



**The Report of the Management Board on operations of the
CAPITAL GROUP
ULMA CONSTRUCCION POLSKA S.A.
in the 6 months' period ended on 30 June 2012**

Organisational description of the Capital Group

As on 30.06.2012 the ULMA Construcccion Polska S.A. Capital Group ('Group', 'Capital Group') consisted of the following entities:

- 1) ULMA Construcccion Polska S.A. - **parent entity** of the ULMA Construcccion Polska S.A. Capital Group which plays management and administrative function in the entire Group and is responsible for trade operations related to the products and services offered by the Group in the domestic market and in the selected international markets,
- 2) ULMA Opałubka Ukraine sp. z o.o. - **subsidiary** responsible for trade operations related to the products and services offered by the Capital Group in the Ukrainian market,
- 3) ULMA Opałubka Kazakhstan Sp. z o.o. - **subsidiary** responsible for trade operations related to the products and services offered by the Capital Group in the Kazakh market,
- 4) ULMA Construcccion BALTIC Sp. z o.o. - **subsidiary** responsible for trade operations related to the products and services offered by the Capital Group in the Lithuanian, Latvian and Estonian market,
- 5) ULMA Cofraje S.R.L. - **affiliate** responsible for trade operations related to the products and services offered by the Capital Group in the Romanian market.

Subsidiaries are subject to consolidation with the use of full method. Affiliate is consolidated with the use of equity method.

Scope of business activity of the Capital Group.

ULMA Construcción Polska S.A. Capital Group operates in the construction industry. The business activity of the entities which belong to the Capital Group includes sales and lease of shuttering and scaffolding systems for the needs of residential and commercial construction and of engineering construction, performance of maintenance works and development of designs of application of these systems and also production and maintenance of shuttering and other accessories used for assembly of shuttering systems.

Registered offices, dates of establishment and registrations of the entities which belong to the Capital Group.

- 1) ULMA Construcción Polska S.A. with its registered office in Warsaw, ul. Klasyków 10, has operated since 01.07.1995 pursuant to the resolution of the Extraordinary General Meeting of Shareholders which transformed the limited liability company (*spółka z ograniczoną odpowiedzialnością*) into a joint stock company (*spółka akcyjna*) (Notarial Deed of 15.09.1995, Rep. A no. 5500/95), registered in the National Court Register in the Register of Entrepreneurs under entry no. KRS 0000055818 by the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register,
- 2) ULMA Opałubka Ukraine with its registered office in Kiev, Gnata Juri 9, entered on 18.07.2001 to the National Register of the Republic of Ukraine under entry no. 5878/01 (ID code 31563803),
- 3) ULMA Opałubka Kazachstan sp. z o.o. with its registered office in Astan, Taszenowa 25, entered on 27.08.2010 to the Commercial Register of the Republic of Kazakhstan under entry no. 37635--1901-TOO (ID code 100840016085),
- 4) ULMA Construcción BALTIC Sp. z o.o. with its registered office in Vilnius, Pylimo 41-12 entered on 27.04.2012 to the Register of Legal Entities of the Republic under entry no. 302770757
- 5) ULMA Cofraje S.R.L with its registered office in Bucharest, Chitilei 200, entered on 2.11.2007 into the Commercial Register of Romania under entry no. J23/2922.

Brief description of issuer's significant successes or failures in the period of the report, specifying relevant major events and the description of factors and events, in particular atypical ones, with significant impact on the financial results

Market environment in Poland

The data on industrial production and on construction and assembly production from the last few months indicate that our economy is slowing down, to which the economic slump in the EU states and weakening domestic demand is contributing. The growth of sales in industry slackened in Q2 of 2012 to 1.2% (in comparison with 4.9% in Q1 of 2012), and of the construction and assembly production to 8% (in comparison with 14.9% in Q1).

According to the Central Statistical Office in Q1 of 2012 the greatest growth dynamics in the construction industry could be noted in the segment of **residential construction** (+32.8%), mainly owing to the apartments delivered in that period. When compared to the 1st half-year of 2011, the number of flats the construction of which has started and those for the construction of which permits have been obtained, has remained on the same level as in the previous year. In the group of investors who build flats for rental and sale, growth has been recorded also in these latter categories, by 13.5% and 21.9%, respectively. The growth dynamics indicators achieved in **non-**

residential construction have also been high +17.6%, which has been influenced first of all by the investments in office construction (growth by 35%) and in industrial and warehouse construction (growth by 20.3%). Unlike in the previous years, the lowest industrial dynamics in the analysed period was recorded in the category of **engineering structures** (-1.4%), whereas in road building the dynamics decreased by as much as 8%. Impressive growth dynamics persisted, however, for the entire half-year, in railway construction (+43.8%), although due to much lower volume of works in relation to the road construction, these indicators did not have a significant impact on the entire sector dynamics.

Low general indicator of economic outlooks in the construction industry (from -10 to -20 points) reflects the pretty negative atmosphere in the industry caused by margins going down (net profitability in Q1 of 2012 on the level of -1% in comparison with 2.3% in 2011), payment backlogs and increasing number of bankruptcies (101 construction companies in comparison with 61 companies in the previous year). Undoubtedly, one of the main reasons for the problems of construction companies was the fact that the system of public tenders is based on the criterion of the lowest price. The effect was that offers were prepared in such a way that maintenance of financial liquidity and timely payments to subcontractors could not be guaranteed.

On the background of these statistics the results of the ULMA Group deserve attention: the net profitability in Q1 7.22% and 9.05% in Q2 and the 8th position in the ranking of the most valuable companies from key industries in the GPW (Warsaw Stock Exchange) published by Gazeta Parkiet on 30 July 2012.

Market environment abroad

In Ukraine, a slight drop of construction and assembly production (by 1.9%) was recorded in the first half-year of 2012 (according to the National Statistical Service of the Ukraine). In the area of public investments the major operations included continuation of the projects planned for EURO 2012, whilst private investors focused their operations on completion of the already commenced projects. The economic downturn was accompanied by high level of payment backlogs.

After a period of slump in the years 2008-2009 the economy of Kazakhstan entered the path of growth. With respect to direct international investments per citizen, Kazakhstan takes the second position behind Russia among the CIS states. Since 2010 a gradual, although still relatively slow growth of the number of construction companies and of employment in the construction industry, as well as annual growth of cement production on the level of a dozen percent or so can be recorded there. In the first half-year of 2012 the dynamics of the construction and assembly production in that country remained on the same level as in the previous year, however, ambitious investment programmes of the government give some prospects for the growth of this indicator in the next year.

In June this year ULMA Construccjon Polska SA entered the markets of the Baltic States as a result of incorporation of the company ULMA Construccjon Baltic which offers sales and lease of shuttering and scaffolding systems in the territory of Lithuania, Latvia and Estonia and has already concluded its first contracts.

Revenues on sales

In the first half-year of 2012 the Capital Group achieved PLN 128,316,000 of total revenue from sale in comparison with PLN 121,889,000 in the corresponding period of the previous year (5% increase).

The increase of the sales revenue is a result of the nearly double increase of the revenue on sale of construction goods and materials which in the 1st half-year of 2012 amounted to PLN 14,036,000 in comparison with PLN 7,574,000 of the revenues achieved in the 1st half-year of 2011. The revenues from the basic activity of the Capital Group, i.e. lease of shuttering and scaffolding systems amounted, in the 1st half-year of 2012, to the aggregate amount of PLN 114,280,000 in comparison with PLN 114,315,000 in the corresponding period of the previous year. The level of revenues in this segment of Capital Group's operation fully reflects the market situation of the construction industry in Poland.

In the 1st half-year of 2012 the Capital Group achieved PLN 10,768,000 of total revenues on export to the east (*i.e. the business activity pursued by using the organisational structures established by the Group in Kazakhstan and in Ukraine or through the agency of a group of agents in such countries as Russia, Latvia, etc.*). These revenues were higher by PLN 4,122,000, i.e. 62% when compared to the corresponding period of the previous year.

The said sales revenue was determined to a large extent by the export operation in Ukraine and in Kazakhstan where the construction segment shows clear signs of economic revival, in particular in the area of residential and commercial construction.

Operating profitability

In the 1st half-year of 2012 the Capital Group obtained positive result on operating activity, in the amount of PLN 17,442,000 in comparison to PLN 22,308,000 in the corresponding period of the previous year (decrease by PLN 4,866,000).

The biggest item among operating costs by type (approx. 40% recorded in the 1st half-year of 2012) are depreciation write-downs related to the Group's assets (mostly shuttering and scaffolding systems and the Logistics Centres).

Basic values related to EBIT (operating profit) and EBITDA (operating profit + depreciation) in the analysed periods were the following:

	Q1 2012	Q2 2012	1st half-year 2012	1st half-year 2011
Sales	62,962	65,354	128,316	121,889
EBIT	7,940	9,502	17,442	22,308
% for sale	12.61	14.54	13.59	18.30
Depreciation / amortisation	21,557	22,084	43,641	39,712
EBITDA	29,497	31,586	61,083	62,020
% for sale	46.85	48.33	47.60	50.88

In the 1st half-year of 2012 the Capital Group recorded absolute EBITDA decrease by PLN 937,000 (i.e. by 1.5%) in comparison to the level achieved in the 1st half-year of 2011.

In the 1st half-year of 2012 the Capital Group incurred higher, with respect to the corresponding period of the previous year, costs of preparation of products for the construction works commencing in that period (in particular costs of maintenance) and higher transport costs. Maintenance operations related to preparation of products for new construction works reflect the tendencies in the construction industry and the effects of seasonal variability. This means that these operations intensify usually in the 1st and 2nd quarter of a calendar year.

As a result of the review of receivables-related issues carried out in the 1st half-year of 2012 following the latest news about bankruptcies, the Capital Group established receivables' revaluation write-downs which had an impact on the increase by PLN 1,183,000 of the costs of sale when compared to the corresponding period of the previous year.

The profit on sale of the assets of ULMA System S.A. in Starachowice, the subsidiary under liquidation, was recognised in other operating activity in 2011. It was a one-time occurrence which had an influence on the lower level of EBIDTA in 2012 when compared to 2011.

The foregoing cost-driving factors were partially compensated by higher profits on the sale of goods and products of the Capital Group companies in foreign markets in comparison with the corresponding period of the previous year.

Foreign exchange risk hedging transactions

The Capital Group companies purchase the products (scaffoldings and shuttering systems and accessories for these systems) which are the object of their commercial and service operation from the parent entity in Spain, from the production entity (subsidiary) under liquidation – ULMA System S.A. in Starachowice (final portions of the orders placed earlier) and from other third-party companies.

With respect to its commercial operation the Capital Group is active in export markets, particularly in Ukraine where the business is conducted by a subsidiary – Ulma Opatubka Ukraina sp. z o.o.

As a result the Capital Group companies are exposed to currency risk which the Group tries to mitigate by participating in foreign exchange and forward markets with the use of Non Delivery Forward (NDF) contracts.

All the NDF instruments held by the Capital Group are acquired only for the purposes of hedge against the FX risk and are not of asymmetric nature.

The Capital Group does not apply the so-called "hedge accounting", and therefore the results from hedge transaction execution and valuation (positive and negative) are charged to the result for the period.

Results of hedge transactions in the 1st half-year of 2012 mitigate to a high extent the currency risk the Capital Group is exposed to.

Financial costs and other total income

The Capital Group uses bank loans to finance investments related to the purchase of products for lease (i.e. shuttering and scaffolding systems).

The (short- and long-term) loan balance, together with interest calculated as until the balance sheet date as of 30 June 2012 amounted to PLN 116,146,000 in comparison to PLN 173,869,000 on 30 June 2011.

As a consequence of the decrease of the balance of loans, the financial costs related to the interest on loans decreased and in the 1st half-year of 2012 amounted to PLN 4,394,000 in comparison to PLN 5,578,000 in the corresponding period of the previous year (decrease by 21%).

Net profit

After taxation, in the 1st half-year of 2012 the Capital Group obtained a positive financial result in the amount of PLN 10,454,000 in comparison to PLN 13,356,000 of net financial profit in the 1st half-year of 2011.

Cash flows

The table below presents the Group's abbreviated cash flow statement for the analysed periods:

	6 months of 2012	12 months of 2011	6 months of 2011
Net profit (loss)	10,454	49,349	13,356
Depreciation / amortisation	43,641	83,060	39,712
Total financial surplus	54,095	132,409	53,068
Other elements of net operating cash flow	22,023	15,200	14,255
Net cash flow on operations	76,118	147,609	67,323
Net cash flow on investment activity	(9,340)	(48,715)	(12,717)
Net cash flows on financial activity	(37,116)	(83,503)	(38,676)
Net cash flow	29,662	15,391	15,930

Cash flow from operating activities

In the 1st half-year of 2012 the Capital Group has a positive cash flow (net profit + depreciation), which amounted to PLN 54,095,000.

In the same period the cash flows on operating activity amounted to PLN 76,118,000 in comparison to PLN 67,323,000 in the analogue period of the previous year (increase by PLN 8,795,000).

From the point of view of managing the working capital the 1st half of 2012 was characterised by emergence of payment backlogs and slower receivables inflow following the announcement of bankruptcies of several entities in the construction industry which had an impact on the quality and timeliness of cash flows in the entire engineering sector.

The Capital Group tries to limit the risk related to receivables by applying internal procedures and rules on identification, measurement and monitoring of the financial and liquidity situation of the Group's customers at the point of commencing and during the cooperation.

	30 June 2012	31 December 2011	30 June 2011
1. Net trade receivables	82,686	96,205	89,410
2. Grossed-up sales revenues for the 12 months' period from the balance sheet date	370,128	359,278	294,918
3. Number of days;	365	365	365
4. Turnover ratio (1*3/2)	82	97	111

Cash flow from investing activities

In the 1st half of 2012 the Capital Group made investment acquisitions in order to supplement its portfolio of offered products (in particular scaffolding systems and shuttering systems for the engineering construction industry). As a result the capital expenditures incurred for this purpose in the analysed period amounted to PLN 8,554,000 in comparison to PLN 18,291,000 in the analogue period of 2011.

Financing cash flow

In the 1st half of 2012 the net cash flows on financial activity amounted to PLN (37,116,000) in comparison to PLN (38,676,000) in the corresponding period of 2011.

As mentioned earlier, the Capital Group uses bank loans to finance investments related to the purchase of products for lease. Expenses of the Group for repayment of credit instalments amounted in the 1st half of 2012 to PLN 26,699,000 (in the corresponding period of the previous year: PLN 32,999,000).

What is more, in January 2012 the Group paid out dividend advance from the profit generated in 2011 in the amount of PLN 6,044,000.

As a result of the foregoing circumstances the balance of cash on the balance sheet date 30 June 2012 amounted to PLN 47,527,000 in comparison to PLN 18,150,000 on 30 June 2011 and PLN 18,983,000 on the balance sheet date of 31 December 2011.

Translation of selected financial data into EUR

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

SPECIFICATION	in PLN '000		in EUR '000	
	6 months of 2012	6 months of 2011	6 months of 2012	6 months of 2011
Net income on sales of products, goods and materials	128,316	121,889	30,374	30,723
Profit on operations	17,442	22,308	4,129	5,623
Gross profit (loss)	13,207	16,109	3,126	4,060
Net profit (loss)	10,454	13,356	2,475	3,366
Net cash flow on operations	76,118	67,323	18,018	16,970
Net cash flow on investment activity	(9,340)	(12,717)	(2,211)	(3,206)
Net cash flows on financial activity	(37,116)	(38,676)	(8,786)	(9,749)
Net cash flow	29,662	15,930	7,021	4,015
Diluted profit / (loss) per share	1.99	2.54	0.47	0.64
Profit (loss) per one ordinary share (in PLN/EUR)	1.99	2.54	0.47	0.64

SPECIFICATION	in PLN '000		in EUR '000	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Total assets	479,812	507,741	112,598	114,957
Liabilities	178,672	203,111	41,929	45,986
Long-term liabilities	71,963	94,430	16,888	21,380
Short-term liabilities	106,709	108,681	25,041	24,606
Equity	301,140	304,630	70,669	68,971
Initial capital	10,511	10,511	2,467	2,380
Weighted average number of shares	5,255,632	5,255,632	5,255,632	5,255,632
Number of shares as at the balance-sheet date	5,255,632	5,255,632	5,255,632	5,255,632
Book value per share (in PLN/EUR)	57.30	57.96	13.45	13.12

Particular items of assets, equity and liabilities have been converted to EUR applying the mean exchange rates announced by the President of the National Bank of Poland, in force as of the balance sheet date. The mean EUR exchange rate on 30 June 2012 was PLN 4.2613, while on 31 December 2011 - PLN 4.4168.

The rate applied to the total revenues report items and the cash flow statement was the arithmetic mean of exchange rates effective on the last day of each month in the specified period, i.e. data for the period 1.01. - 30.06.2012 translated according to the rate = 4.2246 PLN/EUR, data for the analogue period of 2011 were translated according to the rate = 3.9673 PLN/EUR.

Information regarding seasonal or cyclical character of the Issuer's activity in the discussed period

Construction business is characterised by high seasonality, which has direct impact on the revenues on sales of products and services of the Capital Group. Particularly unfavourable weather conditions and frequent delays in execution of budget investments usually occur in Q1. Usually these factors improve in subsequent quarters and the peak season in the construction industry usually occurs in the 3rd quarter of a calendar year.

The effects described above result also in seasonal character of maintenance of the products owned by the Capital Group (shuttering and scaffolding systems). The majority of these works is performed during the construction season, i.e. in the 2nd and 3rd quarter.

Information about the issue, redemption and repayment of debt and equity securities

In the 1st half of 2012 there were no operations of that type.

Information concerning the dividend paid (or declared), in aggregate and calculated per share, divided into ordinary and preferred shares

On 22 June 2012 the General Shareholders Meeting adopted a Resolution pursuant to which part of the Company's net profit for the accounting year 2011, in the amount of PLN 20,023,957.92, will be allocated for disbursement to Company's shareholders as dividend.

Pursuant to the Management Board Resolution No. 5/2011 of 28 November 2011, the Company paid an advance payment to be credited to the expected dividend to the shareholders in the accounting year 2011 in the amount of PLN 6,043,976.80, the remaining part of the dividend for the accounting year 2011 is PLN 13,979,981.12.

Pursuant to this resolution of GSM, the date for determination of the right to dividend is 21 August 2012, and the dividend will be paid on 10 September 2012.

Events occurring after the day at which the abridged quarterly financial statements were prepared, which were not covered by these statements which may significantly influence the Issuer's future financial of ULMA Construcción Polska S.A. Capital Group

The recently observed volatility of the EUR/PLN, as well as UAH/EUR rate may significantly influence the financial results of ULMA Construcción Polska S.A. Capital Group. The exchange rate fluctuations in these currency pairs have an impact on occurrence of positive or negative exchange rate differences recognised in the total income statement.

Information on changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year

No changes to contingent liabilities and contingent assets have taken place as from the end of the last financial year.

Effects of changes in the structure of business undertaking, including those resulting from combination of business undertakings, acquisition or disposal of Capital Group undertakings, long-term investments, division, restructuring and discontinuation of operations

In the 1st half-year of 2012 there were no economic operations of that type.

In Q2 of 2011 the assets of ULMA System S.A., a subsidiary under liquidation, were sold, and the economic results of those transactions were recognised in other operating activity.

Position of the Management Board regarding the possibility to achieve previously published forecasts for the given year, in light of the results presented in the semi-annual report in relation to the forecast results

The Capital Group does not publish any forecasts about financial results of the Group.

Shareholders holding, directly or indirectly through subsidiary entities, at least 5% of the total number of votes at the general shareholders meeting of ULMA Construcción Polska S.A. as at the date of providing the report, and the number of shares held by such entities, the percentage share in the share capital, the number of resulting votes and changes in the structure of ownership of significant blocks of shares of ULMA Construcción Polska S.A. over the period after submission of the previous report

As of the date of submitting this quarterly report, shareholders holding more than 5% of the total number of votes include:

- ULMA C y E S, Coop. (Spain) holding directly 3,967,290 shares in ULMA Construcción Polska S.A., which account for 75.49% of shares in the Company's share capital and entitle to 3,967,290 votes at the general meeting, which accounts for 75.49% of the total number of votes.
- Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK holding directly 460,000 shares in ULMA Construcción Polska S.A., which account for 8.75% of shares in the Company's share capital and entitle to 460,000 votes at the general meeting, which accounts for 8.75% of the total number of votes.

As from the date of submitting of the previous report, there have been no changes to the ownership structure of significant blocks of shares in ULMA Construcción Polska S.A.

Changes in the shareholding of shares in ULMA Construcción Polska S.A. or rights (options) thereto held by persons managing and supervising the Issuer, in accordance with information held by ULMA Construcción Polska S.A, over the period from providing the previous quarterly report.

According to the information held by ULMA Construcción Polska S.A, in the period from the date of submitting the previous report there were no changes to the shareholding of ULMA Construcción Polska S.A. shares or rights thereto (options) by the persons specified above. None of the persons managing and supervision ULMA Construcción Polska S.A. holds any shares of the issuer.

Proceedings pending in courts, arbitration bodies or public administration bodies, taking into account the information concerning:

- a) proceedings relating to liabilities or receivables of ULMA Construcción Polska S.A. or its subsidiary with the value at least equal to 10% of equity of ULMA Construcción Polska S.A., specifying: object of the proceedings, value of the dispute, date of commencement of the proceedings, parties to the proceedings and the position of the Company***
- b) two or more proceedings relating to liabilities or receivables with total value corresponding to at least 10% of equity of ULMA Construcción Polska S.A., specifying total value of such proceedings for liabilities and receivables separately and describing the position of the Company in the case, and, in reference to the biggest proceedings in the groups of liabilities and receivables - specifying their object, the value of the dispute, date of commencement of the proceedings and parties thereto***

In the reporting period no proceedings were instituted in relation to ULMA Construcccion Polska S.A. or its subsidiaries with the value exceeding 10% of equity.

Proceedings concerning receivables of ULMA Construcccion Polska S.A.:

ULMA Construcccion Polska S.A. has 96 proceedings concerning receivables pending before courts - their total value is PLN 18,559,000. Of all proceedings before courts, ULMA Construcccion Polska S.A. runs 56 bankruptcy proceedings to a total amount of PLN 10,111,000.

The list of major proceedings concerning receivables of ULMA Construcccion Polska S.A.

Debtor	Value of the dispute in PLN '000	Proceedings instituted on
ABRAMOWICZ BUDOWNICTWO SP. Z O.O.	434	22.09.2011 – bankruptcy
MAXER S.A.	466	28.04.2006 – bankruptcy
Krupiński Construction Sp. z o.o.	552	05.12.2006 – enforcement
IMA BUD DEVELOPMENT SP. Z O.O.	592	20.11.2007 – enforcement
MH-BUD MEUŚ	626	06.08.2011 – enforcement
FENIX SP. Z O.O.	696	30-11-2011 – bankruptcy
PHU POLKON SP. Z O.O.	715	26.09.2011 – court payment order
LPBO S.A.	762	23.03.2009 – bankruptcy
BIP GROUP	792	24.04.2009 – bankruptcy
MPRD S.A.	824	08.12.2006 – bankruptcy
DOMKAR-BUDOWNICTWO	974	10.11.2010 – enforcement
PRIB EKO PRZEM SP. Z O.O.	1,096	17.03.2010 – bankruptcy, 07.03.2011 – discontinuance of bankruptcy proceedings, enforcement instituted against Management Board members
PAWERBUD SP. Z O.O.	1,154	24.05.2011 – bankruptcy
RADKO SP. Z O.O.	4,286	27.06.2012 – court payment order
Total	13,969	

Information on conclusion by ULMA Construcccion Polska S.A. or its subsidiary of one or more transactions with related entities, if the value of such transactions (the total value of all transactions concluded from the beginning of the accounting year) exceeds the equivalent of EUR 500.000 – if such transactions are of typical and routine nature, concluded at an arm's length basis, and their nature and conditions result from running ongoing operations by ULMA Construcccion Polska S.A. or its subsidiary, with specification of their total value and, with respect to a contract of higher value, with the information about:

- a) the entity with whom the transaction was concluded,***
- b) relations of ULMA Construcccion Polska S.A. or its subsidiary with the entity being a party to the transaction,***
- c) object of the transaction,***
- d) significant terms and conditions of the transaction, including in particular the financial conditions and specification of special terms and conditions, typical of***

the contract which depart from terms and conditions commonly applied in such contracts

Transactions concluded in the 1st half-year 2012 by ULMA Construcccion Polska S.A. and its subsidiaries with affiliates were of typical and routine nature, were concluded at an arm's length basis, and their nature and conditions resulted from running ongoing operations.

The most significant transactions involved the acquisition of shuttering and lease services concerning shuttering systems by ULMA Construcccion Polska S.A. from LMA C y E, S. Coop. with the value of PLN 4,797,000.

Information about the ULMA Construcccion Polska S.A. or its subsidiary undertaking advancing suretyship for a loan or credit facility or providing a guarantee – in aggregate to one entity or a subsidiary undertaking of such entity, if the total value of the existing suretyships or guarantees is equivalent to 10% of the shareholders' equity of the ULMA Construcccion Polska S.A., specifying:

- a) name of the entity to whom surety or guarantees were provided,***
 - b) total value of loans secured or guaranteed in full or in a specified part,***
 - c) period for which the sureties or guarantees were provided,***
 - d) financial terms and conditions on which the sureties or guarantees were provided, specifying the remuneration of ULMA Construcccion Polska S.A. or its subsidiary for provision of sureties or guarantees,***
- the nature of connections between ULMA Construcccion Polska S.A. and the entity which incurred loans.***

There were no economic operations of this type in the analysed period.

Other information, which according to ULMA Construcccion Polska S.A. Group is significant for assessment of the personnel, property or financial situation, financial results and changes thereof, as well as information which is significant for assessment of the capacity of liabilities fulfilment to the ULMA Construcccion Polska S.A. Group.

Apart from the events described above, there were no other major events in the 1st half-year of 2012.

Moreover, the Management Board of ULMA Construcccion Polska S.A. is not aware of any information important for the assessment of the Company's staff, assets, financial standing, financing results and changes thereto, as well as the assessment of the Capital Group's ability to satisfy its obligations.

Factors which, in the opinion of ULMA Construcccion Polska S.A., will affect results of ULMA Construcccion Polska S.A. Capital Group at least in the remaining months of 2012

Risk of competition and outlooks for the construction industry

Market in Poland

There are many factors which may influence the situation in the construction market in the next few months, and which are difficult to anticipate at the moment, e.g. whether the revival of investment activity will persist, whether foreign investors will come back to the market, what will be the sources of financing of new and already commenced infrastructure investments and whether and to what extent the government will get involved in recapitalisation of construction companies.

The recently adopted act which makes it possible to recover outstanding receivables directly from the Road and Motorway Authority (GDDKiA) will contribute to the improvement of liquidity of the companies performing road construction contracts. In the 2nd half-year there will not be such great pressure any more on the speed of performance of infrastructure projects, and the portfolio of orders in this sector will also go down significantly.

The expected further weakening of the economic growth dynamics may result in lower real income of the Polish people. Combined with a more rigorous credit policy of banks and with reduced impact of the "Rodzina na swoim" scheme, most probably it will lead to the decrease of demand for flats. Additionally, providing for sale, in the first half of the year, of a record-breaking number of flats resulting from entry into force of a property development act has led to the increase of unsold apartments. On the other hand the innovative scheme of supporting the energy-saving construction, with the financial resources amounting to PLN 300,000,000, may have a positive impact on the development of the residential construction sector.

The implementation of energy projects which gave the industry high hopes for mitigation of the economic downturn is delayed, it seems, however, that commencement, next year, of construction of several large power units is realistic, since there is a significant threat of shortages of power supply in the energy system in 2016.

The increasingly evident slowdown in the construction industry may result in a decrease of prices of construction materials prices and thus in lower sales margins obtained by subcontractors of the general contractors to which the Capital Group belongs.

Due to the portfolio of orders going down, low margins and companies' problems with financial liquidity as well as heavy pressure on price reduction, the market is becoming dominated by the companies which have decided to diversify their operations. In the view of the foregoing, ULMA company focuses its activities on detailed monitoring of planned investments and investing, for example, in the development of self-lifting and radial systems, applicable to construction of high buildings and special structures in commerce and industry.

Commercial risk

The latest information about bankruptcies of large companies from the construction industry, as well as comments of some Management Boards of construction companies about the problems of construction entities with settlement of their current financial liabilities are not optimistic. The media in Poland have repeated many times that 2012 will be of key importance for the construction industry since some general contractors may be unable to maintain their financial liquidity as a result of performing contracts (in particular in the segment of road construction) with low margin, concluded in the previous periods, when the market competition was very intense.

For that reason the Capital Group does not preclude the necessity to establish further receivables' revaluation write-downs if another wave of bankruptcies or insolvencies rolls over the construction industry.

Investor Relations

As part of the measures taken to establish proper investor relations, the Group has appointed a person responsible for contact with the Warsaw Stock Exchange (GPW), Polish Financial Supervision Authority (KNF) and shareholders.

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Statement of the Parent Company's Management Board

Consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2012 and separate financial statement of ULMA Construcción Polska S.A. were approved by the Management Board of ULMA Construcción Polska S.A. on 17 August 2012.

Consolidated and separate financial statements for the 6 months' period ended on 30 June 2012 were prepared in order to present the economic and financial position and profit of ULMA Construcción Polska S.A. Capital Group and its parent company.

Consolidated and separate financial statements for the 6 months' period ended on 30 June 2012 were prepared in accordance with the International Financial Reporting Standard – "Interim Financial Reporting".

Consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2012 include:

- consolidated statement of financial position
- consolidated total income statement
- statement of changes in consolidated equity
- consolidated cash flow statement
- additional information.

Separate financial statement of ULMA Construcción Polska S.A. for the 6 months' period ended on 30 June 2012 includes:

- statement of financial position
- total income statement
- statement of changes in equity
- cash flow statement
- additional information

To the best of our knowledge the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2012 and consolidated comparable data and separate financial statement of ULMA Construcción Polska S.A. for the 6 months' period ended on 30 June 2012 and comparable data have been prepared in accordance with the applicable accounting regulations and give a true, reliable and transparent view of the economic and financial position and profit of ULMA Construcción Polska S.A. Capital Group and its parent company, and the report of the Management Board on operations of ULMA Construcción Polska S.A. Capital Group in the 6 months' period of 2012 gives a true picture of the development, achievements and situation of the Group, including a description of the basic threats and risk..

The entity authorised to examine and review the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group and separate financial statement of the parent company for the 6 months' period ended on 30 June 2012 has been selected in accordance with the provisions of law. The said entity and expert auditors which audit the said financial statements meet the requirements necessary to prepare an unbiased and independent report on the review, in accordance with relevant provisions of domestic law.

On behalf of the Management Board of ULMA Construcción 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.....

Warsaw, 17 August 2012