

**Report on activities of the Issuer, SCO-PAK SA with its registered office in
Warsaw**

for the period from 01/01/2014 to 30/06/2014

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1. History of the Company

SCO-PAK Spółka Akcyjna [joint-stock company] with its registered office in Warsaw was established as a result of transformation of SCO-PAK Spółka z ograniczoną odpowiedzialnością [limited liability company] formed in January 1988 by three partners, including the present President of the Management Board, Grzegorz Pleskot, and the Vice-Chairman of the Supervisory Board, Tadeusz Pleskot. In May 1997, the Company launched economic activity in the field of corrugated cardboard and packaging production at the premises located in Chełm at Wojsławicka 7. The Company is entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000367265. It is the holder taxpayer identification number NIP 563-15-88-270 and statistical number REGON 110150964. The Company is registered as an EU VAT payer. It operates its manufacturing facilities in Chełm and Orchówek near Włodawa. Milestones in the history of the Company:

- a) May 1997 - acquisition of the right of perpetual usufruct of land plots with a total area of 18 364 sqm in Chełm at Wojsławicka 7 and the ownership of the production, storage, administrative and office buildings erected thereon;
- b) May 1997 - purchase of a used cardboard and packaging production line and the steam generator; launching of cardboard production;
- c) May 1999 - ISO 9001 for the corrugated cardboard production as well as the cardboard packaging production and design;
- d) July 1999 - increase of the share capital to the amount of PLN 3,289,500 and coverage of shares with nominal value of PLN 2,679,500 acquired by PRESCOTT SA with an in-kind contribution in the form of the ownership of the real property located in Chełm at Rampa Brzeska 39;
- e) March 2007 - acquisition of the real property after the former tannery "POLESIE" in Orchówek near Włodawa and starting construction of a paper mill at its premises;
- f) December 2009 - completion of the paper mill construction and launching of paper production;
- g) August 2010 - Adoption by the Shareholders' Meeting of the Resolution on converting SCO-PAK Spółka z o.o. [limited liability company] into SCO-PAK Spółka Akcyjna [joint stock company]
- h) October 2010 - entering of SCO-PAK Spółka Akcyjna in the Register of Entrepreneurs of the National Court Register,
- i) March 2011 - introduction of 4,550,000 shares of series C to trading on NewConnect stock market
- j) June 2013 - introduction of shares of series B and C to trading on the regulated market of the Warsaw Stock Exchange

Until December 2006, the Company's share capital was subscribed by two partners: PRESCOTT SA in Chełm, which held 99.98% of shares and Thaddeus Tadeusz Michał Pleskot, who held 0.02% of shares. By the virtue of the resolution adopted by the Shareholders' Meeting on 6 December 2006, the Company share capital was increased from PLN 5,213,500 to PLN 6,351,000 by issue of 11,375 new shares with the nominal value of PLN 100 per share. In April 2008, the shareholders again increased the share capital by PLN 500,000 i.e. up to PLN 6,851,000 by creating new 5,000 shares. In 2009, the share capital was increased to PLN 7,446,000. Along the resolutions on the share capital increase, the Company's memorandum of association was amended accordingly. In the financial year 2010, there were four resolutions on the share capital increase. On 15 January 2010, the share capital was increased to PLN 8,217,000, on 23 February to PLN 9,536,000, on 23 June 2010 to PLN 10,700,000, and on 23 December 2010 to PLN 11,837,500. Starting from December 2006, all new shares in the share capital of the Company were acquired by other natural and legal persons.

2. Organization and legal status of the Company

Organization of company is governed by the provisions of the Commercial Companies Code, the Articles of Association and the Organisational Regulations of the Company. In the reporting period, there were no amendments to the Articles of Association or the Organisational Regulations of the Company. The statutory bodies of the Company include: the General Meeting, the Supervisory Board, and the Management Board. In 2014, one Annual General Meeting was held on 27 June 2014 to approve the annual report for 2013.

2.1 The Supervisory Board.

The term of the Supervisory Board is three years.

Pursuant to the resolutions No. 15/06/2014, 16/06/2014, 17/06/2014, 18/06/2014 and 19/06/2014 of the Extraordinary General Meeting of the Company of 27 June 2014, the following persons were appointed as members of the Supervisory Board for next term: Stefan Kołakowski, Tadeusz Michał Pleskot, Aneta Bernadetta Kazieczko, Ewa Pleskot and Marian Olszak. Biographies of the members of the Supervisory Board have been made public. The Company informed of this occurrence in the Current Report No. 10/2014 of 28 June 2014.

In the reporting period, the Supervisory Board was composed of five members:

- Stefan Kołakowski – Chairman,
- Tadeusz Pleskot – Vice-Chairman,
- Aneta Kazieczko – Secretary,
- Ewa Pleskot – Member,
- Marian Olszak – Member.

The Supervisory Board was performing its statutory tasks in a collegial manner, at the meetings held in each calendar month. In the reporting period, the Supervisory Board established no committees.

2.2 Management Board

In the reporting period, the Management Board included one member. The President of the Management Board was Grzegorz Pleskot, appointed by the General Meeting on 27 August 2010 for a three-year term, pursuant to the deed of transformation of "SCO-PAK" spółka z o.o into a joint-stock company. Pursuant to the provisions of § 40 of the Articles of Association, the Management Board is appointed for a three-year term of office by the Supervisory Board, and dismissed by the latter as well. The Management Board may consist of one or more members, appointed for a joint term.

On 10/07/2014, in connection with expiry of the Management Board's mandate, the Supervisory Board adopted the resolutions, whereby the Management Board was appointed for a new joint second term. The following members of the Management Board were appointed: Mr Grzegorz Pleskot – President of the Management Board, Mr Maciej Pleskot – Vice-President of the Management Board and Mr Michał Kończak – Vice-President of the Management Board.

Information concerning members of the Management Board and the new term of office has been made public. The Company informed of this occurrence in the Current Report No. 12/2014 of 11 July 2014.

2.3 Organizational Structure.

The following organizational units and sole charge positions shall report directly to the Management Board:

- 1) General Director;
- 2) Economic Director supervising the Chief Accountant managing the Accounting Department;
- 3) Legal Assistant;
- 4) Human Resources and Payroll Manager in charge of the Human Resources and Payroll Department;
- 5) OHS and Fire Specialist;
- 6) Company Doctor.

The General Director supervises the following organizational units and sole charge positions:

- 1) Director of the Cardboard and Packaging Production Facility managing the Cardboard and Packaging Production Facility in Chełm, supervising:
 - a) Manager in charge of the Cardboard Department I
 - b) Manager in charge of the Cardboard and Honeycomb Department II

- c) Manager in charge of the Corrugator Department,
 - d) Manager in charge of the Maintenance Department,
 - e) Production Planning Department.
- 2) Director of Paper Mill managing the Paper Mill in Orchówek, supervising:
- a) Head of Paper Production, supervising:
 - (aa) Machine Operator managing the Paper Production Department
 - b) Paper Production Department Warehouse;
 - c) Maintenance Department Manager, supervising:
 - (ca) Maintenance Team,
 - (cb) Power Engineering Manager,
 - (cc) power engineers
- 3) Marketing and Sales Director, supervising:**
- a) Manager in charge of the Marketing and Sales Department;
 - b) Finished Goods Warehouse Manager in charge of the Finished Goods Warehouse;
 - 4) Supply Manager in charge of the Supply Department;
 - 5) Environmental Officer;
 - 6) Secretary's Office;
 - 7) IT Officer;
 - 8) Plant Security;
 - 9) Manager for Repairs supervising the Repair and Construction Team.

The Company does not operate trade unions. Interests of the employees are represented by the staff representatives.

2.4 Company's Accounting

The Company's accounting is conducted in accordance with the provisions of the Accounting Act of 29 September 1994 (Journal of Laws of 2009 No. 152, item 1223, as amended)

For each financial year covering the full calendar year, the Company prepares the financial statements and the management report examined by the auditor. The financial statements for the year 2013 and the management report for the year 2013 were approved by the Annual General Meeting on 27 June 2014 and submitted to the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of

Warsaw under No. 000367265, the competent tax office, published in *Monitor Sądowy i Gospodarczy* [official gazette] and on the Company's website.

Condensed financial statements for the period from 01/01/2014 to 30/06/2014 and the management report on the company's activities for the period were reviewed by the auditor and published upon approval.

3 Share capital

3.1 Shareholding structure.

The Company's share capital as at the date of publication of the semi-annual report amounts to PLN 11,837,500 and is divided into 47,350,000 shares with a nominal value of PLN 0.25 per share, including:

- 10,426,000 registered preference shares of series A,
- 32,374,000 ordinary bearer shares of series B,
- 4.550.000 ordinary bearer shares of series C,

A shares are privileged with respect to the voting rights at the General Meeting in such a way that one share carries two votes.

The main shareholder is PRESCOTT Spółka Akcyjna with its registered office in Chełm, which as at 30 June 2013 is the owner of 19,376,000 shares, including:

- 10,426,000 registered preference shares of A series,
- 8.950.000 ordinary bearer shares of B series,

which together account for 40.92% of the share capital of SCO-PAK SA and 51.58% of the total number of votes at the General Meeting.

Other shareholders hold less than 5% of the votes in the total number of votes at the General Meeting.

Shares of series B and C have been dematerialized and are traded on the main market of the Warsaw Stock Exchange.

3.2 Information on the contracts known to the Company, which may result in future changes to the proportions of the shares held by the existing shareholders

The Company is not aware of any contracts which may result in future changes to the proportions of the shares held by the existing shareholders.

Indication of holders of any securities ensuring special control rights.

The Company's shareholders hold no securities ensuring special control rights with respect to the Company.

3.4 Information on the control system of employee share schemes

The Company has no control system for employee share schemes and hitherto issued no employee shares.

3.5 Dividend Policy

In the financial year 2014, the Company neither declared nor paid any dividend. Pursuant to Article 395 of the CCC, a resolution on the distribution of profit and dividend payments shall be adopted by the Annual General Meeting. The Articles of Association of SCO-PAK do not specify the manner of announcing dividend acceptance. Information in this regard will be determined by the General Meeting in its resolution on profit distribution. The Company will inform about the General Meeting's intention to adopt the resolution on the payment of dividends in the proposed wording in a current report through the Electronic Information Transfer System (ESPI) of the Securities and Exchange Commission, the Warsaw Stock Exchange, in the manner provided for the public companies by the Regulation of the Council of Ministers of 22 December 1998 on the type, form and scope of current and periodic reports as well as time limits for publication thereof by the issuers of securities admitted to public trading (Journal of Laws No. 163, item 1160) at least eight days before the General Meeting, whose agenda includes adoption of the resolution in question and on the Company's website www.scopak.com.pl. In a similar form and manner, the Company, within 24 hours of the occurrence of an event, communicates to the public the content of the resolution on dividend payment, conditions for its collection and payment as well as any other decisions related to implementation of the adopted resolution. Pursuant to Article 348 of the CCC, persons entitled to the dividend for the financial year shall be shareholders who held the shares on the dividend date. The dividend date is determined by the General Meeting in the resolution on profit distribution, which may be the day of the resolution on profit distribution or any other day within the next three months of the date of the resolution on profit distribution. Pursuant to § 46 para. 5 of the Articles of Association, the dividend record date and the dividend payment date shall be determined by the General Meeting so that the time between them was no longer than 15 business days, unless the resolution of the General Meeting provides otherwise. A longer period between these dates requires justification. The terms of dividend payment are laid down by the Management Board of the Company in consultation with the National Depository for Securities. According to the Detailed Rules of Operation of

the National Depository for Securities, the Company is obliged to inform the NDS about the amount of dividend, the dividend date, the dividend payment date, by sending the resolution of the General Meeting immediately, however, not later than 10 days before the dividend date. At least 10 days must elapse between the dividend date and the dividend payment date. Furthermore, pursuant to § 20 of the Rules of the Warsaw Stock Exchange, the Issuer is obliged to inform the Stock Exchange immediately of its intention to pay dividends and to consult the decisions regarding the payment, which may have an impact on the organization and the manner of conducting exchange transactions. The terms for dividend acceptance and payment are announced by the Company in a current report and posted on the Company's website. On the date of entry into force of the resolution on allocation of distributable profit, the shareholders shall acquire a claim for dividend payment, which shall become due on the date specified in the resolution, and shall lapse under the general principles set out in the provisions of the Civil Code.

4. Assets and burdens thereon

In the reporting period, the Company conducted economic activities at the Cardboard and Packaging Production Facility in Chełm at Wojstawicka 7 and the Paper Mill in Orchówek near Włodawa, using its own manufacturing assets and only to a lesser extent, using the machinery under lease agreements.

4.1 Real property

The Company is the owner of the following land property located in Chełm:

KW - LU1C/00039038/9

Chełm, ul. Rampa Brzeska 39

Plot No. 51/4 with the area of 0.9234 ha

The Company is a perpetual usufructuary of the following land properties (and the owner of the buildings representing a separate object of ownership) located in Chełm and Orchówek:

KW - LU1W/00038351/0

Municipality of Włodawa, village of Orchówek

Plot No. 880/13

Plot No. 880/23

Plot No. 880/24

Plot No. 880/25

Plot No. 880/27

Plot No. 880/28

Plot No. 880/29

Plot No. 880/30

with a total area of: 4.7871 ha
(perpetual usufruct until 05/12/2089)

KW - LU1W/00032082/1
Municipality of Włodawa, village of Orchówek
Plot No. 880/16 with the area of 1.1451 ha
(perpetual usufruct until 05/12/2089)

KW - LU1C/00039036/5
Chełm, ul. Rampa Brzeska 39
Plot No. 51/8
Plot No. 51/5
Plot No. 51/3
Plot No. 51/9
with a total area of: 2.0072 ha
Buildings, structures and equipment
(perpetual usufruct until 05/12/2089)

KW - LU1W/00038863/2
Municipality of Włodawa, village of Orchówek
Plot No. 880/15
Plot No. 880/18
Plot No. 880/22
with a total area of 2.4161 ha
Buildings
(perpetual usufruct until 05/12/2089)

KW - LU1W/00037447/3
Municipality of Włodawa, village of Orchówek
Plot No. 880/32 with the area of 0.1953 ha
Forklift Battery Garage
Glue Factory Building
(perpetual usufruct until 05/12/2089)

KW - LU1W/00038351/0
Municipality of Włodawa, village of Orchówek
Plot No. 880/13
Plot No. 880/23
Plot No. 880/24

Plot No. 880/25

Plot No. 880/28

Plot No. 880/29

Plot No. 880/30

with a total area of: 4.7871 ha

Buildings, structures and equipment

(perpetual usufruct until 05/12/2089)

KW - LU1W / 00037444/2

Municipality of Włodawa, village of Orchówek

a share of 2957/100000 and a share of 41324/100000 in the Plot No. 880/31 with the area of 0.2409 ha

(perpetual usufruct until 05/12/2089)

The Company is the lessee of the following land property located in Chełm:

KW - LU1C/00052384/6

Chełm, ul Wojsławicka 7

Plot No. 49/50

Plot No. 49/52

Plot No. 49/54

with a total area of: 1.8364 ha

Buildings

The Company is the leaseholder of the following land property located in Chełm:

KW - LU1C/00049459/9

Chełm, ul Wojsławicka

Plot No. 49/67

Plot No. 49/68

with a total area of: 0.5957 ha

The Company leases out the following property to third parties:

- former forge building with the usable area of 355.6 sqm situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the lease agreement of 01 March 2011;

- office room with the usable area of 8.98 sqm located in the administrative and office building situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the lease agreement of 26 April 2010;

- commercial premises with the usable area of 69.62 sqm located in the administrative and office building situated in Chełm at ul. Wojsławicka 7, being a part of the property entered in KW – LU1C/00052384/6, pursuant to the lease agreement of 04 October 2009;
- commercial premises with the usable area of 127 sqm situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the lease agreement of 06 May 2009;
- room with the area of 60 sqm located in the administrative building situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the lease agreement of 01 October 1999; the agreement was described in detail in Section 19 of the Registration Part of the Prospectus;
- room with the area of 200 sqm located in a basement of the administrative and office building situated in Chełm at ul. Wojsławicka 7, being a part of the property entered in KW – LU1C/00052384/6, pursuant to the lease agreement of 15 September 1998.

The Company rents out the following property to third parties:

- storage building with the usable area of 288 sqm, office room with the usable area of 9.12 sqm and a separated part of a hard surface yard with the area of 500 sqm, situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the rental agreement of 25 August 2011;
- parking space within the hard surface yard on the land plot situated in Chełm at ul. Rampa Brzeska 39, being a part of the properties entered in KW – LU1C/00039036/5 and KW – LU1C/00039038/9, pursuant to the lease agreement of 18 July 2011;

The Company is the lessee of the production hall with the usable area of 2,592 sqm from ESCOTT Spółka Akcyjna with its registered office in Chełm, located in the production building situated in Chełm at ul. Wojsławicka 7, entered in KW – LU1C/00050385/9, pursuant to the agreement of 01 May 2009.

4.2 Encumbrance of the assets with limited proprietary rights

Fixed assets of the Paper Mill in Orchówek comprising perpetual usufruct of land plots with the total area of 8.6502 ha situated in the village of Orchówek, with buildings and structures erected thereon, with the total usable area of 34,567.77 sqm, constituting a separate object of ownership of SCO-PAK, entered into the land and mortgage registers no. KW-LUIW/00032082/1, KW-LUIW/00038863/2, KW-LU1W/00037447/3, KW-LU1W/00037447/3, KW-LUIW/00038351/0, KW-LUIW/00037444/2 are encumbered with:

(1) joint mortgage up to the amount of PLN 70,000,000.00 (seventy million zlotys) to secure the claims of the bondholders (without their personal indication) under 50,100 ordinary bearer bonds of series E of SCO-PAK SA, with a nominal, issue and redemption value of PLN

1,000 each, maturing on 22 July 2013, subject to variable interest rate of WIBOR 6MPLUS 7%; mortgage administrator is Corvus Corporate Finance with its registered office in Józefosław;

(2) compulsory joint mortgage in the amount of PLN 709,528.00 (seven hundred and nine thousand five hundred twenty-eight zlotys) to secure the property tax claims;

(3) compulsory joint mortgage in the amount of PLN 127,905.00 (one hundred twenty-seven thousand nine hundred and five zlotys) to secure the property tax claims;

(4) compulsory joint mortgage in the amount of PLN 126,928.00 (one hundred twenty-six thousand nine hundred and twenty-eight zlotys) to secure the property tax claims;

(5) compulsory joint mortgage in the amount of PLN 126,928.00 (one hundred twenty-six thousand nine hundred and twenty-eight zlotys) to secure the property tax claims;

(6) compulsory joint mortgage in the amount of PLN 126,862.00 (one hundred twenty-six thousand eight hundred and sixty-two zlotys) to secure the property tax claims;

Real properties situated in Chełm at ul. Rampa Brzeska are encumbered with:

(1) contractual joint mortgage up to the amount of PLN 15,000,000.00 in favour of the Bondholder, to secure the obligations of the subsidiary Danos sp. z o.o. with its registered office in Warsaw under the issue of 26/09/2013. 10,000 bonds with the total value of PLN 10,000,000.00 arising from the surety granted by the Company in respect of the bondholders' claims under the bonds issued by the subsidiary Danos sp. z o.o. with its registered office in Warsaw,

(2) contractual joint mortgage up to the amount of PLN 15,000,000.00 in favour of the mortgage administrator i.e. Wojnar, Smołuch i Wspólnicy Adwokaci i Radcowie Prawni, a partnership with its registered office in Warsaw, to secure the obligations of the subsidiary Danos sp. z o.o. with its registered office in Warsaw under the issue of 26/09/2013. 10,000 bonds with the total value of PLN 10,000,000.00

The combined heat-and-power plant and waste water treatment plant equipment are encumbered with:

- 1) registered pledge up to the amount of PLN 12,000,000.00 (twelve million zlotys) to secure 10,000 bonds of series F with a total value of PLN 10,000,000.00 (ten million zlotys).
- 2) registered pledge up to the maximum amount of PLN 15,000,000.00 (fifteen million zlotys) to secure 10,000 bonds issued by Danos sp. z o.o. with the total value of PLN 10,000,000 (ten million zlotys).

The process line MP1 for production of paper is encumbered with a registered pledge up to the amount of PLN 75,150,000 (seventy-five million one hundred and fifty thousand zlotys) to secure the claims of the bondholders (without their personal indication) under 50,100 ordinary bearer bonds of series E of SCO-PAK SA, with a nominal, issue and redemption value of PLN 1,000 each.

No other Company's assets are encumbered.

5. Business profile

5.1 Information on manufactured products

In the reporting period, the Company's operations were carried out in five main product areas:

- cardboard and packaging production,
- paper-making,
- cardboard packaging production,
- "honeycomb" cardboard production,
- angle production.

The Company started production of cardboard and cardboard packaging as early as in 1997. In 2006, the Company launched production of cardboard angle and in 2007, the production of honeycomb cardboard. The Paper Mill commissioned in December 2009 is of immense importance for the Company.

Corrugated cardboard.

SCO-PAK manufactures grey, one side bleached, and two-side bleached corrugated cardboard with different heights of the wave. SCO-PAK manufactures corrugated grey, bleached-sided, double-bleached, with different heights of flutes. The width of the corrugator is 2.450 mm. The dimensions of the produced corrugated cardboard sheets are defined by the customer. Customers can order cardboard paper and specify the paper for its production.

Packaging

The Company provides clients with guidance regarding packaging design and graphic layout.

We offer the following packaging:

- master boxes with flaps, manufactured of 3-ply and 5-ply cardboard,
- shaped boxes made of 3-ply and 5-ply cardboard as well as micro-flute cardboard,
- trays, baskets, boxes and other special structures,
- box accessories; crates, inserts, spacers, covers and other items.

Paper

The Company produces and offers its recycled paper:

- Schrenz (recycled paper),
- Testliner (coating paper for flat plies of corrugated cardboard),
- Fluting (fluting paper for corrugated cardboard),

The Company uses the recycled paper mostly for manufacture of cardboard and cardboard packaging, paper angles and honeycomb cardboard.

Production based on the Company's own paper facilitates on-going product quality monitoring and control.

For paper production, the Company uses a fully renewable raw material i.e. recovered paper.

Angle

Paper angles of paper are designed to protect the corners and edges of goods on pallets during transport. A standard angles has letter "L" profile. The main manufacturing material is the recycled paper, which after fulfilling its function, can be re-converted into paper.

Honeycomb

On the paper trading markets, the honeycomb cardboard is not yet as popular as the corrugated cardboard. However, given its environmentally friendly characteristics, it is becoming more and more widely accepted. Owing to its hexagonal structure, honeycomb is used in many industries as a stiffening or space-filling material. Most often, honeycomb filling is used in manufacture of doors, partitions, furniture (table tops, walls, doors).

The Company's offer includes a range of honeycomb products:

- filling (honeycomb as a space filling),
- cargo pallets,
- pallet boxes,
- spacers and spacer tapes,
- various types of filling,
- and many others.

5.2 Markets.

The Company's activities were focused mainly on the domestic market and targeted at satisfying the needs of customers from the following sectors: manufacturers of cardboard and cardboard packaging, furniture industry, food industry, chemical industry, footwear industry, and clothing industry.

Its long-term presence in the market allowed the Company to gain loyal customers and compete on the European market. In the reporting period, the Company undertook talks with companies mainly from Eastern Europe to establish business cooperation in the export of paper, cardboard and packaging. The share of export sales in the total sales stood at ca. 1.5% in the preceding year.

The market analysis reveals that the Company competes primarily with the companies located in the central and eastern Poland. This is largely determined by the profitability of deliveries at a given distance, since the transportation costs create a significant barrier to acceptance of inquiries. In the reporting period, ca. 20% of the products were sold to three main customers, with whom the Company has been collaborating commercially for several years. The remaining ca. 80% of revenue comes from sales to minor customers. The sales transactions are conducted pursuant to the submitted purchase orders. In determining the sales prices, the Company takes into account the cost of production and the quoted market prices. Every deviation from the market prices set by the competitors affects the volume of orders.

5.3 Sales.

The sales of paper, cardboard and packaging are carried out by the Company staff employed in the Marketing and Sales Department as well as sales representatives providing services pursuant to civil law contracts, remunerated on a commission basis, depending on the realized sales volume.

Deliveries were performed pursuant to specific purchase orders placed by the customers from the whole country. The advertising campaign is operated on the on-going basis. The leaflets advertising the company and its products have been distributed. The Company's representatives participated in fairs and exhibitions of cardboard and packaging.

6. Sources of financing current and investment activities

In the reporting period, the Company financed its production and investment operations with the revenue obtained from:

- the sale of paper, cardboard and packaging,
- factoring agreements,

6.1 Sales revenue

Given the declining level of current assets at its disposal, the Company's sales revenue in the reporting period decreased. It was associated with the Company's use of the generated revenue largely to repay its liabilities arising in connection with the investment involving the construction of combined heat-and-power plant and the waste water treatment plant at the Facility in Orchówek.

6.2 Factoring agreements

On 05/02/2014, the Company signed the factoring agreement with Pragma Faktoring SA with its registered office in Katowice (Factor) with a factoring limit of PLN 4,000,000. The agreement was concluded for a period of four months with an option to extend it. The provisions of the agreement do not differ from those commonly used by the Factor for such agreements. The agreement has been extended until the end of 2014. The Company communicated the conclusion of the agreement in the Current Report No. 2/2014.

On 19/02/2014, the Issuer signed the factoring agreement with Bibby Financial Services sp. z o.o. without assuming the risks. By the virtue of the agreement signed, the Factor provides the Company with funding at 70% of the claims accepted, within awarded limit of PLN 1,800,000.

The concluded factoring agreements have a significant impact on the financial and economic situation of the Company by allowing to obtain cash advance for the goods sold and increase the production output.

7. Employment and payroll

As at 31 March 2012, the Company employed 214 employees. In the Reporting Period, the Company employed 204 people on average. All employees received their rightful salaries.

The Company does not operate a social fund and paid no special assistance grants. Delegated workers have been reimbursed for the travel costs and received per-diems.

To ensure safe and healthy working conditions, the Company performs laboratory measurements of factors harmful to health and the environment. The measurement results revealed that the working conditions at all the production departments are not harmful to health.

The staff attended also periodic trainings in the field of occupational health and safety. Work stands at machines and devices are equipped with the operating instructions.

In the reporting period, the Company had no problem with finding skilled workers to fill newly created jobs.

8. Risk factors and threats

The Company seeks to reduce risks through careful analysis of the assumed production plan in terms of the accepted production orders, supply and demand for paper, cardboard, and packaging, prices of basic production materials, financing sources, delivery locations, and customer solvency. The Management Board believes that the Company's activities are exposed mainly to the following risks:

8.1 Risks related to economic conditions in Poland

The financial position of the Company depends on the economic situation in Poland and worldwide. The results generated by the Company are affected by: GDP of Poland, gross average wage, inflation, quality of road infrastructure in Poland, the development of the logistics and forwarding services, corporate investments, indebtedness of individuals and households, wealth of society. The economic downturn in recent years has had a negative impact on the Company's operations and financial position in 2014, through a limited increase in demand for goods and products of the Company and hence the financial result.

8.2 Risks arising from collateral on assets granted by the Company

One form of collateral for the bonds issued includes mortgages and registered pledges on production assets. In a situation, where the Company fails to regulate its obligations arising under the terms of issue, the bondholders may satisfy their claims by taking over the subject of the pledge. Such a situation may affect the production processes, and thus, the Company's financial performance.

8.3 Risks associated with the liability for the quality of the products supplied

The risk of liability for the quality of the products supplied is an integral part of the manufacturing operations. The Company may be exposed to the need to incur additional costs associated with complaints, if any.

8.4 The risk of production downtimes due to failures or destruction of production assets

The Company's activities are based on the use of production assets. Permanent destruction of property, plant and equipment owned by the Company may result in temporary suspension of orders processing or the incapacity to implement the contracts signed.

8.5 Risks associated with late payments

Late payments by customers, if any, may adversely affect the Company's financial liquidity ratios and lead to increased financial costs incurred in connection with the use of external financing sources.

8.6 Risks associated with fluctuations in prices of the materials used in the production process

Fluctuations in prices of the basic materials used in the production process (recovered paper, paper, fuel) may substantially affect the final product price. The Company calculates the prices of their products so as to include the impact of any increases in the price; nevertheless, considerable and sudden increases in material prices in the short term may adversely affect the financial performance of the Company.

8.7 Interest rate risk

The Company uses the cash proceeds from the issue of interest-bearing bonds. The interest rate is variable, depending on the evolution of market interest rates and WIBOR.

8.8 Changes in legislation

Business risk may also be changes in legislation or various interpretations thereof, and in particular the provisions of tax law, environmental law, labour law or social security law. Changes in legislation often bring new expenditures resulting in the increase of operating costs.

9. Financial data

9.1 Selected financial data

SELECTED FINANCIAL DATA	in thousand	PLN	in thousand	EUR
	first half of 2014	first half of 2013	first half of 2014	first half of 2013
Net revenue from sales of products, goods and material	34,848	17,857	8,340	4,238
Profit (loss) on operating activities	4,830	480	1,156	114
Gross profit (loss)	554	-3,776	133	-896
Net profit (loss)	161	-3,006	39	-713
Net cash flows from operating activities	5,531	6,816	1,324	1,617
Net cash flows from investment activities	-396	-7,678	-95	-1,822
Net cash flows from financial activities	-5,901	644	-1,412	153
Total net cash flows	-766	-218	-183	-52
Total assets (at the end of the present quarter and at the end of the previous financial year)	136,425	132,932	32,787	32,053
Liabilities and provisions for liabilities (at the end of the present quarter and at the end of the previous financial year)	111,139	107,807	26,710	25,995
Long-term liabilities (at the end of the present quarter and at the end of the previous financial year)	76,792	76,616	18,456	18,474
Short-term liabilities (at the end of the present quarter and at the end of the previous financial year)	25,370	21,588	6,097	5,205
Equity (at the end of the present quarter and at the end of the previous financial year)	25,286	25,125	6,077	6,058
Share capital (at the end of the present quarter and at the end of the previous financial year)	11,837	11,837	2,845	2,854
Number of shares (at the end of the present quarter and at the end of the previous financial year)	47,350,000	47,350,000	47,350,000	47,350,000
Profit (loss) per ordinary share (PLN / EUR)	0.00	-0.06	0.00	-0.01
Diluted earnings (loss) per ordinary share (PLN / EUR)	0.00	-0.06	0.00	-0.01

Book value per share (PLN / EUR) (at the end of the present quarter and at the end of the previous financial year)	0.53	0.53	0.13	0.13
Diluted book value per share (PLN / EUR) (at the end of the present quarter and at the end of the previous financial year)	0.53	0.53	0.13	0.13
Declared or paid dividend per share (PLN / EUR)	0.00	0.00	0.00	0.00

Powyższe dane finansowe za I półrocze 2014 i 2013 roku oraz dane na dzień 31.12.2013 roku zostały przeliczone na EUR według następujących zasad:

poszczególne pozycje aktywów i pasywów: według średniego kursu ogłoszonego na dzień 30 czerwca 2014 roku - 4,1609 PLN/EUR i na dzień 31 grudnia 2013 roku - 4,1472 PLN/EUR

poszczególne pozycje rachunku zysków i strat oraz rachunku przepływów pieniężnych - według kursu stanowiącego średnią arytmetyczną średnich kursów ustalonych przez Narodowy Bank Polski na ostatni dzień każdego miesiąca okresu obrotowego (od stycznia do czerwca 2014 roku - 4,1784 PLN/EUR) oraz (od stycznia do czerwca 2013 roku - 4,2140 PLN/EUR)

9.2 Balance sheet

BALANCE SHEET (in thousands PLN)	as at 30/06/2014	as at 31/12/2013	as at 30/06/2013
ASSETS			
Fixed assets	106,196	109,356	98,912
Intangible assets, including:	0	12	24
goodwill			
Property, plant and equipment	99,052	101,449	90,064
Long-term receivables	0	0	127
From related parties			127
from other entities			
Long-term investments	3,472	3,472	3,472
Real property	0	0	0
Intangible assets	0	0	0
Long-term financial assets	3,472	3,472	3,472
in related parties, including:	3,472	3,472	3,472
interests and shares in subsidiaries measured using equity method			
in other entities			
Other long-term investments	0	0	0
Long-term deferred charges and accruals	3,672	4,423	5,225
Deferred income tax assets	1,878	2,038	3,278
Other deferred charges and accruals	1,794	2,385	1,947
Current Assets	30,229	23,576	24,730
Inventory	9,508	6,346	10,560
Short-term receivables	19,040	13,257	11,410

From related parties	0	2,593	635
from other entities	19,040	10,664	10,775
Short-term investments	245	2,577	1,806
Short-term financial assets	245	2,577	1,806
in related parties	0	0	0
in other entities	245	2,577	1,806
Cash and other cash assets	245	1,011	200
Other short-term investments	0	0	0
Short-term deferred charges and accruals	1,436	1,396	954
Total assets	136,425	132,932	123,642

BALANCE SHEET (in thousands PLN)	as at 30/06/2014	as at 31/12/2013	as at 30/06/2013
LIABILITIES			
Equity	25,286	25,125	36,962
Share capital	11,837	11,837	11,837
Called-up subscribed capital (negative value)	0	0	0
Own shares (interests) (negative value)	0	0	0
Supplementary capital	30,569	30,569	30,569
Revaluation reserve capital	0	0	0
Other reserve capitals	0	0	0
Profit (loss) from previous years	-17,281	-2,438	-2,438
Net profit (loss)	161	-14,843	-3,006
Net profit distributions during the financial year (negative value)	0	0	0
Liabilities and reserves for liabilities	111,139	107,807	86,680
Provisions for liabilities	3,601	3,396	3,008
Deferred income tax reserve	3,383	3,150	2,774
Provision for the retirement benefits and similar benefits	166	168	138
long-term	166	168	138
short-term	0	0	0
Other reserves	52	78	96
long-term	0	0	0
short-term	52	78	96
Long term liabilities	76,792	76,616	8,933
towards related parties	0	0	0
towards other entities	76,792	76,616	8,933
Short-term liabilities	25,370	21,588	68,510
towards related parties	104	0	157
towards other entities	22,948	19,274	66,043

Special funds	2,318	2,314	2,310
Deferred charges and accruals	5,376	6,207	6,229
Negative goodwill	0	0	0
Other deferred charges and accruals	5,376	6,207	6,229
long-term	4,549	4,962	5,376
short-term	827	1,245	853
Total liabilities	136,425	132,932	123,642
	as at 30/06/2014	as at 31/12/2013	as at 30/06/2013
Book value	25,286	25,125	36,962
Number of shares	47,350,000	47,350,000	47,350,000
Book value per share (PLN)	0.53	0.53	0.78
Diluted number of shares	47,350,000	47,350,000	47,350,000
Diluted book value per share (PLN)	0.53	0.53	0.78

9.3 Off-balance sheet items

OFF-BALANCE SHEET ITEMS (in thousands PLN)	as at 30/06/2014	as at 31/12/2013	as at 30/06/2013
Contingent claims	0	0	0
From related parties (due to)			
guarantees and sureties received			
From other entities (due to)			
guarantees and sureties received			
Contingent liabilities	210,550	199,150	85,146
To related parties (due to)	0	0	0
guarantees and sureties granted			
To other entities (due to)	210,550	199,150	85,146
guarantees and sureties granted	15,000	15,000	0
mortgage	96,400	85,000	85,146
Other (due to)	99,150	99,150	0
registered pledge	99,150	99,150	
Total off-balance sheet items	210,550	199,150	85,146

9.4 Profit and loss account

PROFIT AND LOSS ACCOUNT (in thousands PLN)	2014/01/01 - 2014/06/30	2013/01/01 - 2013/06/30
Net revenue from sale of products, goods and materials, including:	34,848	17,857
from related parties	2,091	1

Net revenue from sale of products	34,824	17,850
Net revenue from sale of goods and materials	24	7
Costs of products, goods and materials sold, including:	24,485	14,311
to related parties	0	0
Cost of manufacture of the products sold	24,469	14,311
Cost of the goods and materials sold	16	0
Gross profit (loss) on sales	10,363	3,546
Costs of sale	1,961	919
General administrative expenses	3,712	2,779
Profit (loss) on sale	4,690	-152
Other operating revenue	631	876
Revenue from sale of non-financial fixed assets	0	0
Subsidies	0	0
Other operating revenue	631	876
Other operating costs	491	244
Loss on sale of non-financial fixed assets	0	0
Revaluation of non-financial assets	0	0
Other operating costs	491	244
Profit/loss from operating activities	4,830	480
Financial revenue	11	92
Dividends and share in profits, including:	0	0
from related parties		
Interest, including:	11	92
from related parties		
Other	0	0
Financial costs	4,287	4,348
Interest, including:	3,473	2,820
to related parties		0
Other	814	1,528
Profit (loss) from economic activity	554	-3,776
Gross profit (loss)	554	-3,776
Income tax	393	-770
Net profit (loss)	161	-3,006
(Annualized) net profit (loss)	161	-3,006
Weighted average number of ordinary shares (number of shares)	47,350,000	47,350,000
Profit (loss) per ordinary share (PLN)	0.00	-0.06
Weighted average diluted number of ordinary shares (number of shares)	47,350,000	47,350,000
Diluted earnings (loss) per ordinary share (PLN)	0.00	-0.06

9.5 Changes in equity

STATEMENT OF CHANGES IN EQUITY (in thousands PLN)	as at 30/06/2014	as at 31/12/2013	as at 30/06/2013

Equity at beginning of period (OB)	25,125	39,967	39,967
Equity at beginning of period (OB), adjusted against comparable data	25,125	39,967	39,967
Share capital at the beginning of period	11,837	11,837	11,837
Share capital at the end of period	11,837	11,837	11,837
Supplementary capital at the beginning of period	30,569	30,569	30,569
Changes in the supplementary capital			
Supplementary capital at the end of period	30,569	30,569	30,569
Revaluation reserve at the beginning of period			
Revaluation reserve at the end of period			
Other reserve capitals at the beginning of period			
Changes in other reserve capitals			
Other reserve capitals at the end of period			
Profit (Loss) from previous years at the beginning of period			
Profit from previous years at the beginning of period	-2,438	-3,402	-3,402
changes in the adopted accounting principles (policy)			
adjustments of errors			
Profit from previous years at the beginning of period, adjusted against comparable data	0	0	0
Profit from previous years at the end of the period	0	0	0
Loss from previous years at the beginning of period	-2,438	-3,402	-3,402
changes in the adopted accounting principles (policy)			
adjustments of errors			
Loss from previous years at the beginning of period, adjusted against comparable data	-2,438	-3,402	-3,402
increase due to		964	964
loss carryforward from previous to be covered			
decrease due to	-14,843		
Loss from previous years at the end of period	-17,281	-2,438	-2,438
Profit (Loss) from previous years at the end of period	-17,281	-2,438	-2,438
Net result	161	-14,843	-3,006
net profit	161		
net loss		-14,843	-3,006
profit distributions			
Equity at the end of period (CB)	25,286	25,125	36,962
Equity after proposed profit distribution (loss coverage)	25,286	25,125	36,962

9.6 Cash Flow Statement

CASH FLOW STATEMENT (in thousands PLN)	2014/01/01 - 2014/06/30	2013/01/01 2013/06/30
(indirect method)		
Net profit (loss)	161	-3,006
Total adjustments	5,370	9,822

Share in net profit (loss) of subsidiaries measured using equity method		
Amortization & Depreciation	3,762	2,714
Currency translation gains (losses)	-5	-38
Interest and profit sharing (dividend)	3,866	2,956
Profit/loss from investment activities		
Change in provisions	205	314
Change in inventory	-3,162	3,356
Change in receivables	-5,782	2,252
Change in short-term liabilities, except for loans or credits	6,606	-1,045
Change in prepayments and accruals	-120	-688
Other adjustments		1
Net operating cash flows - indirect method	5,531	6,816
Investment cash flows	-396	-7,678
Proceeds	1,177	0
Other proceeds from investments	1,177	
Expenditures	1,573	7,678
Acquisition of intangible assets and property, plant and equipment	1,573	7,678
Net investment cash flows (I-II)	-396	-7,678
Financial cash flows	-5,901	644
Proceeds	0	4,650
Issuance of debt securities		4,650
Other financial proceeds		
Expenditures	5,901	4,006
Redemption of debt securities	1,778	
Financial lease liabilities	836	1,076
Interest	3,287	2,930
Net financial cash flows (I-II)	-5,901	644
Total net cash flows (A.III+/-B.III+/-C.III)	-766	-218
Balance sheet change in cash, including:	-766	-180
change in cash due to exchange differences		-38
Cash opening balance	1,011	418
Cash closing balance (F+/- D), including:	245	200
with restricted availability	0	0

9.7 Description of key economic and financial figures, investment, risks and growth prospects.

In 2012, the Company launched an ambitious investment scheme designed to create a sustainable cost advantage over its competitors. The scheme assumed construction of the Company's own combined heat-and-power plant and a waste water treatment plant at the

paper mill in Orchówek. The construction works lasted until the end of 2013, and at present the project has been completed and commissioned into use. The total expenditure incurred within the investment scheme implementation exceeded PLN 32.2 million.

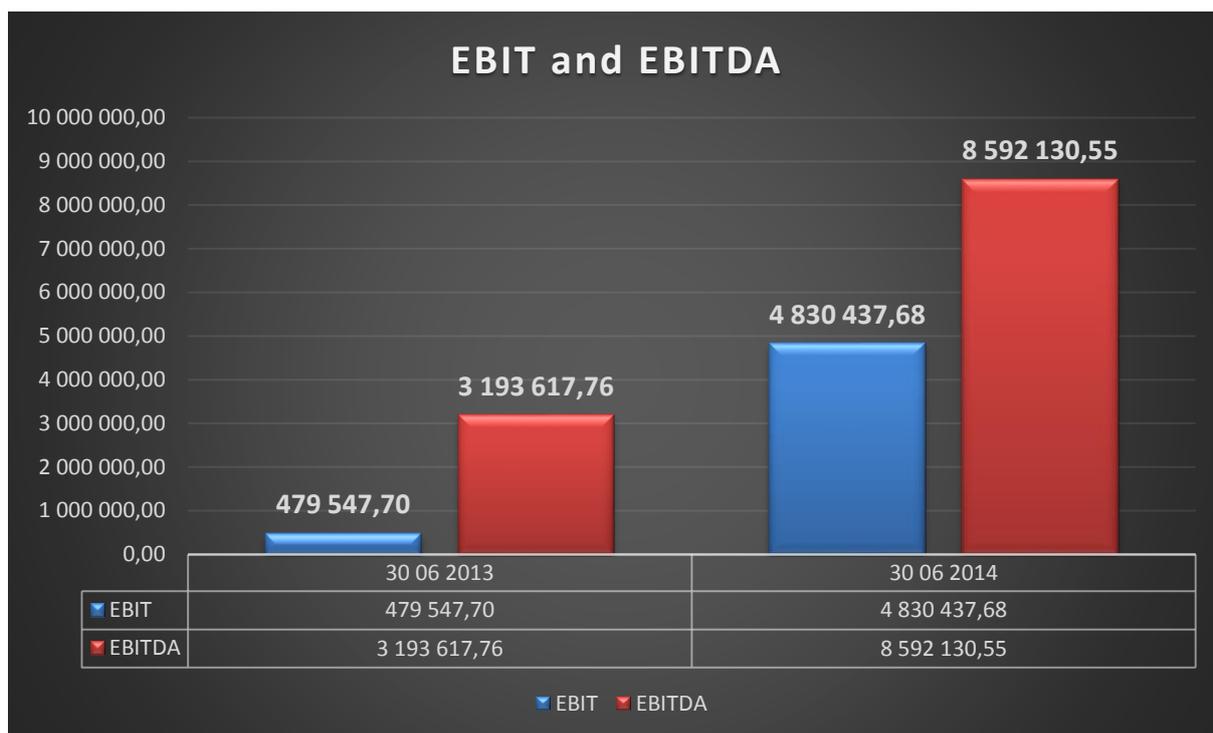
Unfortunately, attempts to obtain new financing in the first half of 2013 were ineffective. The Company faced the necessity to repay the bonds maturing in the middle of the year, on the one hand, and the necessity to cover the liabilities arising from the investments, on the other hand.

Investment liabilities were covered by the Company's own funds, including the working capital. Unfortunately, lengthy negotiations with debt financing providers resulted in a significant decrease in the working capital, which in turn led to a decline in production, almost bringing the plants to a complete downtime in July and August 2013.

The Management Board of the Company took corrective actions involving:

- facilitating the issue of bonds of series E and F, which allowed for the working capital increase,
- negotiations with suppliers and other creditors of the Company with a view to rescheduling payments of the Company's liabilities due to provisional liquidity problems stemming from temporary reduction in production,
- maintaining relationships with customers in order to enable fast restoration of sales after launching the production operations,
- sale of overdue stock,
- acquisition of current assets through issue of bonds of series G,
- conclusion of the factoring agreement in February 2014.

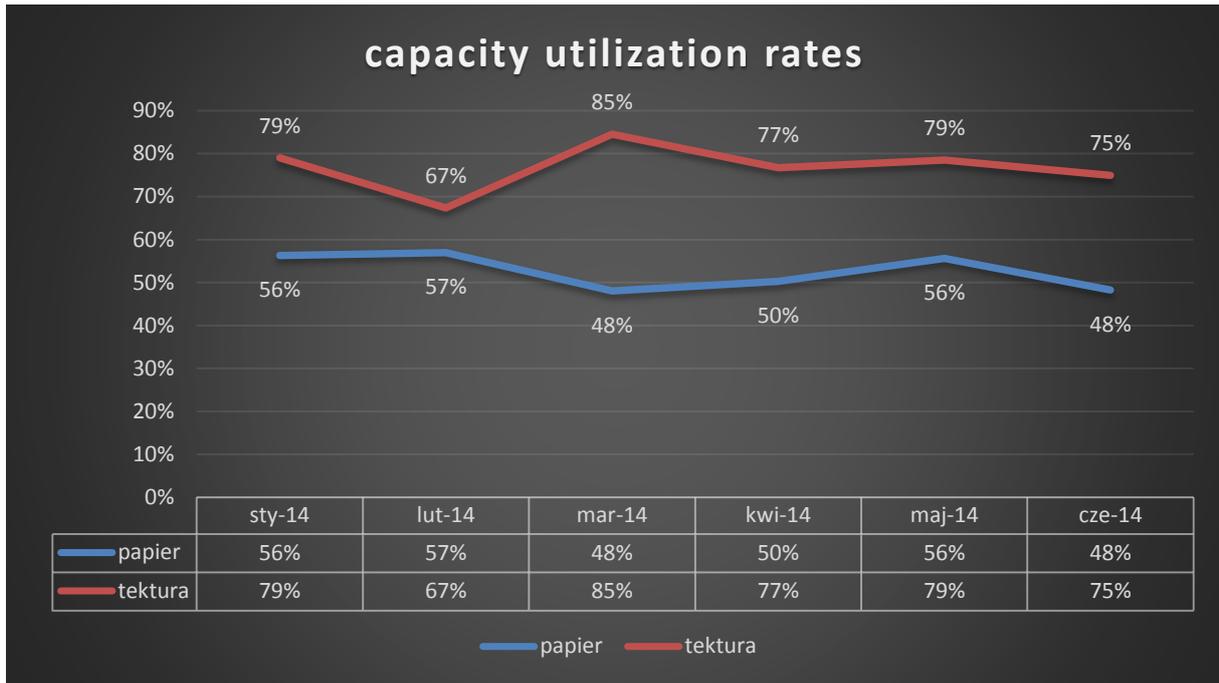
In the first half of 2014, the Company earned the operating profit (EBIT) of PLN 4.7 million and EBITDA of PLN 8.6 million. The graph below shows the comparative figures of EBIT and EBITDA in the first half of 2013 and the first half of 2014.



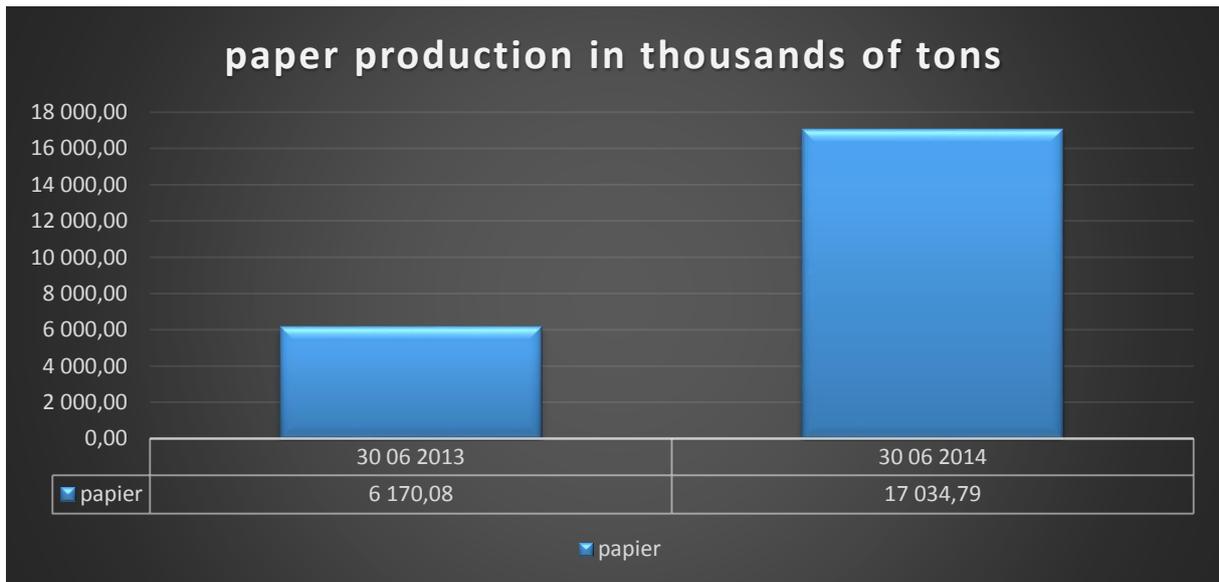
Obtaining working capital financing in the fourth quarter of 2013 allowed the Company to restore its core activities to the desired level. The utilization of capacity increased. Production output at both plants of the Company and the sales revenue grew. At the end of 2013, the combined heat-and-power plant project at the paper mill in Orchówek was completed.

The positive trends of the last quarter of 2013 continued in the first half of 2014.

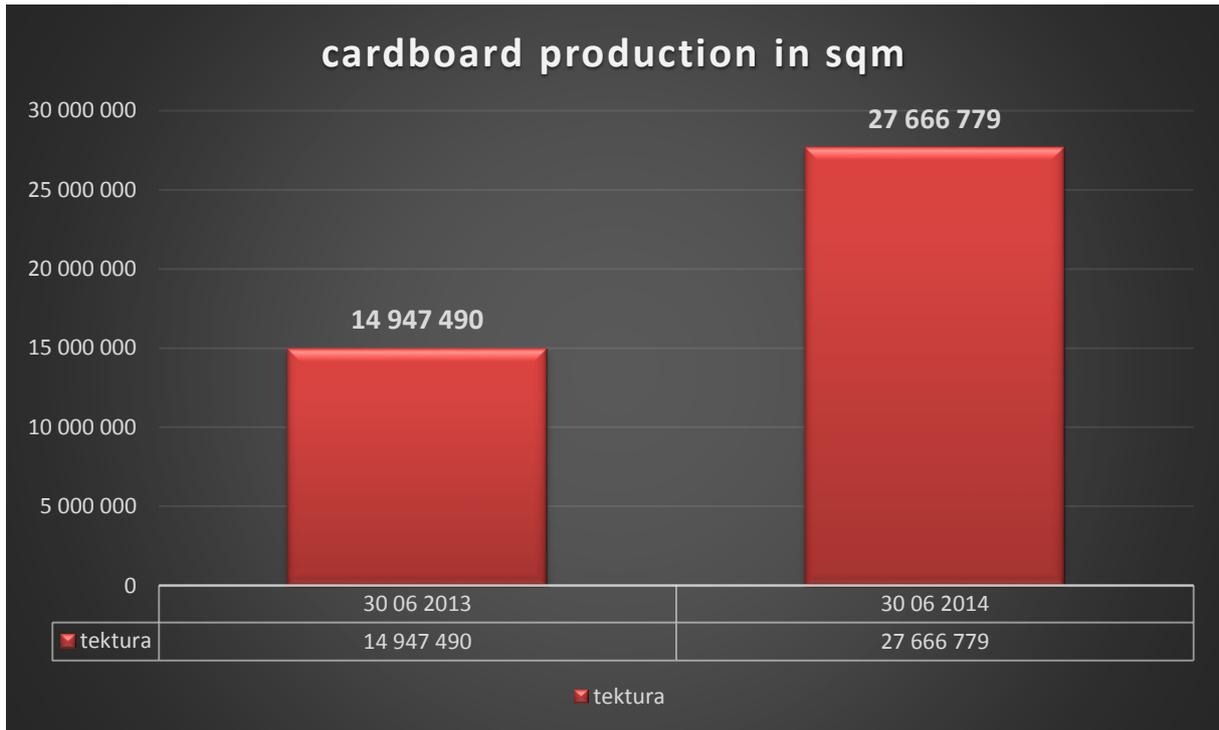
Capacity utilization is shown in the diagram below:



With the increase in capacity utilization, the paper and cardboard production surged as shown in the following charts:



Compared to the first half of 2013, paper production increased from 6.2 thousand tons to 17.0 thousand tons for the first half of 2014. Paper production increased by 176%.



Compared to the first half of 2013, cardboard production increased from 15.0 million sqm to 27.7 million sqm for the first half of 2014. Cardboard production increased by 85%.

The increase in the basic production parameters translated into an increase in sales revenue, which is illustrated by the chart below:



Compared to the first half of 2013, product sales increased from PLN 17.8 million to PLN 34.8 million for the first half of 2014. Product sales increased by 95%.

Positive trends in the Company's operations started in the fourth quarter of 2013 and confirmed in the first half of 2014 make the Company optimistic about the 2014 results. The Company's objective for 2014 is to maintain the average monthly production of paper at the level of 3-3.5 thousand tons per month and cardboard production at 5-5.5 million sqm. With positive cost effects of the investment projects conducted in the years 2012-13, this will allow to generate profits in 2014.

10. Other information required pursuant to § 87 para. 7 items 2-11 of the Regulation of the Minister of Finance of 19 February 2009.

10.1 Capital Group

description of the issuer's group organization with indication of the consolidated entities, and in the case of an issuer being the parent company, which under the applicable provisions is not required or able to prepare consolidated financial statements - also the reason and legal basis for non-consolidation - § 87 para. 7 item 2

The Company does not form a capital group.

10.2 Changes in the structure of the entity

indication of the effects of changes to the structure of the enterprise, including as a result of mergers, acquisitions or sales of the entities of the issuer's group, long-term investments, restructuring and discontinued operations - § 87 para. 7 item 3

Not occurred.

10.3 Forecasts

The position of the Management Board concerning the possibility of meeting the previously published current year's profit forecasts in the light of results presented in the quarterly report in relation to forecast results - § 87 para. 7 item 4

The Company did not publish performance forecasts for 2014.

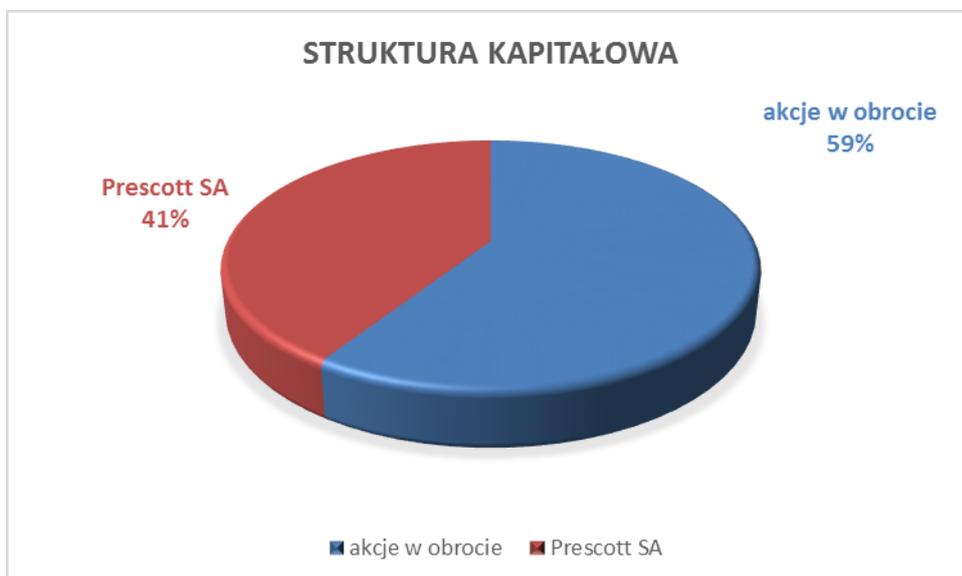
10.4 Shareholders

indication of the shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting at the date of submitting the quarterly report, including the number of shares held by these entities, their percentage share in the share capital, the number of votes attached thereto and the percentage of the total number of votes at the general meeting as well as changes in the shareholding structure of large blocks of shares in the period from the previous quarterly report - § 87 para. 7 item 5

The shareholder holding at least 5% of the total number of votes at the general meeting of the Company is PRESCOTT SA with its registered office in Chełm, which as at 28 February 2014 holds 19,376,000 shares, including:

- 10,426,000 registered preference shares of series A,
- 8,950,000 ordinary bearer shares of series B,

which together account for 40.92% of the share capital of SCO-PAK SA and 51.58% of the total number of votes at the General Meeting.



10.5 Shareholding of members of the managerial and supervisory bodies

summary of the issuer's shares or rights thereto held by members of the managerial and supervisory bodies of the issuer as at the date of submitting the quarterly report, including changes in the shareholding structure in the period from the previous quarterly report, separately for each person - § 87 para. 7 item 6

The Chairman of the Supervisory Board, Stefan Kołakowski, on 27 June 2014 (the date of the Annual General Meeting of Shareholders of SCO-PAK SA) is the owner of 2,650,000 ordinary bearer shares of series B. The shares held give:

- 5.60% of the share capital,
- 4.59% of votes at the General Meeting

The Vice-Chairman of the Supervisory Board, Tadeusz Pleskot, on 27 June 2014 (the date of the Annual General Meeting of Shareholders of SCO-PAK SA) is the owner of 2,000 ordinary bearer shares of series B. The shares held give:

- 0.0042 % of the share capital,
- 0.0035 % of votes at the General Meeting

10.6 Proceedings

Indication of the legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration authority, taking into consideration information required under - § 87 para. 7 item 7

In the reporting period there were no and at present there are no legal proceedings pending before a court, authority competent for the arbitration proceedings or a public administration authority concerning liabilities or receivables of the Company, the sum of which constitutes at least 10% of the Company's equity, or whose total value constitutes at least 10% the Company's equity.

10.7 Sureties, loans, guarantees

information concerning a loan or credit surety or a guarantee issued by the Issuer or the Issuer's subsidiary - jointly to a single entity or its subsidiary, if the total value of the existing sureties or guarantees constitutes the equivalent of at least 10 % of the Issuer's equity - § 87 para. 7 item 9.

None in the reporting period.

10.8 Other relevant information

other information, which in the Issuer's opinion is relevant to assess its human resources, assets, financial standing, financial result and changes thereto as well as information, which is relevant in the assessment of the Issuer's ability to satisfy its obligations - § 87 para. 7 item 10

Except for the factors described in section 2 of this chapter, there are no other factors relevant to the assessment of its human resources, assets, financial standing and the ability to satisfy the Company's liabilities.

10.9 Factors affecting the results of the next quarter

indication of factors, which in the Issuer's opinion will affect the results achieved by them in view of the next quarter or longer - § 87 para. 7 item 11

Positive trends in the Company's operations started in the fourth quarter of 2013 and confirmed in the first half of 2014 make the Company optimistic about the 2014 results.

Undoubtedly, the key factor determining the performance is the macroeconomic environment. For years, the paper market has been subject to sudden and substantial fluctuations. This applies to both the basic raw materials (recovered paper) as well as the Company's primary products (paper, cardboard). The increases in paper prices noticeable in the second quarter of 2014 can trigger a decision to increase the paper production within the production capacity with the intention for direct sales to third parties.

11. Other information required pursuant to the Regulation of the Minister of Finance of 19 February 2009.

11.1 Information on significant agreements

(information on agreements significant from the issuer's perspective, including agreements between the shareholders (partners), insurance contracts or cooperation agreements, known to the issuer)

On 05/02/2014, the Company signed the factoring agreement with Pragma Faktoring SA with its registered office in Katowice (Factor) with a factoring limit of PLN 4,000,000. The agreement was concluded for a period of four months with an option to extend it. The provisions of the agreement do not differ from those commonly used by the Factor for such agreements. The factor is entitled to remuneration calculated as a percentage of the receivables purchased on a monthly basis and interest on the current balance of funding by the factor. The agreement neither provides for the liquidated damages referred to in § 9 para. 5 of the cited regulation nor is dependent on the fulfilment of any precedent or subsequent conditions. The criterion for recognition of the aforementioned contracts as significant is the fact that the value of the contract exceeds 10% of the Issuer's equity.

11.2 Information on significant transactions entered into by the issuer or its subsidiary with related parties on other than market terms

(information on material transactions entered into by the issuer or its subsidiaries on terms other than market terms, including amounts and the information specifying the nature of these transactions - the obligation is deemed fulfilled by indicating the place where this information is presented in the financial statements)

No transactions with related parties on terms other than market terms have occurred.

11.3 Information on loans and advances

(information on the loan and credit contracts executed and terminated in a particular financial year, including their value, type, interest rate, currency and maturity date as a minimum)

Not occurred.

11.4 Description of use of the issuer's proceeds from the issue of securities until the date of the management report

(in the case of issue of securities in the reporting period - the description of use of the issuer's proceeds from the issue until the date of the management report)

Not occurred.

11.5 Assessment of the feasibility of the investment plans

(assessment of the feasibility of the investment plans, including capital expenditures, compared to the value of the funds held, taking into consideration the possible changes to the company's financial structure)

Following the completion of the project involving the construction of the combined heat-and-power plant and the waste water treatment plant in the years 2012-13, the Company does not intend to undertake any further investments.

11.6 Changes to the basic principles for management of the issuer's enterprise and its group companies

There were no changes to the basic principles of the enterprise management.

11.7 Any agreements between the issuer and the management members

(any contracts concluded between the issuer and the management members, providing for compensation should they resign or be dismissed without a valid reason or should their resignation or dismissal result from the issuer's merger by acquisition)

Not occurred.

11.8 The value of compensation, rewards and benefits, including those arising from incentive or bonus plans based on the issuer's share capital

(The value of compensation, rewards and benefits, including those arising from incentive or bonus plans based on the issuer's share capital, including plans based on senior bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or potentially payable to each of the persons managing and supervising the issuer at the issuer's enterprise, regardless of whether they were included in the costs or profit sharing; in case the issuer is a parent company, a partner in a jointly controlled entity or a major investor - separate information on the compensation and bonuses received for performing functions in the bodies of subsidiaries; if the relevant information is presented in the financial statements - the obligation is deemed fulfilled by indicating the place where this information is presented in the financial statements)

Not occurred.

11.9 Total number and par value of all shares (interests) of the issuer

(in case of capital companies - total number and par value of all the issuer's shares (shares) as well as shares and interests in the issuer's affiliated companies held by members of the issuer's managerial and supervising bodies (separately for each person))

The Chairman of the Supervisory Board, Stefan Kořakowski, on 27 June 2014 (the date of the Annual General Meeting of Shareholders of SCO-PAK SA) is the owner of 2,650,000 ordinary bearer shares of series B. The shares held give:

- 5.60% of the share capital,
- 4.59% of votes at the General Meeting

The Vice-Chairman of the Supervisory Board, Tadeusz Pleskot, on 27 June 2014 (the date of the Annual General Meeting of Shareholders of SCO-PAK SA) is the owner of 2,000 ordinary bearer shares of series B. The shares held give:

- 0.0042 % of the share capital,
- 0.0035 % of votes at the General Meeting

11.10 Information on agreements known to the Issuer

(information on agreements known to the Issuer (including those concluded after the balance sheet date), which may result in future changes to the proportions of the shares held by the existing shareholders and bondholders)

As at the management report date, the Company is not aware of anything that might in the future result in changes of the proportions of shares held by the existing shareholders and bondholders.

11.11 Information on the control system of employee share schemes

The Company does not operate any employee share schemes.

11.12 Auditor

The entity conducting the audit of the financial statements for the year 2014 and the review of the semi-annual report is Misters Audytor Adviser Spółka z o.o. with its registered

office in Warsaw 02-520 at ul. Wiśniowa 40/5, entered in the list of entities authorised to audit the financial statements under the number 3704 by the virtue of the Resolution No. 4127/59/2011 of the National Council of Statutory Auditors 17 May 2011.

Warsaw, 25/08/2014