



Report of the Management Board on operations of ULMA Construcccion Polska S.A. for 12 months ended on 31 December 2012

Business objects of ULMA Construcccion Polska S.A.

ULMA Construcccion Polska S.A. with its registered office in Warsaw at 10 Klasyków street (on 1 March 2013, the Company's registered office was relocated to Koszajec 50, 05-840 Brwinów) acts as a joint stock company entered on 29 October 2001 into the Register of Entrepreneurs by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register under KRS number 0000055818. The Company was established through the transformation into a joint stock company of Bauma Spółka z ograniczoną odpowiedzialnością pursuant to the relevant entry in the notary deed, Ref. A-5500/95 on 15 September 1995. Due to the type of its business objects, ULMA Construcccion Polska S.A. was assigned no. 7132 in the Polish Classification of Activities (PKD).

The business objects of the Company are as follows:

1. Rental and lease of building machinery and equipment,
2. Other specialist construction works,
3. Construction of roads and motorways,
4. Construction of railways and underground railways,
5. Construction of residential and non-residential buildings,
6. Wholesale of wood, construction materials and sanitary equipment,
7. Representative services consisting in sale of wood and construction materials,
8. Road transport of goods,
9. Manufacture of metal structures and parts thereof,
10. Repair and maintenance of fabricated metal products,
11. Excavation of gravel and sand, excavation of clay and kaolin,
12. Excavation of ornamental stone and stone for construction purposes, lime rocks, gypsum, chalk and slate,
13. Architectural activities,
14. Engineering activities and related technical consultancy,
15. Execution of construction projects related to construction of buildings,
16. Site preparation,
17. Demolition and wrecking of buildings,
18. Other financial service activities, not elsewhere classified, except insurance and pension funding,
19. Other business support activities,
20. Accounting, bookkeeping, tax consulting.

Presentation of the basic economic and financial data disclosed in the annual financial statements, in particular details of factors and events, including extraordinary ones that materially affect the Issuer's operations and the profits generated or losses incurred by it in the financial year, as well as a presentation of prospects of the Issuer's business development over the minimum period of the following financial year

The basic details included in the Company's financial statements for the years 2011-2012 have been presented below.

Statement of profit and loss and other comprehensive income

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012	2011	Growth 2012/2011
Revenue	60 646	63 364	61 427	61 189	246 626	286 859	0.86
Cost of products, merchandises and materials sold	(48 870)	(48 684)	(47 971)	(48 392)	(193 917)	(197 971)	0.98
Gross profit on sales	11 776	14 680	13 456	12 797	52 709	88 888	0.59
Sales and marketing expenses	(1 163)	(3 718)	(4 187)	(6 607)	(15 675)	(9 011)	1.74
General and administrative expenses	(2 847)	(2 771)	(2 928)	(2 667)	(11 213)	(12 312)	0.91
Other net operating expenses	(87)	(1 297)	131	114	(1 139)	(1 898)	0.60
Operating profit	7 679	6 894	6 472	3 637	24 682	65 667	0.38
Financial income	380	837	775	648	2 640	7 087	0.37
Financial expenses	(2 676)	(2 009)	(2 290)	(1 757)	(8 732)	(10 107)	0.86
Profit before tax	5 383	5 722	4 957	2 528	18 590	62 647	0.30
Income tax	(1 162)	(1 287)	(1 172)	(862)	(4 483)	(11 367)	0.39
Net profit	4 221	4 435	3 785	1 666	14 107	51 280	0.28
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income:	4 221	4 435	3 785	1 666	14 107	51 280	0.28
Operating profitability (%)	12.66	10.88	10.54	5.94	10.01	22.89	-
Net profitability (%)	6.96	7.00	6.16	2.72	5.72	17.87	-

Operating profitability = $\frac{\text{Operating profit} \times 100\%}{\text{Revenues}}$

Net profitability = $\frac{\text{Net profit} \times 100\%}{\text{Revenues}}$

Statement of financial position

	31 December 2012	Per cent struc ture	31 December 2011	Per cent struc ture	Growth
Property, plant and equipment	323 669	69	377 907	72	0.86
Other non-current assets	22 066	5	25 520	5	0.86
Total non-current assets	345 735	74	403 427	77	0.86
Inventories	4 561	1	4 148	1	1.10
Receivables	87 585	19	98 990	19	0.88
Derivatives	149	-	-	-	-
Other current assets	28 168	6	18 563	3	1.51
Total current assets	120 463	26	121 701	23	0.99
Total assets	466 198	100	525 128	100	0.89
Share capital	10 511	2	10 511	2	1.00
Share premium	114 990	25	114 990	22	1.00
Retained earnings	197 781	42	197 654	38	1.00
Total equity	323 282	69	323 155	62	1.00
Non-current liabilities	53 342	12	95 508	18	0.56
Current liabilities	89 574	19	106 465	20	0.84
Total liabilities	142 916	31	201 973	38	0.71
Total equity and liabilities	466 198	100	525 128	100	0.89
Return on equity (%)	4.6		18.8	-	-
Debt ratio (%)	30.7		38.5	-	-
Trade receivables turnover (in days)	124		120	-	-
Trade liabilities turnover (in days)	44		34	-	-
Liquidity ratio	1.3		1.1	-	-

Return on equity = $\frac{\text{Net profit for the financial year} \times 100\%}{\text{Equity} - \text{net profit for the financial year}}$

Debt ratio = $\frac{\text{Liabilities} \times 100\%}{\text{Total equity and liabilities}}$

Trade receivables turnover = $\frac{\text{Net trade receivables as of the balance sheet date} \times 365 \text{ days}}{\text{Sales revenues}}$

Trade liabilities turnover = $\frac{\text{Average value of trade liabilities} \times 365 \text{ days}}{\text{Operating expenses}}$

Liquidity ratio (current) = $\frac{\text{Current assets}}{\text{Short-term liabilities}}$

Market environment in 2012

Market environment in Poland

In the second half of 2012, after the completion of programs related to EURO 2012, the slowdown in the Polish economy was gradually deepening.

According to preliminary data of the Central Statistical Office, GDP growth in the past year was only 2%, compared to 4.3% in 2011, and was the lowest in three years. During the year, it yielded successive reductions. Economic growth was, nonetheless, sustained, and foreign demand was its main factor both in the entire 2012, and in its last quarter. At the same time, the contribution of domestic demand in the generation of added value was negative, and it was only slightly positive throughout 2012. Gross fixed capital formation was the fastest growing component of domestic demand, although its growth dynamics of 0.6% is hard to be deemed satisfactory.

In terms of sectors, services were the fastest-growing sector of the economy, whereas the worst situation was recorded in the construction industry, where the average annual growth of construction and assembly output was negative in comparison with 2011 and amounted to -1.1%.

In the residential sector, a still relatively high growth rate (+10.8%) was recorded on a year-to-year basis, mainly because of dwellings completed. In the analysed period, there was however, a decrease in the number of building permits (by 10.3%) and in the number of dwellings under construction (by 12.6%).

In the non-residential sector, which in 2012 reached a similar level of growth as that in the residential sector (10.6%), hotel construction (+30.8%) and office construction (+22%) were the fastest developing segments. As far as building permits are concerned, decreases were recorded also in these segments. According to the classification of the General Office of Building Control (GUNB) these decreases were as follows: - 7.1% for industrial and warehouse buildings and -6.6% for all categories of public utility buildings.

As expected, due to the completion of infrastructure projects related to EURO 2012 the weakest growth was recorded **in the engineering sector**, which was the most important driving force in the construction industry throughout 2011 (a decrease of 9%), and particularly in road and motorway construction (a decrease by 15.6%).

Many companies had high hopes associated with the launch of several large contracts in the Polish power engineering sector. However, the year 2012 did not bring the expected breakthrough and most of the key projects **in the power engineering sector** are being carried out with delays.

The year 2012 was characterized by the deterioration of the financial situation of the entire construction industry, and the ever more competitive struggle led to a decrease in profitability of contracts, particularly those related to major infrastructure projects. Furthermore, construction companies had in 2012 difficulties with maintaining liquidity. As a result, the financial and liquidity situation of the vast majority of construction companies deteriorated significantly in the analysed period. The cumulative net profit of construction companies (declining gradually since 2008) for 3 quarters of 2012 reached for the first time a negative value: -PLN 0.8 billion, and the number of declared bankruptcies was the greatest since 2005 – according to Euler Hermes 273 construction companies went bankrupt in 2012, which means an increase by 87% compared to 2011 (compared to +28% for the economy as a whole).

Market environment abroad

According to the Polish government, Kazakhstan is now one of the 5 most promising markets for further development of bilateral economic cooperation.

In 2012, construction output in this country rose by 6.7% (compared to 2.3% in 2011), but a real investment boom is expected here in the coming years due to entrusting Astana the organization of Expo 2017. Since the last year, ULMA Opałubka Kazachstan Sp. z o.o. has been operating on the local market as a pioneer offering formwork rental, and tries to make contractors with which it cooperates in Poland and with which it would like to offer comprehensive complimentary construction services interested in such services. The experience gained in Kazakhstan will also be used to prepare for even more effective launch of operations on new markets in the region.

The situation in Ukraine, where in 2012 there was a decline in construction output by 13.8%, which given the negative growth of -9.1% after 3 quarters and of - 1.9% in the first half of 2012, is less promising and may indicate a deepening downturn after the implementation of major investments related to EURO 2012. A chance of revival in the industry is seen in the government program for the construction and modernization of roads by 2018, worth EUR 25 billion.

The Company's Management Board has high hopes associated with the Lithuanian market, where ULMA Construcccion BALTIC began its operations in June 2012. Pribaltika is now a mature and increasingly dynamic market, which in 2012 reported a 2-fold increase in the number of building permits for residential construction, and in which further investments were launched in the infrastructure segment.

Sales revenues

In 2012, the Company recorded total sales revenues of PLN 246,626,000 compared to PLN 286,859,000 in 2011 (a decrease by 14%).

The decrease in sales revenues concerns the Company's core business, which is rental of formwork and scaffolding systems. Total revenues from this activity amounted in 2012 to PLN 218,998,000 compared to PLN 268,170,000 in the previous year (a decrease of PLN 49,172,000, i.e. 18.3%).

In 2012, the Company recorded total revenues from export (*i.e. from operations carried out via the subsidiaries in Kazakhstan and Ukraine or via a group of intermediaries and final recipients in such countries as Russia, Germany, Spain, etc.*) of PLN 20,508,000.

The amount of these sales revenues was influenced primarily by export to Kazakhstan, where the economic situation is favourable for construction and investment plans of the country related to construction are promising.

Operating profitability

In 2012, the Company achieved operating profit in the amount of PLN 24,682,000 compared to PLN 65,667,000 in the previous year (a decrease of PLN 40,985,000).

The aforementioned operating result was influenced by higher revenues from the basic objects of the Company, i.e. rental of formwork and scaffolding systems, compared to those generated in the analogous period of the preceding year.

Key items related to EBIT (operating profit) and EBITDA (operating profit + depreciation/amortization) in the analysed periods are as follows:

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012	2011
Sales	60 646	63 364	61 427	61 189	246 626	286 859
EBIT	7 679	6 894	6 472	3 637	24 682	65 667
% of sales	12.66	10.88	10.54	5.94	10.01	22.89
Depreciation/ amortization			21 447	21 057	87 143	85 288
EBITDA	21 574	23 065				
	29 253	29 959	27 919	24 694	111 825	150 955
% of sales	48.24	47.28	45.45	40.36	45.34	52.62

In 2012, the Company recorded a decrease in EBITDA in absolute terms by PLN 39,130,000 (i.e. by 26%). EBITDA profitability (EBITDA as a % of sales) amounted to 45% compared to ca. 53% in the previous year.

The most significant factors influencing the EBITDA decrease (in absolute terms) as compared to the analogous period of the preceding year include:

- decrease in revenues from the basic objects of the Company, i.e. rental of formwork and scaffolding, being a consequence of the downturn in the construction sector and decreasing unit prices of offered products and services as a result of an intensifying price war between market participants.
- creation of revaluation write-downs on receivables, which in 2012 were higher by PLN 6,543,000 compared to 2011 - the write-downs are recognized in "Sales and marketing expenses".

In 2012, wage adjustments were made in accordance with the Company's payroll policy. These adjustments were within the inflation rate for 2011.

Transactions hedging against foreign exchange risk

The Company purchases traded products (formwork systems and accessories thereto, as well as scaffoldings) from the parent company in Spain and from other external companies.

As part of its commercial operations, the Company is active on export markets, especially in Ukraine and Kazakhstan, where economic activity is pursued through its subsidiary companies: Ulma Opałubka Ukraina Sp. z o.o. and ULMA Opałubka Kazachstan Sp. z o.o.

As a result, the Company is exposed to foreign exchange risk which it seeks to mitigate through entering Non Delivery Forward (NDF) contracts.

All NDF instruments held by the Company are concluded exclusively for the purposes of measures hedging against foreign exchange risk and are not asymmetric.

The Company does not apply hedge accounting, hence the results of realization and valuation of hedge transactions (positive and negative) are posted to the result for a given period.

The results of hedging transaction achieved in 2012 neutralize to a large extent foreign exchange risk the Company is exposed to.

Besides the economic results concerning settlement and valuation of NDF contracts, hedging against foreign exchange risk, the other operating activities include the economic effects related to customizing elements of formwork systems to the needs of individual customers and general results of management of the held assets (inventory surpluses and shortages, as well

as provisions for stock impairment). In 2012, the costs incurred in connection with the aforementioned phenomena amounted to PLN 1,904,000 compared to PLN 2,336,000 in 2011.

Financial income and expenses

The Company uses bank credits to finance investments related to purchase of products for rent (i.e. formwork and scaffolding systems).

The balance of bank credits (short- and medium-term) with interest accrued until the balance sheet date as of 31 December 2012 amounted to PLN 87,296,000 compared to PLN 142,351,000 as of 31 December 2011.

A decrease in the balance on bank credits resulted in a decrease in interest expenses and credit handling costs (e.g. bank fees) - in 2012 these amounted to PLN 7,930,000 compared to PLN 11,039,000 in 2011).

The Company granted long-term loans to its subsidiaries. As of 31 December 2012, the value of loans granted was EUR 1,750,000.

The foreign exchange risk concerning the aforementioned internal loans and the loan granted to ULMA Cofraje S.R.L. as regards EUR-PLN exposure in Poland is hedged through NDF forward contracts, and a change to their fair value is recognized in *financial income/financial expenses* (the Company does not apply hedge accounting). In 2012, the change in the valuation of the aforementioned forward instruments was positive and amounted to PLN 119,000 (in 2011 this figure was negative and amounted to PLN 103,000.)

The key item in the Company's financial income in 2011 was income of PLN 5,758,000, which the Company generated as a result of the liquidation of its subsidiary company ULMA System S.A.

Besides, in 2012, the Company generated interest revenues from loans granted to its subsidiaries and its associated company (ULMA Cofraje S.R.L.) in a total amount of EUR 899,000 (in 2011, interest income on the loan amounted to PLN 1,182,000.)

Net profit

Following deduction of corporate income tax the Company achieved in 2012 a positive net financial result in the amount of PLN 14,107,000 compared to a positive net result in the preceding year in the amount of PLN 51,280,000 (a decrease of PLN 37,173,000).

The Management Board of ULMA Construcccion Polska S.A. proposes to allocate the net profit for 2012 in the amount of PLN 14,107,177.88 to increase the Company's supplementary capital.

Cash flow

A condensed cash flow statement of the Company for the analysed periods is presented in the table below:

<u>2012</u>	<u>2011</u>	<u>Growth</u>
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Net profit	14 107	51 280	0.28
Depreciation/amortization	87 143	85 288	1.02
Total cash surplus	101 250	136 568	0.74
Other operating cash flow	32 936	5 094	6.46
Net operating cash flow	134 186	141 662	0.94
Net cash flow from investments	(41 468)	(41 165)	1.00
Net cash flow from financing activities	(81 965)	(84 992)	0.96
Net cash flow	10 753	15 505	0.69

Operating cash flow

In 2012, despite lower sales revenues, the Company maintained a high level of cash flow from operating activities, which amounted to PLN 134,186,000 compared to PLN 141,662,000 in the preceding year (a decrease by 6% only).

As mentioned above, 2012 was characterized by growing financial and liquidity problems faced by construction companies, and the number of bankruptcies declared during the past year was the highest in recent years. As a result operating revenues generated by the Capital Group should be deemed satisfactory.

In 2012, the Company managed to maintain a receivable turnover ratio at a level similar to that achieved in 2011 (as presented in the table below).

	31 December 2012	31 December 2011
1. Net trade receivables (after deducting revaluation write-downs)	83 997	94 625
2. Gross sales revenues for 12 months following the balance sheet date	303 350	349 968
3. Number of days	365	365
4. Rotation rate (1*3/2)	101	99

The Company seeks to mitigate the risk of receivable collection through effective implementation of internal procedures and principles for identification, measurement and monitoring of the financial standing and liquidity of the Company's customers at the time of commencement of cooperation and when it is progress.

Cash flow from investments

In 2012, the Company made capital expenditures in order to supplement the portfolio of offered products (formwork and scaffolding systems). As a result, capital expenditures incurred for this purpose amounted to PLN 18,806,000 compared to PLN 56,217,000 in 2011.

The other expenses related to investment activity are related mainly with the construction of the Company's headquarters and the Logistics Center in Koszajec.

Cash flow from financing activity

In 2012, cash flow from financing activity amounted to PLN (81,965,000) compared to PLN (84,992,000) in 2011.

The main items of financial expenses in 2012 included the repayment of credits with interest and payment of dividend for 2011.

As a result of these events the Company recorded in 2012 an increase in cash of PLN 10,753,000, to PLN 28,168,000 as of 31 December 2011.

Description of major risk factors and threats and the extent of the Issuer's exposure thereto

Competition and construction market downturn risk

As a result of the economic downturn, transitional slowdown in the road sector and delays in implementation or abandoning the launch of large power engineering projects, 2013 is an uneasy bridging period in which negative growth in the construction market is expected to be maintained or even deepened.

In the context of the residential sector such forecast results from the deterioration in the situation on the labour market and the expected decline in real income of Poles, oversupply of unsold flats and a decline in the number of building permits issued in 2012. Due to the completion before EURO 2012 of the vast majority of projects related to the construction of hotels and public utility buildings, noticeable declines are expected also in these segments. These declines should apply to a lesser extent to commercial buildings, which are still an attractive investment of capital for investment funds in Europe, the USA and the Middle East, although further possible deterioration in the economic situation in the world can result in lower propensity to invest also in this area.

In the case of the engineering sector, the financial plan of the General Directorate for National Roads and Motorways (GDDKiA) for 2013 provides for expenditures on roads of PLN 18 billion. Following the announcement of the tender for the ring road of Marki (near Warsaw) in the coming weeks, GDDKiA will run out of the funds provided for in the EU budget for 2007-2013 for the construction of roads. The first tenders for money from the new 2014-2020 budget are to be announced as early as in the first half of this year, but it is already planned that these will be 10-15 projects per year, in order to minimize the risk of accumulation of expenditures for materials and rising prices.

The updated rail investment program for 2013-2015 includes as many as 135 projects, which will cost an estimated PLN 31.6 billion. It will be, however, necessary to significantly accelerate contracting of the funds available under the current EU perspective, which means that in order to make full use of them in 2013 there are ca. 40 contracts worth more than PLN 9 billion left to sign.

The construction industry still has high hopes for the planned investments in the power engineering sector, estimated at PLN 150-200 billion by 2020. Although investment processes started already last year on eight large power units, the construction began only in Koźnice and Stalowa Wola. Other projects have been delayed or suspended.

Financing of the most capital-intensive investments in power engineering and infrastructure should be soon supported with the Polish Investments program presented for the first time in October 2012 in the so-called "second exposé" of Prime Minister Donald Tusk, which is a continuation of the privatization plan for State-owned companies. It is possible that the first

investment projects implemented under this program will begin later in 2013. By 2015, the government wants to allocate for this purpose ca. PLN 40 billion.

A looming recession in the construction sector in 2013 may result in a more fierce competition and intensification of price wars between market participants, leading to a significant drop in unit prices of services offered by the Company.

Foreign exchange risk

The Company purchases products (formwork systems and accessories thereto) from the parent company based in Spain or other entities located outside Poland. On the other hand, the Company and its representative offices are active on export markets. As a result, the Company is exposed to foreign exchange risk which it seeks to mitigate through operations of the currency market or through operations on the forward market, as well as concluding Non-Delivery Forward (NDF) contracts.

The risk related to financial instruments has been described in Note 2 to the financial statements of ULMA Construcción Polska S.A. for the period of 12 months ended on 31 December 2012.

Identification of court proceedings, arbitration or administrative proceedings with the following details:

- a) proceedings concerning liabilities or receivables of ULMA Construcción Polska S.A. or a subsidiary thereof with minimum value equivalent to 10% of the equity of ULMA Construcción Polska S.A. with details of: subject of the proceedings, value of dispute, commencement date of the proceedings, parties to the proceedings and position of the Company***
- b) two or more proceedings concerning liabilities or receivables the total value of which is equivalent to minimum 10% of the equity of ULMA Construcción Polska S.A. with details of the total value of the proceedings separately for liabilities and receivables along with the position of the Company and – in reference to the largest proceedings in the group of liabilities and receivables – with details of the subject, value of dispute, commencement date of the proceedings and parties to the proceedings***

Neither ULMA Construcción Polska S.A. nor any of its subsidiary companies are parties to any proceedings concerning the Company's liabilities or receivables the value of which would be minimum 10% of the Company's equity.

Furthermore, there are no two or more proceedings concerning liabilities or receivables the total amount of which would be equivalent to minimum 10% of the Company's equity.

Proceedings concerning receivables of ULMA Construcción Polska S.A. as of 31 December 2012:

ULMA Construcción Polska S.A. instituted 90 proceedings concerning its receivables - as of 31 December 2012, their total value amounts to PLN 28,146,000. These proceedings include legal proceedings that have not been concluded yet with issuing a writ of execution (final order

for payment) by the court, and receivables from debtors, for which the court issued a decision of declaring bankruptcy, both with an arrangement option and a liquidation one. No court proceedings whose value would be minimum 10% of equity of ULMA Construccjon Polska S.A. were instituted by ULMA Construccjon Polska S.A.

The various groups of court proceedings are shown in the table below:

Item	Number of proceedings	The outstanding balance as of 31 December 2012	Current status of the proceedings
court proceedings	39	7 943	
<i>including 5 major proceedings:</i>			
SIAC CONSTRUCTION LIMITED		4 357	The debtor was sued for payment as a member of the consortium of Hydrobudowa Polska S.A. bearing joint and several liability for the construction of the A4 motorway (Dębica-Rzeszów).
MAX BOGL SP. Z O.O. GROUP		1 290	The court set the trial date for May 2013
P.H.U. POLKON SP. Z O.O. GROUP		715	The proceedings against the debtor and the guarantor.
KANTOR GRAF Wojciech Kantor		405	The debtor sued for payment. The Company expects an enforcement order to be issued.
G.I.B. ASPEKT Sp. z o.o.		205	Two proceedings are pending against the debtor; in one of them the company is the debtor, while in the other both the company and the guarantors. The Company is waiting for writs of execution to be issued.
	total	6 971	88% of the total
bankruptcy proceedings	51	20 203	
<i>including 5 major proceedings:</i>			
HYDROBUDOWA POLSKA S.A.		6 602	Report to the trustee includes receivables from the debtor arising from all contracts being executed, including the construction of the A4 motorway (Dębica-Rzeszów), which was implemented by the debtor in a consortium with SIAC Construction Ltd.
RADKO SP. Z O.O. GROUP		4 358	Regardless of the reported claim, proceedings for payment are conducted against the guarantors (the debtor's Management Board).
PAWERBUD SP.ZO.O.		1 154	The claim has been reported to the trustee.
BIP SP. Z O.O. GROUP		792	The claim has been reported to the trustee
LPBO S.A.		762	The claim has been reported to the trustee.
	total	13 667	68% of the total

The Company makes revaluation write-downs on receivables for all doubtful receivables and receivables in litigation. Such write-downs are recognized in "Sales and marketing expenses",

and their amounts correspond to the estimates as to the possibility of recovery of receivables in litigation and enforcement.

Information on key products, goods or services with details of their value and quantity and the share of particular products, goods and services (if material) or groups thereof in the Issuer's total sales and on changes in that respect in the financial year

The basic source of revenues of ULMA Construcción Polska S.A. is rental and sale of formwork and scaffolding. Additional revenues are generated from the sale of plywood, adhesive liquids for formwork and reinforced concrete accessories.

The order volume is controlled and adjusted to the development of the construction market and potential of collaboration with numerous construction companies. Additionally, the range of products is being adjusted to the changing needs of the construction market.

In 2012, ULMA Construcción Polska S.A. conducted trading, service and production operations in the following areas:

- 1) sale and rental of formwork systems and scaffolding,
- 2) preliminary assembly of formwork elements for engineering structures,
- 3) sales of merchandize:
 - accessories to reinforced concrete works,
 - formwork plywood.

Information on output markets with a breakdown into the domestic and foreign markets, and information on sources of supplies of materials for production, goods and services with details of dependence on one or more customers and suppliers, and when the share of one customer or supplier is equivalent to minimum 10% of total sales revenues – names of supplier(s) or customer(s), their share in sales or supplies and their formal relations with the Issuer

The Company's sales are concentrated on the domestic market. The total sales on that market account for over 92% of the Company's revenues. Almost 40% of the revenues are concentrated within a group of 11 largest construction companies in Poland.

Export sales are performed mainly on the eastern and southern European markets and in Asia through the Company's own sales network. In 2012, the share of exports accounted for over 8% of total sales revenues compared to ca. 3% of revenues generated in 2011.

Beside Kazakhstan, goods were exported also to Ukraine, Kaliningrad (oblast), Romania, the Czech Republic, Germany and Spain.

A significant part of supplies comes from the principal shareholder from Spain - in 2012, purchases from Spain accounted for 5.6% of total sales of the Company.

The other purchases of goods as regards formwork systems come from independent suppliers from Germany, Austria and Poland.

Information on concluded contracts that are material to the Issuer's operations, including contracts of which the Issuer is aware concluded between shareholders and insurance or collaboration contracts

During the period covered by the report ULMA Construcción Polska S.A. did not enter into any agreements with its shareholders. The other transactions and contracts were typical and routine and were concluded at arm's length, and their nature and terms and conditions resulted from the current operating activities conducted by the companies of the Company. In 2012, there were no material agreements disclosed by the Company in current reports.

Information on the Issuer's organizational or capital relations with other entities with details of its major domestic and overseas investments (securities, financial instruments, intangible fixed assets and real properties), including capital expenditures made outside the group of its related companies, and the description of the manner of their financing

The ULMA Construcción Polska S.A. Capital Group is controlled by ULMA C y E, S. Coop. with its registered office in Spain which holds 75.49% of the Company's shares. The remaining 24.51% of shares are held by numerous shareholders.

The ULMA Construcción Polska S.A. Capital Group is composed of the following companies:

Parent company:

- ULMA Construcción Polska S.A., a commercial law company with its registered seat in Warsaw, at 10 Klasyków street (on 1 March 2013, the Company's registered office was relocated to: Koszajec, the Brwinów commune). On 15 September 1995, pursuant to a resolution of the Extraordinary General Meeting of Shareholders it was transformed from a limited liability company into a joint stock company (Notary Deed of 15 September 1995, Rep. A 5500/95). It was registered with the National Court Register in the Register of Entrepreneurs under KRS number 0000055818 by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register.

Subsidiary companies:

- ULMA Opałubka Ukraina with its registered office in Kiev at 9 Gnata Juri street established on 18 July 2001. It was registered in the Sviatoshin Branch of State Administration for the City of Kiev under number 5878/01 and was granted ID code 31563803. The business objects of the company are sale and rental of formwork, as well as sale of building materials. The Issuer's share in the capital and the total number of votes is 100%.
- ULMA Opałubka Kazachstan with its registered office in Astana at 25 Taszenowa street, entered on 27 August 2010 into the Register of the Ministry of Justice by the Department of Justice of the capital city of Astana under number 37635-1901-TOO/NU/. The business objects of the company are sale and rental of formwork, as well as sale of building materials. The Issuer's share in the capital and the total number of votes is 100%.
- "ULMA Construcción BALTIC" with its registered office in Vilnius, at 41-12 Pylimo street, registered on 27 April 2012 in the Register of Legal Entities of the Republic of Lithuania under number 302770757. The business objects of the company are sale and rental of formwork, as well as sale of building materials. The Issuer's share in the capital and the total number of votes is 100%.

Associated company:

- ULMA Cofraje S.R.L., with its registered office in Bragadiru at Soseaua de Centura No. 2-8 Corp C20 (Romania), entered into the Commercial Register of Romania after changing the address under number J23/289/30.01.2013. The Issuer's share in the capital and the total number of votes is 30%.

In 2011, the Capital Group comprised also ULMA System S.A. in liquidation - a **subsidiary company** being a production and overhaul centre of formwork systems and accessories thereto for the purposes of the Capital Group and for foreign markets.

On 31 May 2010, the Extraordinary General Meeting of Shareholders of ULMA System S.A. adopted a resolution on the Company's liquidation.

In December 2011, the process of liquidation of the company and the division of its assets were completed. The value of the assets received by ULMA Construcción Polska S.A. in connection with the liquidation of ULMA System S.A. was PLN 10,608,000.

On 29 February 2012, by order of the Court the company was removed from the Register of Entrepreneurs of the National Court Register.

Information on significant transactions concluded by the Issuer or a subsidiary thereof with related companies under terms and conditions other market ones, with details of their values and information specifying the nature of those transactions

The transactions concluded in 2012 by ULMA Construcción Polska S.A. and subsidiaries thereof with related parties were typical and routine. They were concluded at arm's length, and their nature, as well as terms and conditions resulted from current business operations.

Major transactions included purchases of formwork and formwork rental services from ULMA C y E, S. Coop. for PLN 13,739,000.

Information on agreements on credits and loans incurred or terminated in the financial year, with details of at least their amount, type, as well as the interest rate, currency and due date

In the financial year 2012, ULMA Construcción Polska S.A.:

- did not extend the revolving credit No. 2/2011/CK at Pekao S.A. in the amount of EUR 5,000,000
- did not contract any new credits or loans;

Furthermore, credit facilities specified in the table below have been renewed under the existing price terms and conditions:

Bank	Type of credit	Credit no.	Amount of credit (in PLN '000)	Date of conclusion of the agreement	Date of signing an annex to the agreement	Due date
BRE Bank S.A.	Overdraft facility	02/480/99/Z/vv	5 000	27 August 1999	27 September 2012	27 September 2013
BNP Paribas Bank Polska S.A.	Multi-purpose credit facility (overdraft facility)	WAR/3013/10/1 18/CB	3 000	27 September 2010	27 August 2012	26 September 2020

At the request of ULMA Construcccion Polska S.A., the value of the multi-purpose credit agreement No. WAR/3013/10/118/CB at BNP Paribas S.A. was reduced from PLN 5,000,000 to PLN 3,000,000 to be used as a working capital facility.

Information on loans granted in a given financial year with particular consideration of their due dates, as well as granted warranties and guarantees, with particular consideration of loans, warranties and guarantees granted to the Issuer's related parties

ULMA Construcccion Polska S.A. granted its subsidiary company, Ulma Opałubka Ukraina Sp. z o.o. an investment loan in the amount of EUR 3,100,000. The loan has a fixed interest rate at the market level. Pursuant to the Annex of 15 September 2011 the date of the loan repayment has been set for 25 December 2015.

In 2011, ULMA Construcccion Polska S.A. granted its subsidiary company, ULMA Cofraje S.R.L. a long-term loan in the amount of EUR 241,000. The loan has a fixed interest rate at the market level.

In 2012, ULMA Construcccion Polska S.A. granted its subsidiary company, ULMA Opałubka Ukraina Sp. z o.o. an investment loan in the amount of EUR 165,000. The loan has a fixed interest rate at the market level.

In 2012, ULMA Construcccion Polska S.A. granted its subsidiary company, ULMA Construcccion BALTIC Sp. z o.o. an investment loan in the amount of EUR 115,000. The loan has a fixed interest rate at the market level.

ULMA Construcccion Polska S.A. granted a guarantee of repayment of a bank credit contracted by ULMA Opałubka Ukraina pursuant to a credit agreement concluded on 23 August 2011 with UKRSIBBANK.

In the case of issue of securities in the period covered by the report - description of the utilization by the Issuer of proceeds from the issue

In 2012, ULMA Construcccion Polska S.A. did not issue any shares.

Explanation of differences between the financial results disclosed in the annual report and the previously published forecasts of the results for a given year.

ULMA Construcccion Polska S.A. does not publish forecasts of the Company's financial results.

Evaluation, together with its justification, concerning the management of financial resources, with particular consideration of the capacity to settle incurred liabilities, and determination of potential risks and actions which have been undertaken by the Issuer or which the Issuer intends to undertake in order to counteract these threats

The Company settles its liabilities, both trade and loan ones, on an ongoing basis.

Due to the nature of its business object, i.e. lease (investments in fixed assets) the Company needs to use long-term financing.

By 2010, the Company continued the hitherto policy of financing its operations. Within this policy, the Company used long-term credit facilities until they were used up in Q1 2010. Since then, capital expenditures are covered from the Company's own financial resources.

In 2012, the Company supplemented its financial needs (formwork and scaffolding systems) within the process of transfer of assets from the countries of operation of the Parent Company (ULMA C y E S, Coop.) where their utilization is low. Within that process the assets rented from subsidiary companies on an arm-length basis are moved, which allows the Capital Group to optimize management of its financial resources.

As of 31 December 2012, the debt ratio in the Company amounted to 30.7% compared to 38.5% as of 31 December 2011. The decrease in the debt ratio is primarily due to reduced long-term debt, which as of 31 December 2012 accounts for 12% of total assets, while as of 31 December 2011, this accounted for 18% of total assets.

As mentioned above, the Company is exposed to foreign exchange risk. The Company seeks to mitigate this risk through active participation in the currency/forward market and actions aimed at seeking natural hedging methods.

Evaluation of the capacity to meet investment targets, including capital investments, relative to the amount of available funds, taking into account any possible changes in the structure of financing this activity

Major investment targets pursued by the Company in 2012 were related to purchases of formwork and scaffolding systems, particularly to enhance the potential of the Company in the infrastructure segment in Poland, and the construction of new headquarters of the Company and the Logistics Center in Koszajec.

Owing to the cash surplus generated in the course of its operating activities, the Company will be able to continue the aforementioned investments in the subsequent periods.

As of the balance sheet date, the Management Board does not assume changes to the policy of financing the Company's investments pursued to date.

Evaluation of factors and non-standard events which affect the result of operations for the financial year with specification of the extent of the impact of those factors or non-standard events on the achieved result

In 2012, there were no non-standards events which could, at present or in the subsequent years, significantly influence the Company's financial result.

Description of external and internal factors which are material to the development of the Issuer's company together with the description of the prospects for such development with consideration of the market strategy developed by the Issuer

Internal factors material to the Company's further development include:

- a vast portfolio of products and services, enabling comprehensive support for investments in all sectors of the construction market, with particular emphasis on the

following sectors: road and bridge construction, power engineering, environmental construction and high-rise buildings,

- obtaining, in December 2011, a certificate confirming compliance with the requirements of the Safety and Occupational Health Management System in accordance with the PN-N-18001:2004 standard. After obtaining this certificate, the Company has been operating in accordance with the Integrated Quality Management System ISO 9001, PN-N18001, covering comprehensive construction support with respect of formwork and scaffolding rental, including the design of optimal sets and their utilization.
- obtaining, in May 2012, a Certificate for safety mark B for BRIO scaffolding system,
- broadening the portfolio of reference structures constructed in Poland with the use of advanced formwork technologies (self-climbing system and the sliding construction technology),
- building new headquarters and a logistics center in Koszajec near Warsaw (near the A2 motorway), improving significantly the comfort of work of the team, equipment management and the quality of delivery and customer service,
- expansion into new foreign markets (Baltic States).

External factors which can significantly influence in the near future, both positively and negatively, the dynamics of the Group's development include:

- a gradual decline in the number of contracts in road construction in Poland and the consequent need to adapt the design potential and portfolio to the changing structure of the market, with particular emphasis on industrial and ecological construction,
- growing competition in the industry, a decline in contractors' margins, increased payment backlogs and downward pressure on prices among suppliers of formwork,
- instability in the financial markets likely to be reflected in propensity to invest and attracting funding for new construction projects,
- an ever better economic situation in Kazakhstan, especially in the light of the country's preparations to host EXPO 2017.

Changes in the basic principles of managing the Issuer's company and its Capital Group

In 2012, no changes in the basic principles of managing the parent company and the ULMA Construcción Polska S.A. Capital Group were introduced.

Changes in the composition of the management and supervisory bodies of the Issuer in the last financial year, principles of appointing and recalling managing persons and powers of managing persons, in particular the right to decide on issue or redemption of shares

Pursuant to the Articles of Association the Management Board of the Company is composed from one to five members. The members of the Management Board are appointed and recalled by the Supervisory Board. The term of office of a member of the Management Board is defined by the Supervisory Board; the term cannot be longer, however, than three years. The Supervisory Board defines also the number of members of the Management Board and appoints the President from among them.

In accordance with the By-Laws of the Management Board of ULMA Construccin Polska S.A., the Management Board of the Company adopts resolutions in matters stipulated by law and the Company's Articles of Association, subject to the provision that resolutions whose adoption must be approved by the General Meeting of the Company's Shareholders or the Company's Supervisory Board, can be adopted upon obtaining such consent. The Management Board adopts resolutions particularly in matters related to:

- convening of a General Meeting of Shareholders,
- defining the detailed organizational structure of the Company and its internal rules,
- granting and revoking proxies and powers of attorney,
- incurring credits,
- making investments,
- determining the rules of the Company's remuneration system,
- setting the accounting principles and methods,
- setting detailed principles of the Company's financial policy,
- developing the Company's annual financial plans,
- developing the Company's long-term development plans,
- defining and announcing the date of payment of dividend allocated to be paid out by the General Meeting.

Pursuant to the Articles of Association the Supervisory Board is composed of from five up to nine members appointed by a General Meeting. The term of office of the Supervisory Board is three years.

The Supervisory Board exercises permanent supervision over the Company's operations. The most important tasks of the Supervisory Board are as follows:

- balance sheet audit,
- audit of reports of the Management Board and its proposals as regards distribution of profits or losses,
- suspending members of the Management Board or the entire Management Board for important reasons,
- appointing a member or members of the Management Board to temporarily perform the tasks of the Management Board in case the entire Management Board have been suspended or are unable to perform their tasks for other reasons,
- approving the By-Laws of the Company's Management Board,
- setting the rules of remuneration of the members of the Management Board,
- granting consent for investments and purchases in excess of 4/5 (four fifths) of the nominal value of the share capital or incurring credits in excess of this amount,
- appointing an auditor,
- granting consent to purchase or sell by the Management Board real property or shares in real property.

In 2012, there were no changes to the compositions of the Management Board and the Supervisory Board of ULMA Construccin Polska S.A.

Any agreements concluded between the Issuer and managing persons assuming compensation in case of their resignation or dismissal from the position held without an important reason or when their recall or dismissal is due to a merger of the Issuer through takeover

There are no agreements concluded by and between ULMA Construccin Polska S.A. and managing persons assuming compensation in case of their resignation or dismissal from the position held without an important reason or when their recall or dismissal is due to a merger of ULMA Construccin Polska S.A. through takeover, except for non-competition agreements after termination of employment in the Company. The aforementioned agreements provide for a ban on undertaking activities competitive to those pursued by the Company for a period from

6 to 18 months. Depending on the agreement, remuneration for refraining from conducting competitive activities is an equivalent of from 3-month to 18-month average remuneration of a given managing person.

Amount of remuneration, rewards and benefits, including those resulting from incentive or bonus schemes based on the Issuer's capital, including schemes based on senior bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form), disbursed, due or potentially due, separately for each managing and supervising person of the Issuer in the Issuer's company, regardless of the fact that these were posted respectively to costs or resulted from profit distribution; in case the parent company or a major investor are the Issuer – separate information on the amount of remuneration or rewards received due to performing a function in the subsidiary companies' authorities; if relevant information was presented in the financial statements - the duty is deemed fulfilled through indicating the item in which it is recognized in the financial statements

The aforementioned information was included in Note 28 to the Additional Information to the financial statements.

Determination of the total number and nominal value of all shares of the Issuer and shares in the Issuer's related parties held by managing and supervising persons (separately for each person)

To our best knowledge, no member of the Management Board or the Supervisory Board holds shares in ULMA Construcción Polska S.A. as of the date of passing this report.

Identification of shareholders holding directly or indirectly via their subsidiary companies minimum 5% of the total number of votes at the Issuer's General Meeting, with details of the number of shares held by such shareholders, their percentage share in the share capital, the number of votes they entitle to and their percentage share in the total number of votes at a General Meeting

As of the date of passing this annual report, the following shareholders hold over 5% of the total number of votes:

- ULMA C y E S, Coop. (Spain) holding directly 3,967,290 shares of ULMA Construcción Polska S.A., equivalent to 75.49% of the Company's share capital and entitling to 3,967,290 votes at a General Meeting, equivalent to 75.49% of the total number of votes,
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding directly 450,000 shares of ULMA Construcción Polska S.A., equivalent to 8.56% of the Company's share capital and entitling to 450,000 votes at a General Meeting, equivalent to 8.56% of the total number of votes.

Information on agreements the Issuer is aware of (including those concluded following the balance sheet date) which may result in future changes to the distribution of shares held by the present shareholders and bondholders

To our best knowledge, there are no agreements which may result in future changes to the distribution of shares held by the present shareholders.

Identification of shareholders of any securities which entitle to special control rights in relation to the Issuer, with details of the rights

As of the date of passing this report, there are no securities entitling to special control rights in relation to ULMA Construcccion Polska S.A.

Information on the control system for employee share schemes

No employee share scheme has been implemented in ULMA Construcccion Polska S.A.

Information on:

a) date of conclusion by the Issuer of an agreement with an entity authorized to audit financial statements on audit or a review of the financial statements or the consolidated financial statements, as well as on the period for which the agreement was concluded,

b) remuneration of the entity authorized to audit the financial statements, disbursed or due for the financial year separately for:

- audit of the annual financial statements,***
- other attestation services, including a review of the financial statements,***
- tax advisory services,***
- other services.***

The review of the interim financial statements of ULMA Construcccion Polska S.A., as well as audit of the financial statements of ULMA Construcccion Polska S.A. and the consolidated financial statements of the ULMA Construcccion Polska S.A. Capital Group for 2012 were performed by KPMG Audyt Sp. z o.o. spółka komandytowa pursuant to the agreement concluded on 29 June 2012. The total remuneration under the aforementioned agreement amounts to PLN 170,000, including remuneration for the review of the interim financial statements – PLN 80,000.

The review of the interim financial statements of ULMA Construcccion Polska S.A., as well as audit of the financial statements of ULMA Construcccion Polska S.A. and the consolidated financial statements of the ULMA Construcccion Polska S.A. Capital Group for 2011 were performed by KPMG Audyt Sp. z o.o. spółka komandytowa pursuant to the agreement concluded on 16 June 2011. The total remuneration under the aforementioned agreement amounts to PLN 170,000, including remuneration for the review of the interim financial statements – PLN 80,000.

Translation of selected financial data into EUR

Translation of selected financial data into EUR has been presented in the table below:

ITEM	in PLN '000		in EUR '000	
	12 months of 2012	12 months of 2011	12 months of 2012	12 months of 2011
Net revenues from sale of products, goods and materials	246 626	286 859	59 092	69 287

Operating profit/(loss)	24 682	65 667	5 914	15 861
Gross profit/(loss)	18 590	62 647	4 454	15 132
Net profit/(loss)	14 107	51 280	3 380	12 386
Net operating cash flow	134 186	141 662	32 151	34 217
Net cash flow from investments	(41 468)	(41 165)	(9 936)	(9 943)
Net cash flow from financing activities	(81 965)	(84 992)	(19 639)	(20 529)
Net cash flow	10 753	15 505	2 576	3 745
Basic earnings per ordinary share (in PLN/EUR)	2.68	9.76	0.64	2.36
Diluted earnings per ordinary share (in PLN/EUR)	2.68	9.76	0.64	2.36

	in PLN '000		in EUR '000	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Total assets	466 198	525 128	114 035	118 893
Liabilities	142 916	201 973	34 958	45 728
Long-term liabilities	53 342	95 508	13 048	21 624
Short-term liabilities	89 574	106 465	21 910	24 104
Equity	323 282	323 155	79 077	73 165
Share capital	10 511	10 511	2 571	2 380
Weighted average number of shares	5 255 632	5 255 632	5 255 632	5 255 632
Number of shares as of the balance sheet date	5 255 632	5 255 632	5 255 632	5 255 632
Book value per share (in PLN/ EUR)	61.51	61.49	15.05	13.92

The specific asset and equity as well as liability items were translated into EUR at the average rates of exchange announced by the President of the National Bank of Poland prevailing as of the balance sheet date. The EUR average rate as of 31 December 2012 was PLN 4.0882, and as of 31 December 2011 – PLN 4.4168.

While translating the items of the statement of comprehensive income and cash flow account items, a rate being the arithmetic mean of the rates prevailing as of the last day of each month in a given period was applied. For the period 1 January – 31 December 2012 this rate was 4.1736 PLN/EUR, while the data for the analogous period in 2011 were translated at the rate 4.1401 PLN/EUR.

Investor relations

In order to promote correct investor relations, the Company appointed a person responsible for contacts with the Stock Exchange, the Polish Financial Supervision Authority and shareholders.

Jolanta Szelaż (22) 506-70-00
jolanta.szelaż@ulma-c.pl

Statement by the Management Board of the Company

The financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2012 were approved by the Management Board of the Company on 12 March 2013.

These financial statements for the period of 12 months ended on 31 December 2012 were prepared in order to present the economic and financial standing, as well as the results of operations of ULMA Construcccion Polska S.A.

The financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2012 were prepared compliant with International Financial Reporting Standards – IFRS - and the related interpretations announced in the form of regulations of the European Commission.

The financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2012 include:

- statement of financial position
- statement of profit and loss and other comprehensive income
- statement of changes in equity
- cash flow account
- additional information.

To our best knowledge, the financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2012 and the comparable data were prepared in accordance with applicable accounting standards and reflect in a true, reliable and clear manner the economic and financial standing of ULMA Construcccion Polska S.A. and its financial result, and the report of the Management Board on the Company's operations contains a true view of the development, achievements and condition of the Company, including details of major threats and risks.

The entity authorized to audit financial statements which reviewed the financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2012 was selected in compliance with the applicable regulations. The entity and the auditors reviewing these financial statements meet the requirements to issue an impartial and independent opinion on the audited financial statements of ULMA Construcccion Polska S.A. for the period of 12 months ended on 31 December 2011, in compliance with the applicable regulations and professional standards.

On behalf of the Management Board of ULMA Construcccion Polska S.A.

Andrzej Kozłowski, President of the Management Board

Andrzej Sterczyński, Member of the Management Board

Krzysztof Orzełowski, Member of the Management Board

José Irizar Lasa, Member of the Management Board.....

José Ramón Anduaga Aguirre, Member of the Management Board

Koszajec, 12 March 2013