

**REPORT OF THE MANAGEMENT BOARD ON THE
OPERATIONS OF THE**

**ULMA Construcción Polska S.A.
CAPITAL GROUP**

FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2016



From the beginning of your projects



Description of the Capital Group

As at 30 June 2016, the ULMA Construcción Polska S.A. Capital Group (the “Group,” the “Capital Group”) was composed of the following entities:

- ULMA Construcción Polska S.A. – the **parent company** of the ULMA Construcción Polska S.A. Capital Group, performing the managing and administrative function for the entire Group and responsible for trading operations concerning products and services offered by the Group on the domestic market and on selected foreign markets,
- ULMA Opalubka Ukraina Sp. z o.o. – a **subsidiary** responsible for trading operations concerning products and services offered by the Capital Group on the Ukrainian market,
- ULMA Cofraje S.R.L. – an **associate** responsible for trading operations concerning products and services offered by the Capital Group on the Romanian market.
- ULMA Opalubka Kazachstan Sp. z o.o. – a **subsidiary** responsible for trading operations concerning products and services offered by the Capital Group on the Kazakh market,
- ULMA Construcción BALTIC sp. z o.o. – a **subsidiary** responsible for trading operations concerning products and services offered by the Capital Group in the Lithuanian market and other Baltic states’ markets.

Business objects of the Capital Group

The ULMA Construcción Polska S.A. Capital Group operates in the construction industry. Operations of the Capital Group companies consist in rental and sale of formwork systems and scaffoldings for commercial, industrial and engineering construction purposes, performance of maintenance works and designs of system applications as well as overhauls of formwork systems and accessories used in formwork systems assembly.

Registered seats, dates of establishment and registration of the companies of the Capital Group.

- LMA Construcción Polska S.A. with its registered seat in Koszajec 50, 05-840 Brwinów, has been operating since 1 July 1995, pursuant to a resolution of the Extraordinary General Meeting of Shareholders transforming a limited liability company into a joint stock company (Notary Deed of 15 September 1995, Ref. No. A 5500/95), registered in the Register of Entrepreneurs of the National Court Register under the KRS number 0000055818 by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register. From 14 February 1989 until transformation into a joint stock company, the company operated as Bauma Sp. z o.o.,
- ULMA Opalubka Ukraina with its registered seat in Kiev at 9 Gnata Juri Street, registered on 18 July 2001 in the Ukrainian State Administration under number 5878/01 (ID code 31563803),
- ULMA Cofraje S.R.L. Cofraje S.R.L., with its registered seat in Bragadiru at Soseaua de Centura No. 2-8 Corp C20 (Romania), entered into the Commercial Register of Romania after changing the address under number J23/289/30.01.2013,

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- ULMA Opalubka Kazakhstan with its registered seat in Astana at 25 Taszenowa Street, entered on 27 August 2010 into the Register of the Ministry of Justice by the Department of Justice of the Capital City of Astana under number 37635-1901-TOO/NU/,
- ULMA Construcccion BALTIC with its registered seat in Vilnius, at 41-12 Pylimo Street, registered on 27 April 2012 in the Register of Legal Entities of the Republic of Lithuania under number 302770757.

Brief description of the most important achievements or failures of the issuer during the reported period, together with a list of the most important events related thereto, as well as a description of factors and events, in particular atypical ones, having a material effect on the financial results generated

Market environment in Poland

Moderate economic growth in the first half of 2016 resulted primarily from a significant decline in investment expenditure, which decreased by as much as 8.6% in the group of non-financial companies in the first quarter of 2016. However, while the dynamics of industrial output and retail sales were positive in the analysed period and remained at a level close to the one recorded during the last 2 years, the construction and assembly output in the group of companies with more than 9 employees recorded a decline by 11.9%. As in the first quarter of the year, the highest rate of decline, exceeding 20%, was recorded in the **engineering construction sector**. In the segment of the highest importance for the Group, i.e. the bridge and viaduct construction segment, this rate was slightly lower and amounted to -14.1%, following a downward trend. Such poor performance of the infrastructural construction sector is an effect of significant delays in announcing new tenders, resulting, to a large extent, from waiting for the entry into force of the amendment to the public procurement law and personnel changes in State Treasury companies and authorities responsible for the construction of transport infrastructure. Another factor that delays the commencement of contracted tasks is the *Design and build* formula. However, in the long term, it will contribute to more even distribution of works over time.

The second quarter of 2016 saw even larger declines in most of the industrial construction segments, as well as in the **non-residential sector**, where the dynamics amounted to -9.2%.

The **residential sector**, like in the first quarter of the year, managed to maintain a strong upward trend (+9.9%) in the entire first half of 2016. An increase was recorded in the number of flats whose construction has been commenced (by 7.5%) and in building permits for new flats (by 13.6%).

The downward trend in throughput corresponded with the dynamics of prices in the construction sector, which has remained negative since 2013 (ranging from -1.8% to -0.5%) and amounted to -0.7% in the first half of 2016.



Market environment abroad

In the first half of 2016, Ukraine demonstrated progressing stabilisation of the economic situation, reflected by positive values of nearly all key ratios. In the analysed period, industrial output increased by 2% (as compared to a decline by -13.4% in the entire 2015), while the construction and assembly output increased by 9.1% (as compared to a decline by -12.3% in the entire 2015 and increase by 1.9% in the first quarter of 2016). Another development of high significance for the Group's operations in this market is the growth recorded in all 3 basic construction sectors, with positive dynamics in the engineering and residential construction sectors maintained since February 2016.

There has also been a significant decrease in the inflation rate (from 48.7% in the entire 2015 to 18.1% in the first half of 2016), and the quarterly economic performance indicator, reflecting sentiments in the industry, reached the highest level of the last 2 years. It should be noted, of course, that these positive ratios result, to a significant extent, from a very low basis of reference. On the other hand, however, several months of their stabilisation at the recorded levels indicate the sustainability of positive tendencies in the Ukrainian economy, which is additionally reinforced by streams of support funds provided by the International Monetary Fund.

In the first half of 2016, Kazakhstan continued to face economic slowdown, with the GDP growth rate amounting to 0.1% in the first quarter of the year. Economic problems caused by decreased oil prices forced a profound revision of the economic policy. These measures include, among others, a number of reforms aimed at improving the investment climate. At the same time, attracting foreign investments in sectors not related to production of raw materials was established as a primary objective for Kazakh diplomatic missions in February 2016. After a 2-year long freeze on large investments, some hope for gradual reversal of this trend can be drawn from the launch of financing of a large oil extraction and processing project – FGP-WPMP, worth USD 36.8 billion and implemented by Tengizchevroil. In the analysed period, the dynamics of the construction sector in Kazakhstan appeared to be good (real growth of 6.8% in the first half of the year), although it must be stressed that this throughput was generated mainly by the construction boom in Astana, related to EXPO 2017 preparations.

In the second quarter of 2016, the Baltic states recorded significant slowdown in investment activity and decline in construction output which, to a large extent, resulted from a break in the launching of new investment projects co-financed from EU funds. However, it is forecast that these delays in launching new construction projects in the first half of the year will be largely compensated for by the end of this year.

Revenues from sales

In the first 6 months of 2016, the Capital Group recorded total revenues from sales of PLN 85,997 thousand, as compared to PLN 90,229 thousand in the same period of the previous year (drop by PLN 4,232 thousand, i.e. by 4.7%).

A significant decline in revenues from sales was recorded in the "Sales of goods and construction materials" (formwork and accessories) segment. In the first half of 2016, revenues from these activities amounted to the total of PLN 11,848 thousand, as compared to PLN 16,258 thousand in the same period of the previous year (drop by PLN 4,410 thousand, i.e. by 27.1%). This drop was caused by a clear weakening of the Capital Group's trading activities in Kazakhstan, following the economic downturn related to the complicated budgetary situation after a decline in oil prices on global commodity exchanges, and with strong competitive pressure from companies from Russia, i.e. from the CIS area.

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In the first half of 2016, the Capital Group recorded PLN 14,879 thousand in total revenues from export sales of goods and services (i.e. activities performed through subsidiaries in Kazakhstan, Ukraine and Lithuania or a group of dealers and end-customers in other countries, etc.). These revenues were lower by 29.8% as compared to the figures for the same period of the previous year. The amount of said revenues from sales was mostly influenced by export activity in Kazakhstan, in which the construction sector has been experiencing difficulties in the current year, as described above. Another significant factor is also the amount of revenues earned by the Capital Group in Ukraine, where, after the devaluation of the local currency, revenues translated to PLN are significantly lower than in the same period of the previous year. As a result, in the first half of 2016 the share of export sales in total revenues decreased to 17.3%, as compared to 23.5% in the same period of the previous year.

Operating profitability

In the first half of 2016, the Capital Group recorded a positive result on operating activities of PLN 5,113 thousand, as compared to PLN 1,682 thousand in the previous year (up by PLN 3,431 thousand). The basic amounts related to EBIT (operating profit) and EBITDA (operating profit + depreciation/amortisation) in the analysed period were as follows:

| | Q1 2016 | Q2 2016 | 6 months of 2016 | 6 months of 2015 |
|-------------------------------|---------------|---------------|------------------|------------------|
| Sales | 39,510 | 46,487 | 85,997 | 90,229 |
| EBIT | 1,259 | 3,854 | 5,113 | 1,682 |
| % of sales | 3.19 | 8.29 | 5.95 | 1.86 |
| Amortisation and depreciation | 11,280 | 12,221 | 23,501 | 28,810 |
| EBITDA | 12,538 | 16,076 | 28,614 | 30,492 |
| % of sales | 31.73 | 34.58 | 33.27 | 33.79 |

In the first half of 2016, the Capital Group recorded a drop in EBITDA in absolute terms by PLN 1,878 thousand (i.e. by 6.2%), as compared to the figure for the same period of the previous year. EBITDA profitability (calculated as EBITDA to sales ratio) was at a similar level as in the previous year.

Despite the fact that no increase in prices of services offered by the Capital Group has been recorded in the current year in the domestic construction market, where the Capital Group earns most of its revenues (following the still poor situation in the construction industry and competitive pressure), reorganisation measures taken in the previous periods enabled the Capital Group to maintain the operating EBITDA profitability at a level close to the one recorded in the corresponding period of 2015. These measures were aimed at multilayer optimisation of operating costs and at adjusting them to the current market situation, including: adjustment of employment and payroll funds, renegotiation of agreements concerning outsourced services related to management and operation of logistic centres, optimisation of car fleet management and optimisation of repair activities concerning formwork and scaffolding.

In the first half of 2016, the Capital Group recognised write-downs on receivables in the amount of PLN 1,252 thousand, as compared to PLN 7,164 thousand in the same period of the previous year (presented under "Costs of sales and marketing"). This phenomenon results from calculating the risk connected with recovering receivables in relation to court proceedings which the Group is conducting against debtors.

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Transactions hedging against foreign exchange risk

The companies of the Capital Group purchase the products (formwork systems and accessories as well as scaffoldings), constituting the object of commercial and service activity, from the parent entity in Spain, other companies of the ULMA Group and from other third parties.

As part of its commercial operations, the Capital Group is active on export markets, especially in Ukraine, Lithuania and Kazakhstan, where economic activity is performed through its subsidiary companies: Ulma Opalubka Ukraina Sp. z o.o., Ulma Construcción BALTIC sp. z o.o. and ULMA Opalubka Kazakhstan Sp. z o.o. As a result, the companies of the Capital Group are exposed to foreign exchange risk which the Group seeks to mitigate by:

- participation on the foreign exchange and forward market, using the Non Delivery Forward (NDF) contracts, or
- adaptation process for offered prices of services and materials which, however, is not fully effective.

All NDF instruments held by the Capital Group are concluded exclusively for the purposes of hedging against foreign exchange risk and demonstrate no asymmetrical profile.

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

Other operating revenues/costs

Besides the economic results on settlement and valuation of the NDF contracts hedging against foreign exchange risk, other operating activities includes the economic effects of customising elements of the formwork systems for the needs of individual customers and general results of management of the assets held (inventory surpluses and shortages, as well as provisions for impairment of inventories). In the first half of 2016, the excess of revenues over costs resulting from the above amounted to PLN 721 thousand, as compared to 116 thousand in the first half of 2015.

In the first half of 2015, in addition to the above revenues, this item of the income statement included also revenues from re-invoicing in the amount of PLN 392 thousand. In the first half of 2016, total revenues from the above amounted to PLN 102 thousand.

Financial costs

During the first half of 2015, the Group fully repaid the last instalments of bank loans taken out in the previous periods, and currently it remains free of any bank financing costs.

Net profit

Upon considering the income tax, the Capital Group recorded a positive net financial result in the first half of 2016 amounting to PLN 4,030 thousand, as compared to a positive financial result in the previous year of PLN 162 thousand (increase by PLN 3,868 thousand).

Other comprehensive income

The slight appreciation of local currencies in Kazakhstan and Ukraine recorded in the current year resulted in an increase in the Group's equity by a total of PLN 452 thousand in the first half of 2016. The above amount recognised under Other comprehensive income comprises:

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- foreign exchange gains on the translation of financial statements of foreign operations in the amount of PLN 189 thousand;
- foreign exchange differences adjusted by income tax on the valuation of intercompany loans recognised in accordance with IAS 21 as net investments in foreign operations in the amount of PLN 263 thousand.

In the corresponding period of the previous year, as a result of steep devaluation of the above currencies, the Capital Group's equity decreased by a total of PLN 1,190 thousand.

Description of transactions whose aggregate value in the last 12 months exceeded 10% of Equity

During the last 12 months, the Capital Group concluded the following transactions whose value exceeded 10% of the Capital Group's Equity (i.e. whose value exceeded PLN 29,365 thousand):

- purchases (mainly formwork and lease of formwork systems) made by ULMA Construcción Polska S.A. from the parent company, ULMA C y E, S. Coop., in the amount of PLN 45,709 thousand.

Apart from the above transactions, there were no trading transactions with any other entity whose value in the last 12 months would exceed 10% of the Capital Group's equity, and all these transactions were of a typical and routine nature, were concluded on an arm's length basis and their nature and conditions resulted from the on-going operating activities of the Capital Group.

Cash flows

The abbreviated cash flow statement of the Group in the analysed period is presented in the table below:

| | 6 months of 2016 | 6 months of 2015 | Growth |
|--|-----------------------------|-----------------------------|---------------|
| Net profit (loss) | 4,030 | 162 | 24.9 |
| Amortisation and depreciation | 23,502 | 28,810 | 0.8 |
| Total financial surplus | 27,532 | 28,972 | 0.95 |
| Other elements of net cash from operating activities | (41,356) | (8,514) | 4.9 |
| Net cash flow from operating activities | (13,824) | 20,458 | - |
| Net cash flow from investment activities | (102) | (732) | 0.1 |
| Net cash flow from financial activities | - | (10,731) | - |
| Net cash flows | (13,926) | 8,995 | - |

Cash flow from operating activities

In the first half of 2016, the Capital Group recorded a decrease in cash flow from operating activities, which amounted to PLN (13,824) thousand, as compared to positive cash flow of PLN 20,458 thousand in the same period of the previous year. The decrease results primarily from net investments in formwork systems classified as fixed assets, which were higher by nearly PLN 27 million, and from a decrease in liabilities following the performance of payments from previous periods.

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Starting with the consolidated financial statements for the period of 12 months ended 31 December 2015, the Group changed the manner of presentation of expenditure incurred for the purchase of formwork in the consolidated cash flow statement. This expenditure was presented under “Net cash flows from operating activities,” while in the consolidated financial statements for the previous periods it was presented under “Cash flows from investment activities.” In the opinion of the Management Board, the current presentation better reflects the specifics of the Group’s operations, including, i.a., lease of formwork systems. Due to the above, the Capital Group properly restated comparative data presented in the cash flow statement.

In the first half of 2016, the Capital Group managed to significantly improve the receivables turnover ratio, as compared to the ratio recorded in the first half of 2015 (as presented in the following table).

| | | 30 June 2016 | 30 June 2015 |
|----|--|-----------------|-----------------|
| 1. | Net trade receivables (after revaluation write-downs) | 50,896 | 67,616 |
| 2. | Gross revenues from sales for the period of 12 months until the balance sheet date | 217,378 | 226,946 |
| 3. | Number of days | 365 | 365 |
| 4. | Turnover ratio (1*3/2) | 85 | 109 |

The Capital Group seeks to mitigate the risk of receivable collection through effective implementation of internal procedures and principles for identification, measurement and monitoring of the financial standing and liquidity of the Capital Group’s customers at the commencement of cooperation and in the progress thereof.

Cash flow from investment activities

In the first half of 2016, the Capital Group made only minor purchases of other fixed assets and received interest on loans granted to related entities.

Cash flow from financial activities

In the first half of 2015, the Group effected full repayment of bank loans. Therefore, there was no cash flow from financial activities in the first half of 2016.

As a result of the above developments, in the first half of 2016 the Group recorded a decrease in cash by PLN 13,926 thousand, as compared to an increase by PLN 8,995 thousand in the same period of the previous year.

Selected financial data converted into EUR

Selected financial data converted into EUR is presented in the following table:

| | PLN ‘000 | | EUR ‘000 | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| SPECIFICATION | 6 months of 2016 | 6 months of 2015 | 6 months of 2016 | 6 months of 2015 |

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| | | | | |
|---|--------------|------------------|--------------|------------------|
| Net revenues from the sale of products, goods and materials | 85,997 | 90,229 | 19,632 | 21,825 |
| Profit (loss) on operating activities | 5,113 | 1,682 | 1,167 | 407 |
| Gross profit (loss) | 5,635 | 467 | 1,286 | 113 |
| Net profit (loss) | 4,030 | 162 | 920 | 39 |
| Net cash flow from operating activities | (13,824) | 20,458 | (3,156) | 4,949 |
| Net cash flow from investment activities | (102) | (732) | (23) | (177) |
| Net cash flow from financial activities | - | (10,731) | - | (2,596) |
| Net cash flows | (13,926) | 8,995 | (3,179) | 2,176 |
| Diluted profit per share | 0.77 | 0.03 | 0.18 | 0.01 |
| Profit per ordinary share (in PLN/EUR) | 0.77 | 0.03 | 0.18 | 0.01 |
| | 30 June 2016 | 31 December 2015 | 30 June 2016 | 31 December 2015 |
| Total assets | 334,379 | 328,893 | 75,557 | 77,178 |
| Liabilities | 40,734 | 39,730 | 9,204 | 9,323 |
| Long-term liabilities | 2,759 | 3,752 | 623 | 880 |
| Short-term liabilities | 37,975 | 35,978 | 8,581 | 8,443 |
| Equity | 293,645 | 289,163 | 66,353 | 67,855 |
| Share capital | 10,511 | 10,511 | 2,375 | 2,467 |
| Weighted average number of shares | 5,255,632 | 5,255,632 | 5,255,632 | 5,255,632 |
| Number of shares as at the balance sheet date | 5,255,632 | 5,255,632 | 5,255,632 | 5,255,632 |
| Book value per share (in PLN/EUR) | 55.87 | 55.02 | 12.63 | 12.91 |

Individual items in assets, equity and liabilities were converted into EUR at the average exchange rates published by the President of the National Bank of Poland in force as at the balance sheet date. As at 30 June 2016, the average EUR/PLN exchange rate was 4.4255, whereas as at 31 December 2015 this rate was 4.2615.

The rate applied to convert items in the statement of comprehensive income and in the cash flow statement was the weighted average of exchange rates in force as at the last day of each month in a given period, i.e. data for the period from 1 January to 30 June 2016 was converted at the EUR/PLN exchange rate of 4.3805, whereas data for the same period in 2015 – at the EUR/PLN exchange rate of 4.1341.

Explanations regarding seasonal or periodical nature of the issuer's business in the presented period

Execution of construction works is characterised by strong seasonality, translating directly into revenues earned from the sale of the Capital Group's products and services. Particularly disadvantageous weather conditions and frequent delays in execution of state budget investments occur usually in the first quarter of the year. Usually, these factors improve in subsequent quarters, and the peak of the construction season is usually reached in the third quarter of the calendar year.

The above phenomena also cause the effect of seasonality in the process of repairs of products owned by the Capital Group (formwork and scaffolding systems). The largest part of these works is carried out during the construction season i.e. in the second and third quarter of the year.

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

There were no such operations in the first half of 2016.

Information on the dividend paid (or declared), aggregate and per share, separately for ordinary shares and preference shares

The Capital Group did not pay any dividend for the financial year 2015.

Identification of events that occurred after the date of the condensed semi-annual consolidated financial statements, which were not included in these statements and which could have a material effect on the future financial results of the ULMA Construcccion Polska S.A. Capital Group

Despite high effectiveness of activities hedging against foreign exchange risk that the Group manages to achieve, the net result from these transactions continues to be influenced by the exchange rate fluctuations. This applies in particular to transactions concluded to hedge against foreign exchange risk that results from the balance of intercompany loans granted by ULMA Construcccion Polska S.A. to its daughter companies.

As a result, the exchange rate fluctuations of EUR and USD to PLN, UAH (Ukrainian hryvnia) and KZT (Kazakhstani tenge) continue to affect the Comprehensive Income earned by the Capital Group.

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

Since the end of the last financial year, there have been no changes in contingent liabilities and contingent assets.

Identification of the effects of changes to the structure of the business entity, including changes resulting from business combinations, acquisitions or disposals of the Capital Group entities, long-term investments, demergers, restructuring and discontinuation of operations

There were no such economic operations in the first half of 2016.

Position of the management board as regards the viability of previously published forecasts of results for a given year, in the light of results presented in the semi-annual report as compared to the forecast results

The Capital Group publishes no forecasts concerning the Group's financial results.

Identification of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general shareholders' meeting of ULMA Construcccion Polska S.A. as at the date of submission of the report, with indication of the number of shares held by such entities, their percentage of the

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share capital, number of votes at the general shareholders' meeting, and identification of any changes to the structure of ownership of substantial blocks of shares in ULMA Construcccion Polska S.A. since the submission of the previous report

As at the date of submission of this report, the following shareholders hold more than 5% of the total number of votes:

- ULMA C y E S, Coop. (Spain), holding directly 3,967,290 shares in ULMA Construcccion Polska S.A., representing 75.49% of the Company's share capital and carrying 3,967,290 votes at the general shareholders' meeting, which represents 75.49% of the total number of votes,
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK, holding directly 466,679 shares in ULMA Construcccion Polska S.A., representing 8.88% of the Company's share capital and carrying 466,679 votes at the general shareholders' meeting, which represents 8.88% of the total number of votes.

Since the submission of the previous report, there have been no changes to the structure of ownership of substantial blocks of shares in ULMA Construcccion Polska S.A.

List of changes in the number of shares in ULMA Construcccion Polska S.A. or rights thereto (options) held by members of the issuer's management and supervisory bodies, according to the information available to ULMA Construcccion Polska S.A., since the submission of the previous report

In accordance with the information available to ULMA Construcccion Polska S.A., there have been no changes in the number of shares in ULMA Construcccion Polska S.A. or rights thereto (options) held by the above persons since the submission of the previous report. None of the members of ULMA Construcccion Polska S.A.'s management and supervisory bodies hold any shares in the issuer.

Indication of proceedings before a court, a competent arbitration authority or a public administration body, including information related to the following:

- proceedings related to liabilities or claims of ULMA Construcccion Polska S.A. or its subsidiary, whose value corresponds to at least 10% of equity of ULMA Construcccion Polska S.A., with an indication of: the subject matter of the proceedings, the value of the subject matter of the dispute, the date of initiation of the proceedings, the parties to the proceedings and the Company's position
- two or more proceedings related to liabilities or claims, whose total value accounts for, respectively, at least 10% of equity of ULMA Construcccion Polska S.A., with a determination of the total value of the proceedings separately in the group of liabilities and claims, with the Company's position on the issue, and, in relation to the largest proceedings in the claims and liabilities groups, indicating their subject matter, the value of the subject matter of the dispute, the date of initiation of the proceedings and the parties to the proceedings initiated

Neither ULMA Construcccion Polska S.A. or any of its subsidiaries is a party to any proceeding concerning the claims and liabilities of the Company, value of which would exceed 10% of the Company's equity.

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There are also no two or more proceedings related to liabilities, whose total value would account for at least 10% of the Company's equity.

Proceedings related to claims of ULMA Construcción Polska S.A.:

ULMA Construcción Polska S.A. has been a party to 55 court proceedings (including 49 bankruptcy proceedings) related to receivables in the total amount of PLN 27,780 thousand (as at 30 June 2016). These cases include court proceedings which have not yet been ended by the court issuing an enforcement title (a legally binding order for payment) and claims towards debtors against whom the court has issued a decision declaring bankruptcy, both with the possibility of making an arrangement and with the possibility of liquidation.

None of the court proceedings conducted by ULMA Construcción Polska S.A. concerns amounts exceeding 10% of the equity of ULMA Construcción Polska S.A.

The table below contains a list indicating the individual groups of court proceedings:

All amounts are stated in PLN '000, unless indicated otherwise



| Specification | Number of proceedings | Balance as at 30 June 2016 | Current legal status |
|---|-----------------------|----------------------------|---|
| Court proceedings | 6 | 5,157 | |
| <i>including 5 largest cases:</i> | | | |
| SIAC CONSTRUCTION | | 4,139 | Court proceedings in Poland are expected to be resumed after the termination of composition proceedings in |
| P.H.U. POLKON Sp. z o.o. | | 715 | Court proceeding against the Debtor and guarantor. Enforcement title against the Debtors is expected. |
| GDDKiA | | 171 | Proceedings against the State Treasury. The court of first instance dismissed the Company's statement of claim, but the Company appealed against the judgment. The decision of the court in this case is being awaited. |
| Budownictwo Lądowe Firma Budowlana Sp. z o.o. | | 70 | Court proceeding against a Debtor. Enforcement title against the Debtor is expected. |
| Zakład Budowlany Jan Krupiński | | 57 | Court proceeding against a Debtor. Enforcement title against the Debtor is expected. |
| Total listed | | 5,152 | 99.9% of the total |
| Specification | Number of proceedings | Balance as at 30 June | Current legal status |
| Bankruptcy proceedings | 49 | 22,623 | |
| <i>including 5 largest cases:</i> | | | |
| HYDROBUDOWA POLSKA SA | | 6,602 | Motion to the receiver covers the claims from the Debtor on all currently delivered contracts, including A4 Motorway construction (Dębica-Rzeszów), which was constructed by the Debtor in consortium with SIAC Construction Ltd. |

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| | | | |
|----------------------------------|---------------------|---------------|--|
| RADKO Sp. z o.o. | | 4,357 | <p>On 20 January 2016, the Court changed the manner of conducting the bankruptcy proceedings from proceedings with possibility of composition to proceedings involving the liquidation of the bankrupt's assets. Regardless of the claim submitted in the composition proceedings, the Company conducts several proceedings at the same time. They include:</p> <ul style="list-style-type: none"> • enforcement proceedings against guarantors, • enforcement proceedings against real estate covered by a revocatory action. The real estate was auctioned pursuant to a final decision – the amount obtained from the sale is expected to be received. • proceedings for the payment of compensation against the State Treasury in relation to inconsistency with the constitution of the so-call "special purpose Act" of 28 June 2012 (Journal of Laws, item 891). On 16 February 2015, the District Court issued a decision to dismiss the Company's claim. The Company appealed against the judgment. On 5 June 2016, the Court of Appeal upheld the decision of the Regional Court of First Instance. The Company awaits a copy of the judgment. • The Company is a party to criminal proceedings against the management board of a Debtor, in relation to Article 300 of the Penal Code (wilful disposal of the company's assets by the Debtor's management board). • The Company has also submitted a motion to the District Court in Krakow for the prohibition on conducting business activities and on holding positions in authorities of commercial law companies by members of the Debtor's |
| AEDES S.A. | | 1,155 | On 11 February 2016, the District Court in Krakow decided to open the composition proceedings concerning the Debtor. The claim was submitted to the Restructuring Advisor's Office appointed by the Court. The Company is expecting composition proposals from the Debtor. |
| HENPOL Sp. z o.o. | | 1,010 | Claim submitted to the receiver |
| Krokbud Sp. z o.o. | | 864 | On 21 April 2016, the District Court in Nowy Sącz issued a decision declaring bankruptcy with possibility of composition. Claim submitted to the Court. The Company is expecting composition proposals from the Debtor. |
| | Total listed | 13,988 | 62% of the total |
| Total proceedings pending | 55 | 27,780 | |

All amounts are stated in PLN '000, unless indicated otherwise



Proceedings related to claims of Subsidiaries as at 30 June 2016:

As at 30 June 2016, the Capital Group Subsidiaries are parties to court proceedings, including 3 bankruptcy proceedings, for the total amount of PLN 273 thousand (after translation to PLN at the exchange rates applicable as at the balance sheet date).

In April 2016, ULMA Opalubka Kazachstan sp. z o.o. concluded a court settlement and closed the dispute with its largest debtor – Универсалстройсервис, whose debt amounted to PLN 829 thousand as at 31 December 2015 (after translation to PLN). At present, the implementation of the established repayment schedule is expected. If the repayments are not made, the case will be referred to enforcement proceedings.

The Capital Group creates write-downs on all doubtful receivables and receivables covered by court proceedings. The amounts of such write-downs are included in the item "Sales and marketing costs" and their value corresponds to estimations concerning the possibility of recovering them in court or in debt collection proceedings.

Information on conclusion by ULMA Construcción Polska S.A. or its subsidiary of one or more transactions with related entities, if the value of such transactions (the aggregate value of all transactions concluded since the beginning of the financial year) exceeds the PLN equivalent of EUR 500,000 – unless such transactions are of typical and routine nature, concluded on an arm's length basis between related entities, and the nature and conditions result from the on-going operating activities of ULMA Construcción Polska S.A. or its subsidiary, with specification of their aggregate value and, with respect to an agreement of the highest value, with the information about:

the entity with whom the transaction was concluded,

relations between ULMA Construcción Polska S.A. or its subsidiary and the entity being a party to the transaction,

the object of the transaction,

material terms and conditions of the transaction, including in particular the financial conditions, and identification of special terms and conditions determined by the parties, typical for that agreement, in particular the terms and conditions that differ from terms and conditions commonly applied in such agreements

Transactions concluded in the first half of 2016 by ULMA Construcción Polska S.A. and its subsidiaries with related entities were of a typical and routine nature. They were concluded on an arm's length basis, and their nature, terms and conditions resulted from the on-going operating activities.

Key transactions included purchases of formwork and lease of formwork systems by ULMA Construcción Polska S.A. from ULMA C y E, S. Coop., in the amount of PLN 28,885 thousand.

During the last 12 months (from 1 July 2015 to 30 June 2016) the value of these transactions amounted to PLN 45,709 thousand.

In addition to commercial transactions, ULMA Construcción Polska S.A. granted long- and short-term loans to related entities in the previous periods. The following table presents a list of loans, showing the amounts outstanding as at the balance sheet date and as at 31 December 2015.

| Related entity | 30.06.2016 | 31.12.2015 |
|----------------|------------|------------|
|----------------|------------|------------|

All amounts are stated in PLN '000, unless indicated otherwise

REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS of the ULMA Construcción Polska S.A. Capital Group in the period of



| | | |
|---|--------|--------|
| ULMA Opalubka Ukraine (USD '000) – long-term loan | 1,500 | 1,500 |
| ULMA Cofraje Romania (EUR '000) – long-term loan | 221 | 221 |
| ULMA Opalubka Kazakhstan (USD '000) – short-term loan | 280 | - |
| ULMA Construcccion BALTIC (EUR '000) – long-term loan | 2,500 | 2,500 |
| ULMA CyE, S.Coop. (PLN '000) – short-term loan | 32,000 | 32,000 |

Long-term loans granted to subsidiaries are accounted for as net investments in a subsidiary.

Unrealised exchange differences arising from the measurement of long-term loans (excluding loan granted to ULMA Cofraje Romania) are recognised directly in the Group's equity.

Information on loan sureties or borrowings granted by ULMA Construcccion Polska S.A. or by its subsidiary or a guarantee granted – cumulatively to a single entity or its subsidiary, if the total value of outstanding sureties and guaranties constitutes at least 10% of equity of ULMA Construcccion Polska S.A.

There were no such operations in the analysed period.

Other information which, in the opinion of the ULMA Construcccion Polska S.A. Group, is important for the assessment of its personnel, assets, financial position, financial result and changes thereto, and information important for the assessment of the ULMA Construcccion Polska S.A. Group's ability to discharge its liabilities

Apart from the events described above, there were no such events in the first half of 2016.

The Management Board of ULMA Construcccion Polska S.A. is also unaware of any information which would be of significance for the assessment of personnel, assets, financial position, financial result and changes thereto, and for the assessment of the Capital Group's ability to discharge its liabilities.

Identification of factors which, in the opinion of ULMA Construcccion Polska S.A., will affect the results achieved by the ULMA Construcccion Polska S.A. Capital Group over the remaining months of 2016

I Risk of competition and downturn in the construction market in Poland

Sustained recovery of the construction sector over the coming quarters will depend primarily on how quickly an investment impulse will be released, in the form of commencement of implementation of works contracted in the infrastructural construction sector and acceleration of announcing new tenders under the new EU perspective established for the years 2014–2020. This should be supported by further clarification of the medium-term economic policy defined in the Responsible Development Strategy, submitted to public consultation at the end of July 2016 and planned to be implemented in October 2016. Development of road and railway infrastructure is one of the priority strategic projects included in this document, and modified versions of national road and railway construction programmes until 2023 are currently at the public consultation stage (railway programme) or at the final stage (road programme).

Plans for the development of the energy sector, including the construction of 2 nuclear power plants, are becoming increasingly apparent. We will soon find out how the amendment to the public procurement law

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(including, among other things, reduced importance of the lowest price criterion) will be reflected in tender practices.

The coming periods will show whether the Polish Development Fund, established in April 2016, will be more effective in managing the investment processes of key projects than the company of Polish Development Investments (Polskie Inwestycje Rozwojowe), as well as whether, and to what extent, the government has enough consequence, determination and, above all, national funds to finance such a complex and ambitious strategy.

The recent decision of the UK to leave the European Union will also be of significance for the investment climate in Poland, including for the construction sector. Although the process will be phased over several years, due to the long time horizon of scheduled investments, the “Brexit” may already be a factor that will reduce investment projects or result in more prudent assessment of investment projects co-financed from EU funds.

Trade risk on the export markets

The factors which, in the near future, may have an impact on the economic situation and on the Capital Group’s revenues generated on foreign markets include:

Ukraine:

- slow stabilisation of the situation in Ukraine and levelling-off of downward trends in the construction market (the World Bank forecasts growth of the Ukrainian GDP by 1% in 2016);
- the Deep and Comprehensive Free Trade Areas (DCFTA) Agreement between Ukraine and the EU coming into force as of 1 January 2016;
- plans for reconstruction, expansion and modernisation of the road infrastructure in Ukraine, including preparation for the implementation programme in the PPP formula;
- starting the next stages of construction of the new safe confinement at the closed Chernobyl nuclear power plant;
- instability of the exchange rate of the local currency (hryvnia).

Kazakhstan:

- determination of the Kazakh government in the implementation of economic reforms and seeking funds for continuation of long-term development programmes, including unlocking the growth potential of the industrial sector, following continued interest from foreign companies;
- still low oil prices resulting in budgetary tensions and difficulties in financing infrastructure development projects from the state budget;
- weakening competitiveness of entrepreneurs from outside the Eurasian Economic Union (EEU);
- rate of changes resulting from Kazakhstan’s accession to the WTO, forcing the increase in competitiveness and reduction of import tariffs for a number of products to the pre-EEU level;
- instability of the exchange rate of the local currency (tenge).

Taking into consideration the aforementioned threats, the Capital Group endeavours to remodel its current activities on this market based mainly on construction of buildings, and to intensify activities aimed at strengthening its presence in the industrial construction sector.

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Baltic States:

- rate of launching, to a greater extent, projects co-financed under the new EU perspective for the years 2016–2020.

Foreign exchange risk

Companies of the Capital Group purchase products (formwork systems and accessories) from the parent company with its seat in Spain or from other entities located outside Poland. On the other hand, the Companies of the Capital Group operate on export markets. As a result, the Capital Group is exposed to foreign exchange risk, which it seeks to mitigate by means of operations on the currency market or operations on the forward market, as well as by concluding Non-Delivery Forward (NDF) contracts.

The subsidiary company Ulma Opalubka Ukraina Sp. z o.o. has been granted an intra-group long-term loan denominated in USD. Since the foreign exchange risk related to this transaction cannot be effectively hedged, the Company remains exposed to the USD/UAH exchange rate risk as regards the measurement of this loan.

The Management Board seeks to mitigate that risk by updating the prices of goods and services offered in accordance with changes in the EUR/UAH exchange rate – the subsidiary operating in Ukraine introduces relevant provisions to agreements with customers, aimed at hedging against the risk of devaluation of the hryvnia. However, due to the economic downturn, this hedge does not guarantee full success.

Risk related to financial instruments is described in Note 2 to the consolidated financial statements of ULMA Construcción Polska S.A. for the period of 6 months ended 30 June 2016.

Investor relations

As part of actions aiming at building proper investor relations, the Group appointed a person responsible for contacts with the Stock Exchange, the Polish Financial Supervision Authority and shareholders.

Jolanta Szeląg

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Statement by the Management Board of the Parent Company

The interim condensed consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ended 30 June 2016 and the interim condensed separate financial statements of ULMA Construcción Polska S.A. were approved by the Management Board of ULMA Construcción Polska S.A. on 30 August 2016.

The interim condensed consolidated and separate financial statements for the period of 6 months ended 30 June 2016 were prepared in order to present the asset and financial position, as well as results of operations of the ULMA Construcción Polska S.A. Capital Group and of the Group's parent company.

The interim condensed consolidated and separate financial statements for the period of 6 months ended 30 June 2016 were prepared in accordance with the International Financial Reporting Standard – "Interim financial reporting".

The interim condensed consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ended 30 June 2016 comprise:

- the interim condensed consolidated statement of financial position;
- the interim condensed consolidated profit and loss statement and other comprehensive income;
- the interim condensed statement of changes in consolidated equity;
- the interim condensed consolidated cash flow statement;
- notes to the interim condensed consolidated financial statements.

The interim condensed separate financial statements of ULMA Construcción Polska S.A. for the period of 6 months ended 30 June 2016 comprise:

- the interim condensed separate statement of financial position;
- the interim condensed separate profit and loss statement and other comprehensive income;
- the interim condensed separate statement of changes in equity;
- the interim condensed separate cash flow statement;
- notes to the interim condensed separate financial statements.

According to our best knowledge, the interim condensed consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months ended 30 June 2016 and consolidated comparable data, as well as the interim condensed separate financial statements of ULMA Construcción Polska S.A. for the period of 6 months ended 30 June 2016 and comparable data were prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear manner, the asset and financial position, as well as the financial result of the ULMA Construcción Polska S.A. Capital Group and of its parent company, and the report of the Management Board on operations of the ULMA Construcción Polska S.A. Capital Group for the period of 6 months of 2016 contains a true overview of development, achievements and condition of the Group, including a description of major risks and threats.

All amounts are stated in PLN '000, unless indicated otherwise



The entity authorised to audit financial statements which has reviewed the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group and the separate financial statement of the parent company for the period of 6 months ended 30 June 2016 was selected in compliance with applicable regulations. The above entity and registered auditors performing the review of these financial statements satisfy all the conditions required in order to issue an unbiased and independent report on the review, in compliance with the relevant regulations of the domestic law.

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

Rodolfo Carlos Muñiz Urdampilleta, President of the Management Board
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Andrzej Sterczyński, Member of the Management Board

Krzysztof Orzełowski, Member of the Management Board

Ander Ollo Odriozola, Member of the Management Board

Koszajec, 30 August 2016

All amounts are stated in PLN '000, unless indicated otherwise