

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

Dear Sir/Madam

There is no doubt that 2020 will long be marked as the year of the COVID-19 pandemic. The now distant first quarter of 2020, which, although performing less well compared to the same period of the previous year, was characterised by a promising market outlook mainly on the Polish market. Unfortunately, due to the aforementioned and well-known pandemic situation, the market outlook collapsed in March 2020, as a consequence of which we faced unexpected and uncertain circumstances. In the context of the international markets, although they started 2020 with a very good performance, from March 2020 onwards the situation was similar to the Polish market. As a result, all of our Group's markets, as well as each of them individually, required appropriate adjustments to our operations, radically changing the form of work in order to ensure the continuity of our operations, to serve our customers, but above all to protect the health of our colleagues and their loved ones.

With regard to the market situation, in light of the uncertainty, there was an automatic decline, mainly in private investments, in the residential and non-residential segments, with the almost immediate postponement of many major projects planned for 2020. Fortunately, a similar phenomenon did not occur in the engineering sector, essentially dependent on public investment, whose performance remained very strong throughout 2020.

Despite Poland's privileged position in the entire region, the overall economic context was not favourable for our industry. It should be remembered that there was already a slight downturn in the last quarter of 2019 (the GDP growth rate was 3.6% compared to 4.9% in the previous year), but there was no indication that the Polish market would see a weakening of the GDP growth rate to 2.8%, especially as this was the first decline since 1991. In 2020, there was a 3.7% fall in domestic demand, a 3.0% fall in private consumption and, to make matters worse, an 8.4% fall in investment, a factor that determines the future health of our industry.

Turning to a detailed analysis of the construction sector, although Poland once again ranked among the countries least vulnerable to the effects of the COVID-19 pandemic, the construction sector did not resist its negative effects. The decline in construction and assembly production for 2020 is estimated at 2.6%. As I mentioned earlier, not all sectors exhibited the same behaviour; although the overall figures for construction and assembly production in the volume segment showed broadly stable values (a decrease of only 0.5%), the residential sector recorded a 4.7% increase, while the non-residential sector fell by 2.9%. This fact is quite significant for our business, since the aforementioned index for residential construction covers the entire sector including single-family housing, where ULMA is clearly not present. Furthermore, and no less significantly for our business, despite the higher number of building permits issued, the built-up area decreased by 5.7%.

Nevertheless, what is noteworthy here is that the number of new housing starts fell by 8.3% compared to 2019. Nevertheless, according to forecasts, the entire civil engineering construction sector is expected to end 2020 with an overall growth of 1.4%, with a significant increase of 31.9% in the segment covering the construction of bridges, viaducts and flyovers.

In a detailed analysis of our business and in the context of total Group revenue, these were not exceptions to general economic conditions and trends. In 2020, for the first time in a 5-year period of growth, when we improved our economic indicators year on year, we recorded a decline in turnover. However, its negative impact on our business profitability was limited thanks to our quick response and decisive decisions to optimise our operating costs and the process of adapting them to the current situation.

Thus, in the end, the profitability of our business declined but in a lesser way than a simple proportion would suggest.

Throughout 2020, the Capital Group achieved total sales revenues of PLN 190.6 million and a positive operating result of approximately PLN 25.6 million.

This is a level significantly lower than that registered in the previous year.

In turn, the Group's EBITDA reached a value in the order of PLN 70 million, and its profitability amounted to 36.9% of the total turnover. Although the aforementioned figures were clearly lower than in recent years, taking into account the extraordinary nature of the period in question, they represent a very good result. Finally, our Capital Group achieved a positive financial result of PLN 20.2 million.

As regards foreign subsidiaries, starting with the largest entity, Ulma Opalubka Ukraine sp. z o.o., its market position was necessarily no different from the general difficult market situation subject to the negative impact of the COVID-19 pandemic. In 2020, Ukraine's economy in terms of GDP declined by around 5%, and market prosperity was severely affected at the beginning of the pandemic in April 2020, when there was a virtually complete economic blockade of the country's central regions. However, in the second half of 2020, the country's economy began to show signs of recovery, particularly in the construction sector, which eventually grew by 4% overall. This was largely determined by the development of the engineering segment, which grew 14% while the residential sector recorded an 18% decline. Nevertheless, in the context presented, our subsidiary performed very well, recording a moderate increase in total turnover compared to the previous year and confirming the trend of previous years regarding our revenue structure, with an increasing share of the sales-related business segment.

This is the second year in a row that we have been able to take full advantage of the capacity and flexibility of the local team, but also to fully exploit the synergies with our Polish parent company, especially in terms of transfer of skills and experience, which is substantial and essential for our growth and further consolidation of our presence in the Ukrainian market.

According to preliminary data, Kazakhstan's economy recorded a GDP decline of 2.6%. Nevertheless, the construction sector registered 11.4% growth, boosted by increased funding for residential investment. The development of the housing sector does not directly affect our business, as in Kazakhstan it is mainly focused on the engineering segment, where we managed to finalise significant contracts despite the pandemic, closing 2020 even with a better turnover than that registered in the previous year.

To conclude the analysis of our export markets, it is the turn of Lithuania, whose business activity fell by 0.9%, although with a very different trajectory at the turn of the various reporting periods of the previous year. The steepest decline was seen in the second quarter of 2020, when the market fell by 5.9% compared to the same period of the previous year.

Since then, there has been a recovery resulting in an overall decline of just 1.2% in the fourth quarter. Focusing on the construction market data, a decline of 3% was registered in 2020, but, as in other countries, the private investment sector suffered the most, recording an 8.4% decline in the volume segment.

At the same time, the engineering segment grew by around 3.5%. This segment accounts for almost half of the value of the construction market in the country (47% of all construction came from the engineering segment). Despite the turbulence and huge fluctuations in the economy, our subsidiary ULMA Construcción Baltic sp. z o.o. managed to maintain its turnover at last year's level.

Considering the overall macroeconomic environment of our company in Poland and in foreign markets in 2020, we very much appreciate the efforts made by every member of our team at all organisational levels and we hope that you will welcome both our actions and the financial results that we have managed to achieve in these very uncertain circumstances of an exceptional nature.

After a difficult 2020, more than significantly affected by the pandemic situation that continues today, the short-term future faces many questions.

Nonetheless, the recent return of good momentum observed in export markets, despite the still difficult pandemic situation, makes us optimistic.

The rapid improvement in the economic situation following the lifting of the restrictions that had been blocking economic activity for the past year will certainly allow the demand impulse to be activated very soon, particularly in relation to the housing market. Moreover, we continue to record a healthy investment demand in terms of public investments, which have not shown any downward trend since last year. Although the market's ability to return to growth depends on the pace of easing of constraints in individual markets and the pace at which the population gains resilience, we are optimistic about a return to growth.

Backed by a highly skilled and flexible team that will effectively tackle the toughest challenges, we are confident in our preparedness to successfully face any adversity and to perform even better in the period ahead.

I would like to assure you that we will make every effort not to disappoint the confidence of both you and our business partners.

At the same time, I would like to thank the employees of ULMA for the commitment, professionalism and flexibility they have shown in meeting the challenges of this difficult year, and for the same commitment and professionalism with which they are preparing to meet the goals and challenges ahead.

Kind Regards

Rodolfo Carlos Muñiz Urdampilleta

President of the ULMA Construcción Polska S.A.

Board

Koszajec, date 31 March 2021