

report on the operations of the supervisory board of ulma construccion polska s.a. for 2018

The report of the Supervisory Board covers the period from 1 January 2018 to 31 December 2018. In the above-mentioned period, the Supervisory Board of ULMA Construcción Polska S.A. consisted of the following persons:

1. Mr Aitor Ayastuy Ayastuy - Chairman of the Supervisory Board
2. Mr Iñaki Irizar Moyua - Deputy Chairman of the Supervisory Board
3. Mr Andrzej Kozłowski - Member of the Supervisory Board
4. Mr Michał Markowski - Member of the Supervisory Board
5. Mr Rafael Anduaga Lazcanoiturburu - Member of the Supervisory Board

In the reporting period, the Supervisory Board acted on the basis of the provisions of the Code of Commercial Companies, the provisions of the Articles of Association and the Regulations of the Supervisory Board. While performing the tasks of constant supervision in the internal sphere of the Company and its enterprise, in all areas and interests of the Company, the Supervisory Board had access to the necessary materials and information of the Management Board of the Company. All supervisory activities of the Supervisory Board were performed collegially.

Pursuant to the provisions of the Company's Articles of Association, the Supervisory Board holds at least four meetings a year. In the period from 1 January to 31 December 2018 the Supervisory Board held four meetings and adopted 11 resolutions:

1. Resolution No. 1/2018 of 2 March 2018 on giving consent to the purchase of real property,
2. Resolution No. 2/2018 of 27 March 2018 on the assessment of the Company's statements for the financial year 2017 adopted by the Management Board,
3. Resolution No. 3/2018 of 27 March 2018 on the assessment and acceptance of the application of the Management Board of the Company regarding the distribution of the Company's profit for the financial year 2017 and the retained profit for previous years,
4. Resolution No. 4/2018 of 27 March 2018 on the approval of the report on the operations of the Supervisory Board for the financial year 2017,
5. Resolution No. 5/2018 of 27 March 2018 on the request to acknowledge the fulfilment of duties by the President of the Management Board,
6. Resolution No. 6/2018 of 27 March 2018 on the request to acknowledge the fulfilment of duties by the Member of the Management Board,
7. Resolution No. 7/2018 of 27 March 2018 on the request to acknowledge the fulfilment of duties by the Member of the Management Board,
8. Resolution No. 8/2018 of 27 March 2018 on the request to acknowledge the fulfilment of duties by the Member of the Management Board,
9. Resolution No. 9/2018 of 21 June 2018 on the adoption of the Regulations of the Supervisory Board of ULMA Construcción Polska S.A.,
10. Resolution No. 10/2018 of 21 June 2018 on the adoption of the Regulations of the Management Board of ULMA Construcción Polska S.A.,
11. Resolution No. 11/2018 of 19 September 2018 on recommending that the Management Board of ULMA Construcción Polska S.A. adopt the "Regulations regarding the treatment of Confidential Information of ULMA Construcción Polska S.A. - version 4".

In 2018, the Supervisory Board exercised ongoing supervision over the operations of the Company, including a detailed analysis of the company's financial results and the situation on the Polish construction market. The Supervisory Board familiarised itself with and, at the request of the Management Board, gave its opinion on issues related to the current operations that are significant to the Company. The Supervisory Board positively assessed communication with the Management Board of the Company.

Report of the Supervisory Board on the assessment of the financial statements of ULMA Construcción Polska S.A., the report of the Management Board on the operations of ULMA Construcción Polska S.A. for 2018, the consolidated financial statements of ULMA Construcción Polska S.A. Group of Companies and the report of the Management Board on the operations of ULMA Construcción Polska S.A. Group of Companies for 2018

The assessment carried out by the Supervisory Board included the financial statements of ULMA Construcción Polska S.A. for 2018 and the consolidated financial statements of the Group of Companies. The Supervisory Board appointed Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. as a statutory auditor to audit the financial statements of ULMA Construcción Polska S.A. under Resolution No. 9/2017 of 26 April 2017. The assessment carried out by the Supervisory Board was based on the independent statutory auditor's opinion and report on the separate and consolidated statement of financial position prepared as at 31 December 2018, separate and consolidated statement of comprehensive income, separate statement of changes in equity, separate and consolidated cash flow statement for the financial year ended 31 December 2018 and additional information on the adopted accounting principles, and other explanatory notes.

As a result of the audit of the report of the Management Board on the operations of the Company and ULMA Construcción Polska S.A. Group of Companies in 2018, the Supervisory Board states that such statements fairly present the financial position of both the Company and the Group of Companies and that they comply with the provisions of law and the provisions of the Articles of Association of the Company.

Report of the Audit Committee

The report of the Audit Committee of ULMA CONSTRUCCION POLSKA S.A. (hereinafter referred to as the Company) covers the period from 1 January 2018 to 31 December 2018. In 2018, the Audit Committee consisted of the following persons:

- Mr Michał Markowski - Chairman of the Audit Committee
- Mr Aitor Ayastuy Ayastuy - Member of the Audit Committee;
- Mr Rafael Anduaga Lazcanoiturnuru - Member of the Audit Committee

The Audit Committee acted in accordance with the provisions of the Act of 7 May 2009 on statutory auditors and their self-government, entities authorised to audit financial statements and public supervision, and with the Act of 11 May 2017 on statutory auditors, audit companies and public supervision (Journal of Laws of 2017, item 1089).

As in the previous years, in 2018 the main task of the Audit Committee was to supervise the operations of the Company and of the Company's Management Board on an ongoing basis, in particular in the following areas:

- supervising the financial reporting process;

- supervising the effectiveness of internal control, internal audit and risk management systems;
- supervising the performance of auditing activities;
- supervising the independence of the statutory auditor and the entity authorised to audit financial statements.

The members of the Audit Committee participated in meetings convened with the Management Board of the Company and the representatives of the financial and accounting staff and related to the audit of the financial statements of the Company for 2018, which was carried out by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., by discussing the most important aspects of the adopted accounting policy, the risks related to the fair and clear presentation of the financial position of the Company and by assessing the independence and objectivity of the statutory auditor.

Having read the statutory auditor's opinion and report on the audit of the financial statements and the report of the Management Board on the operations of the Company for 2018, the Audit Committee suggested to the Supervisory Board that the above-mentioned financial statements and reports should be approved and that the Supervisory Board should present such recommendation to the General Meeting of Shareholders.

Moreover, the members of the Audit Committee supervised the effectiveness of internal control and risk management systems as part of their ongoing contacts with the Management Board of the Company and as part of their work in the Supervisory Board.

Based on the activities carried out, the Audit Committee positively assessed the activities of the Management Board in the area of the internal control and risk management.

Assessment of the internal control system and assessment of the significant risk management system of the Company

The Management Board of the Company is responsible for the effectiveness of the internal control system in the Company in the process of preparing financial statements. The substantive supervision over the process of preparing financial statements and periodical reports of the Company is exercised by the Chief Financial Officer/Member of the Management Board in close cooperation with the Chief Accountant. The Company keeps track of any changes required by laws and external regulations relating to stock market reporting requirements and prepares for their implementation well in advance. Every month, after the books has been closed, reports containing management information and analysing key financial data and operational ratios are distributed among the members of the Company's Management Board and management staff. The financial statements are submitted to the members of the Supervisory Board who analyse key data and indicators together with the Management Board at regular meetings. Financial data being the basis for financial statements and periodic reports are derived from the accounting and financial system, in which transactions are registered in accordance with the accounting policy of the Company based on the International Financial Reporting Standards. Annual and semi-annual financial statements are subject to an independent audit and review carried out by the Company's auditor.

Moreover, the Company has implemented a system for controlling the implementation of budgets for individual contracts and fixed costs. The Management Board monitors macro risks for the Company on an ongoing basis and takes preventive measures. This applies in particular to balance sheet items that are subject to a detailed analysis in terms of their fair values, and their change is

properly recognised in financial statements in accordance with the International Financial Reporting Standards.

In the organisational area, internal control is exercised by identifying the main processes of the company operation and formalising them in the form of procedures and detailed instructions, the compliance with which is subject to internal and external audits carried out on a regular basis as part of the implemented and certified management system compliant with the requirements of ISO 9001:2000. The detailed division of competences related to the decision-making process and the established scope of reporting related to the commercial and logistic activities provide additional support.

The Supervisory Board assessed the situation of the Company in 2018. The Supervisory Board formulates its assessment based on the ongoing supervision over the Company, the review of the Company's affairs and the discussion with the Management Board. The Supervisory Board also took the assessment of the financial statements made both by the Supervisory Board itself and by an independent statutory auditor into account. The opinion of the Supervisory Board is also based on the report of the Management Board on the operations of the company and ULMA Construcción Polska S.A. group of companies.

As far as the manner in which the Company fulfills its information obligations related to the application of corporate governance principles is concerned, the Supervisory Board positively assessed this aspect of the Company's operations as being in line with the adopted regulations applicable to this area. At the same time, taking into consideration the risk management internal procedures functioning in the Company and the systems implemented to ensure internal control, the Supervisory Board stated that it was not necessary to separate an internal audit function in the Company.

The Supervisory Board positively assessed the activities of the Management Board of ULMA Construcción Polska S.A. in 2018. By submitting the above-mentioned report to the General Meeting, the Supervisory Board requests it to acknowledge the fulfilment of duties by the members of the Management Board and of the Supervisory Board of ULMA Construcción Polska S.A. in relation to their activities in the financial year 2018.

The report has been prepared and approved by the Supervisory Board consisting of:

Aitor Ayastuy Ayastuy - Chairman of the Supervisory Board
Iñaki Irizar Moyua - Deputy Chairman of the Supervisory Board
Andrzej Kozłowski - Member of the Supervisory Board
Rafael Anduaga Lazcanoiturburu - Member of the Supervisory Board
Michał Markowski - Member of the Supervisory Board