

Current Report CR No 32 - Stance of the Company's Management Board on the Call for Tenders dated (28.09.2016)

The Management Board of STALPRODUKT S.A. based in Bochnia („Company” or „Issuer”), acting pursuant to art. of the Act on Public Offers and Terms of Financial Instruments Introduction to Organized Trading and Public Companies as of 29 July 2005 (“The Offer Act”) herewith presents its stance on the call for the submission of tenders for the sale of the Company’s shares („Call for Tenders”) announced on 13 September 2016.

STANCE OF STALPRODUKT S.A. MANAGEMENT BOARD On the Call for Tenders announced on 13 September 2016 Calling for the submission of tenders for the sale of the Company's shares

The Management Board of the STALPRODUKT S.A. company based in Bochnia (“Company” or “Issuer”), acting pursuant to art. 80 of the Act on Public Offers and Terms of Financial Instruments Introduction to Organized Trading and Public Companies as of 29 July 2005 (“the Offer Act”) herewith presents their stance on the call for the submission of tenders for the sale of the Company’s shares („Tender Offer”) announced on 13 September 2016 by:

- 1) **STP INVESTMENT S.A. based in Bochnia**, at the address: 32-700 Bochnia, ul. Rynek nr 9, entered in the Register of Entrepreneurs of the National Court Register run by the Regional Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register, recorded as KRS 0000287355, REGON [*National Statistical Number:*] 852736514; NIP [*VAT Number:*] 8681779111, of the share capital amounting to PLN 12,004,000.00 paid in its entirety (“**Calling Party No 1**”),
- 2) **STALPRODUKT-PROFIL S.A. based in Bochnia**, at the address: 32-700 Bochnia, ul. Wygoda 69, entered in the Register of Entrepreneurs of the National Court Register run by the Regional Court for Kraków-Śródmieście in Kraków, 12th Economic Department of the National Court Register, recorded as KRS 0000311898, REGON [*National Statistical Number:*] 850522430, NIP [*VAT No:*] 8681540060, of the share capital amounting to PLN 496,000.00 paid in its entirety (“**Calling Party No 2**”),
- 3) **STALNET sp. z o.o. based in Bochnia**, at the address: 32-700 Bochnia, ul. Wygoda 69, entered in the Register of Entrepreneurs of the National Court Register run by the Regional Court for Kraków-Śródmieście in Kraków, 12th Economic Department of the National Court Register, 12th Economic Department of the National Court Register, recorded as KRS 0000113715, REGON [*National Statistical Number:*] 357211772, NIP [*VAT No:*] 6762166475, of the share capital amounting to PLN 200,000.00 („**Calling Party No 3**”),
- 4) **Piotr JANEKZEK**, resident in Kraków at the address: 30-399 Kraków, ul. Żyzna nr 67 (“**Calling Party No 4**”).

I. The most important information concerning the announced Call for Tenders inviting to the submission of tenders for the sale of the Company’s shares.

In accordance with the Call for Tenders, the Calling Parties intend to acquire, as a result of the Call for Tenders announced pursuant to art. 73 par. 2 subpar. 1 in connection with art. 87 par.1 subpar. 6 of the Offer Act, dematerialized Company’s shares of any series, of the nominal value of PLN 2.00 (two zlotys 00/100) each, accounting for not more than approximately 0.08% (0.079%) of the total number of the votes in the Company („Shares”), including:

- 1) bearer shares, dematerialized, admitted to trading on the regulated market of the Warsaw Stock Exchange S. A. based in Warsaw (“WSE”), marked with the code: ISIN PLSTLDPD00017 assigned by the National Securities Depository [*Krajowy Depozyt Papierów Wartościowych S.A.*]

("NSD"), each of which entitles the holder to cast 1 (one) vote at the General Meeting of the Company's Shareholders;

2) registered shares, dematerialized, but not admitted to organized trading, marked with the code ISIN PLSTLPD00033 assigned by NSD, non-preferential as to the voting right therefore each of those entitles the holder to cast 1 (one) vote at the General Meeting of the Company's Shareholders;

3) registered shares, dematerialized, but non-admitted to organized trading, marked with the code ISIN PLSTLPD00025 assigned by NSD, preferential as to the voting right in such a way that each share entitles its holder to cast 5 (five) votes at the General Meeting of the Company's Shareholders;

Calling Party No 1 directly holds: 866,671 bearer shares, accounting for 15.53% of the Company's share capital and authorizing to 866.671 votes at the General Meeting of the Company's Shareholders, which accounts for 7.10% of the total number of votes in the Company and 1.009.052 registered shares, preferential as to the voting right (in the proportion of 5 votes per 1 share), accounting for 18.08% of the Company's share capital and authorizing to 5,045,260 votes at the General Meeting of the Company's Shareholders, which accounts for 41.36% of the total number of votes in the Company.

Calling Party No 2 directly holds: 492,759 bearer shares accounting for 8.83% of the Company's share capital and authorizing to 492.759 votes at the General Meeting of the Company's Shareholders, which account for 4.04% of the total number of votes in the Company and 128,958 registered shares, preferential as to the voting right (in the proportion of 5 votes per 1 share), accounting for 2.31% of the Company's share capital and authorizing to 644,790 votes at the General Meeting of the Company's Shareholders, which accounts for 5.29% of the total number of votes in the Company.

Calling Party No 3 directly holds: 107,561 bearer shares accounting for 1.93% of the Company's share capital and authorizing to 107,561 votes at the General Meeting of the Company's Shareholders; which accounts for 0.88% of the total number of votes in the Company and 62,000 registered shares, preferential as to the voting right (in the proportion of 5 votes per 1 share), accounting for 1.11% of the Company's share capital and authorizing to 310,000 votes at the General Meeting of the Company's Shareholders, which accounts for 2.54% of the total number of votes in the Company.

Calling Party No 4 holds (directly and indirectly – through the Calling Party No 1): 866,671 bearer shares accounting for 15.53% of the Company's share capital and authorizing to 866,671 votes at the General Meeting of the Company's Shareholders, which accounts for 7.10% of the total number of votes in the Company and 1,123,917 registered shares, preferential as to the voting right (in the proportion of 5 votes per 1 share), accounting for 20.14% of the Company's share capital and authorizing to 5,619,585 votes at the General Meeting of the Company's Shareholders, which accounts for 46.07% of the total number of votes in the Company.

The Acquiring Entities intend to acquire, following the completion of the Call for Tender procedure, no more than approximately 66% (65.99%) of the total number of votes in the Company, which accounts for not more than 8,051,033 of the Company's shares, including:

1) 1,466,991 Company's bearer shares, currently held by the Calling Parties, accounting for 26.29% of the Company's share capital and authorizing to 1,466,991 votes at the General Meeting of the Company's Shareholders, which accounts for 12.03% of the total number of votes in the Company,

2) 1,314,875 Company's registered shares, preferential as to the voting right (in the proportion of 5 votes to 1 share), currently in possession of the Acquiring Entities, accounting for 23.56% of the Company's share capital and authorizing to 6,574,375 votes at the General Meeting of the Company's Shareholders, which accounts for 53.89% of the total number of votes in the Company,

and Shares conforming to one of the undermentioned variants, depending on the type and number of the Shares submitted for within the submission acceptance deadline within the Call for Tenders:

3) no more than 9,667 of the Bearer Shares, accounting for approximately 0.17% of the Company's share capital and authorizing to no more than 9,667 votes at the General Meeting

of the Company's Shareholders, which accounts for approximately 0.08% (0.079%) of the total number of votes in the Company, or

4) no more than 9,667 Registered Non-Preference Shares, accounting for 0.17% of the Company's share capital and authorizing to no more than 9,667 votes at the General Meeting of the Company's Shareholders, which accounts for approximately 0.08% (0.079%) of the total number of votes in the Company, or

5) no more than 1,933 Registered Preference Shares, accounting for approximately 0.035% of the Company's share capital and authorizing to no more than 9,665 votes, which accounts for approximately 0.08% (0.079%) of the total number of votes in the Company, or

6) any number combination comprising the Bearer Shares, Registered Non-Preference Shares and Registered Preference Shares, jointly authorizing to no more than 9,667 votes at the General Meeting of the Company's Shareholders, which accounts for approximately 0.08% (0.079%) of the total number of votes in the Company.

The Calling Parties are simultaneously acting as the Acquiring Entities for the Shares, in accordance with the Call for Tenders, with a reservation that depending on the number of votes resulting from the Shares submitted for within the submission deadline, the Shares shall be acquired either by all the Calling Parties, or by the Calling Party No 1 and by the Calling Party No 4 only, or by the Calling Party No 1 exclusively – according to the proportions provided for in the Call for Tenders.

The price of the Shares quoted in the Call for Tenders amounts to PLN 330.00 (three hundred thirty zlotys 00/100) per single Share. The price of the Shares was fixed as equal for all the types of the Shares covered by the Call of Tenders.

The Call for Tenders was not announced under any legal conditions to be fulfilled or subject to any decisions or notifications to be received.

II. Stance of the Management Board

In line with the below provided information, the Issuer's Management Board expresses a positive opinion on the Call for Tenders announced by the Calling Parties inviting to the submission of tenders for the sale of the Company's shares.

– Impact of the announced Call for Tenders on the Company's interests:

The Issuer's Management Board points to the fact that the Calling Parties, and the Calling Party No 1 in particular, has for a long time been the Company's significant shareholder and the plans presented in the Call for Tenders are convergent with the Company's current plans. The Management Board assesses that the announced Call for Tenders will have a positive impact on the Company's interests and long-term improvement of the results achieved by the Company as well as on the strengthening of the Company's market position. The Management Board points to the fact that the President of the Issuer's Management Board Piotr Janeczek, simultaneously acting as the Calling Party No 4, is the majority shareholder of the Calling Party No 1 and its only President of the Board, which testifies to the convergence of the affected entities' interests and their intention to act in favor of the Issuer's best interests. The joint engagement of the Calling Party No 1 and Calling Party No 4, reaching the level of 35.67 % of the Company's capital share and a 53.17 % share in the total number of votes at the General Meeting of the Company's Shareholders, testifies to the significant engagement in the Company of the Calling Parties concerned and, in the Management Board's opinion, excludes the risk from any profiteering motivations underlying their activities. The Management Board points to the fact that on the present Stance's preparation day, the Company is pursuing its standard activities in line with the presented plans concerning the Company's strategy.

– Impact of the announced Call for Tenders on the Company’s employment :

The Issuer’s Management Board informs that until the present Stance’s preparation day, the announced Call for Tenders has had no impact on the Issuer’s Company’s employment level. In accordance with the content of art. 77 par. 5 of the Offer Act, the Issuer’s Management Board and the Calling Parties informed the representatives of the employee organizations grouping the Company’s employees about the Call for Tenders, including its content.

The Calling Parties have not presented any detailed information on the impact of the Call for Tenders on the Company’s employment level. In the Management Board’s opinion, the Calling Parties’ intentions towards the Company presented in the Call for Tenders do not yield grounds for claiming that the Call for Tenders will have a negative impact on the Company’s employment level.

– Company’s strategic plans connected with the announced Call for Tenders

The Issuer’s Management Board informs that in accordance with the content of the Call for Tenders, the intentions of the Calling Parties towards the Issuer are as follows: ”The Calling Parties intend to strengthen their positions in the Company’s shareholding structure. The Calling Parties do not intend to aspire towards the introduction of any significant changes in the Company compared to the Company’s to-date operating activities. The Calling Parties see their role in the Company’s shareholding structure as that of a stable financial partner. The Calling Parties treat the investment in the Company’s shares as long- or medium-term investment. Depending on the market conditions, the Calling Parties do not exclude increasing their share (directly or indirectly) in the total number of votes in the Company, also after the Call for Tenders has been closed, yet no binding decision in this respect has been taken so far. The Calling Parties do not exclude possible future reorganization of the Company’s shares in their possession.”

The Calling Parties have not presented any detailed information on the Calling Parties’ strategic plans concerning the Company and their probable impact on the Company’s employment level. However, in the Management Board’s opinion, the intentions presented in the Call for Tenders do not yield grounds for claiming that the Call for Tenders will have a negative impact on the Company’s interests.

The Issuer’s Management Board is of the opinion that the Company’s to-date activities and planned development directions shall be preserved due to the above presented convergence of the Calling Parties’ and Issuer’s interests.

– Planned localization of the Company’s activities

In accordance with the content of the Call for Tenders, in the Management Board’s opinion there are no grounds for claiming that the Calling Parties intend to change the localization of the Company’s activities. Therefore, in the Management Board’s opinion the localization of the Company’s activities shall not be changed.

– Management Board’s stance on the price quoted in the Tender Offer

Taking into account the valuation of the Company’s shares on the regulated market during the last six months before the announcement of the Call for Tenders, the Management Board indicates that the price quoted in the Tender Offer is adequate to the Company’s updated market valuation and stands in accordance with the requirements of the legal provisions, in particular including, that it complies with the content of art. 79 of the Offer Act.

The arithmetic mean of the average day share prices weighted with the turnover volume from the period of 6 (six) months preceding the announcement of the Call for Tenders, during which the Company’s shares were being traded on the WSE prime market, amounts to PLN 329.89 (three hundred twenty-nine zloty eighty-nine groszy).

The highest price paid for the Company's shares, being the object of the Call for Tenders, by the Calling Parties, their subsidiaries or their parent companies, or entities acting as parties to the agreements concluded thereby, referred to in art. 87 par. 1 subpar. 5 of the Offer Act, during the period of 12 (twelve) months before the announcement of the Call for Tenders, in comparison to which the Shares price quoted in the Call for Tenders may not be lower, amounts to PLN 300,00 (three hundred zlotys).

The Shares selling price offered in the Call for Tenders amounts to PLN 330.00 (three hundred thirty zlotys) per single Share, and therefore it is not lower than the minimum price fixed in accordance with the provisions of art. 79 of the Offer Act. Irrespective of the above, considering the Company's and Company's Group's current financial standing as well as its market environment, the Management Board ascertains that the proposed price corresponds to the Company's fair value. The Management Board accentuates that they have not commissioned the valuation to any external entity.

III. Foundations of the Company's Management Board's Stance.

The present Stance of the Management Board has been based on the analysis of the following information and documents:

- 1) Call for Tenders;
- 2) Company's share prices analyzed during the period of six months preceding the announcement of the Call for Tenders, weighted with the turnover volume, and also the prices paid for the Company's shares by the Calling Parties, announcing the Call for Tenders, recorded during the period of twelve months preceding the announcement of the Call for Tenders;
- 3) information available to the public, concerning the activities, financial standing and updated market valuation of the shares quoted by selected companies from the sector, in which the Company operates;
- 4) notifications concerning the disposal and acquisition of the shares furthered to the Company by the Calling Parties;
- 5) financial documents and data concerning the Company and its Capital Group, remaining in the Management Board's possession and, in particular, the ones published by the Company in the form of periodic reports;

The Company has not used information from any other sources except the ones available to the public and, in particular, the Company has not used any opinions from external entities.

IV. Reservations.

Apart from the above-mentioned information sources, the Company's Management Board has not undertaken any other activities aimed at analyzing, gathering or verification of any information that has not originated from the Company and does not bear liability for the genuineness, accuracy, completeness and adequacy of such information, on the basis of which the present Stance has been prepared, except the information originating from the Company.

As concerns the Call for Tenders, the Company and the Board have not commissioned any opinion in connection with the Call for Tenders to be prepared (within the meaning of art. 80 par. 3 of the Offer Act).

The signatories the present Stance of the Management Board are not in possession of any confidential information, within the meaning of the Financial Instruments Trading Act as of 29 July 2005 (consolidated text Journal of Laws 2014, item 94 as amended) („Trading Act”), which should be disclosed and, to the best of their knowledge, they are not familiar with any facts concerning the Company or its shares, which might be recognized as information confidential and essential for the assessment of the Call for Tenders, and which has not been disclosed to the public by the Company earlier in the form of periodic reports in compliance with the law requirements.

On no account does the present Stance of the Board, concerning the Call for Tender, constitute a recommendation for purchasing or disposing of financial instruments, referred to in art. 42 of the Financial Instruments Trading Act. The Management Board addresses attention to the fact that there may be some other Company's goodwill valuations in existence.

The Company's Management Board underlines that each investor, taking their investment-related decisions in connection with the present Stance of the Management Board, is obligated to carry out their own assessment of the investment-related risk concerned with the sale or purchase of the financial instruments, to be based on the entire information disclosed by the Company as part of its disclosure obligations, and information contained in the prospectuses published by the Company, in as much as such information is valid, including, individual advice and/or recommendation to be obtained from authorized advisers in the scope necessary to enable a reasonable decision. In particular, each Company's Shareholder, intending to respond to the Call for Tenders, should carry out an assessment of the investment-related risk.

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Piotr Janeczek

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Józef Ryszka

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Łukasz Mentel