

Dear Shareholders,

I have a pleasure to present you with the information concerning the market environment, in which the Stalprodukt S.A. Capital Group was functioning in 2014, the sales conditions of our basic products, achieved financial results and significant events likely to affect the Group's future development.

The last year's economic conditions were quite advantageous for the Stalprodukt Group. The GDP growth rate in 2014 was markedly higher than in the previous year (3.4 percent as compared to 1.7 percent). Other economic ratios characterizing the domestic market conditions also reached good levels and increases were recorded in relation to 2013: domestic demand higher by 4.4 percent, investments by 10.9 percent, and added value – by 5.0 percent in construction and 3.3 percent in industry.

In 2014, also the EU steel market and business conditions were improved, which is confirmed by the increase of GDP by 1.3 percent, increase of crude steel output by almost 2.0 percent and increase of steel apparent consumption by 3.3 percent (from 0.2-percent decrease in 2013).

Considering the achieved results, the year 2014 was much better for the Stalprodukt Group than the previous one. A relatively small increase, by almost 2 percent, was recorded, in the sales of products, goods and materials, whereas the financial results were improved at all the levels of activity, yet to a much higher degree: the sales profit increased by 262 percent over the previous year, the operating profit - by 78 percent, and net profit - by 31 percent.

The improvement of the achieved results was triggered out, among others, by the increase of the sales volumes in the Electrical Sheets Segment by 21.6 percent and sales value by 18 percent. The Segment concerned saw a reversal of the negative trends after several years of continued price declines, the lowest of which fell on the first quarter of 2014. Although this factor's impact was not too significant in the previous year, but the very change of the trend was important as well as the fact that the prices continued to grow in the successive quarters of 2014.

The effect of these advantageous changes is the improvement of the Segment's result by PLN 29.2 million in relation to 2013, which accounts for 144 percent. The Electrical Sheets Segment's share in the Group's total sales structure increased from 13.8 percent in 2013 to 15.9 percent in the previous year.

In the Profiles Segment the market conditions were close to the ones typical of 2013. In 2014, due to the continued significant price pressure and an adverse market environment, the decline in the Segment's sales volumes reached 4.5 percent in relation to 2013. As a consequence of the declining average prices, the Segment's sales revenues decreased even more significantly (by 6.4 percent.), whereas, thanks to the continued efforts aimed at the reduction of the Segment's product manufacturing costs, its overall result decrease by 2.4 percent. It should be noted that the situation in this Segment varied in respect of particular products. The best results were achieved in respect of cold formed profiles and road barriers (with volume increases by, respectively, 0.7 percent and 7.2 percent.), whereas the poorest results concerned the products of steel service centers having recorded over 20-percent decreases both in respect of the sales volume and value, which reflects the adverse conditions maintained on this market for several years, i.e. the surplus production capacity exceeding

the existing demand, low profit margins and the necessity to compete directly with steel manufacturers. As a result of these changes, the Profiles Segment's share decreased in the Group's product-based sales structure (from 28.9 percent in 2013 to 26.6 percent in 2014). Significant changes occurred in the Zinc Segment, whose sales increased by 3 percent in relation to 2013 and whose achieved result almost doubled. Such a significant improvement resulted, primarily, from the increase of zinc average prices in 2014 by 13 percent and from the strengthening of the American dollar. It should be noted that the Segment holds the highest share in the total sales structure which currently accounts for 50 percent of the Stalprodukt Group's total sales.

The year 2014 brought successful process completion to a number of investments connected with the flagship project of the recent years, namely, the production for the HGO electrical sheets being put into operation. To this end certain investments were necessary, such as the modernization of the Sendzimir rolling mill, steel annealing and pickling line, decarburization line or expansion of the nitrogen generating plant. The completion of this project will allow the Group to offer high grade transformer sheets, whose consumption is dynamically growing, mainly due to the new legal regulations, connected with the application of more effective materials contributing to the reduced energy consumption or reduction of energy losses during its transmission and distribution.

The completion of the investments program, launching the HGO technology, was also significant for the removal of the production constraints in the fourth quarter of 2014 to have operated during the project implementation stage, which contributed to a significant increase of the sheet sales volumes and triggered out the improvement of the Segment's results. An important investment project carried out in the previous year by the Zinc Segment was expanding the zinc waste recycling plant with three additional re-distillation columns at the zinc smelter: Huta Cynku "Miasteczko Śląskie S.A.". This investment will enable the production of 100% highest grade zinc and will, thereby, guarantee the company's development and maintaining its high position among zinc manufacturers.

The improved Group's results were appreciated by the capital market. Stalprodukt's share prices were systematically growing throughout 12 months - from PLN 190.05 at the beginning of the year to PLN 404.50 towards the end of the year. This accounts for an impressive increase by 112 percent.

The prospects for the coming period are favorable for the Group. Such external factors as: good development forecasts for the Polish and EU economies, new EU financial perspective for the years 2014-2020, which will be translated into further investments (mainly infrastructural projects), or favorable forecasts for the steel market, should be hospitable to the further improvement of results. The operating conditions of the parent company – Stalprodukt S.A. – are also favorable, and the most important ones embrace: a significant increase of transformer sheets prices throughout the year 2014 and prospects for their further growth in 2015, the prospect for the Company to maintain a strong position on the cold formed profiles market and very good prospects for the sales of road barriers after the year 2015.

In connection with the relatively short operating prospects for the "Olkusz-Pomorzany" mine, setting up new raw material sources and ensuring raw material safe supplies connected therewith make a strategic area of interest for the Zinc Segment. The actions undertaken to this end are directed to, among others: new mining projects, mainly in the close vicinity of the natural resources currently exploited by ZGH "Bolesław", obtaining qualified sulphide

concentrate from the flotation tailings deposited in sludge ponds, and also expanding the base of steelmaking powders suppliers, for better exploitation of the newly constructed plant for the deep dechlorination, defluorination and leaching of the raw zinc oxide derived from the processing of steelmaking powders.

I am convinced that the expected improvement of results will positively influence the further increase of the Stalprodukt S.A.'s value in the years to come and, thereby, also quotations of the Company's shares – to the satisfaction of our Shareholders; the Management Boards and personnel of the Stalprodukt Capital Group's companies will persist in the efforts aimed at the fulfillment of this goal.

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