

Dear Shareholders,

The year 2015 was a period marked by a significant improvement of the Stalprodukt S.A. Group's results. Therefore I am all the more pleased to present you with brief information on the market conditions, determining the Group's activities in 2015, sales of the basic products, financial results as well as the developmental prospects for our activities.

The market environment was exceptionally advantageous for the Stalprodukt Group in the previous year. The relatively high Poland's GDP growth rate in 2014 (3.3 percent) was further improved in the previous year to (3.6 percent – according to the preliminary estimates of the National Statistical Office), and the domestic demand was the main growth engine. Other domestic economic ratios also reached good levels. Some increases were recorded over the previous year's figures in relation to – sold industrial output (by 4.9 percent) and building and construction output (by 2.8 percent). Also the average nominal monthly salary was increased in the corporate sector (by 3.5 percent). The decline of the unemployment rate (down to 9.8 percent) was yet another advantageous change.

In the year 2015, the EU economic conditions were improved, which is confirmed by: the GDP growth by approx. 1.9 percent over the year 2014, higher individual consumption and investment level ratios as well as a faster industrial output growth rate. Steel industry did not cope so good mainly due to the excessive imports of steel products from eastern markets, including mainly China. As a result, raw steel output decreased (by 1.8 percent) as compared to 2014, also the apparent steel consumption was lower (2.3 percent as compared to 3.3 percent – according to the data published by the World Steel Association).

The year 2015 brought an almost 10-percent sales increase to the Group, i.e. to the level of PLN 3 131.7 million. However, considering the achieved financial results, the improvement was much more clearly marked: gross profit on sales increased by 52.3 percent over the previous year, the operating profit – by 103.4 percent, and net profit – by 124.1 percent, reaching the level of PLN 227.2 million.

It was the results of the Electrical Sheets Segment, which mostly contributed to the improved Group's performance in 2015. The sales volume increase reached 9.4 percent, and thanks to the maintained advantageous price-growth trend in the transformer sheets segment, the segment's sales value increased by as much as 45.5 percent. As a result, the Electrical Sheet's Segment's performance was improved by PLN 125.2 million in relation to 2014, which accounts for an increase by 253.3 percent. Thus, the transformer sheets and toroidal cores sales share in the Group's product-based sales structure was increased: from 15.9 percent in 2014 to 21.2 percent in the previous year.

Another operating segment which recorded a clearly marked improvement in relation to the year 2014 and which had a beneficial effect on the Stalprodukt Group's results, was the Zinc Segment. Despite a significant, almost 11-percent, decrease of the exchange market prices of zinc, being the staple product of the Segment, a substantial increase of the American dollar exchange rate in relation to zloty caused an increase of the zloty-price by 6 percent. Another factor contributing to the improved Segment's performance was the increase of zinc products

sales volumes by 11.2 percent. As a result, the Zinc Segment's sales results increased by 11.4 percent in relation to 2014, and the Segment's performance increased by PLN 73.4 million, i.e. by 41.1 percent. The above changes also resulted in a slight increase of the Zinc Segment's share in the Group's product-based sales structure – from 49.8 percent in 2014 to 50.6 percent in the previous year.

Market environment was decidedly unfavorable for the Profiles Segment, mainly because of the enormous price pressure exerted by the competitors of the Stalprodukt Group and very low prices maintained on the supplies market, which additionally stimulated the decline of finished product prices. Consequently, the previous year saw a further decrease of average prices in all product groups, which was accompanied by the decline of sales volumes by 4.4 percent (a slight increase of the sales volumes was only recorded in the group of cold formed profiles). The combination of these unfavorable factors resulted in the decrease of the Segment's sales value by 13.5 percent and its final result by PLN 13.3 million, i.e. by 36.1 percent.

The worsening of the results brought about a significant decrease of the Profiles Segment's sales share in the Group's product-based sales structure (from 26.6 percent in 2014 to 21.0 percent in 2015).

The macroeconomic prospects are optimistic for the Stalprodukt Group for the coming period. Poland's economic growth rate should be maintained in 2016 at a high level, close to the one recorded in 2015. The Group, including the Profiles Segment in particular, should also feel the accelerated pace of the successively performed infrastructural projects envisaged in the EU financial perspective for the years 2014-2020. Already in 2016, Stalprodukt's Management Board expects significantly higher road barriers sales and the conditions should even be better in the years to come.

The Zinc Segment will still have the greatest impact on the Stalprodukt Group's results. Despite the challenges faced by the Segment, related, among others, to the necessary securing of a raw material base for the Bukowno Zinc Works, the prospects are optimistic for this Segment of the Group's activities. A stable demand for zinc products allows us to look optimistically to the future and our shrinking raw material base can be remedied by the excavation of small local resources and increased utilization of zinciferrous waste through its recycling. The project of particular significance in this context is the one related to the processing of flotation tailings.

The Electrical Sheets Segment will also play an important role in generating the Stalprodukt Group's results, however, the market conditions in which it will be made to operate in 2016, will be more difficult. The EU market protection instruments, guarding it against the excessive imports of transformer sheets, introduced by the European Commission in the previous year, in particular including the minimum price mechanism, will contribute to the decline of prices. These changes were observable already towards the end of 2015, and the initial months of the current year only confirm these trends.

Moreover, the EcoDesign Directive introduced on 1 July 2015 will result in the increasing demand for the high grade transformer sheets accompanied by a falling demand for the conventional ones. This shift of interest has already been observed on the market for a longer time. Failing to adjust the Group's production offer to the requirements and expectations of the EU market may give rise to negative consequences. Yet, the Management Board is using its best efforts to make Stalprodukt introduce the high grade transformer sheets into its offer as soon as possible.

Although the Profiles Segment will still act under a strong price pressure in 2016, the Management Board expects improved road barriers sales, which is based on the fact that in the 2nd half of 2015 a road barriers project was launched, whose implementation will be continued in 2016.

On 17 November 2015 an Extraordinary General Meeting of Stalprodukt Shareholders was held, which adopted a resolution concerning an implementation of the program for the purchase of the Company's own shares with a view to redemption. The program only covers registered preference shares, not traded at the regular exchange market. The implementation of the program for the purchase of the Company's own shares should not undermine the financial standing of Stalprodukt S.A. or the entire Group. In the Management Board's opinion, the Stalprodukt company has an appropriate balance sheet structure enabling the implementation of the program, characterized with a high level of equity financing and low level of debt. The low level of net debt allows for the financing of the program, and a potential growth of the debt ratio will not result in a significant weakening of the Company's financial liquidity.

I would like to stress that pursuing the purchase within the proposed scope and the final redemption of shares will contribute to the improvement of such ratios as 'profit per share' and 'book value per share', which should, consequently, have a very beneficial impact on the prices of WSE-quoted shares.

Piotr Janeczek
President of the Board – Chief Executive Officer
Stalprodukt S.A.