CONSOLIDATED FINANCIAL STATEMENTS

of the Bank BPH S.A. ULMA Construccion Polska S.A.

FOR THE PERIOD OD 12 MONTHS ENDED ON 31 DECEMBER 2016

From the beginning of your projects

Index

Unless specified otherwise, all the amounts are in PLN '000.

CAPITAL GROUP
ULMA Construccion Polska S.A.

GENERAL INFORMATION

Unless specified otherwise, all the amounts are in PLN '000.

Business activity

The object of the activity of ULMA Construccion Polska S.A. Capital Group
(hereinafter referred to as the Group) includes:

- lease and sales of scaffolding and construction panels,
- designs of panels and scaffolding application on commission,
- export of construction services provided by the Group companies,
- sales of construction materials and raw materials and concrete accessories,
- transport, equipment and repair activity, including sales and lease of construction equipment.

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

Registered office

ULMA Construccion Polska S.A.
Koszajec 50
05-840 Brwinów

Supervisory Board

Aitor Ayastuy Ayastuy	Chairman of the Supervisory Board
Maria Lourdes Urzelai Ugarte	Deputy Chairwoman of the Supervisory Board
Iñaki Irizar Moyua	Member of the Supervisory Board
Felix Esperesate Gutiérrez	Member of the Supervisory Board until 16 June 2016
Rafał Alwasiak	Member of the Supervisory Board until 16 June 2016
Andrzej Kozłowski	Member of the Supervisory Board since 16 June 2016
Michał Markowski	Member of the Supervisory Board since 16 June 2016

Audit Committee

Michał Markowski	Chairman of the Committee
Aitor Ayastuy Ayastuy	Member of the Committee
Maria Lourdes Urzelai Ugarte	Member of the Committee

Management Board

Unless specified otherwise, all the amounts are in PLN '000.

Rodolfo Carlos Muñiz Urdampilleta	President of the Management Board since 16 June 2016
Andrzej Kozłowski	President of the Management Board until 16 June 2016
Krzysztof Orzełowski	Member of the Management Board
Ander Ollo Odriozola	Member of the Supervisory Board
Andrzej Sterczyński	Member of the Management Board

Statutory Auditor

KPMG Audyt Sp. z o.o. spółka komandytowa
ul. Inflancka 4a
00-189 Warszawa
The Company is registered in the register of entities authorised to audit financial statements under number 3546.

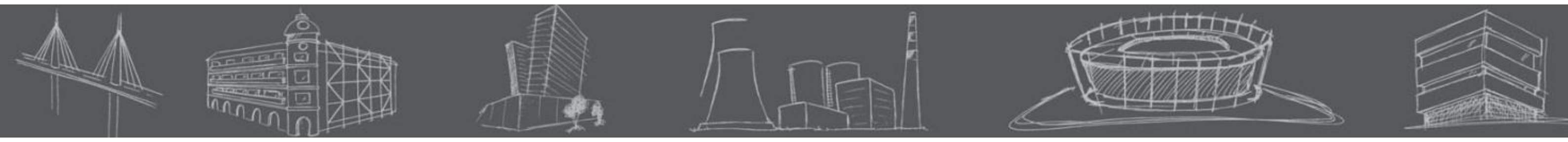
Banks

mBANK (formerly BRE Bank S.A.)
PEKAO S.A.
BGŻ BNP PARIBAS S.A.
PKO Bank Polski S.A.
Banco de SABADELL (Spain)

Stock exchange listings

The Company is listed at the Warsaw Stock Exchange (“GPW”).
GPW symbol: ULM.

Unless specified otherwise, all the amounts are in PLN '000.



CAPITAL GROUP
ULMA Construccion Polska S.A.

CONSOLIDATED FINANCIAL STATEMENTS for the period of 12 months of 2016

Unless specified otherwise, all the amounts are in PLN '000.

Consolidated statement of financial position

	Status as at:		
	Note	31 December 2016	31 December 2015
ASSETS			
I. Fixed assets			
1. Tangible fixed assets	5.	205,746	201,218
2. Intangible assets	6.	201	200
3. Shares in affiliates	8.	-	566
4. Other fixed assets	9.	4,012	4,068
5. Long-term receivables	10.	981	945
6. Deferred income tax asset	17.	1,071	-
Total fixed assets		**212,011**	**206,997**
II. Current assets			
1. Inventories	11.	3,630	5,847
2. Trade and other receivables	10.	82,613	80,493
3. Current income tax receivables		730	592
4. Cash and cash equivalents	12.	36,948	34,964
Total current assets		**123,921**	**121,896**
Total assets		**335,932**	**328,893**
EQUITY AND LIABILITIES			
I. Equity			
1. Share capital	13.	10,511	10,511
2. Reserve capital – share premium	13.	114,990	114,990
3. FX differences on translation of foreign operations		(13,971)	(14,381)
4. Retained profit, of which:		190,935	178,043
a. Net profit for the financial period		*12,892*	*5,508*
Total equity		**302,465**	**289,163**
II. Liabilities			
1. Long-term liabilities			
a. Deferred income tax liability	17.	2,936	3,559
b. Long-term liabilities due to pension benefits	18.	144	193
Total long-term liabilities		**3,080**	**3,752**
2. Short-term liabilities			
a. Short-term liabilities due to pension benefits	18.	41	14
b. Short-term liabilities due to factoring of trade payables	14.	3,046	3,545
c. Deferred income tax liabilities		109	-
d. Derivative instruments	7.	13	8
e. Trade and other payables	14.	27,178	32,411
Total short-term liabilities		**30,387**	**35,978**
Total liabilities		**33,467**	**39,730**
Total equity and liabilities		**335,932**	**328,893**

Unless specified otherwise, all the amounts are in PLN '000.

Consolidated profit and loss account and other comprehensive income

	Note	12 months of 2016	12 months of 2015
Sales revenues	19.	180,487	182,411
Costs of sold products, goods, materials	20.	(144,579)	(145,065)
I. Gross profit on sales		**35,908**	**37,346**
Sales and marketing costs	20.	(6,380)	(11,822)
Overheads	20.	(16,501)	(17,799)
Other operating income	21.	6,272	3,482
Other operating expenses	21.	(2,691)	(2,184)
II. Profit on operating activity		**16,608**	**9,023**
Financial income	22.	1,635	1,128
Financial expenses	22.	(847)	(2,587)
Net financial income / (expenses)		*788*	*(1,459)*
Share in profit (loss) of affiliates		(566)	(274)
III. Profit before tax		**16,830**	**7,290**
Income tax	23.	(3,938)	(1,782)
IV. Net profit for the financial period		**12,892**	**5,508**
Other comprehensive income that in the future may be settled against profit (loss)			
FX differences related to net investment in a subsidiary		255	2,010
Income tax on other comprehensive income		(156)	(209)
FX differences from translation of financial statements of foreign affiliates		311	(6,300)
V. Comprehensive income for the period		**13,302**	**1,009**
Net profit for the period attributable to owners of the parent company	31.	12,892	5,508
Comprehensive income for the period attributable to owners of the parent company		13,302	1,009
Weighted average number of ordinary shares		5,255,632	5,255,632
Basic and diluted profit per share in the period (in PLN per share)		2.45	1.05

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Statement of changes in consolidated equity

Item	Share capital at nominal value	Surplus from the sales of shares above the par value	FX differences on translation of foreign operations	Retained profit	Total equity
As at 01.01.2015	**10,511**	**114,990**	**(9,882)**	**172,535**	**288,154**
Total income in 2015	-	-	(4,499)	5,508	1,009
As at 31.12.2015	**10,511**	**114,990**	**(14,381)**	**178,043**	**289,163**
Total income in 2016	-	-	410	12,892	13,302
As at 31.12.2016	**10,511**	**114,990**	**(13,971)**	**190,935**	**302,465**

Unless specified otherwise, all the amounts are in PLN '000.

Consolidated cash flow statement

	Note	12 months 2016		12 months 2015
Net profit (loss) for the period		12,892		5,508
Adjustments:				
- Income tax	23.	3,938		1,782
- Fixed assets depreciation	5.	48,826		52,824
- Intangible assets depreciation	6.	133		145
- Net value of scaffolding – fixed assets sold		4,240		5,091
- Interest expense		-		136
- Interest income		(1,633)		(931)
- Change in the value of interests in affiliates		566		(652)
- (Profit)/loss on goodwill changes due to financial instruments		5		(67)
- (Profit)/loss on currency exchange differences		1,042		(1,526)
- Change in the value of the provision for retirement benefits		(21)		28
Changes in working assets:				
- Inventory		2,217		1,009
- Trade and other receivables		(2,536)		19,526
- Trade and other liabilities		(5,732)		9,744
		63,937		**92,617**
Purchase of formwork		(53,489)		(40,260)
Income tax paid		(5,817)		(5,892)
Net cash inflows from operating activities		**4,631**		**46,465**
Cash flows from investing activities				
Acquisition of tangible fixed assets		(4,366)		(1,586)
Income on disposal of tangible fixed assets		121		55
Purchase of intangible assets		(123)		(105)
Loans granted		-		(82,001)
Repayment of loans granted		-		50,001
Interest received		2,049		516
Net cash outflows on investing activity		**(2,319)**		**(33,120)**
Cash flows from financing activities				
Repayment of credit and loan facilities		-		(10,604)
Interest paid		-		(157)
Net cash outflows on financing activity		**-**		**(10,761)**
Net increase / (decrease) of cash and overdraft facility		2,312		2,584
Cash, cash equivalents and overdraft facility as of the beginning of the period		34,964		32,110
(Loss)/Profit on currency exchange differences on valuation of cash and overdraft facility		(328)		270
Cash, cash equivalents and overdraft facility as at the end of the period	12.	**36,948**		**34,964**

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Notes to consolidated financial statements

1. Description of key accounting principles

Basic accounting principles applied to the preparation of these consolidated financial statements have been presented below. The described principles were applied in all the presented periods consistently.

A) Basis for the preparation

The consolidated financial statements for the period of 12 months ended on 31 December 2016 of the ULMA Construccion Polska S.A Capital Group, whose parent entity is ULMA Construccion Polska S.A. were prepared in compliance with the International Financial Reporting Standards, approved by the European Union.

These statements were prepared in compliance with the historical cost principle, except for financial assets and liabilities (financial derivatives) valued at fair value profit and loss account.

B) Consolidation

The consolidated financial statements of the Group were made on the basis of the financial statements of the parent company, financial statements of its subsidiary companies and affiliated entities. The financial statements of the consolidated entities are made for the same reporting periods.
Due to the fact that not all entities in the Capital Group apply the same accounting principles, compliant with the principles applied by the parent company, for the purposes of making the consolidated financial statements, the financial statements of those entities were appropriately transformed with the data being adapted to the accounting principles applied in the parent company.
Subsidiary entities are those that are controlled by the parent company. Control is exercised by the parent company when it holds directly or indirectly via its subsidiary entities, more than one half of the number of votes in a company unless it may be proven that such holding is not equivalent to control. Control is deemed to be exercised when the Company as a result of its interest in another entity is entitled to variable profit of the entity and is able to affect such profit by exercising authority over the entity. Authority may also be exercised when the parent company does not hold more than one half votes in the subsidiary entity. Subsidiaries are subject to consolidation with the use of full method. Subsidiary undertakings are subject to full consolidation from the date on which the Group takes over control of them. Consolidation ends on the date when the control ceases to exist. The acquisition cost is determined as a fair value of the transferred assets, issued equity instruments and obligations incurred or taken over as at the exchange date, increased by costs directly attributable to the acquisition. Any identifiable acquired assets, as well as liabilities and contingent liabilities taken over as a result of merger of business entities are valued as at the acquisition date at their fair value, regardless of the value of potential minority interests. The surplus of the take-over value over the fair value of the Group's shares in identifiable acquired net assets is reported as the company goodwill. If the take-over cost is lower than the net fair value of the asset of the acquired subsidiary, the difference is charged directly against the financial result.
Affiliated entities are those where the parent entity exerts material impact directly or indirectly via its subsidiary entities but does not exercise control or co-control.
Investments in affiliates are measured with the equity method
Transactions, settlements, unrealised profit on transactions between Group companies are eliminated. Unrealised loss is also eliminated, unless the transaction provides evidence for the loss of value of a particular asset.

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FX differences on cash positions being part of a net investment in an entity operating abroad are posted initially as a separate item of equity and disclosed in other comprehensive income, and once the net investment is disposed of are charged to the financial result.

C) Measurement of items in foreign currency

1. Functional currency and reporting currency

Particular items of the Group's financial statements are valued in the currency of their basic business environment, in which the substantial part of the Group operates (functional currency). The functional currency of the parent company is Polish zloty, which is also the reporting currency in the Group's financial statements.

2. Transactions and balances

Transactions in foreign currencies as translated into the functional currency according to the rate effective as on the transaction date. FX profit and loss due to transaction settlement and balance sheet valuation of cash assets and liabilities in foreign currencies are charged accordingly to the financial result. Both negative and positive FX differences under investment and financial activity are charged to financial costs.
FX differences on revaluation and balance sheet valuation of trade settlements increase or decrease revenues or cost items they are related to.
The Group assumes the mean exchange rate of a particular currency announced by the National Bank of Poland as of the balance sheet date as the closing exchange rate for such currency.
FX differences on cash positions being part of a net investment in an entity operating abroad are posted initially as a separate item of equity and disclosed in other comprehensive income, and once the net investment is disposed of are charged to the financial result.

3. Foreign companies

Financial statements of companies from Capital Group whose functional currencies differ from the reporting currency are translated into the reporting currency in the following way:

a) assets and liabilities are translated according to the closing rate as of the balance sheet date,
b) revenues and costs in the total income statement are translated separately for each financial month according to the closing rate as of the last day of each month,
c) all the resultant FX differences are recognized as a separate item of equity and disclosed in other total income.

4. Currency exchange rates and inflation

	Mean PLN exchange rates published by NBP				Changes to the CPI index published by the Central Statistical Office for 12 months
	UAH (hryvnia – Ukraine)	RON (leu Romania)	KZT (tenge Kazakhstan)	EUR (euro)	

31 December 2016	0.1542	0.9749	0.012659	4.4240	-0.6%
31 December 2015	0.1622	0.9421	0.011452	4.2615	-0.9%

D) Financial instruments

The financial instruments disclosed in the financial statements include cash in hand and with banks, trade and other receivables (with the exception of tax receivable), financial assets disclosed at fair value and settled through the financial result, financial assets available for sale, trade payables and other liabilities (with the exception of tax payables), factoring liabilities as well as loans and borrowings.
The adopted methods of presentation and valuation of particular financial instruments were included in items below which describe the adopted accounting principles.
Financial derivatives are initially recognised in fair value as of the contract date. Subsequently their value is updated to fair value. Derivates held by the Group cannot be classified as hedges, and therefore the result of their fair value valuation is recognized in the financial result.
As at the end of each reporting period, the Group assesses if objective impairment indications exist to financial assets other than those measured at fair value through the financial result. A financial asset is deemed to be impaired if after its initial recognition, objective impairment indications occurred as a result of an event that may have adverse, reliably assessed impact on the value of future cash flows generated by such asset.
Objective impairment indications of financial assets (including equity instruments) include failure to pay or a delay in payment of debt by a debtor, debtor's debt restructuring approved by the Group for economic or legal reasons that would not have been approved by the Group otherwise, circumstances indicating a high likelihood of the debtor's bankruptcy, disadvantageous changes to payment balances from the debtors, economic conditions implicating contractual breaches, disappearance of an active market for specific financial assets. Additionally, in case of investments in equity instrument, objective impairment indications of financial assets include a material or prolonged decrease of the fair value of such investment below their acquisition price.

Loans granted and receivables and investments kept until maturity

The Group assesses impairment indicators of loans granted and receivables and investments kept until maturity, both at the level of individual assets and with reference to asset groups. In case of individually material receivables and investments kept until maturity, impairment tests are performed of each individual asset. All individually significant loans granted and receivables and investments kept until maturity where no impairment indicators have been identified on the basis of an individual assessment, are then subject to a group assessment to ascertain if there is no unidentified impairment otherwise. Loans granted and receivables and investments kept until maturity with an individually immaterial value are examined collectively for impairment split into groups with similar risk features.
Assessing the impairment of asset groups, the Group relies on historic trends to assess the likelihood of arrears and the payment time and the suffered losses, adjusted by estimates made by the Management Board assessing if the existing economic and credit conditions indicate if the actual losses may materially differ from the losses resulting from the assessment of historic trends.
Impairment of financial assets measured at amortised cost is estimated as the difference between their book value and the present value of future cash flows discounted with the original effective interest rate. All losses are recognised in the profit and loss of the current period and constitute an impairment charge of loans granted and receivables and investments kept until maturity; however, the Group continues to accrue interest on such revalued assets. If subsequent circumstances (e.g. payments by the debtor) evidence that

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impairment indications no longer exist, then reversals of impairment charges are recognised in profit or loss of the current period.

Financial assets available for sale

Impairment of financial assets available for sale is recognised by transfer of cumulated loss recognised in the revaluation reserve to fair value, to profit or loss of the current period. The value of such cumulated loss is calculated as the difference between the acquisition price reduced by received principal instalments and changes to the book value resulting from the application of the effective interest rate, and their fair value. Additionally, the difference is reduced by impairment losses previously recognised in profit or loss of the current period. Changes to the impairment charge related to the application of the effective interest rate method are recognised as interest income.
If in subsequent periods, the fair value of impaired securities available for sale increases, and such increase may be objectively attributed to an event after the impairment charge was recognised, the previously recognised loss is reversed and recognised in profit or loss of the current period. In case of equity instruments available for sale, such reversed impairment charge is recognised in other comprehensive income.

E) Tangible fixed assets

Tangible fixed assets comprising buildings, machinery and devices used for the purpose of production, delivery and products and provision of services for the purpose of management, were valued as of the balance sheet date according to the purchase price or production cost less accumulated depreciation and revaluation write down.

Further expenditures are recognized in the balance sheet value of a particular asset or as a separate fixed asset (when appropriate) only when it is probable that such expenditures will bring economic benefits for the Group and the cost of such item may be credibly measured. Further expenditures which do not increase the initial usable value of a given fixed asset are charged against the costs of the period in which they were incurred.

The land owned by the Group is disclosed according to the purchase price and are not depreciated. Other fixed assets are redeemed by a straight line method in order to divide their initial value less the potential end value during their usable period for particular groups by kind.

The usable periods applied to particular groups of fixed assets are the following (in years):

• buildings and structures	25 – 40
• investments in third party facilities	10
• plant and machinery	3 – 20
• equipment, scaffolding systems and other fixed assets	2 – 8

The verification of the fixed assets end value and usable periods is performed as of each balance sheet date and adjusted when necessary.

If the book value of a fixed asset is higher than its estimated realisable value, the book value is decreased to the realisable value level (note 1I).

Profit and loss due to disposal of fixed assets is determined by comparing the income on sales with their balance sheet value and is charged to the financial result.

F) Leasing – lessee's (beneficiary's) accounting

The lease of assets in which significant portion of risks and benefits arising of the ownership title remain with the lessor is classified as operational lease. Leasing fees the Group is charged with under operational leasing are charged to the financial result on a straight line basis throughout the term of the lease contract.

The lease of tangible fixed assets in the case of which the Group assumes significant portion of risks and benefits arising from the ownership title is classified as financial leasing. The financial lease object is recognised in assets as from the lease commencement date in the lower of the two following amounts: fair value of the leased asset or the present value of the minimum lease payments. Lease fees incurred in the reporting period in the portion pertaining to principal decrease the principal amount of liability due to financial leases while the remaining interest part is charged to the financial costs of the period. Leasing fees are divided into principal and interest in such a way as to obtain a fixed interest rate for the period in relation to the outstanding principal.
Tangible fixed assets subject to financial leasing are disclosed in the financial report together with other financial assets and are depreciated in line with the same rules. If there is no sufficient certainty that following the end of the lease period the Group receives the ownership right, the assets are depreciated in a shorter of the two periods: lease period and the economic usability period.

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

Leasing is a contract under which the lessor (financing party) grants the lessee (beneficiary) the right to use a specific asset for an agreed period of time in exchange for a fee. If assets are used on the basis of operational lease, such asset is revealed in the financial report in line with its nature (type). Revenues under operational lease are recognised throughout the lease period in compliance with the straight line method.

H) Intangible assets

Software

Purchased licenses for computer software are capitalized in the costs for their purchase and preparation for the use of particular software. Capitalized costs are depreciated over the estimated software use period: 2-5 years.

I) Impairment of non-financial fixed assets

Depreciable fixed assets are analysed from the perspective of loss of value in case of occurrence of premises which suggest the possibility that the balance sheet value of tangible and intangible assets may not be realized. The amounts of revaluation write downs determined as a result of analysis decrease the balance sheet value of the asset they pertain to and are charged to the costs of the period. Impairment loss is recognised in the amount by which the balance sheet value of an asset exceeds its realisable value. The realisable value is the higher of the two following amounts: fair value less costs of sales and the usable value (reflected by the current value of cash flows related to such asset). For the purpose of the impairment analysis, assets are grouped at the lowest level in relation to which there are identifiable separate cash flows (cash flow-generating centres).
With reference to assets other than goodwill, impairment charges recognised in previous periods are subject to assessment at the end of each reporting period for impairment indications or complete reversal thereof. Impairment charges are reversed if a change has occurred to estimates applied to identify the

realisable value. Impairment charges are reversed solely back to the original value of assets reduced by depreciation allowances that would have been disclosed were it not for such impairment charges.

J) Investments

Financial assets available for sale

Group's investments include the value of shares and stock in other entities than subsidiaries and affiliates. Investments in other entities are presented as financial assets for sale, since the Management Board does not intend to dispose of such investments in the period of the next 12 months. Investments are recognised initially in their fair value plus additional transaction costs. Changes of the investment value due to revaluation to fair value are recognised in other comprehensive income. All the other decreases due to impairment are charged to financial result. Financial instruments available for sale whose fair value cannot be reliably determined (no active market for such instruments exists) are valued according to the financial instrument purchase costs less write downs.

Loans and receivables

Loans and receivables are financial assets with fixed or estimable payments that are not listed in active markets. Such assets are initially recognised at fair value increased by attributable transactional costs. Loans and receivables are subsequently measured at amortised cost, with the effective interest rate method, reduced by potential impairment charges.

K) Inventory

Inventories of raw materials, materials and purchased goods are measured as at the balance sheet date at the lower of: purchase price or realisable net sales price.

Net sales price is the price of sales in normal business activity, less estimated costs of manufacturing completion and variable costs which must be incurred to finalize the sales.

Outgoing inventories are measured with the FIFO method.
If necessary, impairment charges revaluating the obsolete, unsellable or defective inventories are made.

L) Trade and other receivables

Trade receivables are initially recognised in fair value and subsequently valued according to the depreciated cost method applying the effective interest rate and are decreased by impairment charges. Trade receivables classified as uncollectable are charged to costs once classified as such. If the Management Board finds it probable that the Group will not be able to collect receivables in the original amount, an impairment charge is made. The amount of the impairment charge corresponds to the difference between the book value and the present value of expected future cash flows discounted with the original effective interest rate. Changes to the value of impairment charges are charged to the financial result, against the sales and marketing costs in the period in which the change took place.
The Group applies principles in compliance with which the amounts of VAT recovered due to no payment of receivables within 150 days of the payment date are disclosed under "Liabilities due to taxes and other charges".

M) Cash and cash equivalents

Cash and cash equivalents are recognised in the statements in their fair value corresponding to the nominal value. The item comprises cash in hand and with banks, short-term investments characterized by high liquidity with initial maturity period not longer than three months.
Cash and cash equivalents shown in the cash flow statement comprise the above-mentioned cash and cash equivalents, less outstanding revolving facilities.
Revolving facilities are disclosed in the financial statements in the item obligations – short-term loans.

N) Capitals

Share capital and reserve capital

Common shares are classified as equity. Initial capital is disclosed according to the par value of shares. Share premium less costs directly related to the issue of new shares is disclosed as the reserve capital.

Retained profit

The item "Retained profit" of the financial statement comprises accumulated, retained profit and loss generated by the Group in previous reporting periods and the financial result from the current financial year.

FX differences on translation of foreign operations

A separate equity item is used to disclose FX differences on translation of financial statements of foreign operations into the presentation currency and FX differences resulting from net investments in foreign operations.

O) Loans

Loans are recognised initially in their fair value less transaction costs. Next, bank loans are valued at adjusted cost of acquisition (amortised cost) using the effective interest rate.
Credit and loan facilities are classified as short-term liabilities, unless the Group has an unconditional right to postpone the repayment for the period of at least 12 months from the balance date.

P) Provisions

Provisions are established for existing liabilities of the Group (legal or arising from common law) resulting from past events, if there is probability that it will be necessary to spend the Group's resources in order to satisfy such obligation and if its estimated value may be reliably determined.

Q) Deferred expenses and deferred income

The item "Trade and other liabilities" of the Group's statement of financial position comprises:

- reliably estimated value of costs incurred in the reporting period, for which the suppliers have not issued invoices as until the balance sheet date.
- accrued income including in particular the equivalent of payments received from or receivable from business partners for performances to be made in future reporting periods.

R) Material estimates and judgements

To prepare the financial statements in compliance with the International Financial Reporting Standards the Management Board makes certain accounting estimates, taking into account its own knowledge and estimates referring to the future changes to the analysed values. Actual values may differ from the estimated ones.

- The balance sheet value of tangible assets is determined with the use of estimates concerning the usability periods of particular fixed asset groups. The assumed usability periods of tangible fixed assets are verified periodically on the basis of analyses carried out by the Group.
- Receivables are verified from the perspective of impairment in case of premises suggesting their uncollectibility. In this case, the value of impairment charges on receivables is specified on the basis of estimates prepared by the Group.
- Changes that occur in the construction market may materially affect the assessment of the realisable value assets held by Group companies. In order to identify impairment indications, the Group estimates the realisable value of its tangible fixed assets.
  Impairment analysis is performed by estimating the realisable value of cash-generating centres. Such analysis relies on a number of material assumptions some of which remain outside the Group's control. Major changes to the assumptions affect the results of impairment tests and as a result may generate material changes to the Group's financial condition and financial results.

S) Revenues

Revenues include the fair value of revenues on sales of products, goods and services less VAT, rebates and discounts.
The Group recognizes revenues on sales once the amount of revenues may be credibly measured, it is probable that the entity will obtain economic benefits in the future and that the specific criteria for each type of the Group's activity described below have been met.

1. Revenue from sales of construction goods and materials

Revenues on sales of goods and products are recognised if significant risks and benefits resulting from ownership of goods or products have been transferred to the buyer and if the amount of sales revenue can be reliably estimated and collectability of receivables is sufficiently certain.
This category includes also revenues on sales of scaffolding systems classified as tangible fixed assets. The result on disposal of other tangible fixed assets is recognised in other revenues or other operating expenses.
In the case of domestic sales, sales of materials or goods take place when such materials or goods are released to the buyer from a Group's warehouse. In the case of export and Intracommunity delivery of goods, revenues are recognised depending on the delivery terms and conditions specified in compliance with Incoterms 2010 and agreed in the performed contract.

2. Revenues on sales of services

Sales revenues of services apply primarily to rental of scaffolding systems, settled on the basis of daily rates.

3. Financial income and expenses

Financial income covers interest income related to the funds invested by the Group (including on financial assets available for sale), dividend receivables, profit on disposal of financial assets available for sale, gains on valuation of the fair value of financial instruments measured through the financial result, gains on hedging instruments that are recognised in profit and loss of the current period. Interest income is recognised in profit or loss of the current period on an accrual basis, with the effective interest rate method.

Dividend is recognised in profit or loss of the current period as at the day on which the Group acquires the relevant right.

Financial expenses include interest expense related to external funding, losses in disposal of financial assets available for sale, losses on changes to the fair value of financial instruments measured at fair value through the financial result, impairment charges on financial assets (other than trade receivables) and losses on hedging instruments that are recognised in profit and loss of the current period.

The costs of external funding that may not be directly attributed to the purchase, manufacturing or construction of specific assets, are recognised in profit and loss of the current period with the effective interest rate method.

FX profit and loss is disclosed in a net amount as financial income or financial expenses, depending on the net result.

T) Deferred income tax

Deferred income tax assets and liabilities arising of temporary differences between the tax value of assets and liabilities and the balance sheet value in the consolidated financial statements recognised by the balance sheet method. However, if deferred tax results from the initial recognition of an asset or liability in a transaction other than a merger of business units which has no impact on financial result or tax income (loss), it is not recognised. Deferred income tax is determined applying the tax rates (and provisions) legally or actually binding as of the balance sheet date which, according to expectations, will be in force at the time of realising relevant deferred income tax assets or payment of deferred income tax liabilities.

Deferred income tax asset is recognised if there is probability of obtaining future taxable income which will make it possible to utilise temporary differences.

Deferred income tax assets and liabilities are set off against each other if it is legally admissible to compensate current tax assets and liabilities.

The Capital Group is not able to control the time of reversal of all temporary differences relating to investments in subsidiary entities, branches and affiliated entities and investments in joint ventures in relation to which no deferred income tax has been recognised and it is likely than such temporary differences will not be reversed in the foreseeable future.

U) Employee benefits

Retirement allowance

Retirement benefits become payable once the employee gains the right to pension pursuant to the Labour Code. The amount of the retirement benefit payable to the employee who obtains the right to pension is calculated in the amount of an additional salary per one month.
The Company sets up a provision for future retirement benefits in order to allocate the costs to the relevant periods. The provision is recognised as operational expenses in amounts corresponding to the future rights to be acquired by employees. The present value of the liabilities is calculated by an independent actuary.
Actuarial gains and losses resulting from changes to actuarial assumptions (including changes to the applied discount rate) and ex post actuarial adjustments are recognised in comprehensive income.

2. Financial risk management

The business activity of the Group is exposed to many types of financial risk: foreign exchange risk, risk of changes in cash flow and fair value resulting from interest rate changes, credit risk and liquidity risk.
By implementing the risk management programme the Group tries to minimise the effects of the financial risk which have a negative impact on its financial results. In order to hedge certain types of risk the Group uses futures and forward contracts.

FX risk

The Group operates internationally and is exposed to the foreign exchange risk with respect to various currencies, in particular the euro. Foreign exchange risk applies to future commercial transactions (sale of products and goods and purchase of goods and services) and recognised assets and liabilities. The currency risk occurs when future commercial transactions, recognised assets and liabilities denominated in a currency different than the functional currency of the companies which belong to the Group.
The Group secures its net positions with currency forward contracts.
Analyses conducted do not show that the Group is materially exposed to FX risk with reference to financial instruments. The above is mainly due to the fact that the Group's FX exposure is largely balanced.

Additionally, within the Capital Group, the parent company granted long-term loans to its subsidiary entities, totalling as at the balance sheet date EUR 2,500 thousand and USD 1,500 thousand). The loans are a part of the net investment of the parent company in the entity operating abroad and are denominated in currencies different than the functional currency of the parent company (that is the Polish złoty) or its subsidiary operating abroad (that is the Ukrainian hryvnia). According to IAS 21, FX differences resulting from converting the said loan and disclosed in the standalone financial statements of the parent company (as a result of converting EUR or USD into PLN) as well as FX differences resulting from converting the said loan and occurring in the standalone statements of the subsidiary operating abroad (as a result of converting the loan from EUR/USD into the Ukrainian hryvnia) are transferred, in the consolidated financial statements of the Group, to a separate item of equity and recognised in other comprehensive income.

If PLN weakened/strengthened by 10% against EUR and USD, with the other parameters remaining unchanged, FX differences recognised in a separate item of equity in relation to the said loan would increase/decrease the consolidated equity by PLN 1,545 thousand (PLN 1,337 thousand in 2015).

Risk of changes in cash flow and fair value resulting from interest rate changes

Revenues and cash flows from operating and financing activities of the Group are not materially exposed to interest rate risk.

Credit Risk

Credit risk is related potential credit events in the form of the counterparty's insolvency, partial repayment of debt, major delay in repayment of debt or another breach of contractual terms and conditions.

The item exposed to credit risk includes trade and other receivables (Note No. 10).

The Group is not exposed to any significant concentration of credit sales risk. Due to a relatively large number of recipients of the Group's goods and services, there is no concentration of credit sales. Moreover, the Group applies the policy which considerably limits the sale of goods and services to the clients with negative history of discharge of liabilities. The implemented procedures of internal control which consist, among other things, in determining credit limits for individual clients depending on assessment of their financial standing and procedures of approving new clients let the Group considerably reduce the credit risk level.

Trade receivables with respect to which impairment has been identified, represent 56.4% of the gross value of this group of financial assets, whereas non-outstanding trade receivables represent 51.9% of the value of the said group (in 2015 those values were 55.9% and 51.6%, respectively).

An ageing analysis of trade receivables is as follows: (in PLN '000)

		31 December		31 December 2015
Current receivables		25,397		24,375
Arrears up to 30 days		6,386		5,279
Arrears from 31 to 90 days		4,057		3,334
Arrears from 91 to 180 days		2,908		1,866
Arrears from 181 to 360 days		1,241		2,465
Arrears in excess of 360 days		46,777		47,297
Total gross receivables		**86,766**		**84,616**
Impairment charges		(37,846)		(37,338)
Total net receivables		**48,920**		**47,278**

Impairment charges apply to receivables overdue by over 180 days.
Impairment was identified of financial assets in the group of trade and other receivables of PLN 37,846 thousand and they were subject to an impairment charge. For the purpose of establishing value of impairment of individual components of financial assets the Group takes into account individual assessment of every client, in particular the assessment of such client's financial standing and securities held. In order to secure its receivables, the Group uses primarily blank promissory notes and insurance of foreign receivables concerning the Eastern markets.

With reference to the trade receivables presented in the table above that are overdue in excess of 150 days, as at the balance sheet date the Capital Group recovered PLN 4,901 thousand of VAT, applying the VAT credit for bad debt which is disclosed in trade and other payables.

The Capital Group has credit risk concentration related to loans granted. Out of the total of loans granted of PLN 32,981 thousand, the amount of PLN 32,000 thousand is a loan granted to the parent entity Ulma CyE S. Coop. The receivables are secured with a registered pledge established by the borrower on its formwork

Unless specified otherwise, all the amounts are in PLN '000.

and scaffolding up to PLN 44,000 thousand. In view of the collateral held and the borrower's good financial condition, the Group’s Management Board assessed the risk of default as low.

Liquidity Risk

The liquidity risk management consists in maintaining a relevant level of cash, availability of financing owing to a sufficient amount of credit instruments granted to the Group and ability to close market positions. The Group maintains cash sufficient to satisfy any due liabilities and ensures the possibility of financing owing to the credit lines granted to it.
Over 90% of trade liabilities of the Group is payable within 2 months from the balance sheet date.

Working capital management

The working capital of individual companies of the ULMA Construccion Polska S.A. Capital Group is managed on the level of the Capital Group. The main purposes of capital management include ensuring a relevant level of operating liquidity and possibilities of implementation of investment projects of individual companies of the Group in accordance with approved budgets.

Dividend policy

The dividend policy adopted in the Group is also subordinated to the goals presented above. Every decision on payment of dividend is preceded by the analysis of current and development needs of every company of the Capital Group as a whole.

Unless specified otherwise, all the amounts are in PLN '000.

3. New accounting standards and interpretations of the International Financial Reporting Standards (IFRS) Interpretations Committee

The following standards, amendments to the existing standards and interpretations have not been approved by the European Union or are not effective as at 1 January 2016:

Standard	Description of changes	Effective date:
IFRS 15 *Revenue from Contracts with Customers* and clarifications to IFRS 15	The standard applies to all contracts with customers except those that are covered by other IFRS in whole or in part (e.g. lease, insurance contracts and financial instruments). IFRS 15 unifies the requirements concerning the recognition of revenues by implementing a uniform five-step model of revenue recognition, replacing the guidelines of e.g. IAS 18 Revenues, IAS 11 Construction Contracts and the related interpretations.	01 January 2018
IFRS 9 *Financial Instruments*	Changes to measurement classification – replacement of the existing category with two categories: • Instruments measured at amortised cost • Instruments measured at fair value Changes to hedge accounting	01 January 2018
IRFS 14 *Regulatory Deferral Accounts*	Accounting principles and disclosures concerning regulatory deferral accounts	The standard in its current version will not be applicable in EU
Amendments to IFRS 10 and IAS 28	Contains guidelines concerning disposal or contribution of assets by an investor to affiliated entities or joint ventures	Not specified
IRFS 16 Leases	The standard cancels the differentiation between operating leases and financial leases with lessees. All contracts meeting the new definition of lease will as a matter of principle be recognised like financial leases are now.	01 January 2019
Modifications to IAS 12	Clarification of settlement method of deferred income tax relating to unrealised losses	01 January 2017
Modifications to IAS 7	An initiative concerning modifications to disclosures	01 January 2017
Modifications to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01 January 2018
Modifications to IFRS 4	The application of IFRS 9 Financial Instruments jointly with IFRS 4 Insurance Contracts	01 January 2018
Annual amendments to IRFS (2014-2016 cycle)	List of amendments related to: IFRS 1 – elimination of short-term exemptions for entities applying IFRS for the first time; IFRS 12 – clarification of the application scope of disclosure requirements; IAS 28 – measurement of investee entities at fair value through the financial result or with an individual method.	01 January 2018/ 01 January 2017
Modifications to IAS 40	Changes to classification of properties – transfer of investment properties to other asset groups	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration.	Guidelines concerning identification of transaction date and the applicable SPOT exchange rate to be used at making or receiving payment of advance in a foreign currency.	01 January 2018

Unless specified otherwise, all the amounts are in PLN '000.

The Group intends to implement the new IFRS standards and amendments to standards and interpretations thereof, approved by the International Accounting Standards Board but not effective until approval of these financial statements for publication, as soon as they become effective.

Impact of the new regulations on future financial statements of the Company

The new standard IRFS 9 Financial Instruments introduces fundamental changes to the classification, presentation and measurement of financial instruments. The standard will implement a new impairment measurement model that will require a longer recognition of anticipated credit losses and an update of the rules of applying hedge accounting. The amendments are aimed at adapting the requirements related to risk management by supporting the entities preparing financial statements to reflect better the undertaken actions.

An implementation analysis of IFRS 9 has not been completed; however, in the Group's opinion it should have no material impact on the Group's future financial statements and the reported financial results.

IFRS 15 is aimed at unifying and simplifying the rules of revenue recognition by implementing one model of revenue recognition. In particular, the standard will affect revenue recognition under contracts or contract packets under which separate services are provided and/or goods are delivered to customers.

The application of the standard should not materially affect the Group's financial statements. An analysis of the effects of the standard has not been completed.

The new standard IFRS 16 Leases changes the rules of recognising contracts meeting the definition of lease. The main change is waiving the split into financial and operating leases. All contracts meeting the definition of lease will as a matter of principle be recognised as financial leases. In particular, the change will relate to such areas as: lease of passenger car fork-lift truck fleets, rental of the Logistics Centre in Gdańsk and the yard in Warsaw at ul. Klasyków, perpetual use of the site in Jaworzno. The implementation of the standard will have the following effects:

- in the statement of financial condition: an increase of the value of non-financial fixed assets and financial liabilities,
- in the comprehensive income statement: a reduction of operational expenses (other than depreciation/amortisation), an increase of depreciation/amortisation expenses and financial expenses.

The other standards and amendments thereto are not expected to have material impact on the future financial statements of the Group. The amendments to the IFRS standards and interpretations that became effective after 1 January 2016 until the publication hereof did not have material impact on these consolidated financial statements.

4. Information on business segments

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

- servicing of construction sites – a sector covering lease of shuttering and scaffolding systems with broadly understood logistics service and settlement of construction projects at the end of the contract,

Unless specified otherwise, all the amounts are in PLN '000.

- sales of construction materials – a sector covering the sales of shuttering systems classified as fixed assets or working assets (products and goods) of the Group and other construction materials.

The accounting principles applied in operating segments are compliant with the Group's accounting policies as described in note 1. The Ulma Group is organised and managed in segments split by the types of offered products and services. As a matter of principle, the Ulma Group settles transactions between segments as if they were carried out between unrelated entities – at arm's length. In its analyses of each operating segment, the management of the Ulma Group focuses its attention on the EBITDA generated.

In construction industry in which the Capital Group is involved there is the phenomenon of seasonality. There is slowed down activity of construction companies in winter months and intensified activity in the summer and autumn seasons. Additionally, weather conditions are important in each year.

Results per segments are the following:

12 months ended on 31 December 2016

Item description	Servicing construction sites	Sales of construction materials	Capital Group
Total sales revenues	156,925	36,062	192,987
Sales between segments	(634)	(11,866)	(12,500)
Sales revenues	**156,291**	**24,196**	**180,487**
Operating expenses less depreciation	(97,230)	(17,690)	(114,920)
EBITDA	**59,061**	**6,506**	**65,567**

12 months ended on 31 December 2015

Item description	Servicing construction sites	Sales of construction materials	Capital Group
Total sales revenues	151,649	45,451	197,100
Sales between segments	(897)	(13,792)	(14,689)
Sales revenues	**150,752**	**31,659**	**182,411**
Operating expenses less depreciation	(98,262)	(22,157)	(120,419)
EBITDA	**52,490**	**9,502**	**61,992**

Operational profit reconciliation with the financial result of the Group is presented below.

	12 months of	12 months of

Unless specified otherwise, all the amounts are in PLN '000.

	2016	2015
Segment EBITDA profit	**65,567**	**61,992**
Depreciation	(48,959)	(52,969)
Interest income	1,633	1,127
Other financial income	2	1
Interest expense	(128)	(136)
Other financial expenses	(719)	(2,451)
Share in profit of affiliated entities	(566)	(274)
Profit before tax	**16,830**	**7,290**
Income tax	(3,938)	(1,782)
Net profit	**12,892**	**5,508**

Assets assigned to individual segments are presented in the table below.

Item description	Servicing construction sites	Sales of construction materials	Not assigned	Capital Group
As on 31 December 2016	157,737	8,296	169,899	335,932
As on 31 December 2015	149,949	12,220	166,724	328,893

Reconciliation of the assets of individual segments with total assets of the Group is presented below.

Item description	31 December 2016	31 December 2015
Segments' assets	166,033	162,169
Non-allocated tangible fixed assets	92,264	92,174
Non-allocated intangible assets	201	200
Investments in affiliates	-	566
Deferred income tax asset	1,071	
Other fixed assets	4,012	4,068
Tax and other receivables	35,404	34,752
Cash and cash equivalents	36,947	34,964
Total assets	**335,932**	**328,893**

The Group does not allocate liabilities to individual segments. Tangible fixed assets not allocated to segments cover fixed assets other than shuttering of PLN 92,264 thousand.
Other receivables not allocated to segments cover primarily receivables under loans granted to related entities of PLN 32,981 thousand.

The Group's revenues and fixed assets split by geographical segments are as follows:

Unless specified otherwise, all the amounts are in PLN '000.

Item description	2016	2015
Domestic sales revenues	148,174	142,230
Foreign sales revenues	32,313	40,181
Total sales revenues	**180,487**	**182,411**
Domestic fixed assets	198,227	198,995
Foreign fixed assets	11,732	6,490
Total fixed assets	**209,959**	**205,485**

Unless specified otherwise, all the amounts are in PLN '000.

5. Tangible fixed assets

Table of changes in tangible fixed assets in the period from 01 January 2015 to 31 December 2016.

	Land, buildings and structures	Technical equipment, machines and means of transport	Scaffolding systems	Other fixed assets	Fixed assets under construction	Total tangible fixed assets
GROSS VALUE						
As at 01.01.2015	**103,914**	**9,849**	**489,463**	**3,003**	**182**	**606,411**
Increases due to purchases	44	1,172	40,260	266	105	41,847
Increases – inventory surpluses, reclassifications	-	2	12,949	-	(146)	12,805
Decreases – sales	-	(887)	(27,708)	(189)	-	(28,784)
Decreases – liquidations, shortages and reclassifications	(134)	49	(27,189)	(62)	-	(27,336)
FX differences	(28)	(228)	(4,807)	(56)	-	(5,119)
As at 31.12.2015	**103,796**	**9,957**	**482,968**	**2,962**	**141**	**599,824**
Increases due to purchases	2,369	1,760	53,489	178	58	57,854
Increases – inventory surpluses, reclassifications	-	3	9,206	-	(131)	9,078
Decreases – sales	-	(484)	(13,805)	(120)		(14,409)
Decreases – liquidations, shortages and reclassifications	(84)	(7)	(27,354)	-	(9)	(27,454)
FX differences	(4)	32	(235)	4	-	(203)
As at 31.12.2016	**106,077**	**11,261**	**504,269**	**3,024**	**59**	**624,690**
ACCUMULATED AMORTISATION						
As at 01.01.2015	**13,368**	**5,986**	**364,207**	**2,581**	**-**	**386,142**
Amortisation for the period	2,780	961	48,782	301	-	52,824
Decreases – sales	(59)	(879)	(21,777)	(186)	-	(22,901)
Decreases – liquidations, reclassifications	-	56	(15,322)	(56)	-	(15,322)
FX differences	(11)	(119)	(1,965)	(42)	-	(2,137)
As at 31.12.2015	**16,078**	**6,005**	**373,925**	**2,598**	**-**	**398,606**
Amortisation for the period	2,805	1,074	44,725	222	-	48,826
Decreases – sales	(68)	(441)	(14,161)	(118)	-	(14,788)
Decreases – liquidations, reclassifications	-	-	(13,691)	-	-	(13,691)
FX differences	(1)	3	(12)	1	-	(9)
As at 31.12.2016	**18,814**	**6,641**	**390,786**	**2,703**	**-**	**418,944**
NET VALUE:						
As on 31 December 2016	**87,263**	**4,620**	**113,483**	**321**	**59**	**205,746**
As on 31 December 2015	**87,718**	**3,952**	**109,043**	**364**	**141**	**201,218**
As on 01 January 2015	**90,546**	**3,863**	**125,256**	**422**	**182**	**220,269**

Unless specified otherwise, all the amounts are in PLN '000.

Depreciation impairment charges of tangible fixed assets increased:

Item	12 months of 2016	12 months of 2015
Costs of sold products, goods, materials	45,801	50,073
Sales and marketing costs	1	2
Overheads	3,024	2,749
Total	**48,826**	**52,824**

The Management Board did not identify any impairment indications to tangible fixed assets.

6. Intangible assets

Table of changes in intangible assets in the period from 01 January 2015 to 31 December 2016.

	Licenses and software	Other	Total intangible assets
GROSS VALUE			
As at 01.01.2015	**4,490**	**40**	**4,530**
Increases	105	-	105
Decreases – sale	-	-	-
FX differences	(21)	(1)	(22)
As at 31.12.2015	**4,574**	**39**	**4,613**
Increases	123		123
Decreases – liquidation	(3)		(3)
FX differences	14	1	15
As at 31.12.2016	**4,708**	**40**	**4,748**
ACCUMULATED AMORTISATION			
As at 01.01.2015	**4,239**	**40**	**4,279**
Amortisation for the period	145	-	145
Decreases – sale	-	-	-
FX differences	(10)	(1)	(11)
As at 31.12.2015	**4,374**	**39**	**4,413**
Amortisation for the period	132	1	133
Decreases – liquidation	(3)	-	(3)
FX differences	5	(1)	4
As at 31.12.2016	**4,508**	**39**	**4,547**
NET VALUE:			
As on 31 December 2016	**200**	**1**	**201**
As on 31 December 2015	**200**	**0**	**200**
As on 01 January 2015	**251**	**0**	**251**

Unless specified otherwise, all the amounts are in PLN '000.

The amortisation impairment charges of intangible assets increased:

Item	12 months of 2016	12 months of 2015
Costs of sold products, goods, materials	5	2
Sales and marketing costs	-	-
Overheads	128	143
Total	**133**	**145**

7. Financial instruments

	Book value		**Fair value**		**Fair value hierarchy**
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	
Cash	36,948	34,964	*	*	
Receivables and loans granted					
Trade and other receivables	50,613	48,077	*	*	
Loans granted	32,981	33,361	*	*	
Financial liabilities					
Liabilities under factoring of trade payables	3,046	3,545	*	*	
Trade and other payables	20,582	25,373	*	*	
Derivatives					
Financial instruments measured at fair value through financial result	13	8	13	8	Level 2

Level 2: The derivatives disclosed in the consolidated statement of financial condition relate to term contracts for the purchase/sale of foreign currencies. The fair value of such instruments as at the balance sheet date was determined on the basis of the execution exchange rates set by the bank from which the instrument was acquired, individually for each concluded contract.

*) Fair value similar to book value

Unless specified otherwise, all the amounts are in PLN '000.

8. Shares in affiliates

Name of the entity, including legal form	Registered office	Scope of business activity	Balance sheet value of shares	% of initial capital owned
ULMA Cofraje S.R.L.	Bucharest Romania	sales and lease of shuttering, sales of construction materials	-	30.00

Basic information on the affiliate.

	31 December 2016	31 December 2015
Assets	12,411	14,760
Liabilities	11,981	12,330
Sales revenues	9,942	8,553
Net profit	(2,083)	(914)

9. Other fixed assets

Other fixed assets include the book value of the perpetual usufruct right of land in the amount of PLN 4,012 thousand. The right of perpetual usufruct of lands expires on 5 December 2089.
The Group recognises the above perpetual usufruct right of land as operational lease.

10. Trade and other receivables

	Status as at:	
	31 December 2016	31 December 2015
Trade receivables from non-affiliated entities	84,637	84,038
Impairment charges on trade receivables	(37,846)	(37,338)
Net trade receivables	*46,791*	*46,700*
Other receivables	992	309
Prepayments	701	490
Trade receivables from affiliated entities	2,129	578
Loan receivables	32,981	33,361
Total trade and other receivables	**83,594**	**81,438**
of which:		
Long-term part	981	945
Short-term part	82,613	80,493

Unless specified otherwise, all the amounts are in PLN '000.

On the basis of the conducted analyses the Group has assessed that the balance sheet value of individual receivables presented in these consolidated financial statements is close to the fair value of these receivables.

The net value of impairment charges to receivables increased by the amounts of the written-off receivables in the total amount of PLN 3,664 thousand (PLN 9,955 thousand in 2015) was recognised in the costs of sales and marketing in the consolidated profit and loss account.

Changes in impairment charges on trade receivables and other receivables are the following:

	12 months of 2016	12 months of 2015
As at the beginning of the period	**37,338**	**42,188**
Increases – impairment charges on trade receivables	3,537	9,115
Increases – impairment charges on the interest on delay	-	-
Utilisation	(2,901)	(12,391)
Adjustment of the previous impairment charge	(57)	(691)
FX differences	(71)	(883)
As at the end of the period	**37,846**	**37,338**

All the impairment charges on receivables apply to short-term receivables.

11. Inventories

	Status as at:	
	31 December 2016	31 December 2015
Materials	2,704	3,467
Goods	1,266	2,720
Gross value of inventories	**3,970**	**6,187**
Impairment charge to inventories	(340)	(340)
Net value of inventories	**3,630**	**5,847**

Unless specified otherwise, all the amounts are in PLN '000.

12. Cash and cash equivalents

	Status as at:	
	31 December 2016	31 December 2015
Cash in hand and in bank accounts	36,948	34,964
Total cash, including:	**36,948**	**34,964**
Restricted cash	112	185

For the purposes of the cash flow statement, cash and overdraft include:

	Status as at:	
	31 December 2016	31 December 2015
Cash and cash equivalents	36,948	34,964
Overdraft (note 15)	-	-
Cash and cash equivalents disclosed in the cash flow statement	**36,948**	**34,964**

13. Share capital and reserve capital

	Number of shares	Nominal value of shares	Surplus from the sales of shares above the par value	Total
As at 01.01.2015	**5,255,632**	**10,511**	**114,990**	**125,501**
increases	-	-	-	-
- decreases	-	-	-	-
As at 31.12.2015	**5,255,632**	**10,511**	**114,990**	**125,501**
- increases	-	-	-	-
- decreases	-	-	-	-
As at 31.12.2016	**5,255,632**	**10,511**	**114,990**	**125,501**

All shares are ordinary bearer shares with the nominal value of PLN 2.00. All shares are paid up.

As at 31 December 2016, the Company's shareholding structure was as follows:

	Share capital		Votes in the GSM	
	Number of	%	Number of votes	%
ULMA CyE, S. Coop	3,967,290	75.49	3,967,290	75.49
OFE Aviva BZ WBK	263,000	5.00	263,000	5.00
Free float	1,025,342	19.51	1,025,342	19.51

Unless specified otherwise, all the amounts are in PLN '000.

14. Trade and other payables

	Status as at:	
	31 December 2016	31 December 2015
Trade payables towards unrelated entities	16,256	17,790
Payables to related entities	1,726	3,572
Taxes and other charges	6,596	7,038
Accruals	2,297	3,723
Deferred income	1	10
Other liabilities	302	278
Total trade and other payables	**27,178**	**32,411**
Of which:		
Long-term part	-	-
Short-term part	27,178	32,411

In 2015 the Group entered with mBank into a factoring agreement pursuant to which the Group's trade payables to selected entities are paid by the bank within 14 days of invoice issue by the supplier. The payment date by the Group to the bank is 75 days of the payment date of the amount to the supplier. As at 31 December 2016, the Group's related liabilities to the bank amounted to PLN 3,046 thousand. The amount was disclosed in the consolidated statement of financial condition as Liabilities under factoring of trade payables.

15. Loans and borrowings:

In 2015 the Group repaid all liabilities under bank loans contracted in previous years. As at 31.12.2016, the Group had no open credit lines.

The Group has the following, unused credit limits granted to it:

	Status as at:	
	31 December 2016	31 December 2015
Based on variable interest:		
- expiring within one year	-	3,000
- expiring after one year	-	-
Total unused credit limits	**-**	**3,000**

Unless specified otherwise, all the amounts are in PLN '000.

16. Leases

a) Finance lease

As at 31 December 2016 the Group held no fixed assets used pursuant to financial leases.

b) Operating lease

Operating lease contracts include lease of passenger car fork-lift truck fleets, rental of the Logistics Centre in Gdańsk and the yard in Warsaw at ul. Klasyków, perpetual use of the site in Jaworzno.

The total amount of future minimum payments for the leases amounts to:

	Status as at:	
	31 December 2016	31 December 2015
Below one year	3,799	3,799
1 to 5 years	11,104	12,734
Over 5 years	2936	5,105
Total	**17,839**	**21,638**

Pursuant to the contract the right of perpetual usufruct of land expires on 5 December 2089.

17. Deferred income tax

	Status as at:	
	31 December 2016	31 December 2015
Deferred income tax asset:	3,842	4,300
Deferred income tax liability:	(5,707)	(7,859)
Set-off	2,771	4,300
Book value of deferred income tax asset	1,071	-
Book value of deferred income tax liability	(2,936)	(3,559)
Balance sheet value of deferred income tax asset (liability)	**(1,865)**	**(3,559)**

Deferred income tax asset and liability in the consolidated statement of financial condition as at 31 December 2016 were disclosed in amounts of set-off assets and liabilities in each company of the Capital Group.

Unless specified otherwise, all the amounts are in PLN '000.

Changes in deferred income tax assets and liabilities in the course of the year (before taking into account their set-off under a single jurisdiction) are the following:

Deferred income tax liability

Temporary differences title	Valuation of tangible fixed assets	Unrealised FX differences	Other	Total
As at 01.01.2015	**11,119**	**201**	**30**	**11,350**
Recognition of financial result	(3,677)	(64)	(121)	**(3,862)**
Charges on financial result	-	59	197	**256**
Recognition in equity	-	115	-	**115**
As at 31.12.2015	**7,442**	**311**	**106**	**7,859**
Recognition of financial result	(2,248)	(429)	(238)	**(2,915)**
Charges on financial result	-	445	162	**607**
Recognition in equity	-	156	-	**156**
As at 31.12.2016	**5,194**	**483**	**30**	**5,707**

Deferred income tax asset

Temporary differences title	Tax losses	Measurement of tangible fixed assets and working assets	Provisions for costs	Unrealised FX differences	Total
As at 01.01.2015	**-**	**2,522**	**3,677**	**100**	**6,299**
Recognition of financial result	-	64	1,533	84	**1,681**
Charges on financial result	-	(1,399)	(2,098)	(89)	**(3,586)**
Recognition in equity	-	-	-	(94)	**(94)**
As at 31.12.2015	**-**	**1,187**	**3,112**	**1**	**4,300**
Recognition of financial result	-	90	1,063	120	**1,273**
Charges on financial result	-	(209)	(1,406)	(116)	**(1,731)**
Recognition in equity	-	-	-	-	**-**
As at 31.12.2016	**-**	**1,068**	**2,769**	**5**	**3,842**

Unless specified otherwise, all the amounts are in PLN '000.

18. Pension liabilities

	Status as at:	
	31 December 2016	31 December 2015
The liabilities, included in the statement of financial position, arising from:		
Pension benefits	185	207
Total	**185**	**207**

The Group conducts the actuarial valuation of pension benefits provision at the end of every financial year.

	12 months 2016	12 months 2015
Amounts allocated to pension benefits provision	12	11
Interest expense	5	4
Actuarial profit and loss, net	(27)	16
Benefits paid	(12)	(3)
Recognised in total in employment benefit costs	**(22)**	**28**

Change in balance sheet liability:

	12 months 2016	12 months 2015
Opening balance of pension benefits provision	207	179
Amounts allocated to pension benefits provision	12	11
Interest expense	5	4
Actuarial profit and loss, net	(27)	16
Benefits paid	(12)	(3)
Closing balance of pension benefits provision	**185**	**207**

Unless specified otherwise, all the amounts are in PLN '000.

19. Sales revenues

	12 months 2016	12 months 2015
Sales revenue from construction site services	156,291	150,752
Revenue from sales of construction goods and materials	24,196	31,659
Total sales revenues	**180,487**	**182,411**

- servicing of construction sites – a sector covering lease of shuttering and scaffolding systems with broadly understood logistics service and settlement of construction projects at the end of the contract,
- sales of construction materials – a sector covering the sales of shuttering systems classified as fixed assets or working assets (products and goods) of the Group and other construction materials.

Sales revenues to the entity which controls the ULMA Construccion Polska S.A. Capital Group in the 12-month period ended on 31 December 2016 amounted to PLN 3,359 thousand (in 2015 – PLN 3,309 thousand).

Unless specified otherwise, all the amounts are in PLN '000.

20. Prime costs

	12 months 2016	12 months 2015
Amortisation of tangible fixed assets and intangible assets	48,959	52,969
Costs of employment benefits (note 20 a)	31,312	30,244
Consumption of raw materials, auxiliary materials and energy	11,622	11,892
Transport services	14,934	12,461
Rental and tenancy services	12,037	11,440
Overhauls and maintenance	9,438	9,589
Assembly and construction services	4,275	5,376
Other outsourced services	15,059	13,281
Other expenses	9,493	15,062
Value of goods and materials sold	10,381	12,372
Total prime costs	**167,510**	**174,686**
Changes in the products and production in progress and costs of services for internal needs	(50)	-
Costs of sales and marketing (including impairment charges)	(6,380)	(11,822)
Overheads	(16,501)	(17,799)
Costs of sold products, goods, materials	**144,579**	**145,065**

20 a) Costs of employee benefits		
Costs of salaries and costs of termination of employment benefits	26,129	24,811
Costs of social insurance and employee benefits	5,183	5,433
Total costs of employment benefits	**31,312**	**30,244**

Unless specified otherwise, all the amounts are in PLN '000.

21. Other operating revenues and costs

21 a) Other operating revenues	12 months 2016	12 months 2015
Inventory surplus	557	328
Profit on the change of fair value of forward contracts	33	92
Received indemnity – lost components of tangible fixed assets and working assets	1,713	91
Sale and recovery of components of tangible fixed assets	2,759	2,155
Impairment charge to fixed assets	975	114
Re-invoices	235	583
Other revenues	-	119
Other operating revenues in total	**6,272**	**3,482**

21 b) Other operating costs	12 months 2016	12 months 2015
Physical count shortages	(697)	(231)
Loss on the change of fair value of forward contracts	(93)	-
Elimination of tangible fixed assets	(1,786)	(1,855)
Other expenses	(115)	(98)
Other operating costs in total	**(2,691)**	**(2,184)**

22. Financial income and expenses

22 a) Financial revenue	12 months 2016	12 months 2015
Interest on funds in the bank account	816	342
Interest on loan granted	817	786
Other financial income	2	-
Total financial income	**1,635**	**1,128**

22 b) Financial expenses		
Interest costs:		
- bank credits	-	(136)
- other – for delay in payment of liabilities	(128)	-
	(128)	**(136)**
FX differences	(700)	(2,397)
Costs of bank financial products	(15)	(54)
Bank Guarantee Fund	(4)	-
Total financial expenses	**(847)**	**(2,587)**

Unless specified otherwise, all the amounts are in PLN '000.

22 c) FX profit/loss

Below, the impact of exchange rate differences on the financial result of ULMA Construccion Polska S.A. Group is presented:

	12 months 2016	12 months 2015
Sales revenues	146	91
Costs of sold products, goods, materials	(22)	(373)
Financial expenses	(700)	(2,397)
Total FX profit (loss)	**(576)**	**(2,679)**

23. Income tax

	12 months 2016	12 months 2015
Current tax	(5,768)	(3,480)
Deferred tax (note 17)	1,830	1,698
Total income tax	**(3,938)**	**(1,782)**

Income tax on the pre-tax profit of the Group differs in the following way from the theoretical amount which the Group would have generated if it had used the weighted average tax rate applicable to the profit of its consolidated companies:

	12 months 2016	12 months 2015
Profit (loss) before tax	**16,830**	**7,290**
Tax calculated at the applicable rates (19% for Poland, 19% for Ukraine, 20% for Kazakhstan, 15% for Lithuania).	3,341	2,372
Revenues not subject to taxation	(501)	(2,380)
Non-tax deductible expenses	1,254	1,999
Deferred income tax liability recognised in equity	(156)	(209)
Charges on the financial result due to income tax	**3,938**	**1,782**

Tax authorities may control accounting books and tax settlements within 5 years following the end of the year (3 years in Ukraine) in which tax returns were submitted, and assess additional tax together with penalty interest thereon to Group Companies. In the opinion of the Management Board no circumstances exist indicating the possible occurrence of any essential liabilities in consideration thereof.

Unless specified otherwise, all the amounts are in PLN '000.

24. Dividend per share

In the period under report, the Company paid no dividend.

25. Contingent items/guarantees

Upon request of ULMA Construccion Polska S.A., mBANK granted a bank guarantee to a Company's client covering performance of a rental contract. The bank guarantee expires on 30.09.2019 and its amount will be changing during its term. The guarantee is related to the rental of the Logistics Centre in Gdańsk. The Company has been using the Logistics Centre in Gdańsk pursuant to a long-term rental contract.
As at the balance sheet date, the amount of the bank guarantee was PLN 3,303 thousand.

26. (Off-balance sheet) investment liabilities

The ULMA Construccion Polska S.A. Capital Group has no future contractual investment liabilities committed as at the balance sheet date.
Future operating lease liabilities (*where a Group company is the lessor)* are disclosed in Note 16b.

27. Valuation of financial instruments at fair value

On the basis of the conducted analyses, the Group assessed that the book value of individual financial instruments disclosed in these consolidated financial statements is close to fair values of those instruments.

28. Material events and events after the balance sheet date

After the balance sheet date there were no events which might significantly affect the presented consolidated financial statements.

Unless specified otherwise, all the amounts are in PLN '000.

29. Transactions with related entities

The Group is controlled by ULMA C y E, S. Coop. with its registered office in Spain which held 75.49% of the Company's shares. The remaining 24.51% shares were held by many shareholders.

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

Parent entity:

ULMA Construccion Polska S.A. with its registered office in Koszajec (municipality of Brwinów)

Subsidiaries:

- ULMA Opałubka Ukraine with its registered office in Kiev, Gnata Juri 9, was established on 18.07.2001. It was registered in the Sviatoshyn Branch of State Administration for the city of Kiev under no. 5878/01 and was assigned the id. no. 31563803. The company operates in the area of sales and lease of shuttering, sales of construction materials. The issuer holds 100% in the capital and total number of votes of the company.

- ULMA Opałubka Kazachstan sp. z o.o. with its registered office in Astana, Taszenowa 25, was set up on 27.08.2010. Its strategic purpose is the development of the basic activity of the Capital Group, i.e. lease of shuttering and scaffolding systems and dissemination of knowledge in the area of application of the shuttering technology to the construction process in Kazakhstan. The issuer holds 100% in the capital and total number of votes of the company.

- ULMA Construccion BALTIC with its registered office in Vilnius at Pylimo 41-12, was set up on 27 April 2012. The business of the company covers: lease of construction scaffolding and shuttering, wholesale and retail sale of scaffolding and shuttering, sale and lease of other construction devices and other commercial activities. The issuer holds 100% in the capital and total number of votes of the company.

Additionally, the Group holds shares in an affiliated entity:

ULMA Cofraje SRL with its registered office in Bragidaru, Soseaua de Centura nr 2-8 Corp C20 (Romania), set up on 09.10.2007. It is registered in the National Trade Register Office in Bucharest under no. 22679140. The Company operates on the area of lease and sales of shuttering and scaffolding, also on the basis of lease contracts. The issuer holds 30% in the capital and total number of votes of the company. The remaining 70% of share in the Company's capital belongs to the entity which controls the Group: ULMA C y E, S. Coop. with its registered office in Spain.

Subsidiaries are consolidated with the use of the full method, while the affiliated entity with the equity method.

Transactions concluded by the companies of the ULMA Construccion Polska S.A. Capital Group with affiliates were of typical and routine nature, were concluded at an arm's length basis, and their nature and conditions resulted from running ongoing operations.

Unless specified otherwise, all the amounts are in PLN '000.

The figures related to the transactions made by the ULMA Construccion Polska S.A. Capital Group entities with the entities of the ULMA C y E, S. Coop. Group: (ES Group):

Settlement balance as at the balance-sheet date	As at	
	31 December 2016	31 December 2015
Receivables of ULMA Construccion Polska S.A. from the ES Group	2,129	578
Liabilities of ULMA Construccion Polska S.A. to the ES Group:	1,726	3,572
Loan receivables – ULMA Cofraje s.r.l. Romania (EUR thousand).	221	221
Interest receivables on the loan (EUR thousand).	1	1
Loan receivables – ULMA CyE S. Coop. (PLN thousand)	32,000	32,000
Interest receivables on the loan (EUR thousand)	-	416

Sales and purchases from Group entities	12 months 2016	12 months of 2015
Sales of ULMA Construccion Polska S.A. to ES Group entities	4,179	4,068
Purchases of ULMA Construccion Polska S.A. from ES Group entities	36,409	28,722
Interest and loan income	817	786

Transactions with members of the Parent Company's Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants and the Parent Company's key managerial personnel and the ULMA Group companies with related entities.

Key managerial personnel of the Parent Company and the Companies in the ULMA Group includes members of the Company's Management Board and Supervisory Board as well as members of the Management Board and Supervisory Board of subsidiary companies and the issuer's proxies. In 2016 and in 2015 the Group Companies did not grant to managing and supervising persons and their relatives, any advances, loans, guarantees and sureties, and no other agreements were concluded with them obliging them to provide any benefits to the Parent Company and its related entities.
As at 31 December 2016 and as at 31 December 2015 there were no loans granted by Group companies to managing and supervising persons and their relatives.

Unless specified otherwise, all the amounts are in PLN '000.

30. Remuneration for the Members of the Management Board and Supervisory Board

In 2015 members of the Management Board and Supervisory Board were paid remuneration including bonus as follows:

	12 months of 2016	12 months of 2015
Management Board of ULMA Construccion Polska S.A.		
Rodolfo Carlos Muñiz Urdampilleta	1,240	407
Andrzej Kozłowski	1,534	1,008
Andrzej Sterczyński	442	441
Krzysztof Orzełowski	381	386
ULMA Opałubka Ukraine		
Dmitriv Lyakhovetskiy	254	200
LMA Opałubka Kazakhstan		
Ewa Giersz	-	479
Marlena Sowinska	528	272
ULMA Construccion BALTIC		
Vykintas Kuzmickas	232	211
Supervisory Board of ULMA Construccion Polska S.A.		
Rafał Alwasiak	11	24
Michał Markowski	18	-
Andrzej Kozłowski	47	-

Other Members of the Management Board and Members of the Supervisory Board do not receive remuneration.

Unless specified otherwise, all the amounts are in PLN '000.

31. Profit (loss) per share

Basic profit per share is calculated as a quotient of the profit per shareholders of the Company and the weighted average number of ordinary shares in the course of the year.

	12 months 2016	12 months 2015
Profit/(loss) attributable to shareholders of the parent company	12,892	5,508
Number of ordinary shares as at the balance-sheet date	5,255,632	5,255,632
Weighted average number of ordinary shares	5,255,632	5,255,632
Basic profit/(loss) per share (in PLN per share)	2.45	1.05
Diluted profit/(loss) per share (in PLN per share)	2.45	1.05

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

Rodolfo Carlos Muñiz Urdampilleta,

President of the Management Board ....

Andrzej Sterczyński,
Member of the Management Board ....

Krzysztof Orzełowski,
Member of the Management Board ....

Ander Ollo Odriozola,
Member of the Management Board ....

Signature of the person appointed to keep accounting books

Henryka Padzik,
Chief Accountant

....
....

Koszajec, 16 March 2017

Unless specified otherwise, all the amounts are in PLN '000.