

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

Dear Sir/Madam

The previous year was characterized by a good start, with a strong first quarter. Throughout 2019, we worked in a market that maintained the positive trend that had already started in the previous year. Nevertheless, as the following months passed, the slowdown in engineering investments and the postponement of many of them already at the bidding stage caused the turnover of our Capital Group in the construction services segment in Poland to fall, although it was not a significant fall. At the same time, a positive trend continued in the residential and non-residential market and there was an increase in demand for new investments, which caused greater demand for the Capital Group's services in the sales-related segment. As a result, the structure of our revenues slightly changed in favour of this very segment. This change took place not only due to higher demand, but also in connection with the modification of the commercial policy of the Capital Group, the effect of which was noticeable both on the domestic market and on export markets, especially in Ukraine, where sales transactions of significant values were carried out, about which we informed in current reports.

The economic situation of our country remained stable at least in the first part of 2019. In the entire 2019, according to the Central Statistical Office (GUS), the GDP growth rate was 4.0%. Although this dynamics was lower than in the previous year, it was still at a high level. It should be noted, however, that in the fourth quarter of 2019 the GDP growth closed at 3.6% (compared to 4.9% the year before), which in practice may mean that in subsequent periods a lower growth rate may be expected than in comparable periods of the base year.

Turning to a detailed analysis of the construction sector inherent in our business, i.e. market-defined construction and installation production for companies with more than 9 employees, the total growth in nominal terms compared to 2018 was only 2.6%. This dynamics clearly indicates a slowdown in the sector, especially as this indicator reached double-digit positive figures in previous years.

In the segment analysis, the bridges and flyover segment stands out, with a 13.7% increase compared to the previous year. It should be noted, however, that this growth does not always translate directly into the results of our operations, and moreover, it constitutes only about 5% of the construction market in question, which underlines the importance of the remaining market segments for our operations, including in particular the large volume construction segment.

In turn, when analysing the geographical distribution of our revenue, the Polish market accounted for approximately 64% of the Group's total revenue in 2019. This is much lower than last year's result, but as part of the strategy of geographical diversification of the Capital Group it is an important step in the development of export activities and foreign companies.

In 2019, the Capital Group achieved total sales revenues of PLN 229.3 million and a positive operating result of more than PLN 59 million, maintaining values similar to those recorded in the previous year, although, as I mentioned earlier, with a slightly different structure of our revenues by

business segment. At the EBITDA level, the Group achieved profitability of 45.5%, and the net financial result was positive at PLN 46.2m, compared to PLN 46.9m in 2018.

With regard to foreign subsidiaries, in Ukraine, where very good results were achieved already in previous years, positive trends continued, although, as in Poland, there was a change in the revenue structure by business segment. Ukraine also noted a similar trend in the development of sales activities, combined with the redirection of our subsidiary's activities to the non-residential segment. In terms of macroeconomic developments, Ukraine's gross domestic product continued to show a positive trend, with a 3.6% increase over 2018, and the inflation rate continued to follow a downward trend, reaching a much lower 4.1% in 2019 than in previous years. This contributed to the appreciation of the local currency, which strengthened in relation to the dollar by 15%. Although the growth rate of the entire construction market was much lower than in the previous year, as I mentioned earlier, there was a significant increase in the execution of non-residential investments, including in particular large commercial areas. Our flexibility and the ability and speed of our organization to respond to market expectations, as well as the use of synergies with our Polish parent company, have enabled us to provide the best product and technology solutions for the largest projects, thus further strengthening our position in the Ukrainian market.

In the case of Kazakhstan, although GDP growth in 2019 was 4.5%, the construction market here requires a separate analysis. Although the subsidiary has managed to win several projects in the engineering sector, very strong competition from Russian manufacturers has been and is an important obstacle to boosting commercial activity. The materials produced in Russia, despite the low quality compared to our European products, are willingly purchased by general contractors, mainly due to their price attractiveness. The range of formwork and scaffolding products exported to the Kazakh market by the Capital Group is subject to high customs duties, which makes it practically impossible to compete effectively and compete on price with materials from Russia.

At the end of the analysis of our export markets, let's look at Lithuania, where the economic growth rate in the whole 2019 was 4.0%. This is slightly higher than in the previous year. Meanwhile, the dynamics of construction and assembly production in the large volume construction segment in 2019 reached 4.7%. These values, although positive, indicate a drastic decrease in relation to the previous year. Although it was only at the end of the last quarter of 2019 that the Lithuanian market started to show some signs of improvement, by ratifying the expansion strategy in the Baltic Sea region, the Lithuanian company achieved its business target.

As always, we hope that, bearing in mind the economic situation of our company in Poland and our subsidiaries operating on foreign markets in 2019, you will positively assess our efforts and the financial results of the Group. After a good 2019, in which Poland's construction and installation production in the residential sector grew by 8.9%, the non-residential construction sector showed positive trends and grew by 5.7%, and the values characterising the engineering segment, as we mentioned, although still weaker compared to the entire construction sector, grew at a significant pace following the emergence of many projects

in the initial phase of implementation, we are optimistic about the future in the short and long term, even with forecasts predicting a slight slowdown in the growth rate of the construction sector in 2020. However, in view of the current events related to the outbreak of the coronavirus and its impact on the global economy, it is difficult to confirm our forecasts. However, we believe that the growth of the construction and installation production will continue to be positive, and with our skills, highly qualified professional team and sufficient flexibility, we will make this vision a reality and lead to this optimism being reflected in the financial results of the Capital Group in the next reporting period.

As always, we will make every effort not to disappoint the trust of both you and our business partners. In particular, I would like to thank the employees of the entire Ulma Construcción Polska S.A. Capital Group for their commitment and professionalism in pursuing the goals and challenges we face at every stage of our daily work.

Kind Regards,  
Rodolfo Carlos Muñiz Urdampilleta  
President of the ULMA Construcción Polska S.A.

Board