EXTENDED CONSOLIDATED REPORT OF THE

ULMA Construccion Polska S.A. CAPITAL GROUP

FOR Q1 2014

ULMA Construccion Polska S.A. CAPITAL GROUP

GENERAL INFORMATION

The Group's business

The business of the ULMA Construccion Polska S.A. Capital Group
(hereinafter referred to as the Group) consists in the following:

- rental and sale of scaffolding and formwork,
- development of applications of scaffolding and formwork on commission,
- export of construction services provided by Group's companies,
- sale of construction materials and raw materials and accessories for concrete,
- transport, equipment and renovation activity, including sale and rental of construction machinery.

The parent entity ULMA Construccion Polska S.A. is a joint-stock company (the Company). The Company commenced its business activity on 14 February 1989 under the name of Bauma Sp. z o.o., in a form of a limited liability company (Spółka z o.o.) and was registered under the Rep. No. A.II – 2791. On 15 September 1995, it was converted into a joint-stock company, established by a notarial deed before notary Robert Dor at the Notarial Office in Warsaw, registered under Rep. No. A 5500/95. On 29 October 2001, the District Court in Warsaw, 20th Commercial Division of the National Court Register, entered the Company into the Register of Entrepreneurs under the National Court Register No. 0000055818. On 6 November 2006, the Extraordinary General Meeting of Shareholders, by way of Resolution No. 1, decided to change the Company's name from BAUMA S.A. to ULMA Construccion Polska S.A. The relevant entry into the National Court Register was made on 14 November 2006.

Registered office

ULMA Construccion Polska S.A.
(the parent company of the ULMA Construccion Polska S.A. Capital Group)
Koszajec 50
05-840 Brwinów

Supervisory Board and Management Board

Aitor Ayastuy Ayastuy	Chairman of the Supervisory Board
Lourdes Urzelai Ugarte	Vice-Chairman of the Supervisory Board
Ander Ollo Odriozola	Member of the Supervisory Board
Iñaki Irizar Moyua	Member of the Supervisory Board
Félix Esperesate Gutiérrez	Member of the Supervisory Board
Rafał Alwasiak	Member of the Supervisory Board

Audit Committee

Rafał Alwasiak	Chairman of the Committee
Aitor Ayastuy Ayastuy	Member of the Committee
Lourdes Urzelai Ugarte	Member of the Committee

Management Board

Andrzej Kozłowski	President of the Management Board
Krzysztof Orzełowski	Member of the Management Board
José Ramón Anduaga Aguirre	Member of the Management Board
José Irizar Lasa	Member of the Management Board
Andrzej Sterczyński	Member of the Management Board

Statutory Auditor

KPMG Audyt Sp. z o.o. spółka komandytowa
ul. Chłodna 51
00-867 Warszawa
The company is entered onto the list of entities authorized to audit financial statements under no. 3546.

Banks

BRE Bank S.A.
PEKAO S.A.
BNP Paribas Bank Polska S.A.
PKO Bank Polski S.A.
Sabadel Bank (Spain)

Stock market quotations

The Company is quoted on the Warsaw Stock Exchange (“GPW”).
Ticker symbol on GPW: ULM.

ULMA Construccion Polska S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR Q1 2014

Consolidated statement of financial position

As of:

	31 March 2014	31 December 2013	31 March 2013
ASSETS			
I. Fixed (long-term) assets			
1. Tangible fixed assets	250 736	271 427	309 088
2. Intangible fixed assets	468	578	791
3. Interests in associated companies	213	280	634
4. Other fixed assets	4 164	4 179	4 219
5. Long-term receivables	976	921	1 007
Total fixed (long-term) assets	**256 557**	**277 385**	**315 739**
II. Current (short-term) assets			
1. Stocks	6 924	6 807	6 984
2. Trade and other receivables	72 594	70 780	81 766
3. Current income tax receivables	43	492	19
4. Derivative instruments	40	42	-
5. Cash and cash equivalents	25 727	29 748	25 080
Total current (short-term) assets	**105 328**	**107 869**	**113 849**
Total assets	**361 885**	**385 254**	**429 588**
EQUITY AND LIABILITIES			
I. Equity			
1. Share capital	10 511	10 511	10 511
2. Supplementary capital – share premium	114 990	114 990	114 990
3. Foreign exchange gains/(loss) on consolidation	(9 128)	(4 498)	(3 342)
4. Retained earnings, including:	172 057	178 125	184 799
a. Net profit/(loss) for the financial period	*(6 068)*	*93*	*(3 744)*
Total equity	**288 430**	**299 128**	**306 958**
II. Liabilities			
1. Long-term liabilities			
a. Credits and loans	3 780	10 604	31 076
b. Deferred income tax liabilities	7 341	9 228	10 240
c. Long-term liabilities related to retirement benefits	136	136	102
d. Long-term liabilities under financial lease	-	-	99
Total long-term liabilities	**11 257**	**19 968**	**41 517**
2. Short-term liabilities			
a. Credits and loans	28 704	33 243	48 339
b. Short-term liabilities related to retirement benefits	3	3	14
c. Short-term liabilities under financial lease	115	139	148
d. Current income tax liabilities	798	1 439	84
e. Derivative instruments	-	-	31
f. Trade and other liabilities	32 578	31 334	32 497
Total short-term liabilities	**62 198**	**66 158**	**81 113**
Total liabilities	**73 455**	**86 126**	**122 630**

Total equity and liabilities	**361 885**	**385 254**	**429 588**

Consolidated profit and loss statement and other comprehensive income

	Q1 2014	Q1 2013
Revenues from sales	48 174	46 239
Cost of sold products, goods and materials	(44 231)	(43 676)
I. Gross profit on sales	**3 943**	**2 563**
Sales and marketing expenses	(6 401)	(1 756)
General and administrative expenses	(3 856)	(3 792)
Other operating expenses	166	(359)
II. Operating profit/(loss)	**(6 148)**	**(3 344)**
Financial income	110	112
Financial expenses	(789)	(1 197)
Net financial expenses	*(679)*	*(1 085)*
Share of profit/(loss) in associated companies	(68)	(159)
III. Profit/(loss) before tax	**(6 895)**	**(4 588)**
Current income tax	(1 058)	(142)
Deferred income tax	1 885	986
IV. Net profit/(loss) for the financial period	**(6 068)**	**(3 744)**
Other comprehensive income:		
Foreign currency exchange gains/(loss) on translation of financial	(4 621)	576
Income tax relating to other comprehensive income items	(9)	(30)
V. Total comprehensive income for the financial period	**(10 698)**	**(3 198)**
Net profit/(loss) for the period attributable to owners of the parent company	(6 068)	(3 744)
Weighted average number of ordinary shares	5 255 632	5 255 632
Basic and diluted profit/(loss) per share for the financial period (in PLN per share)	(1.15)	(0.71)

All amounts expressed in PLN thousand unless stated otherwise

Statement of changes in consolidated equity

Item	Share capital at nominal value	Share premium	Foreign exchange gains/(loss) on consolidation	Retained earnings	Total equity
As of 31 December 2012	**10 511**	**114 990**	**(3 888)**	**188 543**	**310 156**
Comprehensive income in 2013	-	-	(610)	93	(517)
Dividend – distribution of profit for 2012	-	-	-	(10 511)	(10 511)
As of 31 December 2013	**10 511**	**114 990**	**(4 498)**	**178 125**	**299 128**
Comprehensive income in Q1 2014	**-**	**-**	**(4 630)**	**(6 068)**	**(10 698)**
As of 31 March 2014	**10 511**	**114 990**	**(9 128)**	**172 057**	**288 430**

Item	Share capital at nominal value	Share premium	Foreign exchange gains/(loss) on consolidation	Retained earnings	Total equity
As of 31 December 2012	**10 511**	**114 990**	**(3 888)**	**188 543**	**310 156**
Comprehensive income in Q1 2013	-	-	546	(3 744)	(3 198)
As of 31 March 2013	**10 511**	**114 990**	**(3 342)**	**184 799**	**(306 958)**

All amounts expressed in PLN thousand unless stated otherwise

Consolidated cash flow statement

	Q1 2014	Q1 2013
Net profit for the financial period	**(6 068)**	**(3 744)**
Adjustments:		
- Income tax	(827)	(843)
- Depreciation of fixed assets	17 636	20 248
- Depreciation of intangible assets	101	130
- Net value of sold formwork – fixed assets	3 445	3 203
- (Profit)/loss on changes in the fair value of financial instruments	3	179
- Interest revenue	(110)	(150)
- Interest expenses	546	1 277
- (Profit)/loss on foreign exchange differences	(3 207)	1 595
Changes in the balance of current assets:		
- Stocks	(117)	(1 006)
- Trade and other receivables	(377)	8 107
- Trade and other liabilities	(836)	(12 985)
	10 189	**16 011**
Income tax paid	(1 252)	(645)
Net operating cash flow	**8 937**	**15 366**
Acquisition of tangible fixed assets	(4 083)	(9 695)
Proceeds from sale of tangible fixed assets	23	14
Acquisition of intangible and legal assets	(2)	(132)
Loans granted	(5 012)	-
Repayment of loans granted	5 012	
Interest received	54	157
Net cash flow from investments	**(4 008)**	**(9 656)**
Loans and credits received	807	1 256
Repayment of loans and credits	(9543)	(10 311)
Payments under financial lease	(24)	(37)
Interest paid	(564)	(1 250)
Dividend paid	-	-
Net cash flow from financing activities	**(9 324)**	**(10 342)**
Increase/(decrease) in net cash and overdraft facility	**(4 395)**	**(4 632)**
Cash and bank overdraft at the beginning of the period	29 748	29 592
Foreign exchange gains/(loss) from the valuation of cash and overdraft facility	374	120
Cash and overdraft facility at the end of the period	**25 727**	**25 080**

All amounts expressed in PLN thousand unless stated otherwise

ULMA Construccion Polska S.A.
CAPITAL GROUP

ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Description of major accounting principles applied

The basic accounting principles applied during the preparation of these consolidated financial statements are presented below. The principles described herein were applied in all the periods presented on a continuous basis.

Basis for preparation

These consolidated financial statements for the period of 3 months concluded on 31 March 2014 for the ULMA Construccion Polska S.A. Capital Group, whose parent entity is ULMA Construccion Polska S.A. with its registered office in Warsaw, was prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".
The statements were prepared in accordance with the historical cost principle, with the exception of assets and financial liabilities (derivative financial instruments) measured at fair value through profit and loss.

Consolidation

Subsidiaries are all entities (including special purpose vehicles) whose financial and operating policy may be controlled by the Group; the Group usually has relevant capacity to control both their financial and operating policy by holding the majority of the total votes in their decision-making bodies. To assess whether the Group controls an entity, the existence and impact of potential voting rights that may be exercised or converted in the given moment is considered. The subsidiaries are subject to full consolidation starting from the day of taking control by the Group. Consolidation of such subsidiaries ceases on the date of termination of the control. The acquisition cost is determined as the fair value of the assets transferred, of the equity instruments issued and of the obligations contracted or accepted as of the exchange date, plus costs that are directly related to the acquisition. Identifiable acquired assets and liabilities, including contingent liabilities acquired as a result of the merger of business entities are measured initially at fair value as of the acquisition date, independently of the value of potential non-controlling shares Surplus of the acquisition cost over the fair value of the Group's share in identifiable net assets acquired is recognized as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the financial result.

Transactions, settlements and unrealized profits on transactions between the Group's companies are eliminated. Unrealized losses are also subject to elimination, unless the transaction provides evidence of impairment of the transferred asset.

Foreign exchange differences arising on a cash item constituting a part of a net investment in an entity operating abroad are recognized respectively in the financial result in the separate financial statements of the entity preparing consolidated financial statements or of the entity operating abroad. In consolidated financial statements such differences are recognized initially under a separate item of equity and disclosed in other comprehensive income and upon net investment disposal they are recognized in the financial result.

The accounting principles applied by the subsidiaries were changed, where necessary, to ensure compliance with the accounting principles applied by the Group.

Measurement of items expressed in foreign currencies

Functional currency and presentation currency

The items included in the financial statements of the Group are measured in the currency of the primary economic environment in which a substantial part of the Group operates (functional currency). The functional currency of the parent entity is Polish zloty (PLN), constituting also the presentation currency for the financial statements of the Group.

Transactions and balances

Transactions expressed in foreign currencies are converted into the functional currency at the exchange rate applicable on the transaction date. Foreign exchange profits and losses related to the settlement of such transactions and balance sheet valuation of cash liabilities and assets expressed in foreign currencies are recognized respectively in the financial result. Positive and negative foreign exchange differences related to investment and financing activities are included in financial costs.
Foreign exchange differences related to the performance and balance sheet valuation of trade settlements increase or decrease revenue or cost items with which they are operationally correlated.
The Group adopts the average exchange rate for the specific currency published by the National Bank of Poland as of the balance sheet date as the closing rate for that currency, used for the purpose of balance sheet valuation of cash liabilities and assets expressed in foreign currencies.

Foreign companies

Financial statements of companies belonging to the Capital Group whose functional currencies are different from the presentation currency are converted into the presentation currency as follows:

- assets and liabilities are converted at the closing rate as of the balance sheet date,
- revenues and costs in the statement of comprehensive income are converted separately for each business month at the closing rate as of the last day of that month,
- all resulting foreign exchange differences are recognized as a separate item of equity and disclosed in other comprehensive income.

Foreign exchange rates and inflation

	The average Polish zloty / Ukrainian hryvnia (UAH) exchange rate published by the National Bank of Poland	The average Polish zloty / Lithuanian litas (LTL) exchange rate published by the National Bank of Poland	The average Polish zloty / tenge (KZT) exchange rate published by the National Bank of Poland	The average Polish zloty / EUR exchange rate published by the National Bank of Poland	Change in the consumer goods and services index published by the Central Statistical Office of Poland
31 March 2014	0.2693	1.2081	0.016657	4.1713	0.6
31 December 2013	0.3706	1.2011	0.019530	4.1472	0.9
31 March 2013	0.4006	1.2099	0.021570	4.1774	1.3

All amounts expressed in PLN thousand unless stated otherwise

Financial instruments

The financial instruments disclosed in the statement of financial position include cash on hand and at banks, trade and other receivables, financial assets disclosed at fair value and settled through profit or loss, financial assets available for sale, trade and other liabilities as well as loans and credit.
The methods of presentation and measurement of individual financial instruments are included in the points describing the adopted accounting principles below.
Derivative financial instruments are initially recognized at fair value as of the date of contract conclusion. Subsequently, their value is adjusted to reflect the current fair value. The derivative instruments held by the Group do not qualify as hedge accounting and therefore the result of their measurement to fair value is recognized in the financial result.
As of each balance sheet date, the Group evaluates, whether any circumstances constituting evidence of impairment of financial assets have arisen. If any such events occurred, the Group recognizes the accumulated loss, defined as the difference between the carrying value and the current fair value, in the financial result, reducing at the same time the carrying value of the relevant asset.

Tangible fixed assets

Tangible fixed assets, i.e. buildings, machinery and equipment used for manufacturing, delivery of products and performance of services or for management purposes, were measured as of the balance sheet date at acquisition price or production cost, less accumulated depreciation and impairment write-downs.
Later expenditures are recognized in the carrying value of the relevant asset or as a separate PP&E item (where applicable), only when it is probable that the Group will derive respective economic benefits, and the cost of the relevant item can be reliably measured. Later expenditures that do not increase the initial use value of the individual asset are charged to the costs of the period, in which they were incurred.
Lands owned by the Group are recognized at acquisition price and are not depreciated. Other property, plant & equipment items are depreciated on a straight-line basis in order to spread their initial value less the potential end value over the time of their use for the individual generic groups.

The periods of use applied for the individual generic groups of PP&E are as follows (in years):

- buildings and structures 25 – 40
- investments in third party facilities 10
- plant and machinery 3 – 20
- equipment, formwork systems and other PP&E 3 – 7

The end value and the periods of use of the PP&E are checked as at every balance sheet date and adjusted, if necessary.
If the carrying value of a PP&E item exceeds the estimated recoverable amount, the carrying value is reduced to the recoverable amount (note 1I).
Profit and loss on the disposal of property, plant & equipment is determined by comparing the revenue from sale with the carrying value and recognized in the financial result.

Leasing – lessees (user's) accounting

Leasing of assets, at which a substantial part of the risk and benefits resulting from ownership actually continues to be borne or enjoyed by the lessor, is referred to as operational lease. The lease payments

charged to the Group in relation to operational lease are charged to the financial result on a straight-line basis throughout the term of the lease agreement.
Leasing of tangible fixed assets, at which the Group assumes a substantial part of the risk and benefits derived from ownership, is referred to as financial lease. Items under financial lease are recognized in assets as of the starting date of the lease at the lower of the following amounts: the fair value of the leased item or the present value of the minimum lease payments. Lease payments made in the reporting period in the part related to the principal installments reduce the principal of the financial lease payable, while the remaining part, i.e. the interest, is charged to the financial costs of the period. Lease payments are divided into principal and interest in such a way as to obtain a fixed interest rate for each period with regard to the outstanding amount of the liability.
Tangible fixed assets under financial lease are disclosed in the statement of financial position on an equal basis with other tangible assets and are depreciated in accordance with the same principles. If there is no reliable assurance that after the termination of the lease agreement, the Group will acquire the ownership right, the relevant assets are depreciated over the lease period or the time corresponding to their useful economic life, whichever is shorter.

Leasing – lessor's (financing party's) accounting

Leasing is an agreement, under which the lessor (financing party) transfers, against a payment or a series of payments, to the lessee (user) the right to use a specific asset over a determined period. If the assets are given in operational lease, the relevant asset is disclosed in the statement of financial position according to its nature (type). Operational lease revenue is recognized over the lease period using the straight-line method.
Fixed assets belonging to the group "Formwork systems" are the object of short-term lease.

Intangible assets

Software

Acquired software licenses are capitalized at the amount of the costs incurred to purchase and to prepare specific software for use. Capitalized costs are written down over the estimate time of use of the software amounting to 2–5 years.

Impairment of fixed assets

Fixed assets subject to depreciation are analyzed for impairment in the case of circumstances indicating the potential failure to realize the carrying value of tangible or intangible fixed assets held. The amounts of revaluation write-downs determined during the analysis (impairment test) reduce the carrying value of the asset they concern, and they are charged to the costs of the period. Loss due to impairment is recognized in the amount by which the carrying value of the asset exceeds the recoverable amount. The recoverable amount is the higher one of the following two amounts: fair value less the costs to sell, and use value (reflected by the present value of cash flow connected with the relevant asset). For the purposes of analysis for potential impairment, assets are grouped at the lowest level in relation to which cash flows occur that can be separately identified (cash-generating units). Non-financial assets other than goodwill impaired in the past are subject to review in relation to the potential reversal of the write-down as of each balance sheet date.

Investments

Available-for-sale financial assets

The investments of the Group cover the value of interests and shares in entities other than subsidiaries and associated undertakings. Investments in other entities are presented as financial assets available for sale since the Management Board does not intend to dispose of such investments within the next 12 months. The investments are initially recognized at fair value plus additional transaction costs. Increases in the value of investments related to revaluation to fair value are taken to equity. Decreases in the value of investments in relation to which increases were made at earlier date reduce the revaluation capital. All other decreases resulting from impairment are charged to the financial result. In the case of available-for-sale financial instruments, whose fair value cannot be reliably determined (no active market exists for such instruments), valuation is performed at the cost of acquisition of the financial instrument less revaluation write-downs.

Stocks

Stocks of raw materials, other materials, semi-finished products and finished products as well as purchased goods are measured as at the balance sheet date at the lower of the following amounts: the acquisition price (production cost) or possible to acquire net selling price. The cost of finished goods and work in progress includes design cost, the value of raw materials used, direct labor costs, other direct costs and the corresponding departmental manufacturing costs (based on normal production capacities), however, without the costs of third party financing.
The net selling price is the price of sale performed during normal economic activity, less the estimated costs of production completion and the variable costs which have to be incurred to perform the sale effectively.

Inventory depletion is always measured in accordance with the “first in, first out” (FIFO) principle, with the exception of raw materials and materials used to produce formwork, depletion of which is measured at the weighted average purchase prices.
Revaluation write-downs are made on obsolete, unsellable and defective inventories as applicable.

Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured using the depreciated cost method, applying the effective percentage rate less impairment write-downs. Trade receivables regarded as uncollectible are charged to costs at the moment of stating them uncollectible. If the Management Board considers it probable that the Group will not be able to recover the amounts due at their original value, an impairment write-down is made. The write-down amount corresponds to the difference between the book value and the present value of the expected future cash flows, discounted by the effective interest rate. Changes in the value of write-downs on trade receivables are recognized in the financial result, charged to sales and marketing costs, in the period in which the change took place.

Prepayments and accrued income

The capitalized amount of expenses incurred in the relevant financial year and related to the following reporting periods is also disclosed under “Trade and other receivables” of the statement of financial position. Their value was reliably determined and these will cause an inflow of economic benefits in the future.

Cash and cash equivalents

Cash and cash equivalents are recognized in the statement of financial position at fair value corresponding to the nominal value. These include cash on hand and at banks, other short-term investments with a high degree of liquidity with original maturities not exceeding three months.

Balance of cash and cash equivalents disclosed in the cash flow statement includes cash referred to above and its equivalents, less outstanding overdraft amounts.
Overdraft facilities are disclosed in the statement of financial position under liabilities – short-term loans and credit.

Capital

Share capital

Ordinary shares are classified as equity. Share capital is disclosed at the nominal value of the shares. Share premium less costs directly related to the issue of the new shares is disclosed as supplementary capital.

Retained earnings

In the statement of financial position, the "retained earnings" item includes accumulated retained profits and losses of the Group from the previous financial periods and the financial result of the current financial year.

Credits and loans

Credits and loans are initially recognized at fair value, less the transaction costs incurred. In the subsequent periods, loans and credits are measured at the adjusted acquisition price (depreciated cost), applying the effective interest rate.
Credits and loans are recognized in short-term liabilities, unless the Group has the unconditional right to defer the repayment of the debt by at least 12 months following the balance sheet date.

Provisions

Provisions are created for the Group's existing obligations (under statute or common law) resulting from past events, provided that the probability that the Group's resources will have to be spent in order to fulfill that obligation occurs, and if its estimated value can be determined in reliable manner.

Accruals and deferred income

The Group discloses the following under "Trade and other liabilities" in the statement of financial position:

- Reliably estimated values of the costs incurred in the relevant reporting period, not invoiced by the suppliers until the balance sheet date. The time and manner of settlement depends on the nature of the accruals, subject to the prudence principle.
- Deferred income, including in particular the equivalent of funds obtained or due from contracting parties in relation to services to be provided in subsequent reporting periods.

Significant accounting estimates

In the course of preparation of these financial statements in accordance with the International Financial Reporting Standards, the Management Board performs specific accounting estimates and takes its own knowledge and estimates in relation to expected changes in the analyzed figures into account. The actual

figures may differ from the estimates. The carrying value of tangible fixed assets is determined on the basis of estimates concerning the useful life of individual groups of property, plant & equipment. The useful life periods assumed for tangible fixed assets are subject to periodic review on the basis of analyses performed by the Group.
Receivables are reviewed for impairment when circumstances suggest that they may be uncollectible. In that case, the amount of write-downs is determined on the basis of estimates prepared by the Group.

Revenues

Revenues include the fair value of revenue from the sale of products and services, less goods and services tax (VAT), discounts and reductions.
The Group recognizes the revenue from sales, in the cases in which: the amount of revenue can be reliably measured; it is likely that the entity will obtain economic benefits in the future; and the specific criteria described below have been met for all kinds of the Group's activity.

Revenues from the sale of products and goods

Revenue from the sale of goods and products is recognized, provided that significant risk and benefits resulting from the right of ownership of goods and products were transferred to the buyer, and when the amount of revenue can be measured reliably, and collectability of receivables is sufficiently certain.
This category also includes revenue from the sale of formwork systems, recognized as tangible fixed assets. The result from the sale of other tangible fixed assets is recognized in other operating expenses.
In the case of domestic sales, the moment of recognizing the revenue from the sale of products or goods is the time of release of the products or goods to the buyer from the Group's warehouse. In the case of export sale and intra-Community supply of goods, the moment of recognizing the revenue depends on the delivery conditions determined in accordance with Incoterms 2000, included in the performed contract. In the case of contracts concluded under FCA (or EXW) conditions, the moment when revenue from sale is recognized is the moment of release of the products or goods to the recipient from the Group's warehouse. In the case of contracts concluded under CPT and CIP conditions, the revenue from the sale of products and goods is recognized as of the date of confirmation of receipt of the delivery by the customer.

Revenues from the sale of services

Revenues from the sale of services concern mainly construction formwork rental services.
Revenues from the sale of services are recognized in the period in which the services were rendered, depending on the completion status of the individual transaction, determined on the basis of the ratio of the work actually performed to all the services to be performed, provided that:

- the revenue amount can be measured reliably;
- it is likely that the entity will acquire economic benefits from the performed transaction;
- completion status of the transaction as at the revenue recognition date can be determined reliably;
- expenses incurred in relation to the transaction and to its completion can be measured reliably.

Interest

Interest revenue is recognized on accrual basis, using the effective interest rate method. Such revenue refers to the money paid for using cash by the companies belonging to the Group. If a receivable is impaired, the Group reduces its carrying value to the recoverable amount equal to the estimated future cash flows discounted at the initial effective interest rate of the instrument. Then the discount amount is gradually settled in correspondence with the interest revenues.

Dividends

Revenue from dividend is recognized at the moment of acquisition of the right to obtain the payment.

Deferred income tax

Deferred income tax assets and liabilities resulting from temporary differences between the tax value of assets and liabilities and their carrying value in the consolidated financial statements are recognized using the balance sheet method. Yet in the cases where the deferred income tax arose due to the initial recognition of an asset or liability within a transaction other than a merger of business entities, not affecting the financial result or the tax income (loss), such deferred income tax is not disclosed. Deferred income tax is determined using the tax rates (and in accordance with the tax regulations) legally or actually in force as of the balance sheet date, expected to be in force at the moment of realization of the relevant deferred income tax assets or payment of the deferred income tax liabilities.

Deferred income tax assets are recognized if it is likely that taxable income will be achieved in the future, which will make it possible to utilize the temporary differences.

Deferred income tax assets and liabilities are set off if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if the entity intends to pay the tax in the net amount or realize the receivables and settle the liability at the same time.

Employee benefits

Retirement allowance

The benefits related to the retirement allowance are due, provided that the employee acquires the right to such retirement benefit pursuant to the Labor Code. The amount of the retirement allowance due to the employee acquiring retirement rights is calculated in the amount of additional remuneration for one month, calculated in the same manner as the equivalent for leave. The Group recognizes the provisions for retirement allowance. The value of the relevant liability is calculated every year by independent actuaries.
The basis for calculating the provision for the employee is the expected amount of the retirement allowance or pension allowance that the Group undertakes to pay on the basis of the Terms & Conditions. The amount calculated in the above manner is discounted actuarially as of the balance sheet date. The discounted amount is reduced by the amounts of annual deductions for the provision, discounted actuarially as of the same date, made in order to increase the provision for the employee. The actuarial discount is the product of multiplying the financial discount by the probability that a given person will work until retirement age at the Group. According to IAS 19, the financial discount rate used to calculate the present value of liabilities related to employee benefits was determined on the basis of the market return rates on treasury bonds whose currency and term are consistent with the currency and estimated date of payment of the employee benefits.

Definition of presented financial periods

The financial statements present the following financial periods:

- Q1 2014 – from 1 January to 31 March 2014
- Q1 2013 – from 1 January to 31 March 2013

Additional notes to the quarterly report

Short description of significant achievements or failures of the Issuer in the period covered by the report together with a list of the most important related events, in particular the description of factors and events, including extraordinary ones having a significant impact on the Issuer's operations and the achieved financial results

Market environment in Poland

According to the data provided by the Central Statistical Office and industrial information, the economic slowdown that could be observed in the construction industry over the last year, in Q1 2014 is slowly replaced by stabilization with an upward trend. The construction sector is the most rapidly developing sector of the economy. After 6 quarters of recession, an increase in construction and assembly production by 10.6% was observed in the analyzed period, whereby it needs to be noticed that such a good result could have resulted from a mild winter and very low benchmark.

The indicator was most favorable in the non-residential sector with +13.6%.

In residential housing, the dynamics of the construction and assembly production was still slightly negative (-0.4%), but it instills optimism that in the analyzed period developers commenced the construction of 62.6% more apartments than a year earlier, and that they obtained in the same period 48.3% more building permits for new apartments. These data are an optimistic forecast for the discussed segment of the construction industry for subsequent quarters.

The engineering sector observed 8.2% growth in the analyzed period. This tendency, however, has not yet occurred in the most significant subcategory from the perspective of the Company's revenues, encompassing the construction of bridges, overpasses and flyovers, where a downward trend remained at the level of 10.2%. On the other hand, works in railway and industrial engineering accelerated significantly. The construction of two new units in the Opole Power Plant was the largest project, whose future was uncertain in the last few months. In Q1 2014, hired contractors (Polimex-Mostostal, Mostostal Warszawa SA and Rafako) commenced the performance of this contract.

Market environment abroad

In Q1 2014, the dynamics of the construction market in Kazakhstan was 3.9% but was diversified across the country. The greatest revival was observed in the area of the capital – Astana – in connection with intense preparations for EXPO 2017.

In Ukraine, the value of construction works in the analyzed period decreased by 6.4%, which has to be considered a very moderate slump in view of the complicated political and economic situation in the country. Commenced construction works were continued, and their status was monitored by the Company on an ongoing basis.

In the Baltic states, prosperity in the construction industry continued, which favored e.g. the expansion of the geographical scope of the Company's activity by acquiring several new contracts on the Latvian market.

Operating profitability

In Q1 2014, the Capital Group recorded a negative result of operating activity of PLN (6,148,000) compared to PLN (3,344,000) in the analogous period of the previous year.

Key items related to EBIT (operating profit) and EBITDA (operating profit + depreciation) in the analyzed periods were as follows:

	Q1 2014	2013	Q1 2013
Sales	48 174	209 471	46 239
EBIT	**(6 148)**	**3 907**	**(3 344)**
% of sales	(12.76)	1.87	(7.23)
Depreciation	17 737	78 681	20 377
EBITDA	**11 589**	**82 588**	**17 033**
% of sales	24.06	39.43	36.84

In Q1 2014, the Capital Group recorded a decrease in EBITDA in absolute terms by PLN 5,444,000 in relation to the level achieved in Q1 2013.

Worse EBITDA result in absolute terms is related to a drop in the Capital Group revenues in Q1 2014 related to the rental of scaffolding and formwork systems to the level of PLN 25,286,000 as compared to PLN 33,089,000 in revenues in the relevant period of the previous year (-23.6%). It results from a poor implementation of construction works on the market in the transition period of Q1 2014 in individual sectors with the use of scaffolding and formwork because new building contracts are not performed yet, which could help to balance the effect of terminating last year's contracts.
In the comparison of revenues from rental between quarters (1Q 2014 and 1Q 2013), it needs to be noticed that they were affected by decreasing unit prices of offered services due to price war between the individual market participants.

Since the last year, the Capital Group has consistently expanded on the export markets (Kazakhstan, Ukraine, Lithuania, Russia – Kaliningrad), diversifying its activity in terms of location. Commercial operations on these markets are carried out by subsidiary companies or in direct export transactions. As a result, the total share of revenues from export markets increased to 29% from 17% in the analogous period of the previous year.

The Management Board of the Capital Group strives to maintain cost discipline and expends effort to adjust the level of operational expenses to the current market situation on an ongoing basis. As a result, already in 2013, the Management Board of the Capital Group took a number of measures and decisions to reduce cost items, including: the adjustment of employment and payroll policy to the current market situation, renegotiations of contracts on third party services related to the management and administration of logistic centers, principles of managing the car fleet. Favorable results of optimization measures were visible in the financial results obtained in the previous year, but their effects will also be visible in Q1 2014.

All amounts expressed in PLN thousand unless stated otherwise

In Q1 2014, the Capital Group made write-downs on receivables in the amount of 5,528,000 as compared to PLN 740,000 in the analogous period of the previous year (recognized under "Sales and marketing expenses"). This one-off event resulted from the estimation of risk related to the recovery of receivables in relation to an action in court that the Capital Group instigated against its debtor. However, it needs to be noticed that all of these receivables arise from Q1 2014, when the Capital Group settled contracts performed by the debtor; therefore, this occurrence is neutral from the perspective of the financial result (risky receivables recognized in sales are covered with bed debts provisions recognized under "Sales and marketing expenses").

Definition of the Capital Group's exposure to foreign exchange risk

The companies of the Capital Group are exposed to foreign exchange risk in terms of actual cash flows, which the Group seeks to mitigate in the following way:

- by eliminating mutual liabilities and receivables expressed in the same foreign currency and related to the same maturities,
- by being active on the foreign exchange market (purchasing or selling foreign currencies that are objects of settlements parallel to liabilities and receivables expressed in a foreign currency),
- by participating in the futures market and concluding Non Delivery Forward (NDF) contracts.

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

The Capital Group applies no hedge accounting, and consequently the positive and negative results of hedging transaction conclusion and measurement are taken to profit or loss of the period.

The results of hedging transactions neutralize to a large extent the foreign exchange risk that the Capital Group is exposed to.

Besides the economic results on settlement and valuation of the NDF contracts hedging against foreign exchange risk, the other operating activity (item: "Other operating expenses") includes the economic effects on customizing elements of the 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 Q1 2014, the costs of the aforementioned events amounted to PLN 153,000 as compared to PLN 439,000 in the analogous period of 2013.

Financial expenses and other comprehensive income

The Capital Group uses bank credits to finance investments related to the 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 March 2014 amounted to PLN 32,484,000 as compared to PLN 79,415,000 as of 31 March 2013.

A decrease in the balance on bank credits in financing activities resulted in a decrease in interest costs, which amounted to PLN 541,000 in Q1 2014 as compared to PLN 1,268,000 in the analogous period of the previous year (drop by 57.3%).

In Q1 2014, a hike devaluation of the local currency in Ukraine (UAH hryvnia) and Kazakhstan (KZT tenge) was observed.

	PLN/UAH	PLN/KZT	EUR/UAH	EUR/KZT	USD/UAH	USD/KZT
31.12.2013	2.6983	51.20328	11.04153	211.17	7.9930	153.61

All amounts expressed in PLN thousand unless stated otherwise

31 March 2014	**3.7133**	**60.03482**	**15.07243**	**249.70**	**10.9546**	**182.04**
% of 31 December	**38%**	**17%**	**37%**	**18%**	**37%**	**19%**

Hike change in the foreign exchange rates resulted in a decrease in Group's equity in Q1 2014 by PLN 4,631,000. The above amount recognized under "Other comprehensive income" encompasses:

- Foreign currency exchange gains/(loss) on translation of financial statements of foreign companies in the amount of PLN 2,808,000.
- Foreign currency exchange gains/(loss) on the valuation of loans to subsidiaries recognized according to IAS 21 as net investment in a foreign entity in the amount of PLN -1,823,000.

Net financial profit/(loss)

Upon considering income tax, the Capital Group recorded a negative net financial result in Q1 2014 amounting to PLN (6,068,000) as compared the negative net result in the analogous period of the previous year of PLN (3,744,000).

Cash flow

A condensed cash flow statement of the Group for the analyzed periods is presented in the table below:

Operating cash flow

	Q1 2014	**Q1 2013**
Net profit/(loss)	**(6 068)**	(3 744)
Depreciation	17 737	20 378
Total cash surplus	**11 669**	**16 634**
Other operating cash flow	(2 732)	(1 267)
Net operating cash flow	**8 937**	**15 366**
Net cash flow from investments	(4 008)	(9 656)
Net cash flow from financing activities	(9 324)	(10 342)
Net cash flow	**(4 395)**	**(4 632)**

In Q1 2014, the Capital Group recorded a positive surplus (net profit + depreciation) of PLN 11,669,000.

In the same period, the operating cash flow amounted to PLN 8,937,000 as compared to PLN 15,366,000 (drop by PLN 6,429,000).

Cash flow from investments

In Q1 2014, the Capital Group made relatively insignificant investments mainly in order to supplement the portfolio of offered products (scaffolding and formwork systems). As a result, the capital expenditure in Q1 2014 related to the purchase of tangible fixed assets amounted to PLN 3,771,000.

Cash flow from financing activity

All amounts expressed in PLN thousand unless stated otherwise

In Q1 2014, according to the schedule resulting from concluded credit agreements, the Group repaid installments of credits granted in previous years. Related expenditure amounted to PLN 9,542,000. In the analogous period of the previous year, the Group repaid credit installments in the total amount of PLN 10,312,000. Consequently, in Q1 2014, expenditure exceeded proceeds from financing activity by PLN 9,324,000 as compared to PLN 10,342,000 of difference between expenditure and proceeds from financing activity in favor of the first one in the analogous period of 2013.

As a result of the above events, in Q1 2014 the Group recorded decline in cash and overdraft facilities by PLN 4,395,000 to PLN 25,727,000 as of 31 March 2014.

Explanations concerning seasonal or periodic character of the issuer's activity in the presented period.

Construction works are characterized by high seasonal variability, which translates directly into revenues from the sale of products and services of the ULMA Construccion Polska S.A. Capital Group. Particularly unfavorable weather conditions and frequent delays in the implementation of budgetary investments usually occur in the first quarter of the year.

Information on issuance, purchase and repayment of debt or equity securities.

In Q1 2014, no operations of this kind were carried out.

Information on the paid (or announced) dividend, in total and per share, broken down into ordinary and preference shares.

In Q1 2014, no operations of this kind were carried out.

Indication of events that occurred after the date as of which the condensed quarterly financial statements were prepared, not recognized in these statements, that can have a significant influence on the future financial results of the ULMA Construccion Polska S.A. Capital Group.

In spite of a high degree of efficiency of measures hedging against foreign exchange risk that is achieved, the net result of these transactions is still influenced by the changes in foreign exchange rates. This relates in particular to transactions hedging foreign exchange risk resulting from the balance of intra-group loans granted by ULMA Construccion Polska S.A. to its subsidiaries.

As a result, the changing exchange rate of EUR and USD in relation to PLN and UAH (hryvnia in Ukraine) and KZT (tenge in Kazakhstan) still influence the total income obtained by the Capital Group.

Information on the changing contingent liabilities or contingent assets since the end of the last financial year

Since the end of the last financial year, no changes in contingent liabilities or contingent assets have occurred

Information on revenues and results broken down into individual sectors or locations, specified in accordance with IAS, depending on which breakdown of segments is the basic one

ULMA Construccion Polska S.A. Capital Group identifies two basic segments in its business activity:

- handling construction sites – a segment which includes rental of scaffolding and formwork systems alongside broadly defined logistics services and settlement of construction costs once the contract has been completed,
- sale of building materials – a segment which covers sale of formwork systems constituting elements of the fixed capital (fixed assets) and the working capital (goods and products) of the Group, alongside the sale of other building materials.

The results in the individual segments were as follows:

Q1 2014 – 3 months concluded on 31 March 2014

Description	Handling construction sites	Sale of building materials	Capital Group
Total sales revenues	38 502	16 166	54 668
Sales between segments	(926)	(5 568)	(6 494)
Revenues from sales	**37 576**	**10 598**	**48 174**
Operating expenses excluding depreciation	(26 443)	(10 142)	(36 585)
EBITDA	**11 133**	**456**	**11 589**
Depreciation	(17 154)	(583)	(17 737)
EBIT operating profit	**(6 021)**	**(127)**	**(6 148)**

Q1 2013 – 3 months concluded on 31 March 2013

Description	Handling construction sites	Sale of building materials	Capital Group
Total sales revenues	40 668	12 234	52 902
Sales between segments	(132)	(6 531)	(6 663)
Revenues from sales	**40 536**	**5 703**	**46 239**
Operating expenses excluding depreciation	(22 964)	(6 241)	(29 205)
EBITDA	**17 572**	**(538)**	**17 034**
Depreciation	(19 896)	(482)	(20 378)
EBIT operating profit/(loss)	**(2 324)**	**(1 020)**	**(3 344)**

Adjustment of the net operating profit/(loss) to the Group's net result is presented below.

	Q1 2014	**Q1 2013**
Operating profit/(loss) of segments	**(6 148)**	**(3 344)**
Interest income	110	150

All amounts expressed in PLN thousand unless stated otherwise

Other financial income	-	(38)
Interest expenses	(546)	(1 277)
Other financial expenses	(243)	80
Share in results of associated companies	(68)	(159)
Profit/(loss) before tax	**(6 895)**	**(4 588)**
Income tax	827	844
Net profit/(loss)	**(6 068)**	**(3 744)**

Translation of selected financial data into EUR

	in PLN thousand		in EUR thousand	
ITEM	**Q1 2014**	**Q1 2013**	**Q1 2014**	**Q1 2013**
Net revenues from sale of products, goods and materials	48 174	46 239	11 499	11 078
Operating result	(6 148)	(3 344)	(1 467)	(801)
Profit before tax	(6 895)	(4 588)	(1 646)	(1 099)
Net financial result	(6 068)	(3 744)	(1 448)	(897)
Net operating cash flow	8 937	15 366	2 133	3 682
Net cash flow from investments	(4 008)	(9 656)	(957)	(2 314)
Net cash flow from financing activities	(9 324)	(10 342)	(2 226)	(2 478)
Net cash flow	(4 935)	(4 632)	(1 178)	(1 110)
Diluted earnings per ordinary share (in PLN/EUR)	(1.15)	(0.71)	(0.28)	(0.17)
Basic earnings per ordinary share (in PLN/EUR)	(1.15)	(0.71)	(0.28)	(0.17)
	31 March 2014	**31 December 2013**	**31 March 2014**	**31 December 2013**
Total assets	361 885	385 254	86 756	92 895
Liabilities	73 455	86 126	17 610	20 767
Long-term liabilities	11 257	19 968	2 699	4 815
Short-term liabilities	62 198	66 158	14 911	15 952
Equity	288 430	299 128	69 146	72 128
Share capital	10 511	10 511	2 520	2 535
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)	54.88	56.92	13.16	13.72

The specific asset and equity as well as liability items were translated into EUR at the average exchange rates announced by the President of the National Bank of Poland as of the balance sheet date. The average EUR rate as of 31 March 2014 was PLN 4.1713, and as of 31 December 2013 – PLN 4.1472.

While translating the items of the total income statement and cash flow account items, the arithmetic mean of the rates applicable on the last day of each month in a given period was applied. For the period from 1 January to 31 March 2014 this rate was PLN 4.1849/EUR, while the data for the analogous period in 2013 were translated at the rate of PLN 4.1738/EUR.

Description of the ULMA Construccion Polska S.A. Capital Group with the indication of entities subject to consolidation

The Group is controlled by ULMA C y E, S. Coop. registered in Spain, which as of 31 March 2014 has 75.49% of the Company's shares. The remaining 24.51% of shares are held by numerous shareholders.

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

Parent company:

- **ULMA Construccion Polska S.A.** commercial company with its registered office in Warsaw, at 10 Klasyków Street. 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. No. A 5500/95). It was registered in the Register of Entrepreneurs by the District Court for the Capital City of Warsaw, 20th Commercial Division of the National Court Register under KRS number 0000055818.

Subsidiary companies:

- **ULMA Opałubka Ukraina sp. z o.o.** with its registered office in Kiev at Gnata Juri 9, established on 18 July 2001. It was registered in the Sviatoshynska State Administration for the city of Kiev under no. 5878/01 and received 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 sp. z o.o.** with its registered office in Astana at Taszenowa 25. Its strategic objective is to develop the core business of the Capital Group, i.e. rental of formwork and scaffolding, as well as dissemination of knowledge in the area of application of the formwork technology in the construction process executed in Kazakhstan. The Issuer's share in the capital and the total number of votes is 100%.
- **ULMA Construccion BALTIC sp. z o.o.** with its registered office in Vilnius at Pylimo 41-12. The business objects of the Company consist of the rental of scaffolding and formwork, wholesale and retail sale of scaffolding and formwork, sale and rental of other building equipment and other commercial activity. The Issuer's share in the capital and the total number of votes is 100%.

Associated company:

- **ULMA Cofraje SRL**, with its registered office in Bragadiru at Soseaua de Centura No. 2-8 Corp C20 (Romania), established on 9 October 2007. It is registered with the National Office of Commercial Register in Bucharest under number 22679140. The business object of the Company is rental and sale of scaffolding and formwork, including lease operations. The Issuer's share in the capital and the total number of votes is 30%.

Subsidiary companies are fully consolidated while the associated entity is consolidated by the equity method.

Indication of the effects of changes in the structure of the business entity, including as a result of merging business entities, acquisition or sale of entities of

the Capital Group, long-term investments, division, restructuring and discontinuation of activity

In the period covered by the present report, no changes in the structure of the ULMA Construccion Polska S.A. Capital Group occurred.

Management Board's position on the capacity to achieve previously published projected results for a given year in the view of results presented in the quarterly report in relation to the projected results

The ULMA Construccion Polska S.A. Capital Group does no publish projected results.

Identification of shareholders holding directly or indirectly via their subsidiary companies minimum 5% of the total number of votes at the ULMA Construccion Polska S.A. General Meeting as of the date of the presentation of the quarterly report, with details of the number of shares held by such shareholders, their percentage share in the share capital, their percentage share in the total number of votes at a General Meeting and the indication of changes in the ownership structure of significant packages of ULMA Construccion Polska S.A. shares since the presentation of the previous quarterly report.

As of the date of presenting 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 Construccion 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 466,679[*)] shares of ULMA Construccion Polska S.A. equivalent to 8.88% of the Company's share capital and entitling to 466,679 votes at a General Meeting, equivalent to 8.88% of the total number of votes,

[*)] Data based on the claim of rights to dividend on 1 July 2013

Since the presentation of the previous quarterly report, no changes in the structure of ownership of significant packages of shares of ULMA Construccion Polska S.A. have occurred.

List of changes in the shares of ULMA Construccion Polska S.A. or rights to such shares (options) held by the managing and supervising directors of the Issuer according to the information available to ULMA Construccion Polska S.A. since the presentation of the previous report.

According to the information available to ULMA Construccion Polska S.A., since the presentation of the previous report there have been no changes in the shares of ULMA Construccion Polska S.A. or rights to such shares (options) held by the aforementioned individuals. None of the managing and supervising directors of ULMA Construccion Polska S.A. holds the Issuer's shares.

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

- proceedings related to liabilities or receivables of ULMA Construccion Polska S.A. or its subsidiary, whose value corresponds to at least 10% of the equity of ULMA Construccion Polska S.A., with details of the subject, value of dispute, commencement date of the proceedings, parties to the proceedings and the Company's position;
- two or more proceedings concerning liabilities or receivables whose total value is equivalent to minimum 10% of the equity of ULMA Construccion 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

Proceedings concerning receivables of ULMA Construccion Polska S.A. as of 31 March 2014:

ULMA Construccion Polska S.A. is a party to 75 proceedings concerning its receivables (as of 31 March 2014) amounting to PLN 44,873,000 in total. 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.

None of the proceedings instituted by ULMA Construccion Polska S.A. exceeds 10% of its equity.

Groups of court proceedings are shown in the table below:

Item	Number of	Outstanding balance	Current status of the proceedings
Court proceedings	**24**	**24 354**	
including 5 major proceedings:			
STRUKTURY Sp. z o.o.		16 373	On 17 February 2014, the Company filed a suit for payment to the Court in Lodz against its Debtor and Guarantor (Debtor's shareholder) and expects Court's decision in this case.
SIAC CONSTRUCTION Ltd		4 139	Court proceedings against the Debtor in Poland were suspended due to the fact that the Debtor filed a motion to an Irish Court for protection against creditors. The Company received partial payment from the Debtor (5% of the value of reported receivables) for the execution of a composition agreement. The Company considers further legal steps to recover its debts.
MAX BOGL Sp. z o.o.		1 290	At the hearing of 17 January 2014, the Court issued a favorable decision for the Company, decreeing the full amount of the claim along with interests and court fees to be paid by the Debtor. The Debtor appealed against the unfavorable decree. The Company expects Court's decision in this regard.
P.H.U. POLKON Sp. z o.o.		715	Court proceedings against the debtor and the guarantor. The Company expects an enforcement order to be issued.
TEMBUD-BIS Szut Sp. Jawna		289	The Company expects an enforcement order to be issued and the possibility to conduct enforcement proceedings against the Debtor and its shareholders.
	Total	**22 806**	**94% of the total**
Item	Number	Outstandin	Current status of the proceedings
Bankruptcy proceedings	**51**	**20 519**	
including 5 major proceedings:			
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
RADKO Sp. z o.o.		4 358	Regardless of receivables reported in the bankruptcy proceedings (with a possibility of a composition agreement), at the same time enforcement proceedings are conducted against the guarantors (Management Board of the Debtor) and proceedings resulting from won fraudulent conveyance (in the
HENPOL Sp. z o.o.		1 010	The claim has been reported to the trustee.
ALPINE BAU GmbH Sp. z o.o.		815	The claim has been reported to a trustee in Austria and a trustee in Poland who conduct parallel bankruptcy proceedings. Moreover, the Company reported the claim with a motion for payment to GDDKiA under the special purpose
BIP Sp. z o.o. GROUP		792	The claim has been reported to the trustee.
	Total	**13 577**	**60% of the total**
conducted proceedings in	**75**	**44 873**	

All amounts expressed in PLN thousand unless stated otherwise

The Capital Group makes 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 about transactions concluded by ULMA Construccion Polska S.A. or its subsidiary with related parties, provided that a single transaction or a group of transactions are significant and were concluded at arm's length, with their value and the following details:

a) information about the entity with which a transaction was concluded,
b) information about the connections of ULMA Construccion Polska S.A or its subsidiary with an entity – party to the transaction,
c) information about the object of the transaction,
d) important terms of transaction, with particular attention to financial terms and indication of specific terms characteristic of a specific agreement, in particular those differing from the terms that commonly apply to this type of agreements,
e) other information about these transactions if it is required to understand the financial standing and financial result of the Issuer,
f) all changes in transactions with related parties described in the previous annual report that could have a significant impact on the financial standing and results of the Issuer.

Transactions concluded in Q1 2014 by ULMA Construccion 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 in the total value of PLN 4,766,000.
In the last 12 months (from 1 April 2013 to 31 March 2014), the value of the aforementioned transactions amounted to PLN 19,642,000.

Information on credit or loan warranties and guarantees granted and by ULMA Construccion Polska S.A. to one party or its subsidiary if the total value of existing warranties or guaranties equals at least 10% of ULMA Construccion Polska S.A.'s equity, specifying:

a) name (title) of the company that was granted warranties or guaranties,
b) total amount of credits or loans that was warrantied or guarantied in total or partially,
c) the term for which warranties or guaranties were granted,
d) financial terms on which warranties or guaranties were granted, specifying the remuneration of ULMA Construccion Polska S.A. or its subsidiary for granting warranties of guaranties,
e) the nature of relations between ULMA Construccion Polska S.A. and the party that took up the credit or loans.

In the period covered by the report, ULMA Construccion Polska S.A. did not grant loans or guarantees whose amount would constitute at least 10% of the Company's equity.

Other information that in the opinion of ULMA Construccion Polska S.A. is significant for the assessment of its employment situation, financial standing, financial result and related changes, including information that is significant for the assessment of the capacity of ULMA Construccion Polska S.A. to fulfill its obligations.

During 3 quarters of 2013, there were no other significant events apart from those described earlier. The Management Board of ULMA Construccion Polska S.A. is also not aware of any other information that could be significant for the assessment of the employment situation, financial standing, financial result and related changes, including information that is significant for the assessment of the capacity of the companies within the Capital Group to fulfill their obligations.

Indication of factors that according to ULMA Construccion Polska S.A. will have an impact on the results achieved by the ULMA Construccion Polska S.A. Capital Group at least in the subsequent quarter.

Projections for the Polish construction market for the coming months envisage a continuing upward tendency, with a considerable rebound no sooner than in 2015. On the one hand this will result from increased work intensity at numerous delayed construction sites still financially supported from the EU budget 2007–2013; on the other hand, from the commencement of investment projects planned under a new EU perspective, which is favorable to Poland. Taking into account the considerable indebtedness of local governments and bad experience of accumulating project implementation over a short period, it can be expected that this time the investment boom will be replaced by a stable growth of the construction market that is better spread over time.

Other factors that prove sustainable recovery of the construction industry or can have a positive impact on the condition of construction market participants include:

- continued increase in the production of concrete (+53% in Q1 2014), which always translates into intensified construction works,
- increased number of tender procedures organized by public institutions concerning construction and assembly works (by 17.1% in Q1 2014),
- improving situation in the economy that favors new private projects in residential and non-residential construction industry,
- numerous tender procedures for new sections of express roads – as of February 2014 over 950 km of routes and over 140 km of beltways were objects of tender procedures,
- introduction of new norms in cooperation between GDDKiA and contractors and the introduction of an act aimed at supporting aggrieved subcontractors in connection with the implementation of road works,
- commencement of works related to the first major power projects and the perspective of subsequent significant investments in the heavy industry, in particular in the power industry (Jaworzno, Turów, Grudziądz, Puławy and Łagisza),
- very good results of apartment sales in 2013,
- introduction of subsidy programs supporting the development of residential housing and planned introduction of a program supporting constructing apartments for rent,
- favorable level of interest rates, which facilitates taking credits,

- a drop in the number of bankrupt construction companies in Q1 2014 (according to Euler Hermes from 61 to 45) and change in their classification (prevalence of smaller companies dealing with specialist services and finishing, substituting general construction companies initiating new investments).
- an ever better economic situation in Kazakhstan, especially in the light of the implementation of programs oriented at construction projects in the infrastructural and industrial sector and country's preparations to host EXPO 2017.

The factors that may have a negative impact on the development of the construction industry and the revenues of the Group include:

- persistent problems of construction companies with liquidity and payment backlogs,
- financial problems of key constructors of energy investments and expected further delays at the stage of tender procedures,
- halted development of the renewable energy sector resulting from a lack of regulations concerning support for RES,
- introduction of obligatory own contribution thresholds for investors with regard to mortgage,
- not many currently constructed roads, which will limit operations in this sector in 2014,
- big delays in the currently conducted railway investments,
- poor financial condition of companies, which can increase competition in tenders and lead to a price war and further decrease in the profitability of contracts, as well as to the bankruptcy of construction companies,
- difficult and hardly predictable geopolitical situation in Ukraine and growing conflict with Russia, even though to date the Capital Group has not observed negative consequences of this conflict that would have a negative impact on business operations carried out on this market by a subsidiary company.

ULMA Construccion Polska S.A.
CAPITAL GROUP

SEPARATE CONDENSED FINANCIAL STATEMENTS
FOR Q1 2014

All amounts expressed in PLN thousand unless stated otherwise

Statement of financial position

	31 March 2014	As of: 31 December 2013	31 March 2013
ASSETS			
I. Fixed assets (long-term)			
1. Tangible fixed assets	247 204	263 867	306 235
2. Intangible fixed assets	397	491	710
3. Interests in associates	8 198	8 198	8 960
4. Other fixed assets	4 164	4 179	4 219
5. Long-term receivables	15 880	13 018	8 317
Total fixed (long-term) assets	**275 843**	**289 753**	**328 441**
II. Current (short-term) assets			
1. Stocks	4 251	4 418	4 938
2. Trade and other receivables	69 981	68 521	84 618
3. Current income tax receivables	43	492	19
4. Derivative instruments	40	42	-
5. Cash and cash equivalents	24 072	26 272	23 011
Total current (short-term) assets	**98 387**	**99 745**	**112 586**
Total assets	**374 230**	**389 498**	**441 027**
EQUITY AND LIABILITIES			
I. Equity			
1. Share capital	10 511	10 511	10 511
2. Supplementary capital – share premium	114 990	114 990	114 990
3. Retained earnings, including:	178 162	182 526	194 647
a. Net profit/(loss) in the financial period	(4 364)	*(4 744)*	*(3 134)*
Total equity	**303 663**	**308 027**	**320 148**
II. Liabilities			
1. Long-term liabilities			
a. Credits and loans	3 780	10 604	31 076
b. Deferred income tax liabilities	10 013	11 512	11 925
c. Long-term liabilities related to retirement benefits	136	136	102
d. Long-term liabilities under financial lease	-	-	99
Total long-term liabilities	**13 929**	**22 252**	**43 202**
2. Short-term liabilities			
a. Credits and loans	27 357	30 094	45 935
b. Short-term liabilities related to retirement benefits	3	3	14
c. Short-term liabilities under financial lease	115	139	148
d. Current income tax liabilities	-	-	-
e. Derivative instruments	-	-	30
f. Trade and other liabilities	29 163	28 983	31 550
Total short-term liabilities	**56 638**	**59 219**	**77 677**
Total liabilities	**70 567**	**81 471**	**120 879**
Total equity and liabilities	**374 230**	**389 498**	**441 027**

Statement of profit and loss and other comprehensive income

	1Q 2014	1Q 2013
Revenues from sales	45 433	46 781
Cost of sold products, goods and materials	(43 672)	(45 430)
I. Gross profit on sales	**1 761**	**1 351**
Sales and marketing expenses	(6 053)	(1 159)
General and administrative expenses	(2 658)	(3 000)
Other operating expenses	233	(356)
II. Operating profit/(loss)	**(6 717)**	**(3 164)**
Financial income	2 042	297
Financial expenses	(343)	(827)
Net financial expenses	*1 699*	*(530)*
III. Profit/(loss) before tax	**(5 018)**	**(3 694)**
Current income tax	(844)	-
Deferred income tax	1 498	560
IV. Net profit/(loss) for the financial period	**(4 364)**	**(3 134)**
Other comprehensive income:	-	-
V. Total comprehensive income for the financial period	**(4 364)**	**(3 134)**
Net profit/(loss) for the financial period	**(4 364)**	**(3 134)**
Weighted average number of ordinary shares	5 255 632	5 255 632
Basic and diluted profit/(loss) per share for the financial period (in PLN per share)	(0,83)	(0,60)

All amounts expressed in PLN thousand unless stated otherwise

Statement of changes in equity

Item	Share capital at nominal value	Share premium	Retained earnings	Total equity
As of 31 December 2012	**10 511**	**114 990**	**197 781**	**323 282**
Total net income in 2013	-	-	(4 744)	**(4 744)**
Dividend – distribution of profit for 2012	-	-	(10 511)	**(10 511)**
As of 31 December 2013	**10 511**	**114 990**	**182 526**	**308 027**
Comprehensive income in Q1 2014	-	-	(4 364)	**(4 364)**
As of 31 March 2014	**10 511**	**114 990**	**178 162**	**303 663**

Item	Share capital at nominal value	Share premium	Retained earnings	Total equity
As of 31 December 2012	**10 511**	**114 990**	**197 781**	**323 282**
Comprehensive income in Q1 2013	-	-	(3 134)	**(3 134)**
As of 31 March 2013	**10 511**	**114 990**	**194 647**	**320 148**

All amounts expressed in PLN thousand unless stated otherwise

Cash flow statement

	Q1 2014	Q1 2013
Net profit for the financial period	**(4 364)**	**(3 134)**
Adjustments:		
- Income tax	(654)	(560)
- Depreciation of fixed assets	17 102	20 796
- Depreciation of intangible assets	94	125
- Net value of formwork sold – fixed assets	3 002	2 587
- (Profit)/losses on changes in the fair value of financial instruments	3	179
- Interest received	(2 041)	(334)
- Interest expenses	432	1 216
- (Profit)/loss on foreign exchange differences	(134)	(444)
Changes in the balance of current assets:		
- Stocks	167	(378)
- Trade and other receivables	(1 460)	2 886
- Trade and other liabilities	(479)	(9 805)
	11 668	**13 132**
Income tax paid	(396)	18
Net operating cash flow	**11 272**	**13 149**
Acquisition of tangible fixed assets	(2 791)	(7 277)
Proceeds from sale of tangible fixed assets	23	14
Acquisition of intangible and legal assets	-	(114)
Loans granted	(7 765)	-
Repayment of loans granted	5 012	-
Acquisition of shares in subsidiary and associated companies	1 664	-
Interest received	321	342
Net cash flow from investments	**(3 536)**	**(7 036)**
Proceeds from the issuance of shares	-	-
Loans and credits received	-	-
Repayment of loans and credits	(9 542)	(10 312)
Payments under financial lease	(24)	(37)
Interest paid	(450)	(1 189)
Dividend paid	-	-
Net cash flow from financing activities	**(10 016)**	**(11 537)**
Increase/(decrease) in net cash and overdraft facility	**(2 280)**	**(5 424)**
Cash and bank overdraft at the beginning of the period	26 272	28 168
Foreign exchange gains/(loss) from the valuation of cash and overdraft facility	81	267
Cash and overdraft facility at the end of the period	**24 073**	**23 011**

All amounts expressed in PLN thousand unless stated otherwise

Description of major accounting principles applied

The basic accounting principles applied during the preparation of these consolidated financial statements are presented below. The principles described herein were applied in all the periods presented on a continuous basis.

Investments in subsidiary and associated companies

Investments in subsidiary and associated companies are recognized according to the historic cost adjusted for write-downs. The results of write-downs on investments in subsidiaries are recognized in revenues or financial expenses of the reporting period in which a change occurred.

Translation of selected financial data into EUR

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

ITEM	in PLN thousand		in EUR thousand	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Net revenues from sale of products, goods and materials	45 433	46 781	10 845	11 208
Operating result	(6 717)	(3 164)	(1 603)	(758)
Gross financial result	(5 018)	(3 694)	(1 198)	(885)
Net financial result	(4 364)	(3 134)	(1 042)	(751)
Net operating cash flow	11 272	13 149	2 691	3 150
Net cash flow from investments	(3 536)	(7 036)	(844)	(1 686)
Net cash flow from financing activities	(10 016)	(11 537)	(2 391)	(2 764)
Net cash flow	(2 280)	(5 424)	(544)	(1 299)
Basic earnings per ordinary share (in PLN/EUR)	(0,83)	(0,60)	(0,20)	(0,14)
Diluted earnings per ordinary share (in PLN/EUR)	(0,83)	(0,60)	(0,20)	(0,14)
	31 March 2014	**31 December 2013**	**31 March 2014**	**31 December 2013**
Total assets	374 230	389 498	89 715	93 918
Liabilities	70 567	81 471	16 917	19 644
Long-term liabilities	13 929	22 252	3 339	5 365
Short-term liabilities	56 638	59 219	13 578	14 279
Equity	303 663	308 027	72 798	74 274
Share capital	10 511	10 511	2 520	2 535
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)	57,78	58,61	13,85	14,13

The specific asset and equity as well as liability items were translated into EUR at the average exchange rates announced by the President of the National Bank of Poland as of the balance sheet date. The average EUR rate as of 31 March 2014 was PLN 4.1713, and as of 31 December 2013 – PLN 4.1472.

While translating the items of the total income statement and cash flow account items, the arithmetic mean of the rates applicable on the last day of each month in a given period was applied. For the period from 1 January to 31 March 2014 this rate was PLN 4.1849/EUR, while the data for the analogous period in 2013 were translated at the rate of PLN 4.1738/EUR.