

Dear Shareholders,

The year 2015 was a period marked by a significant improvement of the Stalprodukt's results. Therefore I am all the more pleased to present you with brief information on the market conditions, determining the Company'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 Stalprodukt 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, crude 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 insignificant, i.e. 5 - percent sales increase to the Company, that is to the level of PLN 1 347.6 million. However, considering the achieved financial results, the improvement was much more clearly marked: gross profit on sales increased by 258.0 percent over the previous year, the operating profit – by 290.0 percent, and net profit – by as much as 300.0 percent, reaching the level of PLN 108.7 million.

Similarly as in the case of 2014, it was the results of the Electrical Sheets Segment, which mostly contributed to the improved performance of the Company 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 Company's product-based sales structure was increased: from 37.5 percent in 2014 to 51.0 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 Stalprodukt 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 7.0 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 16.5 percent and its result by PLN 10.2 million, i.e. by 33.8 percent.

The worsening of the results brought about a significant decrease of cold formed profiles and road barriers' sales in the Company's product-based sales structure (from 52.7 percent in 2014 to 42.8 percent in 2015), as well as further decrease of service center products' sales (from 8.9 to 5.4).

The macroeconomic prospects are optimistic for the Company 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 Company 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 Electrical Sheets Segment will still have a biggest influence on the result generating by the Company, 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 Company'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 assembly was launched within some investment projects, 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 their redemption. The program only covers registered preference shares, not traded at the regular stock 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. 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 this 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.