

Dear Shareholders,

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

The last year's economic conditions were quite advantageous for Stalprodukt. 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 apparent steel consumption by 3.3 percent (from 0.2-percent decrease in 2013).

Considering the achieved results, the year 2014 was much better for Stalprodukt than the previous one. A relatively small increase, by almost 2 percent, was recorded, in the sales of products whereas the financial results were improved at all the levels of activity, yet to a much higher degree: the sales profit increased by 177 percent over the previous year, the operating profit - by 155 percent, and net profit - by 173 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 increase. The Electrical Sheets Segment's share in Stalprodukt's total sales structure increased from 32.7 percent in 2013 to 37.5 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 2.2 percent in relation to 2013. As a consequence of the declining average prices, the Segment's sales revenues decreased even more significantly (by 4.1 percent.), whereas, thanks to the continued efforts aimed at the reduction of the Segment's product manufacturing costs, its overall result decrease by 2.7 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, 4.1 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 share of profiles and road barriers' sales in

product-based sales structure remained at a similar level compared to the previous year (52.7 percent in 2014 vs. 53.3 percent in 2013).

The year 2014 brought successful process completion to a number of investments connected with the flagship project of the recent years, namely, the production of 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 transformer sheet sales volumes and triggered out the improvement of the Segment's results.

The improved Stalprodukt's results were appreciated by the capital market. Company'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 Company. 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.

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 the staff of Stalprodukt 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.