

**MANAGEMENT REPORT ON OPERATIONS OF**

**ULMA Construcción Polska S.A.**

**CAPITAL GROUP**

**FOR THE PERIOD OF 6 MONTHS ENDING ON JUNE 30, 2014**



## Description of the organization of the Capital Group

As of June 30, 2014 the ULMA Construcción Polska S.A. Capital Group ("The Group", "The Capital Group") comprised of the following entities:

- ULMA Construcción Polska S.A. – **the parent company** of the ULMA Construcción Polska S.A. Capital Group having a management and administrative function for the whole Group and responsible for trade operations concerning products and services offered by the Group on the domestic market and on selected foreign markets,
- ULMA Opałubka Ukraina sp. z o.o. – **a subsidiary** responsible for trade operations concerning products and services offered by the Group on the Ukrainian market,
- ULMA Cofraje S.R.L. – **an associated company** responsible for trade operations concerning products and services offered by the Group on the Romanian market.
- ULMA Opałubka Kazachstan sp. z o.o. – **a subsidiary** responsible for trade operations concerning products and services offered by the Group on the Kazakh market.
- ULMA Construcción BALTIC sp. z o.o. - **a subsidiary** responsible for trade operations concerning products and services offered by the Group on the Lithuanian market and markets of other Baltic states.

## Subject of business activity of the Capital Group

The ULMA Construcción Polska S.A. Capital Group operates in the construction industry. The operations of the companies of the Capital Group consist in rental and sale of planking systems (formwork systems) and scaffoldings for construction of residential, commercial and industrial buildings as well as engineering construction, performance of maintenance works and designs of application of these systems, along with production and overhauls of formwork systems and other accessories used in assembly of formwork systems.

## Registered seats, establishment dates and registration of entities forming the Capital Group.

- ULMA Construcción Polska S.A. with its registered seat in Koszajec 50 , 05-840 Brwinów has been operating since July 1, 1995 pursuant to resolution of the Extraordinary Meeting of Shareholders transforming a limited liability company into a joint stock company (Notary Deed of September 15,

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1995, Ref. A 5500/95), registered with the National Court Register of the Register of Entrepreneurs under the KRS number 0000055818 by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register. The Company operated under the name of Bauma Sp. z o.o. from February 14, 1989 to the moment of being transformed into a joint stock company.

- ULMA Opałubka Ukraina having offices in Kiev, 9 Gnata Juri Street, entered on July 18, 2001 into the State Register of the Republic of Ukraine under number 5878/01 (identification code 31563803),
- ULMA Cofraje S.R.L with its registered office in Bragadiru at Soseaua de Centura Street nr 2-8 Corp C20 (Romania), entered after changing its registered seat into the National Commercial Register of Romania under the number J23/289/30.01.2013,
- ULMA Opałubka Kazachstan, having offices in Astana, 25 Taszenowa Street, was entered into the Registry of the Ministry of Justice by the Department of Justice of the city of Astana on 27.08.2010. under the number 37635-1901-TOO/NU/,
- ULMA Construcción BALTIC, having offices in Vilnius, 41-42 Pylimo Street, was registered on April 27, 2012 in the Register of Legal Entities of the Republic of Lithuania under the number 302770757.

**A concise description of major achievements or failures in the period relating to the report together with a list of the most important events related to them and a description of factors and events, in particular untypical ones, having a significant impact on the achieved financial results**

## **I Market environment in Poland**

In the first 6 months of 2014 the economy was on the increase, while in the second quarter of 2014 there was a slight slowdown of dynamics in some areas as compared to the indicators from the first quarter of this year. In the period analyzed the construction sector remained the fastest-growing sector of the economy, showing positive dynamics on the level of 9.8% (comparing to the drop of 21.5% in the same period of last year and a surge of 10.6% in the first quarter of this year)

After a few quarters of two-figure drops **the engineering sector** seems to be slowly regaining its position as the driving force of the Polish construction industry. In the period between January and June 2014 growth

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dynamics of this sector was 15.5% mainly due to considerable acceleration of works in the railway and industrial construction. In **the road and bridge construction subsector** increases were appreciably smaller (6-7%) as currently they constitute only a derivative of tasks finalized still as part of the previous European Union perspective. The first agreements for the construction of new roads within the new European Union budget were not signed until the second quarter of 2014 and expenditure of the General Directorate for National Roads and Motorways (GDDKiA) allocated for their completion in 2014 amount to mere 2.5bn PLN (plus 350m for construction of ring roads).

In **the non-residential sector**, which is most resistant to business fluctuations, there was an upturn of 3.7 % in the period analyzed, whereby this was caused predominantly by investments in the public utility subsector and the subsector of industry and warehousing. **In the residential sector** the dynamics of building and assembly production were still slightly negative both in the first half and the second quarter of 2014 and amounted to -1.1 % and -1.6% respectively. We should be hopeful, however, that in the foreseeable

future these indicators will improve significantly due to a visible and continuing for the last couple of months increase in the number of permits for construction of new flats as well as an increase in the number of residential premises the construction of which was commenced.

The surge in the building and assembly production in the first half of 2014 was accompanied by a gradual increase in the financial condition of companies. The number of bankruptcies in the sector went down by 21% as compared with the same period of last year (from 106 to 84, according to Coface) and the better part of them did not so much concern general construction companies as small entities dealing with finishing and specialist works. Moreover, the profitability rate of net turnover of construction companies improved visibly (yet for the time being exclusive of entities operating in the engineering sector) and so did remuneration levels in the sector.

## **Market environment abroad**

In Kazakhstan the dynamics of the construction market amounted to 4.6% in the first quarter of 2014 4,6%, and the strongest recovery was observed in the region of the capital, Astana, which is connected with intensified preparations for the EXPO 2017. Winning tenders for the construction of main pavilions have been already selected and contractors enter into binding agreements with subcontractors. ULMA Opalubka Kazachstan, a subsidiary, is among beneficiaries of these contracts.



In Ukraine the value of construction works in the period analyzed decreased by 8.9%, which should be considered a moderate drop considering the country's complicated political and economic situation. Limited or completely stop construction in the area covered by the war is being noticed. On the other hand, there is a surge in demand and launching of new projects in central and western part of Ukraine due to migration of Ukrainian population from Crimea and the eastern region and a relative decrease of real estate prices (prices of flats and commercial space in the hryvnia did not go up notwithstanding considerable devaluation of this currency).

In the Baltic states boom in construction continued, which fostered the expansion of the Group on the Latvian market through the subsidiary. High dynamics of the increase in building and assembly production in Lithuania and Latvia were accompanied by a tendency to increase of prices of materials and construction machinery to go up.

## **I Revenues from sales**

In the period of six months of 2014 the Group's aggregate revenue from sales was 96, 700 thousand PLN as compared to 99, 033 thousand PLN in the same period of last year (a drop by 2.4%).

The drop in revenue from sales concerns mostly the basic business operations of the Group, which is rental of formwork systems and scaffoldings particularly on the Polish market. Revenue from these operations amounted to 70, 512 thousand PLN in total in the first half of 2014 as compared to 83, 288 thousand PLN in the same period of last year (a drop by 12, 776 thousand PLN, i. e. 15.3%).

The drop was partly compensated by increasing revenue from export sales operations.

In the first two quarters of 2014 the Group's aggregate revenue from export sales was 29, 890 thousand PLN (*i.e. from operations realized through the subsidiaries in Kazakhstan, Ukraine and Lithuania or a group of dealers and end-users in such countries as Russia, Belarus, Germany, etc.*). This revenue was higher by 56% as compared to last year's figures.

The levels of the above-mentioned revenue from sales were mostly influenced by export operations to Kazakhstan, where there is a boom in construction and investment plans of this country connected with construction are promising. Consequently, the participation in commercial export operations in total



revenue rose to the level of 30.9% in the first half of 2014 as compared to 22.5% in the same period of last year.

## I Operating profitability

In the first six months of 2014 the Group's result of operating activity was negative and amounted to (8, 169) thousand PLN as compared to (783) thousand PLN the previous year (a drop by 7, 386 thousand PLN). Key items connected with EBIT (operating profit) and EBITDA (operating profit + amortization/depreciation) in the periods analyzed are as follows:

	1st quarter of 2014	2nd quarter of 2014	6 months of 2014	6 months of 2013
Sales	48, 174	48, 526	96, 700	99, 033
<b>EBIT</b>	<b>(6, 148)</b>	<b>(2, 021)</b>	<b>(8, 169)</b>	<b>(783)</b>
% of sales	(12.76)	(4.17)	(8.45)	(0.79)
Amortization/depreciation	17, 737	19, 290	37, 027	41, 095
<b>EBITDA</b>	<b>11, 589</b>	<b>17, 269</b>	<b>28, 858</b>	<b>40, 312</b>
% of sales	24.06	35.59	29.84	40.71

In the first half of 2014 the Group suffered a decrease in EBITDA by 11, 454 thousand PLN (i.e. by 28.4%) in absolute terms in relations to the level achieved in the same period of last year. The EBITDA profitability (calculated as the ratio of EBITDA to sales) approached 30% as compared to about 41% the previous year. The tendency of this indicator is also worth paying attention to. In the second quarter of 2014 it rose to the level of nearly 36% as compared to 24% in the first quarter of 2014.

Weaker EBITDA results in absolute terms observed in the analyzed period of the first half of 2014 as compared to the same period of 2013 are generally connected with a decrease in the Group's revenue from rental of formwork systems and scaffoldings. The source of this phenomenon is very low level of construction operations in individual sectors using formwork systems and scaffoldings as new construction contracts have not yet entered the completion stage, which would allow to compensate the effect of termination of last year's contracts. Furthermore, the drop in revenue from rental was affected by price wars among players on the market and consequent decrease in unit prices of services on offer.

Since last year the Group has been consistently strengthening its position on export markets (Kazakhstan, Ukraine, Lithuania, Russia – Kaliningrad Oblast), thus diversifying geographically its operations. Trade

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operations on these markets are conducted through subsidiaries or in transactions of direct export. Consequently, the total share of revenues obtained on export markets went up to the level of 30.9% from 22.5% in the same period of the previous year.

The Group's Management Board is now striving to maintain cost discipline and is also trying on a regular basis to adjust operating cost levels to the current market situation. As a result, already in 2013 the Group's Board took a series of actions and decisions aimed at reducing cost positions, including: adjustment of employment and payroll funds to the current market situation, renegotiation of agreements concerning outsourced services connected with management and service of logistic centres as well as car fleet. Results of these optimizing activities already had a positive influence on the Group's financial results at the beginning of this year but they were visible in the second quarter of 2014.

In the first six months of 2014 the Group wrote off receivables in the amount of 6, 816 thousand PLN as compared to 2, 792 thousand PLN in the same period of the previous year (presented in "Costs of sales and marketing"). This phenomenon results from calculating the risk connected with recovering receivables in relation to court proceedings which the Group is conducting against debtors. In particular, the above-mentioned amount of write-downs of receivables presents amounts from the first quarter of 2014, i.e. 5, 528 thousand PLN when the Group made settlement of realized contracts, encumbering the debtor with relevant amounts presented in revenues.

In the first half of 2014 the Group extended its structures on eastern markets (Lithuania, Kazakhstan). Consequently, administrative costs rose to the level of 7, 831 thousand PLN as compared to z 6, 885 thousand PLN in the first half of 2013 .

## **I Currency forward contracts**

The Companies of the Capital Group are exposed to the foreign exchange risk at the time of cash flow which the Group is trying to reduce in the following way:

- through mutual neutralization liabilities and receivables expressed in the same foreign currency and concerning the same maturity periods,
- through activity on the foreign exchange market (purchase or sale of foreign currencies being subject to settlement parallel to liabilities or receivables expressed in a foreign currency),
- through activities on the derivatives market and non-delivery forward contracts (NDFs).





All NDFs owned by the Capital Group are concluded exclusively for the purposes of hedging against foreign exchange risk and are not asymmetric.

The Group does not apply the so-called "hedge accounting", as a result of which results realization and valuation of hedging transactions (positive and negative) are posted to the result of the given period.

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

### **I Other operating revenues (costs)**

Apart from the economic effect concerning settlement and valuation of NDFs, the remaining operating activity (item: "Other net operating costs") presents economic effects connected with conversion of formwork systems according to individual customer needs as well as general effects of asset management (negative and positive inventory differences as well as reserves for permanent loss of stock value). In the

first six months of 2014 the costs of the above-mentioned phenomena amounted to 119 thousand PLN as compared to 900 thousand PLN in the first half of 2013.

In the first half of 2014 Other Operating Incomes were higher than Other Operating Costs and consequently the item of "Other Operating Costs" presented in the profit and loss account is a positive value totaling 976 thousand PLN (in the first half of 2013 it was a negative value in the amount of (789) thousand PLN). This was caused by writing off the value of fixed assets in the first half of 2013 on the one hand, and, on the other, by reception of compensation due to execution of the insurance guarantee from the contractor the Logistic Centre in the first half of 2014.

### **I Financial costs and other total incomes**

The Capital Group uses bank loans as well as its own resources to finance investments related to purchase of products for lease (i.e. formwork systems and scaffolding systems).

The balance of bank loans together with interest accrued until the balance sheet date as of 30 June 2014 amounted to 24, 299 thousand PLN as compared to 43, 847 thousand PLN as of December 31, 2013 and 66, 939 thousand PLN as of June 30, 2013.

All amounts are in thousand PLN unless stated otherwise





A decrease in the balance of bank loans brought about a decrease in costs connected with interest rates as well as costs of servicing the debt (e.g. bank commissions): in the first six months of 2014 they amounted to 994 thousand PLN as compared to 2, 258 thousand PLN in the first six months of 2013.

The first half of 2014 saw devaluation of the local currency in Ukraine (UAH hryvnia) and Kazakhstan (KZT tenge).

	PLN/UAH	PLN/KZT	EUR/UAH	EUR/KZT	USD/UAH	USD/KZT
31.12.2013	2.6983	51.2033	11.0415	211.17	7.9930	153.61
<b>31.03.2014</b>	<b>3.7133</b>	<b>60.0348</b>	<b>15.0724</b>	<b>249.70</b>	<b>10.9546</b>	<b>182.04</b>
% till 31.12.2013	38%	17%	37%	18%	37%	19%
<b>30.06.2014</b>	<b>3.9032</b>	<b>60.2882</b>	<b>16.0869</b>	<b>249.94</b>	<b>11.8234</b>	<b>183.51</b>
% till 31.12.2013	45%	18%	46%	18%	48%	19%

The change in exchange rates brought about a decrease of the Group's equity capital by 4, 709 thousand PLN in the period of 6 of 2014. The above-mentioned sum presented in the item "Other Total Incomes" comprises:

- Exchange rate differences from conversion of financial statements of foreign entities in the amount of – 2, 937 thousand PLN,
- Exchange rate differences from valuation of loans within the Group presented in accordance with IAS 21 as net investments in foreign entities in the amount of – 1, 772 thousand PLN.

## I Net profit

Following deduction of corporate income tax the Capital Group achieved a negative net financial result in the amount of (8, 323) thousand PLN in the first half of 2014 as compared with the net result of the previous year in the amount of (2, 508) thousand PLN (a drop by 5, 815 thousand PLN).

## I Cash flows

Condensed statement of cash flows of the Group for the periods presented in the following table:

	6 months of 2014	6 months of 2013	Dynamics
Net profit (loss)	(8, 323)	(2, 508)	3.32
Amortization and depreciation	37, 027	41, 095	0.90
<b>Total financial surplus</b>	<b>28, 704</b>	<b>38, 587</b>	<b>0.74</b>
Other elements of net cash flows from operating activities	(687)	4, 765	-

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<b>Net cash flows from operating activities</b>	<b>28, 017</b>	<b>43, 352</b>	<b>0.65</b>
Net cash flows from investing activities	(10, 991)	(18, 042)	0.61
Net cash flows from financing activities	(20, 624)	(23, 852)	0.86
<b>Net cash flows</b>	<b>(3, 598)</b>	<b>1, 458</b>	<b>-</b>

## ■ Cash flows from operating activities

In the first half of 2014 the Group suffered an appreciable drop in the levels of cash flow from operating activities which amounted to 28, 017 thousand PLN as compared to 43, 352 thousand PLN in the same period of the previous year (a drop by 35%).

In the first half of 2014 the receivables turnover ratio increased by 11 days in relation to that of the first half of 2013 (which is presented in the table below):

		<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>1.</b>	Net trade receivables (upon including write -downs)	75, 487	79, 286
<b>2.</b>	Grossed-up revenue from sales for the period of 12 months till the balance sheet date	252, 709	283, 034
<b>3.</b>	Number of days	365	365
<b>4.</b>	<b>Receivables turnover ratio (1*3/2)</b>	<b>109</b>	<b>102</b>

The Group is trying to reduce the risk of receivables inflow by effective implementation of internal procedures and principles of identification, measurement and monitoring of the financial situation and liquidity of the Group's customers both at the time of initiating co-operation and in the process of its development.

## ■ Cash flows from investing activities

In the first half of 2014 the Group made investment purchase in order to supplement the portfolio of products on offer (formwork systems and scaffoldings). As a result, capital expenditure to this end equalled 12, 188 thousand PLN.

## ■ Cash flows from financing activities

All amounts are in thousand PLN unless stated otherwise



In the first half of 2014 cash flows from financing activities amounted to (20, 624) thousand PLN comparing to (23 852) thousand PLN in the same period of 2013.

As it was mentioned above, the Group use bank credits to finance investments connected with purchasing products for rental. In the first half of 2014 the Group's expenditure connected with payment of credits incurred before was 19, 519 thousand PLN as compared to 22, 529 thousand PLN in the first six months of 2013.

As a consequence of the afore-mentioned phenomena in the first quarter of 2014 the Group suffered a setback by 3, 598 thousand PLN of cash and credit on the current account to the level of 26, 235 thousand PLN as of June, 2014.

## ■ Conversion of selected financial data into the euro

The table below presents conversion of selected financial data into the euro:

BREAKDOWN	in thousand PLN		in thousand EUR	
	6 months of 2014	6 months of 2013	6 months of 2014	6 months of 2013
Net revenue from sale of products, goods and materials	96, 700	99, 033	23, 143	23, 501
Profit (loss) from operating activity	(8, 169)	(783)	(1, 955)	(186)
Gross profit (loss)	(9, 819)	(2, 730)	(2, 350)	(648)
Net profit (loss)	(8, 323)	(2, 508)	(1, 992)	(595)
Net cash flows from operating activities	28, 017	43, 352	6, 705	10, 288
P Net cash flows from investing activities	(10, 991)	(18, 042)	(2, 630)	(4, 282)
Net cash flows from financing activities	(20, 624)	(23, 852)	(4, 936)	(5, 660)
Net cash flows	(3, 598)	1, 458	(861)	346
Diluted profit per one share	(1.58)	(0.48)	(0.38)	(0.11)
Profit per one ordinary share (in PLN/EUR)	(1.58)	(0.48)	(0.38)	(0.11)
	<b>June 30, 2014</b>	<b>December 31, 2013</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Total assets	359, 869	385, 254	86, 488	92, 895
Liabilities	73, 773	86, 126	17, 730	20, 767
Long-term liabilities	6, 548	19, 968	1, 574	4, 815
Short-term liabilities	67, 225	66, 158	16, 156	15, 952
Equity capital	286, 096	299, 128	68, 758	72, 128

All amounts are in thousand PLN unless stated otherwise



Share capital	10, 511	10, 511	2, 526	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 one share (in PLN/ EUR)	54.44	56.92	13.08	13.72

Individual items of assets as well as equity capital and liabilities have been converted into euro using average foreign exchange rates announced by the President of the National Bank of Poland (NBP) effective on the balance sheet date. The average exchange rate of EUR was 4.1609 PLN/EUR on June 30, 2014 and as of December 31, 2013 it was 4.1472 PLN.

To convert financial statement items in relation to total revenue and cash flow account the Group used foreign exchange rates being the arithmetic mean of rates effective on the last day of every month of the given period, i.e. figures for the period of 1.01. – 30.06.2014 were converted using the foreign exchange rate = 4.1784 PLN/EUR and figures for the corresponding period of 2013 were converted in accordance with the rate = 4.2140 PLN/EUR.

### Information explaining the seasonal or cyclical nature of the issuer's operations in the presented period

Construction works are characterized by high seasonality which is directly reflected in revenues from sale of the Group's products and services. In particular, unfavourable weather conditions and frequent delays in completion of budget investments usually take place in the first quarter of the year. Improvement of the factors in question occurs usually in the subsequent quarters, with the peak in the construction period falling usually in the third quarter of the calendar year.

The aforementioned phenomena are also responsible for the seasonality effect related to the process of overhaul of the products owned by the Group (formwork systems and scaffoldings). The greatest part of those works coincides with the end of the construction period, i.e. the second and third quarter of the year.

### Information concerning the issue, redemption and repayment of debt and equity securities

In the first half of 2014 there were no operations of this type.

All amounts are in thousand PLN unless stated otherwise



## **Information concerning paid (or declared) dividend, total and per share, into ordinary and preference shares**

The Group did not disburse any dividend for the trading year 2013.

## **Events which took place after the semi-annual financial report was made that were not presented in this statement and which may materially affect future financial results of the ULMA Construcción Polska S.A. Capital Group**

Despite a high degree of effectiveness of activities hedging the foreign exchange risk, the net result of these transactions continues to be influenced by volatility of exchange rates. This refers to, in particular, to transactions hedging the foreign exchange risk resulting from the balance of internal loans given by ULMA Construcción Polska S.A. to its subsidiaries.

Consequently, the volatility of EUR and USD against PLN, UAH (Hryvnia in Ukraine) and KZT (Tenge in Kazakhstan) continues to affect the Group's Total Revenues.

## **Information concerning changes in contingent liabilities or contingent assets which took place after the end of the last trading year**

No changes in contingent liabilities or contingent assets took place after the end of the last trading year.

## **Details of consequences of changes in the structure of the business entity, e.g. as a result of business combination, take-over or sale of the Group's entities, long-term investments, split, restructuring and discontinued operations**

In the first half of 2014 none of the above-mentioned economic operations occurred.

## **The position of the Management Board concerning a possibility of fulfilling the previously published result forecasts for the given year, in the light of the results presented in the semi-annual report as compared to forecast results**

All amounts are in thousand PLN unless stated otherwise



The Group does not publish any forecasts concerning its financial results.

**Identification of shareholders holding directly or indirectly through their subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders of ULMA Construcción Polska S.A. as of the date of passing this report, with the number of shares held by such entities, their percentage interest in the share capital, the number of votes at the General Meeting and details of changes to the ownership structure of large blocks of shares of ULMA Construcción Polska S.A. in the period after handling the previous report**

As of the date of handling this quarterly report, shareholders holding over 5% of the total number of votes include:

- ULMA C y E S, Coop. (Spain) holding directly 3, 967, 290 shares of ULMA Construcción Polska S.A., equivalent to 75.49% of the Company's share capital and entitling to 3,967,290 votes at the General Meeting, equivalent to 75.49% of the total number of votes,
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding directly 466, 679 shares shares of ULMA Construcción Polska S.A., equivalent to 8.88% of the Company's share capital and entitling to 466, 679 votes at the General Meeting, equivalent to 8.88% of the total number of votes.

Within the period after handing of the previous report, there were no changes to the ownership structure of the significant blocks of shares of ULMA Construcción Polska S.A.

**Statement of changes to the ownership structure of shares of ULMA Construcción Polska S.A. or entitlements to them (options) by persons managing or supervising the Issuer in accordance with information held by ULMA Construcción Polska S.A. in the period after handling the previous report**

In accordance with the information held by ULMA Construcción Polska S.A. within the period from handling the previous report there were no changes to the shares of ULMA Construcción Polska S.A. or entitlements

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to them (options) held by the aforementioned persons. No managing or supervising person of ULMA Construcccion Polska S.A. holds the Issuer's shares

**Identification of court proceedings, proceedings before competent arbitration authority or public administration authority, having in mind the following details:**

- **proceeding concerning liabilities or receivables of ULMA Construcccion Polska S.A. or its subsidiary the value of which constitutes at least 10% of equity capital of ULMA Construcccion Polska S.A., with details of the subject of the proceeding, value of the subject of the dispute, date of commencement of the proceedings, parties to the proceeding and the position of the Company**
- **two or more proceedings concerning liabilities or receivables of ULMA Construcccion Polska S.A. or its subsidiary the value of which constitutes at least 10% of equity capital of ULMA Construcccion Polska S.A., with details of the total value of the proceedings separately for the group of liabilities or in the group of receivables together with the position of the Company in this matter as well as, in relation to the biggest proceedings in the group of liabilities and in the group of receivables, with details of its subject, value of the subject of the dispute, date of commencement of the proceedings, parties to the proceeding and the position of the Company**

Neither ULMA Construcccion Polska S.A. nor any of its subsidiaries is currently a party to any proceedings concerning the Company's liabilities or receivables whose value would constitute at least 10% of the Company's equity capital.

There are also no two or more proceedings concerning liabilities, the total value of which would constitute at least 10 % of the Company's equity capital respectively.

## **I Proceedings concerning receivables of ULMA Construcccion Polska S.A. as of 30.06.2014:**

All amounts are in thousand PLN unless stated otherwise





As of June 30, 2014 ULMA Construcción Polska S.A. is conducting a total of 71 court proceedings for the aggregate amount of 44, 188 thousand PLN. These cases include court proceedings which have not yet ended in the court's final and legally binding decision to pay and pending bankruptcy proceedings, both with the option of settlement and liquidation.

None of the court cases conducted by ULMA Construcción Polska S.A. exceeds 10% of the Company's equity capital.

The table below presents a list of individual groups of court proceedings:

Details	Number	Balance	Current case status
<b>Court proceedings</b>	<b>19</b>	<b>21, 803</b>	
<i>including 5 biggest cases:</i>			
STRUKTURY SP. Z O.O.		14, 525	Proceedings for payment against the Debtor and guarantor (parent company from Spain). The court is expected to pass a sentence in this case.
SIAC CONSTRUCTION LIMITED		4,14	Court proceedings Poland against the Debtor are expected to be resumed in after terminated recovery proceedings in Ireland.
MAX BOGL SP. Z O.O.		1, 290	The court passed a favourable sentence during the trial on 17.01.2014., ordering the Debtor to pay the full amount of the claim together with interests and court fees. The Debtor lodged an appeal against this sentence. The Court of Appeal's decision is awaited.
P.H.U. POLKON SP. Z O.O.		715	Proceedings against the Debtor and guarantor. Enforcement order on Debtors is awaited.
MARBUD KONSTRUKCJE SP. O.O.		648	Proceedings against the Debtor and guarantor. Enforcement order on Debtors is awaited.
	<b>Total</b>	<b>21, 317</b>	<b>98% of total</b>
Details	Number	Balance	Current case status
<b>Bankruptcy proceedings</b>	<b>52</b>	<b>22, 385</b>	
<i>including 5 biggest cases:</i>			
HYDROBUDOWA POLSKA SA		6, 602	Report to the trustee includes receivables from the Debtor for the all the contracts, including the construction of the A4 motorway (Debica-Rzeszów), which has been by the Debtor in consortium with SIAC Construction ltd.

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RADKO SP. Z O.O.		4, 358	Notwithstanding receivables reported in the bankruptcy proceeding (with a settlement option), there are also ongoing enforcement proceedings against guarantors (the Debtor's Management Board) and proceedings connected with effective Actio Pauliana. On May 5, 2014 suit for payment was lodged against the Treasury as compensation in relation to inconsistency with the Constitution of the so-called "special purpose act" as of June 28, 2012 (Dz. U. item 891).
HENPOL SP. Z O.O.		1, 010	Receivables have been reported with the trustee in bankruptcy
WROBIS SA		844	Receivables have been reported with the trustee in bankruptcy
ALPINE BAU GmbH SP. Z O.O.		815	Receivables have been reported with the trustee in bankruptcy both in Austria and in Poland as part of secondary bankruptcy proceedings, thus fulfilling the necessary condition arising from the so-called "special purpose act" as of June 28, 2012 (Dz. U. item 891).
<b>Total mentioned</b>		<b>13, 629</b>	<b>61% of total</b>
<b>Total court proceedings</b>	<b>71</b>	<b>44, 188</b>	

The Group prepares write-downs for all troubled receivables as well as receivables subject to court proceedings. Amounts of such write-downs are presented in the item "Costs of sale and marketing", and their value corresponds to estimations concerning possibilities of recovering receivables within court and debt collection proceedings.

**Information on conclusion by ULMA Construcción Polska S.A. or a subsidiary thereof one or more transactions with associated companies if the value of those transactions (total value of all transactions concluded from the beginning of the trading year) is in excess of the equivalent of EUR 500, 000 if they are not typical and routine transactions concluded by and between associated companies on an arm's length basis, and their nature and terms and conditions resulting from the current operating activities conducted by ULMA Construcción Polska S.A. or a subsidiary thereof, with details of their total value and, in reference to the agreement of the highest value, with details of:**

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- the entity with which the transaction was concluded,
- the relationships of ULMA Construcción Polska S.A. or a subsidiary thereof with the party to the transaction,
- the subject matter of the transaction,
- material terms and conditions of the transaction, with particular consideration of financial conditions with details of specific terms and conditions specified by the parties characteristic of the given agreement, in particular those that differ from terms and conditions commonly applied to that type of agreements.

Transactions concluded in the first two quarters of 2014 by ULMA Construcción Polska S.A. and its subsidiaries with associated entities were typical and routine, were concluded on an arm's length basis, and their nature and terms and conditions resulted from the current operations.

The key transactions included purchase of formwork systems and rental services concerning formwork systems concluded by ULMA Construcción Polska S.A. od ULMA C y E, S. Coop. of 19, 571 thousand PLN. In the period of the last 12 months (from 1.07.2013 to 30.06.2014) the value of the above-mentioned transactions amounted to 27, 987 thousand PLN.

Apart for commercial transactions ULMA Construcción Polska S.A. previously granted long-term loans to its subsidiaries. The table below presents a breakdown of loans granted according to the amount of debt as of the balance sheet date and as of 31.12.2013.

Subsidiary	Loan value 30.06.2014.	Loan value 31.12.2013.
ULMA Opałubka Ukraina (thousand EUR)	1, 110	1, 400
ULMA Opałubka Ukraina (thousand USD)	1, 500	-
ULMA Cofraje Rumunia (thousand EUR)	221	221
ULMA Opałubka Kazachstan (thousand EUR)	-	-
ULMA Construcción BALTIC (thousand EUR)	1, 500	1, 500

The above loans granted to subsidiaries are treated as net investment in the subsidiary.

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Unrealized differences in exchange rates arising from valuation of the aforementioned loans (with the exception of the loan for ULMA Cofraje Romania) are passed over directly onto the Company's equity capital.

**Information on granting by ULMA Construcción Polska S.A. or a subsidiary thereof loan warranties or on granting a guarantee – jointly to one entity or a subsidiary thereof if the total value of the granted warranties or guarantees is equivalent to the minimum of 10% of equity of ULMA Construcción Polska S.A. with details of:**

- the name (company) of the entity to which the warranties or guarantees were granted,
- the total amount of loans which were guaranteed in total or in part,
- the period for which the warranties or guarantees were granted,
- financial terms and conditions on which the warranties or guarantees were granted, with specification of remuneration of ULMA Construcción Polska S.A. or a subsidiary thereof for granting the warranties or guarantees,
- the nature of relationships between ULMA Construcción Polska S.A. with the entity which incurred the loan.

In the period analyzed there were no economic operations of this kind.

**Other information which is relevant according to ULMA Construcción Polska S.A. for evaluation of its personnel, equity and financial situation, its financial result and changes thereto, as well as information which is material for evaluation of possibilities of satisfying its liabilities by the ULMA Construcción Polska S.A. Capital Group.**

In the first half of 2014 there were no other major events apart for those described earlier.



The Management Board of ULMA Construcción Polska S.A. is not aware of any other information which would be material for evaluation of its personnel, equity and financial situation, its financial result and changes thereto, and for evaluation of possibilities of satisfying its liabilities by companies of the Group.

**Indication of factors which, according to ULMA Construcción Polska S.A., will have an impact on the results achieved by the ULMA Construcción Polska S.A. Capital Group within the remaining months of 2014.**

### **I Risk connected with competition and market downturn**

Forecasts for the construction market for the following months are optimistic. Entities which survived the crisis most frequently adjusted the scale of their operations and cost structure to the present market situation, while growing and increasingly stable demand enables them to plan both their operations and revenues effectively. The sector is waiting especially for new infrastructure investments. The sector is rejoiced to see increasingly long lists of priority road investments, consisting of about 1200 km of roads and motorways as well as 160 km of ring roads. On the other hand, it is worrying to see delays in awarding contracts, which may result in partly the same situation of work accumulation. New legal regulations, fostering, among other things, more partnership relations among all players in the investment process and also careful verification of candidates for general contractors allows to hope that at least part of these problems could be avoided.

Moreover, perspectives for the non-residential sector look promising, especially for construction of offices. Poland is currently the most attractive market for the BPO sector in Europe and one of the biggest worldwide. A constant influx of projects from the BPO sector fosters at the same time not only investments in the capital city (where plans of construction of several new high-rise buildings are more and more advanced), but also in smaller regional centres. The situation on the market of shopping centres looks slightly less favourable as there is not much room for new projects due to many years of intensified activity of investors and still limited purchasing power of the Polish society.

Very good sale levels in the course of three consecutive quarters starting from the third quarter of 2013 convinced developers to start new investments in the residential sector in the second quarter of 2014. An increase in the number of flats on offer is good for buyers since it provides a wider choice at stable prices. At the same time the current price level allows developers to reach satisfactory financial results, which in

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turn facilitates obtaining credits. Good economic forecasts, a longer perspective of low interest rates as well as attractiveness of investing in flats to let are factors which point to optimistic forecasts for the market of new flats in the biggest cities of Poland.

## **Trade risks on export markets**

Among factors which may in the foreseeable future affect the Group's revenues are:

- a considerable increase in the number and value of orders connected with planking systems in Kazakhstan in relation to prestigious buildings for the EXPO 2017 and opportunities for obtaining of valuable local references,
- restricting the impact of the conflict in the eastern part of Ukraine on the effects of reforms implemented in this country and strengthening of the economy as a result of signing the association agreement with the European Union and resuming co-operation with the World Bank,
- strengthening of our presence in the Baltic states through establishment of formal structures allowing to extend commercial operations further on this area.

## **Foreign exchange risk**

The Group's companies purchase products (formwork systems and accessories to them) from the parent company in Spain or other entities outside Poland. On the other hand, the Group's companies are active on export markets. Consequently, the Group's companies is exposed to the currency exchange risk which it is striving to curb through its operations on the foreign currency market and NDFs.

The subsidiary Ulma Opałubka Ukraina sp. z o. o. has an intercompany long-term loan denominated in EUR. Due to the inability to hedge against the foreign exchange risk concerning this transaction, the Company is subject to currency exposure EUR – Hryvnia (on the Ukrainian capital market derivatives whose base currency would be the Ukrainian hryvnia are still unavailable).

The Management Board is trying to minimize this risk through updating of prices of products and services on offer following changes in the exchange rate fluctuations of EUR to the hryvnia. Nonetheless, in the situation of recession this type of security is not always fully effective.

The risk connected with financial instruments is described in note no. 2 in the consolidated financial



statement of ULMA Construcción Polska S.A. for the period of 6 months ending on June 30, 2014.

## **I Other risks**

Since November 2013 when the Ukrainian government decided not to enter into the association agreement with the European Union and the agreement on free trade the economic situation of this country has deteriorated radically.

Political and social unrest coupled with growing tension and risk of Russian military intervention have escalated the economic crisis in this country and led to a drastic increase in the budget deficit and consequently to depletion of foreign currency reserves by the National Bank of Ukraine. This resulted in reduction in the rating for the whole economy.

In February 2014 upon devaluation of the national currency, the difficult financial situation forced the National Bank of Ukraine to introduce administrative restrictions connected with restricting the freedom to buy foreign currencies. At the same time it was announced that preparations to introduce the regime of shadow exchange rate for the country's currency.

The final result of this difficult situation as well as political and economic consequences of the present crisis are in fact impossible to be estimated, which, however, does not mean that the Ukrainian economy may suffer even more.

The Management Board of the Group is striving to react on a regular basis to new developments of the crisis situations in Ukraine and while thoroughly monitoring the situation in Ukraine and being in touch with the Management Board of ULMA Opalubka Ukraina it is trying to maintain stability of business operations in this country. However, political and social turbulences, including a possible outbreak of a military conflict, may adversely influence the financial position of the subsidiary operating in Ukraine.

This financial statement reflects the current assessment of the Management Board of the Group concerning the impact which the geopolitical situation has on the results generated by its subsidiary and its ability to maintain financial stability in the future and it does not present any reserves for the circumstance of stopping free economic activity.

## **Investor relations**

All amounts are in thousand PLN unless stated otherwise





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

Jolanta Szeląg

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(22) 506-70-00

### Statement by the Management Board of the Parent Company

This consolidated financial statement of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ending on 30 June 2014 and the abridged financial statements of ULMA Construcción Polska S.A. were approved by the Management Board of ULMA Construcción Polska S.A. on August 14, 2014.

These consolidated and individual financial statements for the period of 6 months ending on June 30, 2014 were prepared in order to present the economic and financial condition, as well as the results of operations of the ULMA Construcción Polska S.A. Capital Group and the Group's parent company.

These consolidated and individual financial statements for the period of 6 months ending on June 30, 2014 were made compliant with International Financial Reporting Standards - "Interim financial reporting"

This consolidated financial statement of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ending on 30 June 2014 includes:

- consolidated statement of financial position
- consolidated profit and loss account and other total incomes
- statement of changes in consolidated equity capital
- consolidated cash flow statement
- additional information.

This abridged financial statements of ULMA Construcción Polska S.A. for the period of 6 months ending on June 30, 2014 includes:

- statement of financial position
- consolidated profit and loss account and other total incomes
- statement of changes in equity

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- cash flow statement
- additional information.

To our best knowledge, the consolidated financial statement of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ending on 30 June, 2014 and the consolidated comparative data, as well as the individual financial statement of ULMA Construcción Polska S.A. for the period of 6 months ending on 30 June, 2014 and the comparative data were prepared in accordance with applicable accounting standards and reflect in a true, reliable and clear manner the economic and financial condition and the financial result of the ULMA Construcción Polska S.A. Capital Group and its parent company, and the report of the Management Board on operations of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months of 2014 contains a true view of the development and achievements as well as the Group's condition, including description of major hazards and risks.

The entity authorized to audit financial statements which reviewed the consolidated financial statement of the ULMA Construcción Polska S.A. Capital Group and the individual financial statement of the parent company for the period of 6 months ending on June 30, 2014 was selected in compliance with the applicable regulations. The entity and the expert auditors who reviewed the financial statements meet the requirements to issue an impartial and independent audit report in compliance with the applicable national regulations.

### **On behalf of the Management Board of ULMA Construcción Polska S.A.**

Andrzej Kozłowski, President of the Board .....

Andrzej Sterczyński, Board Member .....

Krzysztof Orzełowski, Board Member .....

José Irizar Lasa, Board Member .....

José Ramón Anduaga Aguirre, Board Member .....

Koszajec, August 14, 2014.

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