

## To the Shareholders of the ULMA Construcción Polska S.A. Capital Group

Dear Sirs,

2014, the 25<sup>th</sup> year of operation of the ULMA Construcción Polska S.A. Capital Group, is not only the time for summaries but also the period of coping with a difficult situation on both the Polish and foreign construction markets.

In 2014, the Capital Group recorded total revenues from sales of PLN 192.5 million, as compared to PLN 209.5 million in the same period of the previous year (drop by 8.1%). Lower results in Poland were partially offset by increasing revenues generated by foreign companies. The share of export sales in the Capital Group's revenues increased in 2014 to 29.3%, as compared to 25.1% in the same period of the previous year. The goods were exported to Kazakhstan, Ukraine and Lithuania, as well as to Kaliningrad, Romania, Czech Republic, Germany and Spain.

The amount of revenues from sales was mostly influenced by the company's operations in Kazakhstan, where construction trends remain advantageous and investment plans related to the construction sector are still satisfactory. In 2014, the value of construction and assembly works in Kazakhstan amounted to over KZT 2.5 trillion (increase by 4%). Market growth was stable, driven mainly by investments in the construction and residential sector, as well as in road infrastructure. However, we have recorded an increasing competition from Russian exporters of construction materials who offer their products in Kazakhstan at competitive prices as compared with our offer, due to the fact that they are not subject to custom duties when they bring their goods and materials to Kazakhstan, as well as in connection with the devaluation of local currency.

On the other hand, the continuing unstable situation related to the conflict in eastern Ukraine resulted in a significant drop in investment activities. According to the data published by the State Statistical Services of Ukraine, in December 2014 the drop in construction output amounted to nearly -40%, as compared with the same period of the previous year. For the entire 2014, this drop amounted to -21.7%. Moreover, the incremental devaluation of the hryvnia (by 40% in relation to PLN over 2014) has translated into a decrease in revenue generated by the Capital Group on this market after conversion into PLN.

In 2014, the Capital Group recorded a negative net financial result amounting to PLN -5.5 million as compared to net profit of PLN 93 thousand in the previous year. However, it should be noted that in Q4 2014 the Capital Group recorded a positive net result in the amount of PLN 2.5 million which is a good sign for the future.

The factors which may have an impact in the near future on the ULMA Group's revenues generated on foreign markets include the risk of further market slowdown in Ukraine and risk of deterioration of market situation in Kazakhstan, as a strong drop in oil prices may soon be reflected in the financial performance of this country.

It should be noted that the Eurasian Economic Union (with the ruble as the common currency) established on 1 January 2015 and composed of: Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, as well as increased cooperation between Kazakhstan and Russia, and other member states, will have a significant impact on the improvement of the competitive position of companies with production facilities located in its member states.

The Management Board of the Capital Group is constantly trying to respond to new stages of the conflict in Ukraine and monitors the developments in Ukraine on an on-going basis in order to maintain the stability of business activities in that country.

For the ULMA Construcción Polska Capital Group, the year 2015 will be another period of intensive work, focused, on the one hand, on the utilization of market opportunities and, on the other hand, on consistent implementation of the development strategy.

On behalf of the Management Board, I wish to thank our Investors, Customers and Employees for your trust and confidence in our Group's ability to continue its development and I encourage you to read our Annual Report for the year 2014.

Yours sincerely,

*Andrzej Kozłowski*

*President of the Management Board of ULMA Construcción Polska S.A.*