from operating activities		
Profit / loss before taxation	10 541	13 032
Adjustments by the items:	-57 133	-7 973
Depreciation of fixed assets	2 380	2 187
Depreciation of intangible assets	30	31
Exchange gains (losses)	-309	61
Interest costs and revenues	848	630
Profit / loss on investment activities	-41	-35
Change in provisions	-141	-88
Change in inventory	14 842	11 697
Change in liabilities and prepayments	-41 967	-6 123
Change in liabilities and accruals	-31 091	-13 341
Paid / returned income tax	-1 684	-1 663
Other adjustments	0	-1 329
Net cash flows from operating activities	-46 592	5 059
Cash flows from investment activities		
Inflows from the sale of fixed assets and intangible fixed assets	658	182
Inflows from the sale of financial assets	0	0
Inflows from interest	32	0
Other investment inflows – received subsidies	0	1 329
Repayment of granted loans	7 416	0
Outflows to purchase tangible and intangible fixed assets	3 680	11 815
Net outflows to purchase dependent and associated entities	0	0
Granted loans	0	3 819
Other	-120	-164
Net cash flows from investment activities	4 306	-14 287
Cash flows from financial activities		
Inflows from credits and loans	12 049	0
Net inflows from issuance of shares, bonds, promissory notes, bills	0	0
Repayment of credits and loans	10 542	10 898
Payment of liabilities due to financial leasing agreements	496	463
Dividends paid to the Company shareholders	0	0
Interest paid	734	466
Other		0
Net cash flows on financial activities	277	-11 827
Increase / decrease in cash and its equivalents	-42 009	-21 055
Cash, its equivalents and credits in the current account at the beginning of the period	16 057	32 441
Profits / losses due to exchange differences referring to the valuation of cash, its equivalents and credits in the current account	67	-10
Cash, its equivalents and credits in the current account at the end of the period	-25 952	11 86

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński

VI. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENT DRAWN UP FOR THE DAY OF 30TH JUNE 2013

1. Tangible fixed assets

The scope of changes in the tangible fixed assets in I half-year 2013:

Specification	Lands including the right of perpetual usufruct of lands	Buildings, premises and land and water engineering objects	Vehicles	Technical equipments, machines	Other fixed assets	Other
Gross value at the beginning of the period	1 388	85 665	1 703	65 959	5 170	159 885
Increases including:	0	2 286	174	491	58	3 009
– purchase	0	2 286	174	491	58	3 009
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Decreases including:(-)	0	0	-205	-20	-6	-231
– liquidation	0	0	0	-6	-3	-9
– value updating	0	0	0	0	0	0
– sale	0	0	-205	-14	-3	-222
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Gross value at the end of the period	1 388	87 951	1 672	66 430	5 222	162 663
Redemption at the beginning of the period	0	3 956	840	17 099	1 734	23 629
Current redemptions – increases (together with the amendments of IAS)	0	850	136	1 280	114	2 380
Decreases including:(-)	0	0	-184	-20	-6	-210
– liquidation	0	0	0	-6	-3	-9
– sale	0	0	-184	-14	-3	-201
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Redemption at the end of the period	0	4 806	792	18 359	1 842	25 799
Net book value for the beginning of the period	1 388	81 709	863	48 860	3 436	136 256
Updating write-off at the beginning of the year	0	0	0	0	0	0
Net value at the beginning of the period with the consideration of the updating write-off	1 388	81 709	863	48 860	3 436	136 256
Net book value for the end of the period	1 388	83 145	880	48 071	3 380	136 864
Updating write-off at the end of the year	0	0	0	0	0	0
Net value at the end of the period with the consideration of the updating write-off	1 388	83 145	880	48 071	3 380	136 864

The scope of changes in the tangible fixed assets in I half-year 2012:

Specification	Lands including the right of perpetual usufruct of lands	Buildings, premises and land and water engineering objects	Vehicles	Technical equipments, machines	Other fixed assets	Other
Gross value at the beginning of the period	1 387	85 390	1 699	58 963	5 005	152 444
Increases including:	58	990	67	6 410	201	7 726
– purchase	58	990	67	6 410	201	7 726
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Decreases including:(-)	0	-43	0	-48	-8	-99
– liquidation	0	-43	0	-44	-8	-95
– value updating	0	0	0	0	0	0
– sale	0	0	0	-4	0	-4
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Gross value at the end of the period	1 445	86 337	1 766	65 325	5 198	160 071
Redemption at the beginning of the period	0	3 757	812	14 885	1 583	21 037
Current redemptions – increases (together with the amendments of IAS)	0	764	121	1 136	167	2 188
Decreases including:(-)	0	-7	0	-38	-8	-53
– liquidation	0	-7	0	-34	-8	-49
– sale	0	0	0	-4	0	-4
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0

Redemption at the end of the period	0	4 514	933	15 983	1 742	23 172
Net book value for the beginning of the period	1 387	81 633	887	44 078	3 422	131 407
Updating write-off at the beginning of the year	0	0	0	0	0	0
Net value at the beginning of the period with the consideration of the updating write-off	1 387	81 633	887	44 078	3 422	131 407
Net book value for the end of the period	1 445	81 823	833	49 342	3 456	136 899
Updating write-off at the end of the year	0	0	0	0	0	0
Net value at the end of the period with the consideration of the updating write-off	1 445	81 823	833	49 342	3 456	136 899

The Company does not possess any liabilities towards the State Treasury due to the transfer of property rights of real estate. The lands presented in the assets include the right of perpetual usufruct of land which is not subject of depreciation.

Property structure of the tangible fixed assets

Specification	Value for 30.06.2013	Value for 30.06.2012
1. Own	129 721	129 235
2. Used on the basis of lease, tenancy or other agreement including the leasing agreement	7 143	7 664
Total tangible fixed assets	136 864	136 899

Tangible fixed assets included fixed assets used by the Company on the basis of the financial leasing agreements the net value of which amounted to on the day of 20.06.2013:

- vehicles - 81 thousand zloty
- technical equipment, machines – 7,062 thousand zloty.

The contractual liabilities due to the fixed assets in leasing amounted to 2,930 thousand zloty for 30.06.2013.

The investment purchases in I half of year 2013 were directed mainly for the increase in the components of the tangible fixed assets and were financed from the Company own funds.

Main investments of the Company in I half of year 2013 (together with expenses on intangible assets):

Specification	For the period from 01.01 to 30.06.2013
- development of CBR and CIA	1 175
- modernisation of the building of forwarders and logistics	1 093
- purchase of personal cars (exchange of the exploited ones)	174
- modernisation of the external insulation line	99
- modernisation of the internal insulation line	75
- purchase of the flat	72
- system of pipes identification	60
- expenses connected with the Company information system	55
- other purchases	212
Total	3 015

In I half of year 2013 the investment expenses amounted to 7,726 thousand zloty.

The fixed assets under construction amounted to 4,199 thousand zloty for the day of 20.06.2013 and comprised:

- development of CBR and CIA – 1,989 thousand zloty,
- modernisation of the production plant – 1,061 thousand zloty,
- modernisation of the paint factory – 389 thousand zloty,
- modernisation of machines and devices – 286 thousand zloty,
- system of pipes identification – 177 thousand zloty,
- purchase of flats – 147 thousand zloty,
- silo to store waste – 83 thousand zloty,
- other – 67 thousand zloty,

The following fixed assets constituted the collateral of credits taken by the Company for the day of 30.06.2013:

- line to produce insulation (of big diameters) the net value of which amounted to 17,804 thousand zloty for the day of 30.06.2013 (pledge),
- research stand to induction heating the net value of which amounted to 1,764 thousand zloty for the day of 30.06.2013 (pledge),
- research stand to sputter protective coats the net value of which amounted to 4,131 thousand zloty for the day of 30.06.2013 (pledge),
- research stand to anti-corrosion protection the net value of which amounted to 1,213 thousand zloty for the day of 30.06.2013 (pledge),
- steering and automatics module the net value of which amounted to 1,976 thousand zloty for the day of 30.06.2013 (pledge).

Fixed assets constituting the collateral of the Company liabilities payment:

Specification	Value for 30.06.2013	Value for 30.06.2012
Value of collateral (amount to which the collateral was established)		
Mortgage	60 936	60 936
Pledge and transfer of ownership of tangible fixed assets	26 888	27 808
Total	87 824	88 744
Net balance sheet value		
Lands and right of perpetual usufruct of land	1 330	1 330
Buildings and constructions	80 982	78 692
Technical equipment and machines	26 888	27 808
Other fixed assets	0	0
Total	109 200	107 830

Tangible fixed assets

Specification	Value for 30.06.2013	Value for 30.06.2012
Lands and right of perpetual usufruct of land	1 388	1 445
Buildings, premises and land and water engineering objects	83 145	81 823
Technical equipment and machines	48 071	49 342
Vehicles	880	833
Other fixed assets	3 380	3 456
Tangible fixed assets total	136 864	136 899

Right of perpetual usufruct of land refers to the lands situated in:

- Zawadzkie, ul. Polna 3 (OP1S/00041822/5)
- Zawadzkie, ul. Ks. Wajdy 1 (OP1S/00057525/8)
- Kolonowskie, ul. Opolska (OP1S/00040617/8, OP1S/00041688/3, OP1S/00057383/0)
- Kolonowskie, ul. Lipowa 5 (OP1S/00052411/1, OP1S/00041687/6)

The valuation of the right of perpetual usufruct of land occurs according to the purchase price. The lands are purchased after 1997 – after the hyperinflation period.

2. Other intangible assets

Scope of changes in other intangible assets in I half of year 2013:

Specifications	Intangible assets created in the own scope		Other intangible assets		Advanced payments for the fixed assets under construction	total
	Patents, trademarks, research work	Other	Patents, trademarks, research work	Other		
Gross value at the beginning of the period	62	0	0	1 201	0	1 263
Amendment IAS	0	0	0	0	0	0
Increases including:	0	0	0	6	0	6
– purchase	0	0	0	6	0	6
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Decreases including:(-)	0	0	0	-10	0	-10
– liquidation	0	0	0	-10	0	-10
– value updating	0	0	0	0	0	0
– sale	0	0	0	0	0	0
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Gross value at the end of the period	62	0	0	1 197	0	1 259
Redemption at the beginning of the period	13	0	0	1 065	0	1 078
Current redemptions – increases (together with the amendments of IAS)	6	0	0	23	0	29
Decreases including:(-)	0	0	0	-10	0	-10
– liquidation	0	0	0	-10	0	-10
– sale	0	0	0	0	0	0
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Redemption at the end of the period	19	0	0	1 078	0	1 097
Net book value for the beginning of the period	49	0	0	136	0	185
Updating write-off at the beginning of the year	0	0	0	0	0	0
Net value at the beginning of the period with the consideration of the updating write-off	49	0	0	136	0	185
Net book value for the end of the period	43	0	0	119	0	162
Updating write-off at the end of the year	0	0	0	0	0	0
Net value at the end of the period with the consideration of the updating write-off	43	0	0	119	0	162

Scope of changes in other intangible assets in I half of year 2013:

Specifications	Intangible assets created in the own scope		Other intangible assets			
	Patents, trademarks, research work	Other	Patents, trademarks, research work		Patents, trademarks, research work	Other
Gross value at the beginning of the period	58	0	4	1 153	0	1 215
Amendment IAS	0	0	0	0	0	0
Increases including:	0	0	0	0	0	0
– purchase	0	0	0	0	0	0
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Decreases including:(-)	0	0	0	0	0	0
– liquidation	0	0	0	0	0	0
– value updating	0	0	0	0	0	0
– sale	0	0	0	0	0	0
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Gross value at the end of the period	58	0	4	1 153	0	1 215
Redemption at the beginning of the period	1	0	0	1 015	0	1 016
Current redemptions – increases (together with the amendments of IAS)	6	0	0	25	0	31
Decreases including:(-)	0	0	0	0	0	0
– liquidation	0	0	0	0	0	0
– sale	0	0	0	0	0	0
– internal move	0	0	0	0	0	0
– other	0	0	0	0	0	0
Redemption at the end of the period	7	0	0	1 040	0	1 047
Net book value for the beginning of the period	57	0	4	138	0	199
Updating write-off at the beginning of the year	0	0	0	0	0	0
Net value at the beginning of the period with the consideration of the updating write-off	57	0	4	138	0	199
Net book value for the end of the period	51	0	4	113	0	168
Updating write-off at the end of the year	0	0	0	0	0	0
Net value at the end of the period with the consideration of the updating write-off	51	0	4	113	0	168

According to the value for 30.06.2013 the main components of the intangible fixed assets are:

- Software to identify pipes –47 thousand zloty,
- Other computer value – for the total value of 72 thousand zloty,
- Development work consisting in drawing up the process of insulation drilling pipes with the three-layer coating 3LPP – for the value of 39 thousand zloty,

3. Investment real estate

The company did not possess any investment real estate for the day of 30th June 2013.

4. Goodwill

It does not refer.

5. Short-term and long-term financial assets

According to the value for the day 30.06.2013 the Company does not present assets due to granted loans.

The Company granted in I half of year 2012 the loan to the company ZRUG Zabrze S.A. to the total amount of 10 million zloty. The loan is granted only to finance the realisation the construction of the pipeline DN 700 Szczecin – Gdańsk: Stage II pipeline DN 700 Karlino – Koszlin, Stage III pipeline DN 700 Koszlin – Słupsk, Stage IV pipeline DN 700 Słupsk – Wiczlino within the consortium in the composition of ZRUG Zabrze S.A. with its registered office in Zabrze (leader of consortium), Stalprofil S.A. with its registered office in Dąbrowa Górnicza (participant of the consortium) and Nafta –

Gaz Serwis S.A. with its registered office in Sanok (participant of the consortium) for the benefit of the Operator Gazociągów Naftowych Gaz-System S.A.

The loan is paid in tranches and may be also granted in the currency EUR. The loan has been granted at the market conditions and its interest equals to WIBOR 1M increased by the margin for the part granted in PLN and EURIBOR 1M increased by the margin for the part granted in EUR. The blank sola bill together with the bill of exchange agreement is the collateral of the loan. The term of payment expires on 31.12.2013. The borrower may take and pay the loan many time within this period.

Value of loans for 30.06.2013:

Specification	Term of payment	Value for 31.12.2012	Value for 30.06.2013		
			Total	Including: short-term	Including: long-term
Loan granted to ZRUG Zabrze S.A.	31.12.2013	7 376	0	0	0
Total		7 376	0	0	0

6. Inventories

List of inventories for 30.06.2013:

Specification	Valuation according to the purchase price / production cost	Valuation according to the net value which may be achieved	Amount of write-offs updating the value of inventories at the beginning of the period	Amounts of the write-offs reverse updating the inventories taken as the decrease in these write-offs in this period	Amount of write-offs updating the value of inventories taken in this period as the cost	Amount of write-offs updating the value of inventories at the end of the period	Value of inventories taken as the cost in the period	Balance sheet value of inventories at the end of the period	Value of inventories constituting the collateral of liabilities
Basic materials	24 328	0	2 711	2 711	0	0	99 180	24 328	52.500
Auxiliary materials	1 248	0	0	0	0	0	913	1 248	
Work in progress	0	0	0	0	0	0	0	0	
Finished products	16 218	0	666	564	0	102	0	16 116	
Goods	3 438	0	0	0	0	0	62 370	3 438	
TOTAL	45 232	0	3 377	3 275	0	102	162 463	45 130	

List of inventories for 30.06.2012:

Specification	Valuation according to the purchase price / production cost	Valuation according to the net value which may be achieved	Amount of write-offs updating the value of inventories at the beginning of the period	Amounts of the write-offs reverse updating the inventories taken as the decrease in these write-offs in this period	Amount of write-offs updating the value of inventories taken in this period as the cost	Amount of write-offs updating the value of inventories at the end of the period	Value of inventories taken as the cost in the period	Balance sheet value of inventories at the end of the period	Value of inventories constituting the collateral of liabilities
Basic materials	15 713	0	400	400	0	0	88 242	15 713	26 500
Auxiliary materials	1 483	0	0	0	0	0	728	1 483	
Work in progress	0	0	0	0	0	0	0	0	
Finished products	6 527	0	2	0	0	2	0	6 525	
Goods	10 491	0	149	149	0	0	105 436	10 491	
TOTAL	34 214	0	551	549	0	2	194 406	34 212	

On 30.06.2013 the inventories in the total amount of 52,500 thousand zloty constituted the collateral of credits taken by the Company:

- Multipurpose credit limit granted by PKO BP S.A. in the amount of 22,000 thousand zloty (pledge on inventories in the amount of 16,500 thousand zloty)
- Credit in the current account granted by BRE BANK S.A. in the amount of 10,000 thousand zloty (pledge on in the amount of 6,000 thousand zloty)

- Revolving credit granted by BRE BANK S.A. in the amount of 10,000 thousand zloty (pledge on inventories in the amount of 10,000 thousand zloty)
- Operating credit granted by Bank Zachodni WBK S.A. in the amount of 3,000 thousand EURO (pledge on inventories in the amount of 20,000 thousand zloty)

The performed updating write-offs are taken in the costs of operational activity (finished goods) or in other costs (other components of inventories). The reversed updating write-offs are taken in the costs of operating activity or other costs.

7. Receivables and prepayments

The receivables from debtors being liquidated or in bankruptcy, disputing the receivables as well as in the cases when the assessment of the economic and financial situation of the entity indicates that the payment of receivables in the nearest time is not likely are covered by the updating write-offs.

According to the value on 30th June 2013 the Company made the updating write-offs for all endangered receivables. Should the receivable be insured, the Company makes the write-off to the own share in the damage.

In respect to its receivables the Company is entitled to impose the interest in the terms specified in the provisions of law and according to the interest rate specified in them if the debtor delays with payment.

In the case of export receivables the Company uses the term of payment amounting to 30 – 120 days and in the case of domestic sale 30 – 90 days. In the first half of year 2013 no significant deviations from these terms of payment occurred.

The detailed structure of the Company receivables:

Specification	Value for 30.06.2013	Value for 30.06.2012
Trade receivables	92 429	60 555
- long-term part	0	0
- short-term part	92 429	60 555
Receivables from dependent parties including	0	0
Trade receivables	0	0
- long-term part	0	0
- short-term part	0	0
Other receivables	0	0
- long-term part	0	0
- short-term part	0	0
Receivables from related parties including	20 161	1 397
Trade receivables	20 161	1 397
- long-term part	0	0
- short-term part	20 161	1 397
Other receivables	0	0
- long-term part	0	0
- short-term part	0	0
Prepayments:	0	0
- long-term part	0	0
- short-term part	0	0
Other receivables	1 404	2 608
- long-term part	0	0
- short-term part	1 404	2 608
Prepayments:	1 142	1 344
- long-term part	288	419
- short-term part	854	925
Updating write-offs for the loss of value at the beginning of the period	732	1 199
Taking the updating write-offs due to the loss of value in the period	99	141
Reverse of the updating write-offs due to the loss of value in the period	93	1 038
Updating write-offs for the loss of value at the end of the period	738	302
TOTAL	94 237	64 205

Receivables and prepayments – currency structure:

Specification	Value for 30.06.2013	Value for 30.06.2012
a) in Polish currency	76 191	60 542

b) in foreign currency (according to the currencies and after conversion into zloty)	18 046	3 663
b1. Unit / currency EURO	3 888	886
After conversion into zloty	16 352	3 663
b2. Unit / currency LTL	1 391	0
After conversion into zloty	1 694	0
Short-term receivables, total	94 237	64 205

Gross trade receivables with the period of payment other than the balance day:

Specification	Value for 30.06.2013	Value for 30.06.2012
a) up to 1 month	56 316	38 246
b) over 1 month to 3 months	5 952	6 387
c) over 3 months to 6 months	895	40
d) over 6 months to 12 months	0	0
e) over 1 year	0	0
f) delayed receivables	29 266	15 882
Total trade receivables (gross)	92 429	60 555
g) updating write-offs for trade receivables	668	302
Total trade receivables (net)	91 761	60 253

Trade receivables, delayed with the division into unpaid receivables in the period:

Specification	Value for 30.06.2013	Value for 30.06.2012
a) up to 1 month	12 411	3 517
b) over 1 month to 3 months	12 842	9 566
c) over 3 months to 6 months	3 268	826
d) over 6 months to 12 months	399	584
e) over 1 year	346	1 389
Trade receivables, delayed, total (gross)	29 266	15 882
f) updating write-offs for trade receivables, delayed	668	302
Trade receivables, delayed, total (net)	28 598	15 580

Long-term prepayments refer mainly to the main costs of obtained certificates (170 thousand zloty) and insurance (117 thousand zloty).

According to the value of 30.06.2013 and 30.06.2012 there were no long-term receivables.

The short-term cost prepayments according to the value for 30.06.2013 refer to:

- Real estate tax (468 thousand zloty),
- Insurance (188 thousand zloty),
- Costs of obtained certificates (92 thousand zloty),
- Write-offs for Plant Social Fund (78 thousand zloty),
- Other costs (28 thousand zloty).

The amount of other receivables in the amount of 1,404 thousand zloty presented according to the value for 30.06.2013 refers mainly to the VAT tax receivables (1,261 thousand zloty).

Updating write-offs according to the value for 30.06.2013 in the amount of 738 thousand zloty refer mainly to the trade receivables (668 thousand zloty).

8. Income tax receivables

The company did not possess income tax receivables for the day of 30.06.2013 and 30.06.2012.

9. Liabilities and accruals

The unit's trade liabilities are interested according to the principles specified in the particular provisions of law. The liabilities of leasing agreements constitute an exception. The separate interest rate is applied for them in the case of delay in payment. There is no additional interest rate of trade receivables except for the one mentioned before. For the foreign liabilities the Company obtains the terms of payment, from 30 to 60 days from the invoice issue. For domestic

liabilities the Company obtains the terms of payment from 70 to 90 days from the invoice issue. The prepayments or payments at the moment of receiving in respect to new contractors constitute an exception.

The Company tax liabilities (in the case of delay to pay them) are interested in the value specified in the binding tax provisions.

The tax and insurance liabilities for 30.06.2013 and 30.06.2012 amounted to 3,142 thousand zloty and 5,271 thousand zloty respectively.

Remuneration liabilities for 30.06.2013 and 30.06.2012 amounted to 411 thousand zloty and 380 thousand zloty respectively.

Detailed structure of the Company liabilities:

Specification	Value for 30.06.2013	Value for 30.06.2012
Trade liabilities:	27 704	39 984
- long-term part	0	0
- short-term part	27 704	39 984
Liabilities towards dependent parties including:	0	0
Trade liabilities:	0	0
- long-term part	0	0
- short-term part	0	0
Other liabilities	0	0
- long-term part	0	0
- short-term part	0	0
Liabilities from related parties including:	6 436	6 048
Trade liabilities:	6 436	6 048
- long-term part	0	0
- short-term part	6 436	6 048
Other liabilities	0	0
- long-term part	0	0
- short-term part	0	0
Prepayments:	0	0
- long-term part	0	0
- short-term part	0	0
Other liabilities	9 500	11 274
- long-term part	0	0
- short-term part	9 500	11 274
Accruals:	0	0
- long-term part	0	0
- short-term part	0	0
Income accruals:	25 254	25 334
- long-term part	24 401	24 049
- short-term part	853	1 285
TOTAL	62 458	76 592

The income accruals for the day of 30.06.2013 presented in the above table refer to:

- The subsidy to purchase fixed assets received within the action 4.4 (New investments with high innovative potential) settled in time – 18,341 thousand zloty.
- The subsidy to purchase fixed assets received within the action 4.5 (Support of investments with high significance for the economy) settled in time – 6,913 thousand zloty.

Short-term liabilities – currency structure:

Specification	Value for 30.06.2013	Value for 30.06.2012
a) in Polish currency	57 364	45 922
b) in foreign currencies (according to the currencies and after conversion into zloty)	18 269	18 100
b1. Unit / currency EURO	4 131	4 161
After conversion into zloty	18 264	18 086
b2. Unit / currency USD	0	4
After conversion into zloty	0	14
b2. Unit / currency LTL	3	0

After conversion into zloty	4	0
b2. Unit / currency CZK	3	0
After conversion into zloty	1	0
Short-term liabilities, total	75 633	64 022

10. Credits and loans

According to the value of 30.06.2013 the Company possessed the following credits taken:

- Credit in a form of multipurpose credit limit taken in the bank PKO BP S.A. for the amount of 22,000 thousand zloty. The credits was granted from 8th September 2013. The credit is rated in the amount of the interest rate WIBOR 1M increased by the bank margin. The credit may be used in PLN and EUR. The blank sole bill, register pledge on inventories in the value of 16,500 thousand zloty together with the assignment of insurance policy, constitute the collateral of the credit, the clause to make deductions of receivables from the accounts run in PKO BP S.A.
- Investment credit taken in the bank PKO BP S.A. for the amount of 26,000 thousand zloty. The credit is designed to finance the building of the Centre of Insulation of Anti-corrosive Steel Pipes. The credit was granted to 31.03.2016. The credit has been repaid in equal monthly instalments since January 2010 to 31.03.2013. The credit interest rate amounts to WIBOR 3M increased by the bank margin. The credit collateral comprises blank sole bill, joint ordinary real estate mortgage in the amount of 26,000 thousand zloty and joint real estate mortgage securing an existing or future claim to the amount of 10,400 thousand zloty on the real estate for which the land and mortgage registers no OP1S/00040617/8, OP1S/00057525/8, OP1S/00041822/5 are kept, pledge by registration on the external insulation production line to phi 1,220 mm together with the assignment of insurance policy, transfer of money receivables from the insurance agreements in the scope of property constituting the collateral.
- Investment credit taken in the bank BNP PARIBAS BANK POLSKA S.A. for the amount of 12,358 thousand zloty. The credit is designed to finance the building of the Research and Development Centre of Technologies and Steel Products. The credit was granted to 03.01.2014. The credit has been repaid in equal monthly instalments since January 2012. It will be repaid to January 2014. The credit interest rate amounts to WIBOR 3M increased by the bank margin. The credit collateral comprises blank sole bill, general assignment of receivables from selected debtors in the amount of 5,000 thousand zloty (it also constitutes legal collateral of the credit in a form of multipurpose credit line taken in BNP PARIBAS BANK POLSKA S.A.), contractual real estate mortgage in the amount to 18,536 thousand zloty on the real estate for which the land and mortgage registers no OP1S/00040617/8 is kept, pledge by registration on the machines and devices and transfer of ownership of the machines and devices of the total value not lower than 9,000 thousand zloty, transfer of rights from the insurance policies from fire and other events of machines and devices, the borrower's statement about being subject of enforcement for the benefit of the bank.
- Credit in a form of multipurpose credit line taken in the bank BNP PARIBAS BANK POLSKA S.A. for the amount of 5,000 thousand zloty. The credits was granted to 21.06.2014. The credits is rated in the amount of the interest rate WIBOR 1M increased by the bank margin. The blank sole bill together with the promissory note declaration and the statement of the bill issuer, the statement of the borrower about being subject of enforcement for the benefit of the bank and general assignment of trade receivables from selected debtors (it also constitutes legal collateral of the investment credit taken in BNP PARIBAS BANK POLSKA S.A.) constitute the collateral of the credit.
- Multicurrency credit in the current account taken in BRE Bank S.A. for the amount of 10,000 thousand zloty. The credit was granted to 30.01.2014. The interest rate of the credit constitutes WIBOR O/N increased by the bank margin for the part used in PLN and LIBOR O/N increased by the bank margin for the part used in EUR. The credit collateral comprises the blank sole bill and the pledge by registration on the inventories of goods, materials for production and finished goods in a form of insulated steel pipes in the amount of 6,000 thousand zloty constituting the borrower's ownership together with the assignment of insurance policy.
- Revolving credit taken in BRE Bank S.A. for the amount of 10,000 thousand zloty. The credit was granted to 28.08.2014. The interest rate of the credit constitutes WIBOR 1M increased by the bank margin. The credit

collateral comprises the blank sole bill with the promissory note and the pledge by registration on the inventories of goods, materials for production and finished goods in a form of insulated steel pipes in the amount of 10,000 thousand zloty.

- Operating credit in the current account taken in Bank Zachodni WBK S.A. for the amount of 3,000 thousand EUR. The credit was granted to 10.06.2014. The interest rate of the credit constitutes EURIBOR 1M increased by the bank margin. The credit collateral comprises the pledge by registration on the inventories of goods and materials for production in the amount of 20,000 thousand zloty together with the assignment of insurance policy from fire and other events.

Value of credits and loans for 30.06.2013:

Specification	Term of payment	Value for 31.12.2012	Value for 30.06.2013		
			Total	Including short-term	Including long-term
Credit in a form of multipurpose credit PKO BP	08.09.2013	0	15 761	15 761	0
Investment credit PKO BP	31.03.2016	12 788	10 746	4 186	6 560
Investment credit BNP Paribas Bank Polska SA	03.01.2014	6 454	3 470	3 470	0
Multicurrency credit in the current account BRE Bank SA	30.01.2014	7 905	9 643	9 643	0
Multipurpose credit line BNP Paribas Bank Polska SA	21.06.2014	0	1 119	1 119	0
Revolving credit BRE Bank SA	28.08.2014	5 500	10 000	0	10 000
Operating credit in EUR BZ WBK S.A.	10.06.2014	0	2 085	2 085	0
Total		32 647	52 824	36 264	16 560

The balance of credits and loans presented in the table according to the value for 30.06.2013 comprise:

- The amount of used credits (52,747 thousand zloty),
- Amount of input interest from credits for 30.06.2013 (77 thousand zloty).

11. Other financial liabilities

The amount of other financial liabilities presented in the balance sheet for 30.06.2013 refers to the term leasing liabilities (2,930 thousand zloty) out of which the short-term liabilities amount to 961 thousand zloty, updating write-offs referring to the contracts securing the interest rate (99 thousand zloty).

12. Income tax liabilities

For 30.06.2013 the income tax liabilities amounted to 93 thousand zloty. For 30.06.2012 income tax liabilities amounted to 304 thousand zloty.

13. Provisions

The note includes the provision for the deferred income tax.

According to the value for the beginning of the accounting year the amount of collected provisions amounted to 713 thousand zloty and it comprised:

- Provision for the retirement indemnities and anniversary bonuses in the amount of 314 thousand zloty out of which 294 thousand zloty constitutes a long-term provision,
- Long-term provision for the deferred income tax in the amount of 112 thousand zloty,
- Short-term provision for remuneration in the amount of 287 thousand zloty.

According to the value for 30.06.2013 the amount of formed provisions amounted to 572 thousand zloty and it comprised:

- Provision for the retirement indemnities and anniversary bonuses in the amount of 310 thousand zloty out of which 294 thousand zloty constitutes a long-term provision,
- Long-term provision for the deferred income tax in the amount of 111 thousand zloty,
- Short-term provision for remuneration in the amount of 151 thousand zloty.

Value of provisions for 30.06.2013:

Specification	Provisions for guarantee repairs	Restructuring provisions	Provisions for employee benefits and similar	Other provisions	Total

Value for the beginning of the period including	0	0	601	112	713
-short-term at the beginning of the period	0	0	307	0	307
-long-term at the beginning of the period	0	0	294	112	406
Increases	0	0	302	0	302
-created in the period and increase in the existing	0	0	302	0	302
-acquired within the merger of economic entities	0	0	0	0	0
Decreases	0	0	442	1	443
-used within the year	0	0	442	1	443
-dissolved but not used	0	0	0	0	0
Correction due to net exchange rate differences from calculation	0	0	0	0	0
Correction of discount rate	0	0	0	0	0
Value for the end of the period including	0	0	461	111	572
-short-term at the end of the period	0	0	167	0	167
-long-term at the end of the period	0	0	294	111	405

Value of provisions for 30.06.2012:

Specification	Provisions for guarantee repairs	Restructuring provisions	Provisions for employee benefits and similar	Other provisions	Total
Value for the beginning of the period including	0	0	405	128	533
-short-term at the beginning of the period	0	0	181	0	181
-long-term at the beginning of the period	0	0	224	128	352
Increases	0	0	57	80	137
-created in the period and increase in the existing	0	0	57	80	137
-acquired within the merger of economic entities	0	0	0	0	0
Decreases	0	0	225	0	225
-used within the year	0	0	225	0	225
-dissolved but not used	0	0	0	0	0
Correction due to net exchange rate differences from calculation	0	0	0	0	0
Correction of discount rate	0	0	0	0	0
Value for the end of the period including	0	0	237	208	445
-short-term at the end of the period	0	0	13	0	13
-long-term at the end of the period	0	0	224	208	432

14. Pension provisions and others

In accordance with the remuneration regulations binding in the Company, the employees are entitled to receive the performance related bonus, old-age or disability retirement benefit in the amount of 1-month remuneration and anniversary awards.

The actuary performs the assessment of the provisions for old-age retirement benefits and anniversary awards.

The results of these assessments are presented in the financial statement in the following values:

Specification	Value for 30.06.2013	Value for 30.06.2012
Old-age retirement benefits	30	28
Anniversary awards	280	209
Total	310	237

Provisions for the old-age retirement and anniversary awards are updated at the end of each accounting year. During the accounting year the value of provisions is decreased by the paid benefits.

To assess the provisions for the day of 31.12.2012 the actuary took the following assumptions:

- The rate of the remuneration increase – the Company does not intend to increase remuneration in 2013.
- Probability to old-age and disability retirement – it was assessed on the basis of data referring to the particular employees such as: gender, age, data referring to the retirement age (age at which the Company employee may retire) and data referring to the movement of the company staff in the last three years. These data include the information about the reasons for the employees' leaves from the company including among others the natural reasons such as death.
- Mobility – the relative measurements of mobility were assessed on the basis of the staff's mobility observed in the Company in the last years;
- Technical interest rate – pursuant to the recommendations of IAC19 the interest rate used to discount this kind of liability should be determined on the basis of the return rate from the bonds of good companies with the maturity date consistent with the expected term of benefit. Should there be no appropriate data in the market, the market return rates from treasury bonds are used. The actuary took the return rate at the level of the interest rate of multiyear bonds of Treasury State from the end of 2012 (3.24%).
- The age of retirement – in accordance with the provisions of law binding on 30.06.2013.

The method of valuation taken by the actuary was as follows

- According to the International Accounting Standard no 19, the method of Unit Forecasted Authorisations was used to determine the provision. The provision was determined on the basis of submitted information and the correctness of the provisions depends on the correctness of the information.

- It was assumed for all benefits that acquiring the right to benefit occurs in a line form from the moment of being employed to the moment of receiving the benefit,
- The calculation of provision for future liabilities was performed on the basis of persons employed in the Company according to the number for the balance sheet date. The provision does not include the persons who would be accepted to work after the balance sheet day or the changes in the principles to pay benefits which may occur in the future.

15. Guarantees

The company grants guarantees for its products and service for the definite period of time specified in the agreement (e.g. 24 or 36 months) or in the building law (24 months). The guarantee covers:

- Use of proper and designed for a given purpose materials,
- Delivery of goods of appropriate quality and parameters,
- Observance of official provisions,
- Change of the batch of goods or performance of a new service if the manufacture errors are proved.

Due to the high quality of offered goods the Company has not noticed any guarantee repairs of its goods for the last years so the provisions have failed to be created.

16. Extra balance items including conditional liabilities

The conditional liabilities of the Company:

Specification	Value for 30.06.2013	Value for 30.06.2012
1. Conditional liabilities	19 727	22 329
1.1. For the related entities (due)	3 250	0
- granted guarantees and warranties	3 250	0
1.2. For other entities (due)	16 477	22 329
- granted guarantees and warranties	16 477	22 329
- bill ones	0	0
- assignments of claims from trade agreements to secure credits	0	0
2. Others	140 324	115 244
- not acknowledged claims directed by the contractor to the proceeding before the court	0	0
- security on property (mortgages, pledges, transfer of ownership as security for a debt)	140 324	115 244
Including: pledge on fixed assets	26 888	27 808
Including: pledge on inventories	52 500	26 500
Including: mortgages	60 936	60 936
Total extra balance items	160 051	137 573

The liabilities for taken bank credits and loans constitute the main positions of security of ownership of the Company. The Company did not take advantage of any discount credits.

The Company granted the following guarantees

Beneficiary	Type of guarantee	Validity date	Value for 30.06.2013	Value for 31.12.2012	Change
OGP Gaz-System S.A.	Removal of defects and failures	01.04.2016	159	159	0
OGP Gaz-System S.A.	Removal of defects and failures	28.03.2016	129	129	0
OGP Gaz-System S.A.	Removal of defects and failures	03.02.2015	1 247	1 247	0
OGP Gaz-System S.A.	Removal of defects and failures	10.05.2015	1 407	1 407	0
OGP Gaz-System S.A.	To be performed	30.04.2014	2 374	2 374	0
	Removal of defects and failures	from 01.05.2014 to 15.02.2017	712	712	0
OGP Gaz-System S.A.	To be performed	12.03.2013	0	4 676	-4 676
	Removal of defects and failures	from 13.03.2013 to 25.02.2016	1 403	1 403	0
OGP Gaz-System S.A.	To be performed	14.02.2013	0	6 829	-6 829

	Removal of defects and failures	From 15.02.2013 to 31.01.2016	2 049	2 049	0
OGP Gaz-System S.A.	Removal of defects and failures	01.12.2015	396	396	0
OGP Gaz-System S.A.	Removal of defects and failures	15.11.2015	373	373	0
OGP Gaz-System S.A.	Removal of defects and failures	15.11.2015	883	883	0
Polskie Górnictwo Naftowe i Gazownictwo S.A.	Removal of defects and failures	07.11.2015	368	368	0
OGP Gaz-System S.A.	To be performed	30.09.2013	3 097	3 097	0
	Removal of defects and failures	from 01.10.2013 to 15.09.2016	929	929	0
OGP Gaz-System S.A.	To be performed	23.06.2013	0	5 434	-5 434
	Removal of defects and failures	from 24.06.2013 to 08.06.2016	1 630	1 630	0
AB Lietuvos Dujos	To be performed	05.09.2013	178	0	178
Polskie Górnictwo Naftowe i Gazownictwo S.A.	Deposit	03.07.2013	696	0	696
NET4GAS S.R.O.	Deposit	26.09.2013	88	0	88

The aforementioned guarantees were issued by the banks and insurance companies and secure the liability of Izostal S.A. arising from the realised contracts and tenders in which the Company takes part. In the case of payments due to guarantees, the issuer is entitled to the right of recovery towards Izostal S.A.

On 19.06.2013 Izostal S.A. signed the agreement on the basis of which it granted the guarantee to ZRUG Zabrze S.A. (related entity) of the payment of possible liabilities arising from the guarantee of proper performance and warranty for defects and failures issued by Bank Zachodni WBK S.A. in order to secure the performance of contract realisation. The guarantee covers the amount of the guarantee line granted to ZRUG Zabrze S.A. in the amount of 3,250 thousand zloty and is valid until 18.06.2017. Should ZRUG Zabrze S.A. settle the liabilities arising from this guarantee earlier on, the period of the guarantee validity may be shortened.

Due to the proper performance of work ordered to ZRUG Zabrze S.A. in the past, the granted guarantee causes minimal risk connected with the use of the subject bank guarantee.

17. Agreements of operational leasing

The Company does not possess any concluded agreements of operational leasing on 30.06.2013.

18. Liabilities due to financial leasing

According to the value of 30.06.2013 Izostal S.A. is a party of 4 financial leasing agreements (the Company as a beneficiary):

- The agreement concluded on 6th January 2009 for the leasing of a line to internal insulation of steel pipes. The payment of the last instalment takes place in May 2016. The net monthly instalment amounts to 89 thousand zloty. The collateral of the agreement comprises the blank bill and the deposit mortgage to the amount of 6,000 thousand zloty on the land and mortgage register no OP1S/00040617/8.
- The agreement concluded on 26th March 2009 for the leasing of a lift truck. The payment of the last instalment takes place in March 2014. The net monthly instalment amounts to 5 thousand zloty. The collateral of the agreement comprises the 2 blank bills.
- Two agreements concluded on 27th July 2010. The subjects of leasing are two cars. The payment of the last instalment takes place in August 2013. The net monthly instalment at each agreement amounts to 2.3 thousand zloty. The collateral of the agreement comprises the blank bills with the clause without dispute together with the promissory note declaration.

Future minimal leasing payments and their current value:

Specification	Value for 30.06.2013		Value for 30.06.2012	
	Current value of	Minimal payments	Current value of	Minimal payments

	minimal payments		minimal payments	
In the period up to 1 year	961	1 137	975	1 221
In the period from 1 year to 5 years	1 969	2 116	2 929	3 253
In the period over 5 years	0	0	0	0
Total	2 930	3 253	3 904	4 474

19. Bonds convertible on shares

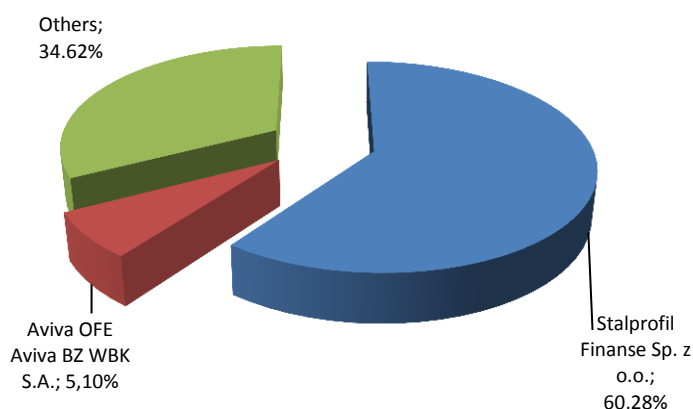
The Company did not perform any issue of bonds convertibles on shares in I half of year 2013.

20. Initial capital.

The share capital of the Company (in accordance with the entries in the National Court Register) amounts to 65,488 thousand zloty on 30.06.2013. and consists of 32,744,000 pieces of common bearer's shares with the nominal value of 2.00 zloty per share. It consists of the following issues:

	Type of share	Type of preferential share	Type of limitation of rights to shares	Number of shares	Nominal value for one share	Value of series / issue according to the nominal value (in thousand zloty)	Way of capital coverage	Date of registration	Right to dividend (from the date)
Series A	Bearer's	none	none	50 000	2,00 zł	100	Money contributions	1993-08-03	-
Series B	Bearer's	none	none	1 150 000	2,00 zł	2 300	21 850 money contributions, 1 150 – non-cash contributions	1994-02-28	1993-11-30
Series C	Bearer's	none	none	150 000	2,00 zł	300	Money contributions	1995-03-07	-
Series D	Bearer's	none	none	225 000	2,00 zł	450	Money contributions	1999-09-19	-
Series E	Bearer's	none	none	1 025 000	2,00 zł	2 050	Money contributions	2003-03-24	2003-03-24
Series F	Bearer's	none	none	1 950 000	2,00 zł	3 900	Conversion of bonds into shares	2004-02-19	-
Series G	Bearer's	none	none	3 412 500	2,00 zł	6 825	Conversion of bonds into shares	2005-03-21	2005-01-01
Series H	Bearer's	none	none	3 281 500	2,00 zł	6 563	Conversion of bonds into shares	2005-03-21	2005-01-01
Series I	Bearer's	none	none	3 500 000	2,00 zł	7 000	Money contributions	2007-08-22	2008-01-01
Series J	Bearer's	none	none	6 000 000	2,00 zł	12 000	Money contributions	2009-12-18	2010-01-01
Series K	Bearer's	none	none	12 000 000	2,00 zł	24 000	Money contributions	2011-01-28	2010-01-01
Total number of shares				32 744 000					
Share capital, total						65 488			

The structure of the Company shareholders on 30th June 2013 in accordance with the knowledge possessed by the Management Board is presented in the table and chart presented below. The presented data are based on the information received from the shareholders pursuant to article 69 § 1 of the Act on Public Offer of 29th July 2005 [...]



Shareholders	Number of possessed shares	Share in the capital [%]
Stalprofil Finanse Sp. z o.o.	19 739 000	60,28 %
Aviva OFE Aviva BZ WBK S.A.	1 669 877	5,10 %
Others	11 335 123	34,62 %
Total	32 744 000	100 %

21. Surplus from the sale of shares over their nominal value

No changes of the value of the surplus from the sale of shares over their nominal value occurred in I half of year 2013.

22. Reserve and supplementary capital

The supplementary capital was increased by the amount of 14,410 thousand zloty in I half of year 2013 from the division of profit for the accounting year 2012.

23. Own shares

The Company did not possess the own shares in I half of year 2013.

24. Dividends

The General Meeting of Shareholders of the Company passed a resolution concerning the payment of dividends from the profit obtained in 2012 in the amount of 5,896 thousand zloty which gives 0.18 zloty for each share on 16.05.2013. the term of determining the right to dividend is on 14.08.2013 whereas the term of payment is on 02.09.2013.

25. Uncertainty of business continuity

The Company does not know any prerequisites showing the uncertainty of business continuity.

26. Merger of economic entities

No merger of Companies occurred in I half of year 2013.

27. Incomes from sales of products, goods and materials

Incomes from sale in divisions of basic range of products:

Specification	For the period from 01.01 to 30.06.2013		For the period from 01.01 to 30.06.2012	
	Amount	Structure	Amount	Amount
Insulated pipes	126 658	64,4%	119 562	51,1%
Including: export sale	9 778	78,5%	5 924	47,5%
Insulation services	2 380	1,2%	2 112	0,9%
Including: export sale	1 208	9,7%	1 050	8,4%
Goods, materials	65 872	33,5%	111 992	47,9%
Including: export sale	1 108	8,9%	5 427	43,5%
Other sale	1 881	0,9%	303	0,1%
Including: export sale	359	2,9%	63	0,5%
Total	196 791	100,0%	233 969	100,0%
Including: export sale	12 453	100,0%	12 464	100,0%

Specification	For the period from 01.01 to 30.06.2013		For the period from 01.01 to 30.06.2012	
	Amount	Structure	Amount	Amount
Revenues from sales of products	126 693	64,4%	119 582	51,1%
Revenues from sales of services	4 213	2,1%	2 270	1,0%
Revenues from sales of materials	5	0,0%	3	0,0%
Revenues from sales of goods	65 868	33,5%	111 989	47,9%
Revenues from sales of the lease services	12	0,0%	125	0,1%
Total	196 791	100,0%	233 969	100,0%
Including: non-cash incomes due to the exchange of goods and services	0	0	0	0

In I half of year 2013 the share of export incomes in the total revenues of the Company amounted to 6.33%.

The main recipients of exported services and goods in the I half of year 2013 were the companies from the countries belonging to the European Union. The biggest value of sale was performed to Hungary (39.60% of export), Slovakia (16.12% of export), Lithuania (15.75% of export), Germany (14.49% of export).

The prices of products and services constitute the trade secret and are individually determined with the contractors (with the exception of the order of low value).

28. Data referring to the prime costs

The basis data referring to the prime costs and their comparison to the costs in the calculation set presented in the profit and loss account are presented in the table below:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Fixed assets depreciation	2 380	2 187
Intangible fixed assets depreciation	30	31
Costs of employee benefits	5 274	4 710
Use of raw materials, auxiliary materials and energy	101 752	90 371
Costs of external services	5 310	2 539
Costs of taxes and fees	1 016	863
Other costs	373	973
Marketing costs	35	143
Change of the product value	7 757	12 998
Costs of product manufacturing for the entity own needs	0	0
Value of sold goods and materials	62 372	105 436
TOTAL	186 299	220 251
Costs of sold products, goods and materials	176 854	212 334
Sales costs	3 447	2 081
Costs of general management	5 998	5 836
TOTAL	186 299	220 251

The costs of employees' benefits presented in the aforementioned table contain the following items:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Costs of remuneration	4 271	3 815
Costs of social insurance	777	691
The Company Social Benefit Fund	157	141
Others	69	63
TOTAL	5 274	4 710

The costs of remuneration cover the remuneration paid in accordance with the terms and conditions of concluded employment agreements with particular employees. The costs of social insurance cover the benefits due to old-age disability retirement, accident insurance and the contributions for the Fund of Guaranteed Employees' Benefit and the Labour Fund.

The Company is obliged to create the Company Social Benefit Fund (ZFŚS). The deductions for this fund are taken in the costs of the Company activity and cause the necessity to block the money for the fund in a separate bank account. The financial statement presents the fund assets and liabilities in the net value. The provision for the old-age retirement benefits and anniversary awards are described in the note referring to this provision in detail.

29. Basic data referring to the employment

Information about the average employment in the accounting period with the division into professional groups

Specification	Value for 30.06.2013	Value for 30.06.2012
Blue collar workers	93	79
White collar workers	54	54
Including the members of the Management Board	2	2
Students	0	0
Total employment	147	133

30. Financial costs and revenues

Main items of financial costs and revenues:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Financial costs		
Costs of interests including the ones referring to:	932	1 192
- credits	811	582
- liabilities	1	447
- loans	0	0
- leasing	120	163
- budget liabilities	0	0
Costs of shares issue – included in the burden of result	0	0
Costs of obtained guarantees	0	0
Costs of bill discount	0	0
Losses due to exchange rate differences	0	1 028
Updating write-offs due to the value loss of financial assets including the ones referring to	0	0
- financial assets and liabilities valued according to the faith value in the profit and loss account	0	0
Losses due to the faith value changes of financial instruments including the ones referring to:	99	0
- securing instruments	99	0
Factoring costs	0	0
Write-offs updating interest receivables from receivers	22	0
Bank commissions	48	64
Other	9	0
TOTAL	1 110	2 284
Financial incomes		
Incomes from interests	67	352
Annulations of received interest	0	0
Bill discount	0	0
Profits from the exchange rate differences	937	0
Reverse of updating write-offs due to the value loss of financial assets including the ones referring to	0	0
- financial assets and liabilities valued according to the faith value in the profit and loss account	0	0
Profits from the changes of the faith value of financial instruments	0	0
- financial assets and liabilities valued according to the faith value in the profit and loss account	0	0
Reverse of write-offs updating the receivables due to interest	40	822
Other	5	0
TOTAL	1 049	1 174
Result on financial activity	-61	-1 110

The incomes from interest, reverse of write-offs updating the receivables from interest and solved financial reserves are included in the financial income.

The costs due to the use of external sources of financing, interest paid due to the financial leasing agreements, updating write-off for the receivables due to interest and losses due to exchange rate differences are included in the financial costs.

Financial costs due to the agreements of financial leasing cover the interests arising from the agreement.

The exchange rate differences are presented in the financial income or costs with the balance of profits and losses due to the exchange rate interests in a given accounting year.

31. State subsidies

The Company concluded on 30th December 2008 the agreement no UDA-POIG.04.04.00-16-002/08-00 with Polish Agency for Enterprise Development within the action 4.4 New Investments with high innovative potential. The agreement refers to giving the subsidy to perform the project called “The creation of the innovative Centre of the Anti-corrosive Insulation of steel pipes”. The subsidy agreement was concluded between the Polish Agency for Enterprise

Development and Izostal S.A. The performance of the project was finished in December 2009. The company received the money in the value of 20,438 thousand zloty.

The accruals due to this subsidy amounted to 18,438 thousand zloty on 30.06.2013.

On 29th April 2011 the Company concluded with the Economy Minister the agreement to fund the construction of the Research and Development Centre of Technology and Steel Products within the Operational Programme Innovative Economy, 4 priority axis: Investments in innovative enterprises, action 4.5: Support of investments of high significance for the economy, sub-action 4.5.2: support of investments in the sector of modern services. The project was realised in the planned term i.e. to 29th February 2012. The company obtained the funds in the amount of 7,261 thousand zloty. The accruals from this subsidy amounted to 6,913 thousand zloty on 30.06.2013. The value of accruals from subsidy is presented in other operational incomes proportionally to the depreciation period of the fixed assets covered by the subsidy.

32. Other operational costs and incomes

Main items of other operational costs and incomes:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Other operational costs		
Updating write-offs due to the loss of receivables value	74	0
Unrecognised complaints	0	0
Stocktaking lacks	0	0
Donations	2	6
Court fees	6	3
Costs of removal the results of events	13	0
Optional premiums for the benefit of organisations	0	0
Provision for future costs of operations	151	0
Damages, penalties, fines	4	0
Updating write-offs of the inventories value	0	0
Other	0	12
TOTAL	250	21
Other operational incomes		
Profit from sale of tangible fixed assets	41	35
Reverse of updating write-offs due to the loss of receivables value	1	3
Return of court fees	52	3
Received penalties and damages	144	5
Subsidies	426	391
Provisions solution	290	278
Assets received freely	49	0
Deduction of delayed liabilities	0	0
Other	8	0
TOTAL	1 011	715
Result on the other operational activity	761	694

The Company includes costs and losses which are not connected with operational activity directly to the other costs. This category includes mainly the provisions created for the costs of operational activity, provisions for the risk of lost court trials, write-offs updating the value of non-financial assets and the costs due to unpaid damages. The company includes the incomes and profits which are not connected with operational activity directly to the other incomes. This category includes at first the incomes from the reverse of updating write-offs due to the loss of the receivables value, received government subsidies, damaged and contractual indemnities and solved provisions.

The updating write-offs were created at the moment when the risk occurs that the contractor fails to receive the receivables. The reverse of updating write-offs due to loss of receivables value occurred when the contractor paid the debts or as a result of debt recovery through bailiff's proceedings.

33. Income tax

Main components of the tax burden / admission in the profit and loss account

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Current income tax	1 527	2 303
- current burden due to the income tax	1 527	2 303

- corrections referring to the current income tax from previous years	0	0
Deferred income tax	649	270
- burden / admission due to the deferred income tax referring to the creation and reverse of interim differences	649	270
- burden / admission due to the deferred income tax referring to the changes if tax rates	0	0
Tax burden / admission presented in the profit and loss account including:	2 176	2 573
- connected with continued activity	2 176	2 573
- connected with ceased activity	0	0

Current income tax

Current tax burden is calculated on the basis of binding provisions of tax law. The application of these provisions differentiates the tax profit (loss) from the accounting net profit (loss), in connection with the exclusion of incomes which are not subject of taxation and costs which do not constitute the costs not allowable for tax purposes and the items of costs and incomes which shall never be subject of taxation. The tax burdens are calculated on the basis of tax rates binding in a given accounting year.

The settlement of main items differentiating the corporate income tax basis from the gross financial result:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Gross financial income before taxation on continued activity	11 192	13 302
Profit / loss before taxation from ceased activity	0	0
Gross financial result before taxation	11 192	13 302
Costs not allowable for tax purposes including:	1 517	1 345
- provisions for future costs	151	13
- updating write-offs of receivables	96	0
- updating write-offs of inventories	101	0
- PFRON [National Disabled Persons Rehabilitation Fund]	45	57
- interests	78	168
- unpaid Social Insurance	227	203
- costs of representation	29	28
- unpaid remuneration	24	23
- depreciation of fixed assets covered by the subsidy	426	391
- costs of stock exchange service	81	75
- other	259	387
Additions to costs	3 824	1 088
- paid interest from previous years	0	240
- capital instalments of leasing	43	42
- remuneration from previous year paid in the period	25	52
- Social Insurance premiums from previous year paid in the period	274	246
- costs of financial assets sold	0	0
- costs of issue	0	0
- updating write-offs of inventories	3 376	438
- other	106	70
Income not allowable for tax purposes:	874	1 439
- exchange rate difference from valuation	0	0
- solution of provisions	290	169
- unpaid interest	22	7
- solution of updating write-offs (previously NKUP [non-tax deductible costs])	1	573
- unpaid contractual indemnities	0	0
- received subsidies	426	391
- other	135	299
Additions to incomes	26	0
- received interest	26	0
- received punishments	0	0
- exchange rate differences (amendment of the CIT Act)	0	0
Result after deductions	8 037	12 120
Deductions from profit due to the loss from previous years	0	0
Result after deductions	8 037	12 120
Tax rate (in %)	19	19
Tax burden / admission presented in the profit and loss account	1 527	2 303

Deferred income tax

Deferred income tax presented in the balance sheet and profit and loss account:

Specification	Report on financial situation for 30.06.2013	Report on total incomes for the period from 01.01 to 30.06 2013	Report on financial situation for 30.06.2012	Report on total incomes for the period from 01.01 to 30.06 2012
Provision due to deferred income tax				
Exchange rate differences			0	0
Valuation of fixed assets	67	2	66	0
Value of leased fixed assets	31	-11	52	-10
Interest which is not subject to updating / indemnities	13	8	90	90
Gross provision due to deferred income tax	111	-1	208	80
Assets due to deferred income tax				
Updating write-offs of receivables	53	1	7	-5
Loss of value of financial assets	0	0	0	0
Exchange rate differences	0	0	0	0
Calculated interest	15	9	31	-17
Provisions for employees' benefits	88	-26	45	-40
Provisions for interest	0	0	0	0
Value of liabilities due to leasing	11	-8	27	-8
Unpaid remuneration	5	0	4	-6
Non-invoiced costs	0	0	0	0
Unpaid Social Insurance	43	-9	38	-9
Other	59	-617	3	-105
Tax loss subject to deduction		0	0	0
Gross assets due to deferred income tax	274	-650	155	-190
Burden / admission due to deferred income tax		649	0	270

34. Construction agreements

The Company does not run construction activity.

35. Transactions with related entities

The entity drawing up the consolidated financial statement is:

Stalprofil S.A.

41-308 Dąbrowa Górnica; ul. Roździeńskiego 11a

In the period covered by this financial statement the Company Izostal S.A. did not grant loans or similar benefits both to the Members of the Management Board or to the Members of the Supervisory Board.

Data referring to the remuneration of the Members of the Management Board:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Short-term employees' benefits referring to this year paid in the accounting year	635	605
Short-term employees' benefits referring to previous years paid in the accounting year	50	49
Provisions for remuneration created at the end of the period	144	0
Unpaid remuneration	50	50
Other long-term benefits	0	0
Benefits due to solution the labour agreement	0	0
Employees' benefits in a form of own shares	0	0

No motivation or bonus programmes based on the issuer's capital exist in the Company including the programmes based on bond with the priority right, convertible ones, subscription warrants (in cash, in kind or any other forms).

Data referring to the remuneration of the Members of the Supervisory Board:

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Short-term employees' benefits referring to this year paid in the accounting year	117	113
Short-term employees' benefits referring to previous years paid in the accounting year	22	22

Provisions for remuneration created at the end of the period	0	0
Unpaid remuneration	23	23
Other long-term benefits	0	0
Benefits due to solution the labour agreement	0	0
Employees' benefits in a form of own shares	0	0

The Company did not grant any loans or any warranties or guarantees to the managing or supervising persons in the last accounting period.

Basic values of transaction concluded with related entities (in the net values):

Related entity	Sale for the benefit of related entities		Purchase from related entities		Granted loans / transfer of receivables		Value of inventories according to the value	
	Period from 01.01. to 30.06.2013	Period from 01.01. to 30.06.2012	Period from 01.01. to 30.06.2013	Period from 01.01. to 30.06.2012	Period from 01.01. to 30.06.2013	Period from 01.01. to 30.06.2012	30.06.2013	30.06.2012
Parent company	871	57	43 833	33 363	0	7	1 279	307
Entities having significant influence	0	0	0	0	0	0	0	0
Dependent entities	0	0	0	0	0	0	0	0
Associated entities	19 257	1 142	6	377	7	3 820	131	1 118
Other related entities	0	0	0	0	0	0	0	0

Amounts of settlements with related entities (in gross values)

Related entity	Receivables from related entities for day		Liabilities towards entities	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Parent company	1 069	0	6 431	6 048
Entities having significant influence	0	0	0	0
Dependent entities	0	0	0	0
Associated entities	19 092	5 229	5	0
Other related entities	0	0	0	0

Transactions with parent company

Stalprofil S.A. is a parent company with the intermediary of Stalprofil Finanse Sp. z o.o., in which it possesses 100% of shares.

The Company did not make any transactions with Stalprofil Finanse Sp. z o.o.

The Company made purchases from the parent company mainly steel pipes and metallurgical products.

Izostal S.A. makes transaction with parent company at the market conditions.

Associated entities

The data presented in the item "Associated entities" refer to the transactions made between the Company and ZRUG Zabrze S.A. with the registered office in Zabrze and KOLB Sp. z o.o. with its registered office in Kolonowskie.

The purchase to ZRUG Zabrze S.A. mainly referred to the goods and insulated pipes. In the first half of year 2013 no purchases were made from ZRUG Zabrze S.A. The Company granted ZRUG Zabrze S.A. the guarantee to pay the liabilities due to the proper performance and warranty for defects or failures (described in note 16). Izostal S.A. obtained the income in the amount of 7 thousand zloty for the loan granted in 2013 in the first half year 2013.

The purchase of Izostal S.A. from KOLB Sp. z o.o. referred to the services connected with investment expenses. No sale was performed for the benefit of the Company KOLB in first half of year 2013.

Transactions with associated entities are performed according to the market conditions.

36. Profit for one share

Information necessary to calculate the profit for one share and diluted profit is presented the tables below.

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Net profit / loss from the continued activity	9 016	10 729
Net profit / loss on ceased activity	0	0
Net profit / loss	9 016	10 729
Net profit / loss applied to calculate the diluted profit / loss for one share	9 016	10 729

Specification	For the period from 01.01 to	For the period from 01.01 to
---------------	------------------------------	------------------------------

	30.06.2013	30.06.2012
Weighted arithmetic mean of issued common stock used to calculate the basic profit / loss for one share	32 744 000	32 744 000
Impact of dilution	0	0
Amended weighted arithmetic mean of issued common stock used to calculate the diluted profit / loss for one share	32 744 000	32 744 000

Specification	For the period from 01.01 to 30.06.2013	For the period from 01.01 to 30.06.2012
Calculation of the basic net profit / loss for one share (in zloty)	0,28	0,33
Calculation of the diluted net profit / loss for one share (in zloty)	0,28	0,33

The profit for one share is calculated by the division of the net profit for the accounting period for the common shareholders of the Company by the weighted arithmetic number of issued common shares occurring during the accounting year.

The diluted profit for one share is calculated by the division of the net profit for the accounting period for the common shareholders of the Company by the sum of weighted arithmetic mean of issued common shares occurring during the accounting year and the number of offered / issued shares.

In order to calculate the basic profit for one share, the weighted arithmetic mean of the number of common shares was calculated in particular accounting periods considering the changes in the number of common shares in particular years.

37. Cash and its equivalents

Data referring to the cash and its equivalents possessed by the Company:

Specification	Value for 30.06.2013	Value for 30.06.2012
Cash in hand and in bank	587	246
Short-term deposits	16	11 130
Other	0	0
Total, including	603	11 376
- cash in hand and in bank associated with ceased activity	0	0

Data referring to the cash and its equivalents presented in the cash flows:

Specification	Value for 30.06.2013	Value for 30.06.2012
Cash in hand and in bank	603	11 376
Credits in current accounts	-26 488	0
Profit/loss due to the exchange rate differences referring to the valuation of cash, its equivalents and credits in the current account	-67	10
Total	-25 952	11 386

The cash flows presented in this report do not show non-cash transactions excluded from the investment and financial activity.

No cash with limited possibility to dispose occurs for the day of 30.06.2013.

Cash in bank is interested according to the variable interest rate.

The Company possesses the credit in a form of multipurpose credit limit with credit sublimit in the current account in the bank Powszechna Kasa Oszczędnosci Bank Polski S.A. for the amount of 22,000 thousand zloty (on 30.06.2013 unused sum amounted to 605 thousand zloty), in BRE Bank S.A. for the amount of 10,000 thousand zloty (on 30.06.2013 unused sum amounted to 357 thousand zloty), in BNP PARIBAS BANK POLSKA S.A. in the amount of 5,000 thousand zloty (on 30.06.2013 unused sum amounted to 3,886 thousand zloty).

The faith value of the cash and its equivalents equals to their balance value.

38. Financial instruments

Financial instruments securing currency risk:

The Company secures the cash flows arising from the purchases performed in EUR against the risk of the change of the exchange rate EUR/PLN, in the scope of created open position (surplus over incomes). The instruments type FORWARD and options used.

On 30.06.2013 the Company possesses the following open transactions:

Bank	Type of security	Transaction value	Weighted average exchange rate	Maturity date	Valuation for 30.06.2013
Getin Noble Bank S.A.	FX EUR PLN sale	4 000	4,2983	31.07.2013	-159

Analysis of the sensitivity of financial instruments according to the interest rate risk:

On 30.06.2013	Balance sheet value	Increase / decrease by percentage point	Impact on gross financial result
Financial assets	603		2
Cash	587	0,25%	2
Receivables due to granted loans	0	0	0
Financial assets accessible for sale	0	0	0
Other financial assets	0	0	0
Short-term deposits	16	0,25%	0
Financial liabilities	55 620		139
Bank credits and loans	52 747	0,25%	132
Financial liabilities due to leasing	2 873	0,25%	7

On 30.06.2012	Balance sheet value	Increase / decrease by percentage point	Impact on gross financial result
Financial assets	15 208		39
Cash	246	0,25%	1
Receivables due to granted loans	3 832	0,25%	10
Financial assets accessible for sale	0	0	0
Other financial assets	0	0	0
Short-term deposits	11 130	0,25%	28
Financial liabilities	28 038		70
Bank credits and loans	24 256	0,25%	61
Financial liabilities due to leasing	3 782	0,25%	9

Analysis of the sensitivity of financial instruments according to the currency risk:

On 30.06.2013	Balance sheet value	Increase / decrease by percentage point	Impact on gross financial result
Financial assets	18 116		182
Cash in EUR	70	1,00%	1
Cash in USD	0	1,00%	0
Receivables due to granted loans	0	1,00%	0
Trade and other receivables in EUR	16 352	1,00%	164
Trade and other receivables in USD	0	1,00%	0
Trade and other receivables in LTL	1 694	1,00%	17
Financial liabilities	18 428		184
Credits in current account in EUR	0	1,00%	0
Short-term credits in EUR	2 085	1,00%	21
Trade liabilities in EUR	16 179	1,00%	162
Trade liabilities in USD	0	1,00%	0
Trade liabilities in LTL	4	1,00%	0
Trade liabilities in CZK	1	1,00%	0
Currency forwards	159	1,00%	2

On 30.06.2012	Balance sheet value	Increase / decrease by percentage point	Impact on gross financial result
Financial assets	5 569		56
Cash in EUR	77	1,00%	1
Cash in USD	7	1,00%	0
Receivables due to granted loans	1 822	1,00%	18
Trade and other receivables in EUR	3 663	1,00%	37
Trade and other receivables in USD	0	1,00%	0
Currency forwards	208	1,00%	2
Financial liabilities	18 100	1,00%	181

Credits in current account in EUR	0		0
Short-term credits in EUR	0	1,00%	0
Trade liabilities in EUR	18 086	1,00%	181
Trade liabilities in USD	14	1,00%	0

Faith values of financial instruments:

	Category in accordance with IAS 39	Balance sheet value		Faith value	
		For 30.06.2013	For 30.06.2012	For 30.06.2013	For 30.06.2012
Financial assets		93 698	78 277	93 698	78 277
Cash	WwWGPWF	603	11 376	603	11 376
Trade and other receivables	PiN	93 095	62 861	93 095	62 861
Receivables due to granted loans	PiN	0	3 832	0	3 832
Financial assets accessible for sale	DDS	0	0	0	0
Currency forwards		0	208	0	208
Financial liabilities		93 133	79 722	93 133	79 722
Liabilities due to financial leasing	ZFwZK	2 930	3 904	2 930	3 904
Trade and other liabilities	ZFwZK	37 297	51 562	37 297	51 562
Bank credits and loans	ZFwZK	52 747	24 256	52 747	24 256
Currency forwards		159	0	159	0

Financial assets – incomes, costs, profits and losses

For the period from 01.01 to 30.06.2013	Category in accordance with IAS 39	Incomes/losses due to interest	Profits/losses due to exchange rate differences	Liquidation/creation of updating write-offs	Profits/losses from the sale of financial instruments
Financial assets		67	155	-6	0
Cash	WwWGPWF	28	67	0	0
Trade and other receivables	PiN	32	23	-6	0
Receivables due to granted loans	PiN	7	65	0	0
Financial assets accessible for sale	DDS	0	0	0	0
Currency forwards		0	0	0	0
Financial liabilities		-932	782	0	0
Liabilities due to financial leasing	ZFwZK	-120	0	0	0
Trade and other liabilities	ZFwZK	-1	272	0	0
Bank credits and loans	ZFwZK	-811	-37	0	0
Currency forwards		0	547	0	0

For the period from 01.01 to 30.06.2012	Category in accordance with IAS 39	Incomes/losses due to interest	Profits/losses due to exchange rate differences	Liquidation/creation of updating write-offs	Profits/losses from the sale of financial instruments
Financial assets		1 174	-1 393	897	0
Cash	WwWGPWF	197	22	0	0
Trade and other receivables	PiN	964	-158	897	0
Receivables due to granted loans	PiN	13	-155	0	0
Financial assets accessible for sale	DDS	0	0	0	0
Currency forwards		0	-1 102	0	0
Financial liabilities		-790	365	0	0
Liabilities due to financial leasing	ZFwZK	-163	0	0	0
Trade and other liabilities	ZFwZK	-447	-114	0	0
Bank credits and loans	ZFwZK	-582	479	0	0

The difference in the values of liquidation/creation of updating write-offs presented in the tables above and the balance of these write-offs presented in the notes of financial costs and incomes and other operational costs and incomes arises from the deducted receivables for which the updating write-offs were created in the previous period the value of which amounted to 49 thousand on 30.06.2013 and 72 thousand zloty on 30.06.2012.

39. Explanations referring to the International Standards of Financial Reporting and the information about the comparability of presented data.

Since 2005 the Company keeps the accounting in accordance with the International Accounting Standards, International Standards of Financial Reporting and the interpretation announced in a form of the ordinance of the European Commission connected with them and in the scope which fail to be regulated by IAS, with appropriate use of the Accounting Act dated 29th September 1994 and the executive provisions issued on their basis, pursuant to the resolution of the General Meeting of Shareholders of Izostal S.A.

40. Events after the balance sheet date

No events occurred after the balance sheet date which are not presented in the financial statement for first half of year 2013.

41. Remuneration of the chartered accountant

In the accounting year the subject entitled to audit financial statements of the Company is Kancelaria Porad Finansowo – Księgowych dr Piotr Rojek Sp. z o.o. The agreement was concluded on 07.06.2013 and covers the inspection and audit of the financial statements for years 2013 – 2015.

The remuneration of the entity authorised to audit financial statements, paid and due amounted to correspondingly:

Type of financial statement	For the period from 01.01. to 30.06.2013	For the period from 01.01. to 30.06.2012
Inspection of the half-year financial statement	13	13
Audit of annual the financial statement	18	18
TOTAL	31	31

42. Acceptance of the financial statement to be published

This financial statement was accepted by the Management Board of Izostal S.A. to be published on 28th August 2013.

Zawadzkie, 28th August 2013

.....
Main accountant
Marek Matheja

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński



REPORT OF THE MANAGEMENT BOARD OF THE
ACTIVITY OF IZOSTAL S.A. IN FIRST HALF OF YEAR OF
2013

I. DISCUSSION OF BASIC ECONOMIC AND FINANCIAL VALUES PRESENTED IN THE ANNUAL FINANCIAL REPORT .**Assessment of the factors and untypical events which influenced the financial results of Izostal S.A.**

The incomes from sales realised by the Company in the first half of year 2013 amounted to 196,791 thousand zloty and were by 15.9% lower than in the same period last year. However, it is necessary to pay attention to the fact that the incomes from sale of the Company products increased by 6.1% and the fall was observed on the commercial activity.

In accordance with the schedules of the investment realisation in first half of year 2013 accepted by the main branch investors i.e. Gaz-system S.A. and PGNiG S.A., these companies do not prepare new significant tenders to have the insulated pipes delivered focusing mainly on the construction of pipelines from the pipes supplied from the agreements signed in 2012.

The Company finishes the deliveries from the significant agreements in August 2013.

According to the Management Board's knowledge, the tenders will be prepared by Gaz-System S.A. commencing from August and their performance shall occur from autumn this year.

In the first half of the year the Company realised the deliveries of the steel pipes for OGP Gaz-System for the following sections of pipelines:

- Gustorzyn - Odolanów
- Szczecin – Gdańsk
- Gorzów - Lwówek
- Rembelszczyzna – Gustorzyn

Izostal S.A. performs the concluded agreements in accordance with the schedules agreed with the principal and the delivered products feature with high quality of performance which is expressed by the Principals in different branch discussions.

As far as financial activity is concerned, the company concluded on 30.01.2013 the annex to the agreement for multicurrency credit in the current account for the amount of 10,000 thousand zloty with CRE Bank S.A. In result of this annex, the period of using the granted credit was prolonged from 31.01.2013 to 30.01.2014. This credit means the security for the financial needs of the Company in the scope of current capital.

The significant event in the first half of year 2013 was the dividend from the profit gained in 2012 by the shareholders. In accordance with the resolution passed during the ordinary general meeting of shareholders on 16th May 2013 the Company shall pay the dividend in the amount of 5,896 thousand zloty i.e. 0.18 zloty for each share. The ordinary General Meeting of Shareholders of Izostal S.A. decided that the day when the right when the dividend is determined should be 14th August 2012 and the dividend should be paid on 2nd September 2013. The passed resolution is consistent with the proposition of the Management Board.

In connection with the fact that the term of office of the Management Board on the day of holding the ordinary general meeting of shareholders, the Supervisory Board passed the resolution about appointing the Management Board in unchanged composition i.e. Marek Mazurek – the President of the Management Board, Jacek Podwiński – the Vice-President of the Management Board for the next three-year term of office on the meeting held on 10.04.2013.

Moreover, the General Meeting of Shareholders appointed Mr Andrzej Baranek who replaced Mr Zdzisław Mendelak to the Supervisory Board of the Company.

In the scope of significant trade agreements the Company concluded on 22.04.2013 with Ferrum S.A. the sale contract of insulated pipes for the amount of 8,046 thousand zloty. The order was fully performed in the I half-year.

As far as export activity is concerned, the Company obtained orders for the delivery to:

- The contractor from Lithuania - 9 km of pipes DN300 and DN400 in external insulation,
- The contractor from Hungary - 60 km of pipes DN 300 in external and internal insulation.

In order to differentiate the cooperation with banks, the Company concluded on 17.06.2013 the agreement about operating credit at the value of 3,000 thousand Euro with Bank Zachodni WBK S.A. The Company will be able to use the credit in the term up to 10.06.2014. The concluded agreement replaces the revolving credit concluded in BNP Paribas Bank Polska S.A.

Analysis of report on total incomes

In the first half of year 2013 the Company obtained the income from sale in the amount of 196,791 thousand zloty i.e. by 15.9% less than in the same period last year. The increase by 6.1% was noticed in the sale of pipes and insulation services and the fall in the sale of goods (by 41.2%). The costs of sold products, goods and materials decreased by 16.7% in connection with the fall in the incomes from sale.

The costs of sale increased in the first half of year 2013 by 65.6% in connection with the performance of contracts for Gaz-System S.A.

The overhead costs did not change in respect to the first half of year 2012.

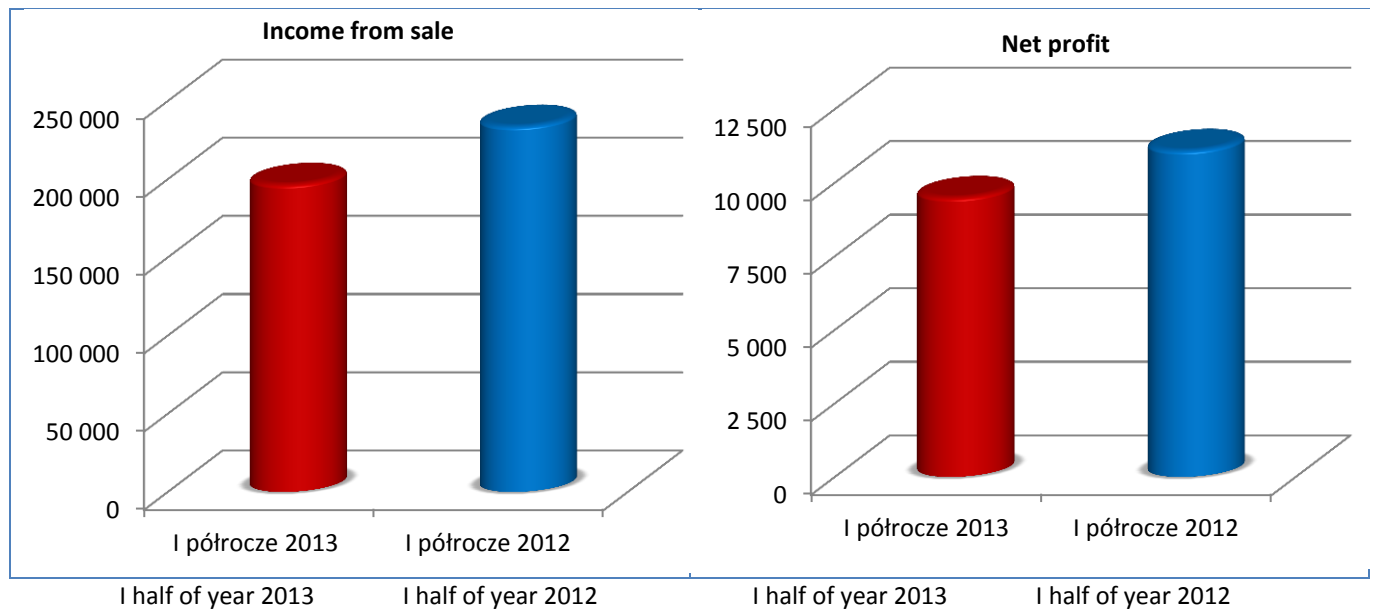
Other operation activity showed the profit in the amount of 761 thousand zloty i.e. by 9.7% more than in first half of year 2012. The main items in the other operation activity included:

- Incomes from subsidy – 426 thousand zloty
- Liquidated provisions for costs – 290 thousand zloty
- Incomes from indemnities and damages – 144 thousand zloty
- Created provisions for future costs – 151 thousand zloty

The Company presented the loss on financial activity in the amount of 61 thousand zloty in the first half of year 2013 i.e. by 94.5% less than in the same period last year. The difference arises mainly from:

- Creating the profit on the interest rate differences of the value of 937 thousand zloty in respect to the loss of 1,028 thousand zloty in first half of last year.
- Lower costs of interest from liabilities – by 446 thousand zloty.
- Higher costs of interest from credits – increase by 229 thousand zloty.

The aforementioned factors had influence on the net profit in the amount of 9,016 thousand zloty in the first half of year 2013.



Analysis of selected items of the report on financial situation – assets

Analysis of particular items of assets and liabilities was performed in comparison to their value at the end of the last accounting year

In the first half of year 2013 the assets of the Company decreased by 3,533 thousand zloty.

The tangible fixed assets increased by 608 thousand zloty. The incurred investment expenses in the amount of 3,009 thousand zloty compensated the redemption write-offs in the amount of 2,380 thousand zloty. The Company invested the biggest amount of money in the development and modernisation of the production plant as well as in the modernisation of the building of forwarders and logistics.

The inventories decreased by 14,842 thousand zloty (24.75%) which is caused by the finish of the performance of big orders mainly to Gaz-System S.A. The Company adapts the value of inventories to the currently possessed portfolio trying not to keep a lot of materials in warehouses if possible but at the same time trying to optimise the production cycle.

The significant part of the sale was realised in May and June (including the sale to Gaz-System S.A.) which caused the high balance of receivables on 30.06.2013. In majority they were settled in July. The Company does not present the endangered receivables creating updating write-offs in the balance sheet. In the first half of the year the Company created updating write-offs (except for interest receivables) in the amount of 74 thousand zloty 70 thousand zloty of which refers to the receivables due to indemnities.

Analysis of selected items of the report on financial situation – liabilities

The increase in the equity of the Company in the first half of year 2013 by 3,120 thousand zloty was connected with the obtained profit in the amount of 9,016 thousand zloty and assigning 5,896 thousand zloty for the dividend.

The long-term liabilities of the Company increased by 1,930 thousand zloty which was caused mainly by:

- The payment of the investment credits presented on 31.12.2012 as long-term liabilities in the value of 2,570 thousand zloty in accordance with the schedule.
- Opening the reviving operating credit in the amount of 4,500 thousand zloty (credit from 31,08.2012 taken in BRE Bank S.A.)

The short-term liabilities were decreased by 7,679 thousand zloty i.e. by 9.2% in the first half of year 2013 but their structure changed significantly.

In order to secure term payment of the trade liabilities and considering the receivables unpaid by the contractors the Company opened bank credits.

II. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND DANGERS

1. Risk connected with dependence on recipients

Due to the structural features of Polish gas market, there is an indirect risk of Issuer's dependence on the companies: PGNiG S.A. (looking for, exploitation, trade and distribution of gas) and the company O.G.P. Gaz-System S.A. (operator of the transfer system) as well as on the investments planned and realised by them. Except for the sale performed directly for the benefit of O.G.P. Gaz-System S.A. and PGNiG S.A., the Company provides services for the companies being the contractors or subcontractors of investments.

In order to minimise the risk, Izostal S.A. looks for new trade markets both in Poland (private gas companies) and abroad additionally. Joining the market of casing strings and extraction tubes by the Company comprises one of the elements of risk minimizing. Moreover, in connection with starting the Research and Development Centre of Technology and Steel Products the offer of the Company is increased by performing the research and analysis of raw materials, preparation of new construction and technological solutions and introduction of new products and services (DFBE coating) for the companies from the following branches: gas, construction and steel.

2. Risk connected with providing the quality of offered services

The recipients of the services and products offered by the Issuer are the entities working in the gas and petrochemical branches which feature with high quality requirements.

The quality of services offered in the Company is provided by the initiated and observed principles of the Quality Management System according to the norm ISO 9001:2008 and the obtained conformity certificates of goods allowed to be used in building, issued and supervised by the authorised certifying entities confirming that the requirements are satisfied. The Company also possesses the initiated norm ISO 14001:2004 and OHSAS 18001:2007.

3. Risk connected with general macroeconomic situation of Poland

The financial situation of the Company is correlated with the macroeconomic situation of Poland. The general indicators such as growth of GDP, pace of growth of investments, changes of the inflation level, exchange rates, unemployment rate and value of personal income of population impact the obtained financial results. There is a risk that should the pace of economic growth of Poland and in the world decrease or the instruments of shaping the economic politics be applied which may have negative influence on the Company functioning, the obtained financial results may change. The fall in the investment expenses in the economy, slowdown of the dynamics of the GDP increase, uncontrolled increase in inflation, increase in the restrictive fiscal and monetary politics of the state may have particularly negative influence on the activity of Izostal S.A.

This risk is minimised by the strategy of diversification of the sources of gas provision accepted by Poland and the restrictive provisions in the scope of environment protection and CO₂ emission imposed by the European Union.

4. Risk of price changes of the production factors

The profitability of the services of anti-corrosive insulation provided by the Company depends on the changes in the prices of production factors including at first the prices of chemical components, mainly polyethylene and polypropylene. The share of these factors in the cost structure is about 20%. The prices of chemical raw materials are strongly correlated with the prices of oil in the world markets which due to the current political and economic global situation may fluctuate strongly. The aforementioned cost factors may cause the periodical decrease in the Issuer's financial results and the level of obtained profitability.

In order to minimise the risk of the prices of production factors, the Issuer uses the strategy of diversification of their sources in its activity thanks to the cooperation with a few entities at each stage of production. Moreover, high financial potential of the Company allows it to purchase materials to be stored in the periods when their prices are low.

5. Risk connected with the changes of the steel pipe prices

The price of pipe steel in product "insulated steel pipe" constitutes about 70% of value depending on the conditions. Big changes of prices at the market of steel pipes observed in the last years influence the incomes and margins obtained by the Company. The issuer in order to avoid the risk connected with the changes of the steel pipes prices optimises the warehouse states adapting them to the scope of run activity.

In special cases the purchase of steel pipe for warehouse is performed according to the current prices in order to supplement the range in the amounts enabling to sell the goods with profit.

At the purchase of pipes for significant projects, the Issuer negotiates the prices with suppliers and concludes contracts enabling to keep the negotiated price independently of the situation on the steel market.

The changes in the prices of pipes may have influence on the Company revenues and profitability both in the main segment of insulation as well as the goods trade. The Company secures itself against the change in prices in particular contracts and in the short-term the changes in the prices of pipes have limited impact on the profitability of particular contracts. However, in the long-term the high prices of pipes are in favour of the Company (at the level of incomes and margins) and the fall in the changes of the pipes prices may cause the fall in incomes and profit from the sale of pipes.

6. Risk of changes in the currency rate

In connection with the performed export and import activity, the Company is endangered to the risk of the changes in the exchange rates. EUR is a dominant currency (except for PLN) in the trade transactions. The Company secures itself against exchange rate risk concluding the adequate currency transaction with the deferred term of payment.

7. Risk of trade credit

The Company performs the sale with the deferred terms of payment which causes the risk that its customers are insolvent. The last years have shown the financial difficulties of the companies working in the building industry and in the construction of roads. In order to maximally limit the risk the Company insures the receivables and performs the sale within the limits determined by the insurance company. The exception is the sale for O.G.P. Gaz-System S.A. to which the Company decided to exclude the insurance policy. Stable situation of this recipient guarantees the lack of the insolvency risk and only limits the costs of the insurance policy.

III. PRESENTING THE PROCEEDINGS PENDING BEFORE THE COURT, BODY COMPETENT TO PERFORM ARBITRARY PROCEEDINGS OR THE BODY OF PUBLIC ADMINISTRATION THE TOTAL VALUE OF WHICH AMOUNTS TO AT LEAST 10% OF THE ISSUER'S EQUITIES

The Company informs that it is not a party of any proceedings before the court, competent body to perform arbitrary proceedings or the body of public administration referring to the liabilities or receivables the value of which individually or jointly would exceed 10% of the equities of the Company or could have significant impact on the deterioration of the its financial situation.

IV. INFORMATION ABOUT THE CORE PRODUCTS, GOODS AND SERVICES TOGETHER WITH SPECIFICATION OF THEIR VALUE AND QUANTITY

The core products of the Company are the anti-corrosive insulations of steel pipe of the following types:

1. External insulations:
 - Three-layer polyethylene insulation 3LPE
 - Three-layer polypropylene insulation 3LPP
 - One-layer epoxy insulation FBE
 - Insulation DFBE
2. Internal insulation LAYTEC®

The Company puts the aforementioned insulation on the purchased pipes delivering the ready product – insulated pipe to the customer or providing the service on the pipe given by the customer.

The Company also sells the drilling pipes used to perform the excavation drilling work of gas. Moreover, the Company performs the sale of metallurgical products within the completion of the deliveries of its products.

The incomes from sale in the first half of year 2013 amounted to 196,791 thousand zloty i.e. 15.9% less than in the first half of year 2012. The total sale of insulated pipes and insulation services in first half of year 2013 amounted to 129,038 thousand zloty and increased by 6.1% in relation to the same period last year.

The incomes from sale of goods decreased in first half of year 2013 by 46,119 thousand zloty (by 41.2%) which was connected with the deliveries of drilling pipes to among others PGNiG S.A.

The value structure of sale:

	I half of year 2013		I half of year 2012	
	Value	Share	Value	Share
Insulated pipes	126 658	64,3%	119 562	51,1%
Insulation services	2 380	1,2%	2 112	0,9%
Goods, materials	65 873	33,5%	111 992	47,9%
Other sale	1 880	1,0%	303	0,1%
Total	196 791	100,0%	233 969	100,0%

V. INFORMATION ABOUT THE TRADE MARKETS WITH THE DIVISION INTO DOMESTIC AND FOREIGN ONES AND THE INFORMATION ABOUT THE SOURCES OF SUPPLIES OF MATERIALS TO PRODUCTION, IN GOODS AND SERVICES

The decrease in sale in the first half of year 2013 in comparison to the same period of the previous year was caused by the interim decrease in the needs in the domestic market. The sale in this market decreased by 16.8%. In the first half of year 2013 the export sale was at the level similar to the same period of the previous year. The Company exported its products to the countries of the European Union. The main direction of export was Hungary (39.60% of export), Slovakia (16.12% of export), Lithuania (15.75% export).

The incomes from sales in division into domestic market and export:

	I half of year 2013		I half of year 2012	
	Value	Share	Value	Share
Country	184 338	93,7%	221 505	94,7%
Export	12 453	6,3%	12 464	5,3%
Total	196 791	100,0%	233 969	100,0%

The main recipient of the Company in the first half of year 2013 was O.G.P. Gaz-System S.A. (48.9% of share in sale).

The matter of the fact whether the Company is dependent on the recipients was discussed in point 1 point II of this Report – Risk connected with dependence on recipients.

In the scope of purchases the biggest suppliers of the Company are the entities offering metallurgical products. Izostal S.A. provides itself in metallurgical products both by domestic and foreign suppliers. In the scope of foreign deliveries there were entities from the European Union in the first half of year 2013.

The main suppliers of the Company in first half of year 2013 were:

- STALPROFIL S.A. (22,3% share in sale)
- ArcelorMittal Tubular Products Ostrava a.s. (19,9% share u sale))

Among the aforementioned significant contractors Izostal S.A. is connected with Stalprofil S.A. who is a parent entity (60.28% share in capital) of Izostal S.A.

VI. INFORMATION ABOUT CONCLUDED AGREEMENTS WHICH ARE SIGNIFICANT FOR THE ISSUER'S ACTIVITY

Commercial agreements and transactions.

1. Orders and agreements concluded with Impexrur S.A. for the delivery of drilling pipes, insulated and steel ones. The total value of turnover between Izostal S.A. and Impexrur S.A. (transaction of sale and purchase) in the first half of year 2013 amounted to 13,815 thousand zloty. The orders and agreements concluded between the parties do not assume contractual indemnities. The terms and conditions of agreements concluded with Impexrur S.A. do not differ from commonly applied.
2. Orders and agreements concluded with Stalprofil S.A. for the delivery of metallurgical products. The total value of turnover between Izostal S.A. and Stalprofil S.A. (transaction of sale and purchase) in the first half of year 2013 amounted to 44,704 thousand zloty. The orders and agreements concluded between the parties do not assume contractual indemnities. The terms and conditions of concluded agreements do not differ from commonly applied.
3. Orders and agreements concluded with ZRUG Zabrze S.A. for the delivery of insulated pipes network equipment. The total value of turnover between Izostal S.A. and ZRUG Zabrze S.A. (transaction of sale and purchase) in the first half of year 2013 amounted to 19,263 thousand zloty. The orders and agreements concluded between the parties do not assume contractual indemnities with the exception of the agreement concluded on 14.03.2013 for the delivery of equipment by Izostal S.A. according to which one party pays the indemnity in the amount of 10% of the price for renouncing from the agreement to the other party. The terms and conditions of agreements concluded with ZRUG Zabrze S.A. do not differ from commonly applied.
4. Orders and agreements concluded with Ferrum S.A. for the delivery of insulated pipes, insulation services and purchases of steel pipes. The total value of turnover between Izostal S.A. and Ferrum S.A. (transaction of sale and purchase) in the first half of year 2013 amounted to 22,298 thousand zloty. The orders and agreements concluded between the parties do not assume contractual indemnities with the exception of the order from 10.06.2013 (about which the Company wrote in the current report no 21/2013) for the delivery of steel pipes by Ferrum S.A. according to which the Company is entitled to the indemnity in the amount of 0.35% of the order value for each day of delay however, not more than 20% of this order. The terms and conditions of agreements concluded with ZRUG Zabrze S.A. do not differ from commonly applied.

Financial agreements

1. Annex concluded on 30.01.2013 to the agreement concluded with BRE BANK S.A. about the multicurrency credit in the current account for the amount of 10,000 thousand zloty pursuant to which the period of applying this credit was extended from 31.01.2013 to 30.01.2014. Other significant terms and conditions of the granted credit have not changed. The significant terms and conditions of the agreement are presented in note 10 of the additional information to the Financial Statement.
2. The agreement of operating credit concluded with Bank Zachodni WBK S.A. on 17.06.2013. The Bank granted the Company the operating credit in the current account in the amount of 3,000 thousand EUR. This credit was granted to 10.06.2014. The significant terms and conditions of the agreement are presented in note 10 of the additional information to the Financial Statement.

Insurance agreements

The Company is a party of significant insurance agreement concluded with TUIR Allianz Polska S.A. referring to the possessed property and the risk of running business activity.

Policy number	Subject of insurance, scope of insurance	Total amount of insurance
---------------	--	---------------------------

000-13-002-0011470	Property insurance against fire and other events	203.876.270,40 zł
000-12-300-05608993	Machines insurance against damage	50.537.480,81 zł
000-12-304-05608995	Insurance of stationary electronic equipment	2.832.766,25 zł
	Insurance of portable electronic equipment	729.058,89 zł
	Insurance of the costs of reproducing the data and software	200.000,00 zł
	Insurance of additional costs	100.000,00 zł
000-12-430-05893628	Liability insurance in connection with the possessed property and run business activity with the exclusion of the liability for product (the co-insured Companies within this agreement: Stalprofil S.A., Izostal S.A., Kolb Sp. z o.o.)	30.000.000,00 zł

Moreover, the Company is a party of the insurance of the receivables concluded with KUKE. The realised sale is insured to the values granted by the insurance company to particular recipients of credit limits.

Transactions with related entities are described in the note no 35 of the additional information to the Financial Statement for first half of year 2013.

VII. INFORMATION ABOUT ISSUER'S ORGANISATIONAL OR CAPITAL CONNECTIONS WITH OTHER ENTITIES AND SPECIFICATION OF ITS MAIN DOMESTIC AND FOREIGN INVESTMENTS

The Company is in the composition of the Capital Group Stalprofil S.A. which includes except for the Issuer:

- Stalprofil S.A. with its registered office in Dąbrowa Górnicza – parent company
- Stalprofil Finance Sp. z o.o. with its registered office in Dąbrowa Górnicza
- Kolb Sp. z o.o. with its registered office in Kolonowskie
- ZRUG Zabrze S.A. with its registered office in Zabrze

The parent company of the capital group – Stalprofil S.A. – on 30.06.2013 possessed with the intermediary of the dependent company – Stalprofil Finance Sp. z o.o. – 60.28% of share in the Company initial capital. Stalprofil S.A. possesses 100% of shares in Stalprofil Finance Sp. z o.o.

The Company did not invest in securities in first half of year 2013. The main investments were described in note 1 of additional information to Financial Statement for first half of year 2013.

In the scope of investments in financial investments the Company granted the loan to ZRUG Zabrze S.A. (related entity) which was described in note no 5 of additional information to Financial Statement for first half of year 2013.

VIII. INFORMATION ABOUT SIGNIFICANT TRANSACTIONS CONCLUDED BY THE ISSUER OR DEPENDENT ENTITY WITH THE RELATED ENTITIES ON THE CONDITIONS OTHER THAN THE MARKET ONES

In the period covered by this Report the Company did not conclude transactions with related entities on the conditions other than the market ones.

The information about significant transactions concluded with the related entities are presented in note 35 of additional information to Financial Statement for first half of year 2013.

IX. INFORMATION ABOUT THE AGREEMENTS REFERRING TO CREDITS AND LOANS TAKEN AND TERMINATED IN A GIVEN ACCOUNTING YEAR

In first half of year 2013 the Company was the party of the following agreements referring to credits and loans:

1. Investment credit of 10.07.2009 taken in PKO BP S.A. in Polish currency in the amount of 26,000 thousand zloty. The credit is interested on the basis of WIBOR 3M increased by the bank margin. The credit is granted to 31.03.2016.
2. Credit in a form of multipurpose credit limit of 08.09.2010 taken in PKO BP S.A. in the amount of 22,000 thousand zloty to be used for credit in the current account, the reviving accounting credit, bank guarantees, credit letters of credit. The credit may be used in EUR and PLN. The credit is

interested on the basis of WIBOR 1M increased by the bank margin. The credit is granted to 8th September 2013.

3. Investment credit of 04.01.2011 taken in BNP PARIBAS BANK POLSKA S.A. in Polish currency in the amount of 12,358 thousand zloty. The credit is interested on the basis of WIBOR 3M increased by the bank margin. The credit is granted to 03.01.2014.
4. Multicurrency credit in the current account of 01.12.2011 taken in BRE BANK S.A. in currency PLN and EUR in the amount of 10,000 thousand zloty. The credit is interested on the basis of WIBOR O/N increased by the bank margin for the part used in PLN and LIBOR O/N increased by the bank margin for the part used in EUR. The credit is granted to 30.01.2014.
5. Credit in a form of multipurpose credit line of 27.05.2011 taken in BNP PARIBAS BANK POLSKA S.A. in Polish currency in the amount of 5,000 thousand zloty to be used as a credit in current account and bank guarantees. The credit is interested on the basis of WIBOR 1M increased by the bank margin. The credit is granted to 21.06.2014.
6. Revolving credit of 31.08.2012 taken in BRE BANK S.A. in the amount of 10,000 thousand zloty to be used to finance current activity. The credit is interested on the basis of WIBOR 1M increased by the bank margin. The credit is granted to 28.08.2014.
7. Revolving credit in EUR of 24.05.2012 taken in BNP PARIBAS BANK POLSKA S.A. in the amount of 3,000 thousand zloty to be used to finance current activity. The credit was granted to 19th May 2013. The credit is interested on the basis of EURIBOR 1M increased by the bank margin. The Company taking into consideration the fact that it intended to take the credit in Bank Zachodni WBK S.A. decided to terminate the credit agreement on 22.05.2013.
8. Operating credit in the current account of 12.06.2013 taken in Bank Zachodni WBK S.A. in the amount of 3,000 thousand EURO to be used to finance current economic activity. The credit is interested on the basis of EURIBOR 1M increased by the bank margin. The credit is granted to 10.06.2014.

Value of bank credits on 30.06.2013 (without interest from debt).

	Amount of credit in the agreement	Credit involvement on 30.06.2013
Multipurpose credit limit PKO BP (thousand PLN)	22 000	15 733
Investment credit PKO BP (thousand PLN)	26 000	10 712
Investment credit BNP Paribas Bank Polska S.A. ((thousand PLN)	12 358	3 460
Multicurrency credit in the current account BRE Bank S.A. (thousand PLN)	10 000	9 643
Multipurpose credit line BNP Paribas Bank Polska S.A. (thousand PLN)	5 000	1 114
Revolving credit in BRE Bank S.A. (thousand PLN)	10 000	10 000
Operating credit in current account in WBK S.A. (thousand EUR)	3 000	472

The detailed information referring to the credit collateral according to the value on 30th June 2013 is presented in note 10 of the additional information to the Financial Statement.

X. INFORMATION ABOUT LOANS GRANTED IN A GIVEN ACCOUNTING YEAR

The Company did not grant any new loans in first half of year 2013.

Izostal S.A. granted the loan to the related entity in 2012 i.e. ZRUG Zabrze S.A. for the total amount of 10 million zloty. The loan is described in detail in note 5 of the additional information to the shortened financial statement for first half of year 2013.

XI. INFORMATION ABOUT GUARANTEES AND WARRANTIES OBTAINED AND GRANTED IN THE GIVEN ACCOUNTING YEAR

Value of guarantees granted by the Company on 30.06.2013:

Beneficiary	Type of guarantee	Validity date	Value for 30.06.2013	Value for 31.12.2012	Change
OGP Gaz-System S.A.	Removal of defects and failures	01.04.2016	159	159	0
OGP Gaz-System S.A.	Removal of defects and failures	28.03.2016	129	129	0
OGP Gaz-System S.A.	Removal of defects and failures	03.02.2015	1 247	1 247	0
OGP Gaz-System S.A.	Removal of defects and failures	10.05.2015	1 407	1 407	0
OGP Gaz-System S.A.	To be performed	30.04.2014	2 374	2 374	0
	Removal of defects and failures	from 01.05.2014 to 15.02.2017	712	712	0
OGP Gaz-System S.A.	To be performed	12.03.2013	0	4 676	-4 676
	Removal of defects and failures	from 13.03.2013 to 25.02.2016	1 403	1 403	0
OGP Gaz-System S.A.	To be performed	14.02.2013	0	6 829	-6 829
	Removal of defects and failures	From 15.02.2013 to 31.01.2016	2 049	2 049	0
OGP Gaz-System S.A.	Removal of defects and failures	01.12.2015	396	396	0
OGP Gaz-System S.A.	Removal of defects and failures	15.11.2015	373	373	0
OGP Gaz-System S.A.	Removal of defects and failures	15.11.2015	883	883	0
Polskie Górnictwo Naftowe i Gazownictwo S.A.	Removal of defects and failures	07.11.2015	368	368	0
OGP Gaz-System S.A.	To be performed	30.09.2013	3 097	3 097	0
	Removal of defects and failures	from 01.10.2013 to 15.09.2016	929	929	0
OGP Gaz-System S.A.	To be performed	23.06.2013	0	5 434	-5 434
	Removal of defects and failures	from 24.06.2013 to 08.06.2016	1 630	1 630	0
AB Lietuvos Dujos	To be performed	05.09.2013	178	0	178
Polskie Górnictwo Naftowe i Gazownictwo S.A.	Deposit	03.07.2013	696	0	696
NET4GAS S.R.O.	Deposit	26.09.2013	88	0	88

The aforementioned guarantees were issued by the banks and insurance companies and secure the liability of Izostal S.A. arising from the realised contracts and tenders in which the Company takes part. In the case of payments due to guarantees, the issuer is entitled to the right of recovery towards Izostal S.A. On 30.06.2013 the Company was not granted any guarantees.

On 19.06.2013 Izostal S.A. signed the agreement on the basis of which it granted the guarantee to ZRUG Zabrze S.A. (related entity) of the payment of possible liabilities arising from the guarantee of proper performance and warranty for defects and failures issued by Bank Zachodni WBK S.A. in order to secure the performance of contract realisation. The guarantee covers the amount of the guarantee line granted to ZRUG Zabrze S.A. in the amount of 3,250 thousand zloty and is valid until 18.06.2017. Should ZRUG Zabrze S.A. settle the liabilities arising from this guarantee earlier on, the period of the guarantee validity may be shortened.

Due to the proper performance of work ordered to ZRUG Zabrze S.A. in the past, the granted guarantee causes minimal risk connected with the use of the subject bank guarantee.

30.06.2013 the Company was not granted any guarantees. Moreover, on 30.06.2013 no entity guarantees the liabilities of the Company.

XII. DESCRIPTION OF THE USE OF INCOMES FROM ISSUE BY THE ISSUER TO THE MOMENT OF DRAWING UP THE STATEMENT

In first half of year 2013 the Company did not issue any securities.

XIII. EXPLANATION OF DIFFERENCES BETWEEN THE FINANCIAL RESULTS PRESENTED IN THE ANNUAL REPORT AND THE FORECASTS OF RESULTS FOR A GIVEN YEAR ANNOUNCED BEFORE

The Company did not announce forecasts for year 2013.

XIV. ASSESSMENT REFERRING TO THE FINANCIAL RESOURCES MANAGEMENT WITH JUSTIFICATION**Debt ratios**

Specification	I half of year 2013	Year 2012
Debt ratio	33,9%	35,6%
Long-term debt ratio	6,8%	6,1%
Debt on equity ratio	75,3%	81,1%
Assets to equity ratio	57,0	55,2%

Rules of ratios calculation:

- Debt ratio – short- and long-term liabilities (without accruals) plus provisions for liabilities to total assets,
- Long-term debt ratio – long-term liabilities (without accruals) to total assets,
- Debt on equity ratio – total liabilities (with provisions for liabilities and accruals) to equity,
- Assets to equity ratio – equity to total assets.

In first half of year 2013 debt ratios did not change significantly.

Debt ratio decreased to the level of 33.9% from 35.6% in the end of last year. Total debt of the Company amounted to 93,881 thousand zloty and decreased by 6,222 thousand zloty in first half of year 2013 with the increase in assets by 3,533 thousand zloty. The decrease in debt was caused mainly by the payment of trade liabilities to 28,973 thousand zloty which was performed from the started credits in the biggest amount.

The long-term debt ratio increased to the level of 6.8% at the end of the first half of year 2013.

The Company has a stable financial situation and secure financing structure. The possessed capital provides security and stability of the run business activity. Moreover, the Company has access to the operating credits which may be used according to the needs. The Company diversifies credit engagement in banks. Izostal S.A. adapts the value of kept inventories to the performed contracts currently and the access to external financing sources is optimized to forecasted turnovers.

Solvency ratios

Specification	I half of year 2013	Year 2012
Current ratio	1,87	1,74
Quick ratio	1,26	1,01

Rules of ratios calculation:

- Current ratio – total current assets to total current liabilities at the end of a given period; presents the company ability to settle current liabilities with the use of current assets,
- Quick ratio – total current assets decreased by inventories to current assets at the end of the period; presents the ability to gather the money necessary to cover the liabilities of high rate of maturity in short term.

In first half of year 2013 the Company improved the solvency ratios.

Current ratio amounted to 1.87 at the end of the first half of year 2013 with the level of 1.74 at the end of 2012. The quick ratio and the current ratio shape at the safe level at the end of the period.

Performance indicators of the current capital management

Specification	I half of year 2013	Year 2012
Cycle of the inventories rotation	41,3	47,0
Cycle of the trade receivables rotation	83,9	37,5
Cycle of the trade liabilities rotation	25,3	44,4
Operation cycle	125,2	84,5
Cash conversion cycle	99,9	40,1

Rules of ratios calculation:

- Cycle of inventories rotation – total inventories at the end of a given period to the net incomes from sale for a given period, multiplied by the number of days in the period,

- Cycle of receivables rotation – total trade receivables at the end of a given period to the net incomes from sale for a given period, m multiplied by the number of days in the period,
- Cycle of liabilities rotation – total short-term trade liabilities at the end of a given period to the net incomes from sale for a given period, m multiplied by the number of days in the period,
- Operation cycle – sum of the cycle of inventories rotation and the cycle of receivables rotation,
- Cash conversion cycle – subtraction of operation cycle and the cycle of trade receivables.

The cycle of inventories rotation was shortened by about 6 days in the first half of year 2013. The shortening of the inventories rotation was the effect of the sale of a significant part of finished products manufactured in earlier months. The lower value of inventories in the Company than the collateral determined for the benefit of banks is interim. The value of inventories will increase in the next quarters.

The cycle of trade receivables rotation was extended to 83.9 days (by 46.4 days) in the first half of year 2013 which is connected with the delay in the payment of significant receivables by contractors. However, they constitute receivables from sure payers, which are not threatened not to be paid and were settled in a big amount in the first half of July.

Despite of the extension of the trade receivables rotation cycle, the Company paid its liabilities with agreed contractors in time using among others bank credits.

The operation cycle was extended by 84.5 days in 2012 to 125.2 days. The cash rotation cycle amounted almost 99.9 days in connection with the change of the cycle of trade liabilities.

XV. ASSESSMENT OF THE POSSIBILITY TO REALIZE INVESTMENT INTENTIONS

The Company is not planning capital investments.

As far as the investments in tangible fixed assets and intangible fixed assets are concerned, the Company plan closes with the amount of 4,110 thousand zloty in the second half of year 2013. The modernisation of the building of forwarders and logistics constitutes the main item in the plan. The offices for shippers, social rooms for logistics employees and warehouses for spare parts are to be created in the building bought from the Municipality Klonowski. The social part for drivers waiting for loading/unloading is also planned in the building. The Company postpones the realisation of the investment – building of the warehouse for uninsulated steel pipes for 2014. According to the Management Board of the Company, the performance of the investment tasks is not endangered. The planned investments will be financed from the Company own funds.

XVI. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S COMPANY AND THE DESCRIPTION OF THE DEVELOPMENT PROSPECTS OF THE ISSUER'S ACTIVITY AT LEAST TO THE END OF THE ACCOUNTING YEAR

Despite the crisis in the EU markets, the prospects for the Issuer's branch are very good.

The domestic gas transfer and distribution market experiences a lot of changes consisting in adaptation to the levels of the Western Europe and preparation to playing a new function as the infrastructure fully integrated with neighbouring countries and enabling gas transit in different directions providing flexibility in the gas deliveries.

Domestic economy indicates a significant increase in the gas demand and in the European Union the emphasis on creating common integrated gas market is observed within which the infrastructure of Poland will enable gas transportation in different geographical configurations. A very big increase in the demand of gas comes from the domestic electro-energy market which may cause the increase in needs by 6.2 billion m³ of gas a year.

The forecast of optimal development of the gas market accepted by Gaz-System, being the middle variant – the more realistic one assumes the increase in use from current 14-15 billion m³ to 25.1 billion m³ in 2018.

The significant changes in the market started in 2009 and in the first stage they referred to the construction and joining the transit system of the terminal LNG in Świnoujście together with the development of the transit system necessary in this scope. Moreover, the system joint with the Czech Republic was built and the connection with Germany was developed. The stage of these actions finished in 2014.

The development plan prepared by Gaz-System S.A. for year 2014-2023 assumes consecutive two prospects of investment actions intended to achieve the aforementioned objectives:

- prospect 2018 within which the most important investment tasks will be realised within the North – South Corridor the purpose of which is to provide conditions to build the integrated gas market in the countries of Middle and East Europe,
- prospect 2013 within which the modernisation of national transit system will be finished in the eastern part of Poland and providing the conditions to integrate the market of Baltic countries with the market of the countries of Middle and East Europe.

The effect of the actions within the development of the national gas transit market for years 2014-2023 the construction of the transit system which is fully functioning and integrated with gas systems of neighbouring countries thanks to which the appropriate infrastructure basis for long-term development and functioning of the gas market in Poland will be created. The performance of the next tasks will contribute to the decrease of the system susceptibility to the breaks in gas deliveries, increase the flexibility in reacting to expected changes in the gas market.

The construction of about 2,000 km of new pipelines with high capacity is assumed to the end of the forecasted period.

The aforementioned development prospects provide high demand for insulated gas pipes in which the Company will participate significantly.

Moreover, in year 2023 more than 60% of pipelines will be over 36 years old and will require modernization and rebuilding.

The projects assumed by Gaz-System S.A. are consistent with the “Energetic Strategy of the European Union in the prospect of 2020” published by the European Commission on 10th November 2010. Pursuant to this document the strategy priority is among others: creation of the internal, integrated in infrastructure, commercial market of gas. In connection with these assumptions a big group of investment projects prepared with the participation of Gaz-System S.A. takes a high position in the proposed list of projects of communal significance (PCI – Project of Common Interest) which are particularly important due to the point of view of the performance of the EU strategic objectives.

The key factor for further development of the market is the construction of connections with the system of neighbouring countries within the North – South Corridor which is the most important investment programme supported by the EU in Middle and East Europe.

Planned course of the corridor is illustrated in the map¹:



North-South Corridor (western section)
North-South Corridor (eastern section)

Till the end of 2014 GAZ System finished the construction of 875 km of new pipelines. The prospect for years 2014 – 2018 assumes the construction of 1,261 km and the prospect for years 2019-2023 742 km of pipelines. The plans of investments are presented in the map²:

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

² Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Wyciąg z *PLANU ROZWOJU w zakresie zaspokojenia obecnego i przyszłego zapotrzebowania na paliwa gazowe na lata 2014-2023*, Warszawa, 1 lipca 2013 r., p.21



Above there are presented only the investments in the gas transport infrastructure which give the grounds for positive assessment of the Company prospects, the investments in the scope of the construction of distribution pipelines of lower pressure which generate the demand for the Company products will be also performed by PGNIG S.A. and private investors.

In the short-term prospect i.e. the second half of the current year the fall in the sale of insulated steel pipes should be expected. The company finishes the performance of contracts for the benefit of Gaz-System S.A. in August. The performed deliveries will let the Investor build the transit lines and next tenders will be announced from August this year in accordance with the schedule and their performance occurs in autumn. Year 2014 as described above will provide next significant orders.

Except for the core product, the Company will perform the deliveries of excavation and drilling pipes in the second half of the year among others to PGNIG S.A. The strategy of entering this market is consequently and successfully realized in connection with the increase in the branch expenses in this segment.

In connection with the purchases settled in EUR, the exchange rate EUR/PLN is a significant factor affecting the result of the Company. The Company actively functions in the currency market securing the currency risk at least according to the assumptions taken in the offer calculations.

Taking the above into consideration, according to the Management Board of the Company, next years will bring further strengthening of the Company position and significant level of generated profits. Despite the national and foreign competition (deliverers from Turkey and China), the Company takes part in all tenders winning the majority of them thanks to the newest, advanced technologies, constant improvement and development of supplied products, high quality of materials for production and restrictive cost politics.

Thanks to the created the Centre of Technological Research and Development, the Company attempts to improve the processes used by it, products and to extend its offer by the newest technological solutions thanks to which offering the products guaranteeing the security of their use which is extremely important for the gas branch.

The chapter above was prepared on the basis of: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Wyciąg z *PLANU ROZWOJU w zakresie zaspokojenia obecnego i przyszłego zapotrzebowania na paliwa gazowe na lata 2014-2023*, Warszawa, 1 lipca 2013 r. [the extract from the DEVELOPMENT PLAN in the scope of satisfying the current and future demand for gas fuels in years 2014-2023, Warsaw, 1st July 2013].

XVII. CHANGES IN THE BASIC RULES OF THE ISSUER'S ENTERPRISE MANAGEMENT

In the scope included in this half-year report no significant changes in the basic rules of the Company management occurred.

The organisational departments function in the organisational structure of the company grouping the organisational units of the Company according to the scope of their activity and specifying the subordination towards the Members of the Management Board. The Members of the Management Board supervise the functioning of the particular departments directly. The President of the Management Board also plays the function of the Financial Director and the Vice-President of the Management Board – the Commercial Director is directly supervised by the President of the Management Board – the General Manager.

According to the accepted and taken organisational scheme the General Manager supervises:

- The Research and Development Centre
- Production and Technology Director together with organizational units supervised by him
- Quality Provision Office
- Management and Staff Office
- Management Board Proxy to the Integrated Management System
- OHS Inspector

The Financial Director supervises:

- The Main Accountant with the Financial Accountancy Office supervised by it
- Office of Analyses and Settlements

The Commercial Director supervises:

- Marketing Department
- Domestic Sale Office
- Export Sale Office

The structure of employment in Izostal S.A. on 30.06.2013 according to the organisational departments.

Specification	30.06.2013	
	Number of employees	Share
Management Board	2	2%
General Manager's department	12	8%
Financial Manager's department	8	5%
Commercial Manager's department	10	7%
Production and Technology Director's department	93	63%
Research and Development Centre	22	15%
TOTAL	147	100%

The structure of employment in Izostal S.A. on 30.06.2013 according to the type of performed work

Specification	30.06.2013	
	Number of employees	Share
White collar workers	54	37%
Blue collar workers	93	63%
Total	147	100%

XVIII. ALL AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND THE MANAGING PERSONS ASSUMING THE COMPENSATION IN THE CASE OF THEIR RESIGNATION OR DISMISSAL FROM TAKEN POSITION

The Company is a party in the agreements with the Members of the Management Board in persons: Marek Mazurek, Jacek Podwiński about the ban of competition in the duration and after the termination of the labour agreement. The agreements assume that the Members of the Management Board cannot run the competitive activity towards Izostal S.A. or provide work within the labour relation or a different legal relation for the benefit of the entity acting in the same branch or running similar activity to the activity of the Issuer during the

employment relation with the Company and within 6 months after the termination of this relation. As a compensation for the ban of competition in the contractual agreement (6 months) after the termination of the employment relation, the Members of the Management Board are entitled to compensation in the amount of 50% of the previously received monthly gross basic remuneration from the Company which shall be paid every month.

XIX. VALUE OF REMUNERATIONS, REWARDS OR BENEFITS OF THE PERSONS MANAGING OR SUPERVISING THE ISSUER

Information referring to the remuneration of managing and supervising persons are presented in note 35 of the additional information to the shortened financial statement for the first half of year 2013.

XX. SPECIFICATION OF THE TOTAL NUMBER AND NOMINAL VALUE OF ALL ISSUER'S SHARES AND SHARES BEING POSSESSED BY THE PERSONS MANAGING AND SUPERVISING THE ISSUER

According to the best knowledge of the Company on 30.06.2013, the members of the Management Board possessed the shares of Izostal S.A. in the total number and value presented in the table below:

The Management Board	Total number of all shares of Izostal S.A. being possessed by the managing and supervising persons (pieces)	Nominal value of all shares of Izostal S.A. being possessed by the managing and supervision persons (zloty)
Marek Mazurek	5 314	10.628,00
Jacek Podwiński	738	1.476,00

Moreover, it arises from the information possessed by the Company that no changes in the number of possessed shares of Izostal S.A. or authorisations to them by managing persons have occurred since the moment of submission of the last quarterly report. Mr Zdzisław Mendelak whose possessions of shares of Izostal S.A. were described in the Company report for the first quarter of year 2013 is not the member of the Supervisory Board of Izostal S.A. in connection with the resignation placed on 07.05.2013. The members of the Supervisory Board did not possess the shares of the Company on 30.06.2013.

XXI. LIST OF SHAREHOLDERS POSSESSING AT LEAST 5% OF VOTES IN WZA [GENERAL MEETING OF SHAREHOLDERS]

On the day of submission of the report for the first half of year 2013 the shareholders possessing directly or indirectly by the dependent entities at least 5% of votes in the General Meeting of Shareholders of Izostal S.A. are presented in the table below according to the best knowledge of the Company.

The information in the table is based on the information obtained from the shareholders in accordance with article 69 item 1 of the Act on Public Offer and the Terms and Conditions of Introducing Financial Instrument to the Organised Circulation and about Public Companies.

Shareholder	Number of possessed shares	Share in the initial capital (%)	Number of votes in the General Meeting of Shareholders	Share in the total number of votes in the General Meeting of Shareholders (%)
Stalprofil S.A.	19 739 000	60,28 %	19 739 000	60,28 %
Aviva OFE Aviva BZ WBK	1 669 877	5,10 %	1 669 877	5,10 %
Pozostali	11 335 123	34,62 %	11 335 123	34,62 %
Razem	32 744 000	100 %	32 744 000	100 %

In the period since the submission of the previous quarterly report of Izostal S.A. the changes in the ownership structures of significant packages have occurred. On 19th July 2013 the company Stalprofil S.A. acquired 19,739,000 shares of Izostal S.A. in a form of succession. The acquisition of shares occurred in result of registering the merger of Stalprofil S.A. with its registered office in Dąbrowa Górnicza (the Merging Company) with the company Stalprofil Finanse Sp. z o.o. with its registered office in Dąbrowa Górnicza (the Merged Company) in the District Court in Katowice, VIII Economic Division of the National Court Register. The merger was performed in the mode of article 492 § 1 item 1 of the Commercial Law Code i.e. by the transfer of the

whole property of Stalprofil Finanse Sp. z o.o. for the benefit of Stalprofil S.A. In connection with the fact that Stalprofil S.A. was the only partner of Stalprofil Finanse Sp. z o.o. The merger of these Companies occurred in the simplified mode without the increase in the initial capital and without the change of shares of Stalprofil Finanse Sp. z o.o. on the shares of Stalprofil S.A.

XXII. INFORMATION ABOUT THE AGREEMENTS KNOWN TO THE ISSUER AS A RESULT OF WHICH THE CHANGES IN THE PROPORTIONS OF SHARES POSSESSED BY THE CURRENT SHAREHOLDERS MAY OCCUR

On the day of drawing up this report the Company does not possess any information in result of which the changes in the proportions of possessed shares may occur in the future.

XXIII. OTHER INFORMATION ABOUT THE CONTROL SYSTEM OF EMPLOYEES' SHARES

The Company did not organise the programmes of employees' shares.

XXIV. INFORMATION ABOUT THE AGREEMENT WITH THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

The information about the agreement concluded with the entity authorised to audit financial statements are included in note 42 of the additional information of the shortened Financial Statement for the first half of year 2013.

Zawadzkie, 28th August 2013

.....
President of the Management Board
Marek Mazurek

.....
Vice-President of the Management Board
Jacek Podwiński

XXV. THE MANAGEMENT BOARD'S STATEMENTS

(placed pursuant to §89 item 1 point 4 of the Ordinance of the Minister of Finance of 19th February 2009 concerning the current and interim information submitted by the issuers of securities and the terms and conditions of acknowledging the information as equal to the information required by the provisions of law of the country not being the member state)

The Management Board of the Company states that according to its best knowledge, the half year financial statement of Izostal S.A. for the first half of year 2013 and comparative data were drawn up in accordance with the binding accounting principles and that they present the proprietary and financial situation of the Company and its financial result in a true, reliable and clear way and that the annual report on the issuer's activity includes the real picture of the development and achievements and the issuer's situation including the description of basic risks and dangers.

Zawadzkie, 28th August 2013

.....
The President of the Management Board
Marek Mazurek

.....
The Vice-President of the Management Board
Jacek Podwiński

XXVI. THE MANAGEMENT BOARD'S STATEMENT

(placed pursuant to §89 item 1 point 5 of the Ordinance of the Minister of Finance of 19th February 2009 concerning the current and interim information submitted by the issuers of securities and the terms and conditions of acknowledging the information as equal to the information required by the provisions of law of the country not being the member state)

The Management Board of the Company states that the entity authorised to audit financial statements i.e. Kancelaria Porad Finansowo – Księgowych dr. Piotr Rojek Sp. z o.o., auditing this half-year shortened financial statement for the first half of year 2013 was selected in accordance with the provisions of law and that the entity and the chartered accountants auditing this report satisfy the conditions to express impartial and independent opinion about the audited annual financial statement in accordance with the binding provisions and professional norms.

Zawadzkie, 28th August 2013

.....
The President of the Management Board
Marek Mazurek

.....
The Vice-President of the Management Board
Jacek Podwiński



Izostal S.A.
ul. Polna 3,
47-120 Zawadzkie

tel.: +48 77 40 56 500
fax: +48 77 40 56 501
gielda@izostal.com.pl
www.izostal.com.pl

NIP 756-00-10-641
INITIAL CAPITAL 65,488,000 PLN
KRS 000008917- District Court in Opole, VIII Economic Division of the National Court Register

