

Dear Shareholders,

Last year Mostostal Warszawa Group took advantage of emerging opportunities and increased its portfolio, both in terms of value and quantity of contracts. The larger scale of activity, which also translated into an increase in employment, resulted in an increase in production potential, creating prospects for further development.

An active and prudent offer policy, combined with increased (due to EU funds of the second financial perspective launched in previous years) tender activity at the central and local government level, allowed for obtaining a number of contracts under public procurement. The largest of them include infrastructure contracts (including sections of S19 and S11 roads with a total value exceeding PLN 700 million), from the general construction segment (including the construction of the new headquarter of the Office of the Marshal of the West Pomeranian Voivodeship worth about PLN 200 million or renovation of the PKP Gdańsk Główny Railway Station with a value of approx. PLN 100 million) and industrial (including a contract for the expansion of PERN storage bases with a value exceeding PLN 130 million). Mostostal's order portfolio was also topped up with private clients' contracts. We have signed contracts for the implementation of tasks in all areas of our business activity: infrastructure, general construction, energy and industrial construction. We implement some of the contracts ourselves, some in consortia, using the potential of the Capital Group companies, such as the contract for the expansion of PERN bases signed in the second half of the year, which Mostostal Warszawa will implement together with Mostostal Płock, or the construction of the Strzyżów bypass completed in December, implemented by Mostostal Warszawa and Mostostal Kielce.

In the financial year 2019, Mostostal Warszawa Group achieved sales revenue of PLN 1.3 billion and gross profit of PLN 8.1 million. Challenges faced by the sector last year, which include the rising costs of building materials and subcontractors' services, the rising costs of labor, against the background of long tender procedures, in which the period between submission of an offer and settlement often reaches many months - are still felt by the industry.

The strategy of the Mostostal Warszawa Group, against the background of the industry situation, is a good response to the challenges mentioned above. The main pillar of our strategy is based on in-depth diversification of area of our activity and production. We are active in infrastructure, general, energy and industrial construction as well as environmental protection areas. An important element of our strategy is the selection of contractors, which include public and private entities, domestic and foreign investors. The organizational aspect is not without significance, oriented on synergy effect of the Capital Group of entities that conduct various activities both as general contractors and providing services as subcontractors. Among them are typically production and design entities. We use the potential of companies that complement each other and support each other within jointly implemented contracts.



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In our opinion, the portfolio of orders that we have built in recent years allows optimism, especially in the context of the expected decline in the value of construction and assembly production in Poland and the related improvement in the situation on the materials, services and labor markets. In addition, opportunities are created by the nature of government and EU investment programs, which assume further expansion of the road network, as well as further adaptation of the energy and industry to standards of emissions.

Certainly, the challenge for Mostostal for the coming year will be the effects of the epidemic threat caused by the SARS-CoV-2 coronavirus. We already identify and undertake mitigation actions due to force majeure factors, i.e. lack of continuity in supply chains, disruptions on the part of subcontractors, employee absences due to an epidemic situation, restrictions on the functioning of public authority, decisions of the orderer or administration on the suspension of works, further possible restrictions introduced by the state administration or EU institutions.

In our opinion, the situation might have an impact on the number of tenders announced and concluded at least in the first half of 2020. We anticipate that the abovementioned obstacles might affect the results, financial and economic situation of the Company and the Capital Group in 2020, but currently they are difficult to estimate.

As part of eliminating the effects of the SARS-CoV-2 epidemic, the Company undertakes a number of preventive measures, including set up of a special Working Group whose purpose is to identify and constantly monitor the risks associated with construction production; securing continuity of critical processes through proper organization of work, including remote work; coordination of preventive actions, including observance of the principles of extreme caution and hygiene. As part of its task, the Working Group implemented procedures whose primary purpose is to ensure the healthy of our employees and the continuity of the Company's operations, while respecting the recommendations of the Minister of Health and the Chief Sanitary Inspector.

Despite the identified threats, our goal for 2020 is a further increase of the order portfolio and maintain and even improve our financial results. We want to implement it through consistent development in all business areas. Particular attention will be paid to the effectiveness and quality of bidding so that the portfolio of orders can be built in a safe manner. We will put special attention to discipline in the implementation of current contracts.

Miguel Angel Heras Llorente

President of the Management Board of Mostostal Warszawa