

## TO THE SHAREHOLDERS OF ULMA CONSTRUCCION POLSKA S.A.

Dear Sir/Madam,

In 2016, I decided to end my cooperation with ULMA Construcccion Polska S.A. Consequently, I have the honour to present you the report for the previous year for the last time as the president of the Company.

My expectations with respect to results presented to you were far more ambitious. Unfortunately, due to market conditions and the situation beyond the control of our Company, total revenues from sales generated by the Company in 2015 totalled PLN 161 million, as compared to PLN 171 million generated in 2014.

One of the reasons for this situation was an evident drop in revenues from exports that amounted to PLN 19.5 million in 2015, while a total share of exports in total revenues of the Company decreased to 12.1%, as compared to 20.7% in 2014.

Despite a significant difference in turnovers of the Company vs. 2014, we managed to fully repay all investment loans incurred in previous periods. In 2015, regardless of significant delays in launching infrastructure projects (involving construction of bridges, road bridges and other engineering structures) and a drop of exports, the Company generated a positive net financial result of PLN 32 thousand, as compared to the previous year's negative net financial result of PLN -11,901 thousand.

Untimely settlement of liabilities is one of the basic deficiencies of the construction market. In 2015, our goal as the Company was to improve the receivables turnover. To this end, we had to effectively put into operation internal procedures for the identification, measurement and monitoring of the financial position of the Company's clients as early as upon establishing the cooperation and also during the implementation of the agreement.

Another goal pursued in the last year was optimisation of operating costs and adjusting them to the changing market condition. Consequently, despite a drop of total revenues from sales, the Company was able to maintain EBITDA profitability on a level similar to 2014.

In 2015, the market recorded a growth lower than forecast. However, a significant number of tenders resolved in the second half of the year allows to assume that the immediate future should be optimistic in the context of growth of building and construction output, including infrastructure construction. I assume that the growth dynamics in this market segment should be of a double-digit rate.

Other market segments, including the industrial construction one, and especially the power construction segment, can be assessed in the same way. Continuous upward trend can be observed in the residential construction segment.

With all this positive information, the only negative factor is a very strong tendency among the contractors to choose suppliers offering the lowest price, which results in a continuation of the price war on the market and clearly restrains the growth of profitability of companies participating in investment processes.

Good economic situation in Poland allows to assume that the growth in the construction sector, in particular the road construction sector, should exceed 20% y/y, which puts the Company – considering its equipment and experience from the previous period – in a very good situation. This is also the factor enabling me to believe that I leave the Company in a good condition and in the hands of people who are well-prepared to pursue sales targets and ensure further development of the Company.

I would like to thank our Investors and friends of our Company for their trust and 26 years of support for my activities, and I would like to say that without your help and faith we would not have been able to develop from a small family business to one of the leading companies in the formwork market in Poland.

I wish you all successful investments and ask you to trust the Company in the coming years.

Yours sincerely,

*Andrzej Kozłowski*

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