

ULMA Construcccion Polska S.A. Group

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2015**

The opinion contains 2 pages
The supplementary report contains 11 pages
Opinion of the independent auditor
and supplementary report on the audit
of the consolidated financial statements
for the financial year ended
31 December 2015

OPINION OF THE INDEPENDENT AUDITOR



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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of ULMA Construcción Polska S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is ULMA Construcción Polska S.A. with its registered office in Koszajec 50 (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Parent Entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of ULMA Construcccion Polska S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

As required under the Accounting Act, we report that the accompanying report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
4A Inflancka Street
00-189 Warsaw

Signed on the Polish original

.....
Mirosław Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner with power of attorney

17 March 2016

REPORT OF THE INDEPENDENT AUDITOR



TRANSLATION

ULMA Construcción Polska S.A. Group

Supplementary report
on the audit of the
consolidated financial
statements
Financial Year ended
31 December 2015

The supplementary report contains 11 pages
The supplementary report on the audit of the
consolidated financial statements
for the financial year ended
31 December 2015

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

ULMA Construcción Polska S.A. Group

1.1.2 Registered office of the Parent Company of the Group

50 Koszajec
05-840 Brwinów

1.1.3 Registration of the Parent Company in the register of entrepreneurs of the National Court Register

Registration court: District Court for the Capital City of Warsaw in Warsaw,
XIV Commercial Department of the National Court Register
Date: 29 October 2001
Registration number: KRS 0000055818
Share capital as at
the end of reporting period: PLN 10,511,264.00

1.1.4 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

As at 31 December 2015, the Management Board of the Parent Company was comprised of the following members:

- Andrzej Kozłowski – President of the Management Board,
- Krzysztof Orzełowski – Member of the Management Board,
- Ander Ollo Odriozola – Member of the Management Board,
- Andrzej Piotr Sterczyński – Member of the Management Board,
- Rodolfo Carlos Muniz Urdampilleta – Member of the Management Board.

On 4 December 2014, Mr. José Ramón Anduaga Aguirre resigned from the position of Member of the Management Board, effective 31 January 2015.

According to the resolution of the Supervisory Board dated 30 January 2015, Mr. Ander Ollo Odriozola was appointed to the position of Member of the Management Board, effective 1 February 2015.

On 30 July 2015, Mr. José Irizar Lasa resigned from the position of Member of the Management Board, effective 1 August 2015.

According to the resolution of the Supervisory Board dated 7 August 2015, Mr. Rodolfo Carlos Muniz Urdampilleta was appointed to the position of Member of the Management Board, effective 1 September 2015.

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2015, the following companies were consolidated by the Group:

Parent Company:

- ULMA Construcción Polska S.A.

Subsidiaries consolidated on the full consolidation basis:

- ULMA Opałubka, Ukraine,
- ULMA Opałubka, Kazakhstan,
- ULMA Construcción Baltic.

1.3 Key Certified Auditor and Audit Firm Information

1.3.1 Key Certified Auditor information

Name and surname: Miroslaw Matusik
Registration number: 90048

1.3.2 Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: 4A Inflancka Street, 00-189 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2014 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 16 June 2015.

The consolidated financial statements were submitted to the Registry Court on 19 June 2015.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of ULMA Construcción Polska S.A. Group with its registered office in Koszajec 50 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements were audited in accordance with the contract dated 3 July 2015, concluded on the basis of the resolution of the Supervisory Board dated 5 May 2015 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the consolidated financial statements in the Parent’s Company’s office during the period from 23 November to 27 November 2015 and from 8 February to 19 February 2016.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group’s activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the financial statements.

The Management Board of the Parent Company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).



1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2015 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unmodified opinion.

1.6.2 Other consolidated entities

- ULMA Opałubka, Ukraine
- ULMA Opałubka, Kazakhstan
- ULMA Construcción Baltic.

The financial statements of the Group entities mentioned above were not subject to requirements of obligatory audit for the year ended 31 December 2015.

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2015 PLN '000	% of total	31.12.2014 PLN '000	% of total
Non-current assets				
Property, plant and equipment	201,218	61.2	220,269	66.3
Intangible assets	200	-	251	0.1
Shares in associates	566	0.2	(86)	-
Other non-current assets	4,068	1.2	4,123	1.2
Long-term receivables	945	0.3	989	0.3
Total non-current assets	206,997	62.9	225,546	67.9
Current assets				
Inventories	5,847	1.8	6,856	2.1
Trade and other receivables	80,493	24.5	67,604	20.3
Income tax receivable	592	0.2	24	-
Cash and cash equivalents	34,964	10.6	32,110	9.7
Total current assets	121,896	37.1	106,594	32.1
TOTAL ASSETS	328,893	100.0	332,140	100.0
EQUITY AND LIABILITIES	31.12.2015 PLN '000	% of total	31.12.2014 PLN '000	% of total
Equity				
Share capital	10,511	3.2	10,511	3.2
Share premium	114,990	35.0	114,990	34.6
Exchange differences arising on translation of foreign subsidiaries	(14,381)	4.4	(9,882)	3.0
Retained earnings, including: <i>Net profit/(loss) for the year</i>	178,043 5,508	54.1 1.7	172,535 (5,590)	51.9 1.6
Total equity	289,163	87.9	288,154	86.7
Liabilities				
Non-current liabilities				
Deferred tax liabilities	3,559	1.1	5,051	1.5
Long-term provisions for retirement and similar benefits	193	0.1	173	0.1
Total non-current liabilities	3,752	1.1	5,224	1.6
Current liabilities				
Credits and loans	-	-	10,625	3.2
Short-term provisions for retirement and similar benefits	14	-	6	-
Short-term factoring liabilities	3,545	1.1	-	-
Income tax payable	-	-	1,844	0.6
Derivatives	8	-	75	-
Trade and other payables	32,411	9.9	26,212	7.9
Total current liabilities	35,978	11.0	38,762	11.7
Total liabilities	39,730	12.1	43,986	13.3
TOTAL EQUITY AND LIABILITIES	328,893	100.0	332,140	100.0

2.1.2 Consolidated statement of profit and loss and other comprehensive income

	1.01.2015 - 31.12.2015 PLN '000	% of total sales	1.01.2014 - 31.12.2014 PLN '000	% of total sales
Revenue	182,411	100.0	192,492	100.0
Cost of products, merchandise and materials sold	(145,065)	79.5	(168,990)	87.8
Gross profit on sales	37,346	20.5	23,502	12.2
Sales and marketing expenses	(11,822)	6.5	(12,949)	6.7
General and administrative expenses	(17,799)	9.7	(16,179)	8.4
Research and development expenses	3,482	2.4	3,604	2.1
Other operating expenses	(2,184)	1.1	(2,158)	1.1
Profit/(Loss) from operating activities	9,023	5.0	(4,180)	2.2
Finance income	1,128	0.6	569	0.3
Finance expenses	(2,587)	1.4	(2,571)	1.3
<i>Net finance income (costs)</i>	<i>(1,459)</i>	<i>0.8</i>	<i>(2,002)</i>	<i>1.0</i>
Share of profit (loss) of equity accounted investees	(274)	0.2	(171)	0.1
Profit/(Loss) before tax	7,290	4.0	(6,353)	3.3
Income tax expense	(1,782)	1.0	763	0.4
Profit/(Loss) for the period	5,508	3.0	(5,590)	2.9
Other comprehensive income which might be reclassified to profit or loss				
Exchange differences arising on net investment in foreign operations	2,010	1.2	(2,556)	1.3
Income tax on other comprehensive income	(209)	0.1	(213)	0.1
Exchange differences arising on translation of foreign subsidiaries	(6,300)	3.4	(2,615)	1.3
Total comprehensive income for the period	1,009	0.7	(10,974)	5.7
Profit (loss) for the period attributable to Owners of the Company	5,508	3.0	(5,590)	2.9
Total comprehensive income for the period attributable to Owners of the Company	1,009	0.7	(10,974)	6.5
Weighted average number of ordinary shares	5,255,632		5,255,632	
Basic and diluted earnings per share for the period (PLN)	1.05		(1.06)	

2.2 Selected financial ratios

	2015	2014	2013
1. Return on sales			
<u>profit for the period x 100%</u> revenue	3.0%	negative value	0.0%
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	1.9%	negative value	0.0%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	193 days	203 days	194 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	12.1%	13.2%	22.4%
5. Current ratio			
<u>current assets</u> current liabilities	3.4	2.7	1.6

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the ULMA Construcción Polska S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327 with amendments).

3.3 Method of consolidation

The method of consolidation is described in note 1B of the notes to the consolidated financial statements.

3.4 Consolidation of equity

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

3.5 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of ULMA Construcción Polska S.A. and agreed with information received from the subsidiaries.

3.6 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

3.7 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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Signed on the Polish original

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17 March 2016