CONSOLIDATED FINANCIAL STATEMENTS

of the Capital Group of ULMA Construccion Polska S.A.

FOR THE YEAR ENDED ON 31 DECEMBER 2017

(along with an independent auditor's report from the audit)

From the beginning of your projects

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CAPITAL GROUP
ULMA Construccion Polska S.A.

GENERAL INFORMATION

Objects of 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. 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

Parent entity and composition of the Group

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

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

- ULMA Construccion Polska S.A. – **parent entity** of the Capital Group with the management and administrative roles for the entire Group and responsible for commercial activities related to products and services offered by the Capital Group in the domestic market and in selected foreign markets,

- ULMA Opałubka Ukraina sp. z o.o. – **subsidiary company** responsible for commercial activities related to products and services offered by the Capital Group in the Ukrainian market,

- ULMA Opałubka Kazachstan sp. z o.o. – **subsidiary company** responsible for commercial activities related to commercial activities related to products and services offered by the Capital Group in the Kazakh market,

- ULMA Construccion BALTIC sp. z o.o. – **subsidiary company** responsible for commercial activities related to products and services offered by the Capital Group in the Baltic countries (Lithuania and Latvia).

Additionally, the Group holds interests in the affiliated entity ULMA Cofraje S.R.L. – **affiliated company** responsible for commercial activities related to commercial activities related to products and services offered by the Capital Group in the Romanian market.

The composition of supervisory and management bodies as at 31.12.2017 and as at the date the financial statements were approved for publication

Supervisory Board

In 2017 the following changes to the composition of the Company's Supervisory Board were made:

On 29 September 2017 Ms Maria Lourdes Urcelay Ugarte filed her resignation from the Company's Supervisory Board effective on 19 October 2017.
On 19 October 2017, the Extraordinary General Meeting elected Mr Rafael Anduag Lazcanoiturburu as a member of the Supervisory Board.

Composition of the Company's Supervisory Board as at 31.12.2017 and as at the date the financial statements were approved for publication:

Aitor Ayastuy Ayastuy	Chairman of the Supervisory Board
Iñaki Irizar Moyua	Deputy Chairman of the Supervisory Board
Rafael Anduaga Lazcanoiturburu	Member of the Supervisory Board
Andrzej Kozłowski	Member of the Supervisory Board
Michał Markowski	Member of the Supervisory Board

Audit Committee

Michał Markowski	Chairman of the Committee
Aitor Ayastuy Ayastuy	Member of the Committee
Rafael Anduaga Lazcanoiturburu	Member of the Committee

Management Board (Board)

Rodolfo Carlos Muñiz Urdampilleta	President of the Management Board
Krzysztof Orzełowski	Member of the Management Board
Ander Ollo Odriozola	Member of the Management Board
Andrzej Sterczyński	Member of the Management Board

Statutory Auditor

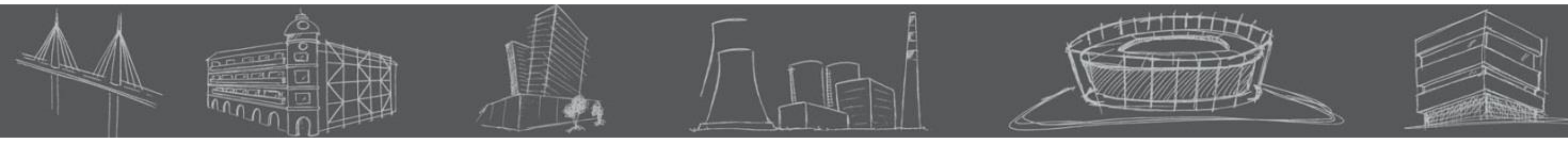
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa;
The Company is registered in the register of entities authorised to audit financial statements under number 130.

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 on the Warsaw Stock Exchange ("GPW").
GPW ticker: ULM.



CAPITAL GROUP
ULMA Construccion Polska S.A.

CONSOLIDATED FINANCIAL STATEMENTS for the year ended on 31 December 2017

Consolidated statement of financial position

	Status as at:		
	Note	31 December 2017	31 December 2016
ASSETS			
I. Fixed assets			
1. Tangible fixed assets	5.	210,073	205,746
2. Intangible assets	6.	400	201
3. Shares in affiliates	8.	1,155	-
4. Other fixed assets	9.	3,957	4,012
5. Long-term receivables	10.	-	981
6. Deferred income tax asset	17.	1,347	1,071
Total fixed assets		**216,932**	**212,011**
II. Current assets			
1. Inventories	11.	5,710	3,630
2. Trade and other receivables	10.	86,532	82,613
3. Current income tax receivables		1,220	730
4. Cash and cash equivalents	12.	25,802	36,948
Total working assets		**119,264**	**123,921**
Total assets		**336,196**	**335,932**
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 gains/losses on translation of foreign operations		(16,456)	(13,971)
4. Retained profit, of which:		186,780	190,935
a. Net profit for the financial period		*24,225*	*12,892*
Total equity		**295,825**	**302,465**
II. Liabilities			
1. Long-term liabilities			
a. Deferred income tax provisions	17.	2,448	2,936
b. Long-term liabilities due to pension benefits	18.	173	144
Total long-term liabilities		**2,621**	**3,080**
2. Short-term liabilities			
a. Loans and borrowings		410	–
b. Short-term liabilities due to pension benefits	18.	51	41
c. b. Short-term liabilities due to factoring of trade liabilities	14.	2,936	3,046
d. Current income tax liabilities		365	109
e. Derivative instruments	7.	64	13
f. Trade and other payables	14.	33,924	27,178
Total short-term liabilities		**37,750**	**30,387**
Total liabilities		**40,371**	**33,467**
Total equity and liabilities		**336,196**	**335,932**

Consolidated profit and loss account and other comprehensive income

	Note	12 months of 2017	12 months of 2016 (transformed data)
Sales revenues	19.	201,294	180,487
Costs of sold products, goods and materials	20.	(148,956)	(144,579)
I. Gross profit on sales		**52,338**	**35,908**
Sales and marketing costs	20.	(2,601)	(2,716)
Overheads	20.	(15,236)	(16,501)
Other operating revenues	21.	497	3,929
Other operating expenses	21.	(4,018)	(4,012)
II. Profit on operating activity		**30,980**	**16,608**
Financial income	22.	1,126	1,635
Financial expenses	22.	(1,253)	(847)
Net financial income / (expenses)		*(127)*	*788*
Share in profit (loss) of affiliates		101	(566)
III. Profit before tax		**30,954**	**16,830**
Income tax	23.	(6,729)	(3,938)
IV. Net profit for the financial period		**24,225**	**12,892**
Other net comprehensive income subject to reclassification to profit/(loss) in the next reporting periods			
FX gains/losses related to net investment in a subsidiary		(636)	255
Income tax on other comprehensive income		447	(156)
FX gains/losses from translation of financial statements of foreign affiliates		(2,296)	311
V. Comprehensive income for the period		**21,740**	**13,302**
Profit attributable to shareholders of the parent company	31.	24,225	12,892
Net profit attributable to non-controlling holdings		–	–
Comprehensive income for the period attributable to owners of the parent company		21,740	13,302
Comprehensive income for the period attributable to non-controlling holdings		–	–
Weighted average number of ordinary shares		5,255,632	5,255,632
Basic and diluted profit per share attributable to owners of the parent company (in PLN per share)		4.61	2.45

Statement of changes in consolidated equity

Item	Share capital at nominal value	Share premium (agio)	FX gains/losses on translation of foreign operations	Retained profit	Total equity
As at 01 January 2017	**10,511**	**114,990**	**(13,971)**	**190,935**	**302,465**
Total income in 2017	-	–	(2,485)	24,225	21,740
Dividend distribution	-	–	–	(28,380)	(28,380)
As at 31 December 2017	**10,511**	**114,990**	**(16,456)**	**186,780**	**295,825**

Item	Share capital at nominal value	Share premium (agio)	FX gains/losses on translation of foreign operations	Retained profit	Total equity
As at 01 January 2016	**10,511**	**114,990**	**(14,381)**	**178,043**	**289,163**
Total income in 2016	-	–	410	12,892	13,302
As at 31 December 2016	**10,511**	**114,990**	**(13,971)**	**190,935**	**302,465**

Consolidated cash flow statement

	Note	12 months 2017		12 months 2016
Cash flows from operating activities				
Net profit (loss) for the financial period		**24,225**		**12,892**
Adjustments:				
– Income tax	23.	6,729		3,938
– Fixed assets depreciation	5.	44,276		48,826
– Amortisation of intangible assets	6.	120		133
– Net value of shuttering – fixed assets sold		2,195		4,240
– Interest expense		120		–
– Interest income		(1,126)		(1,633)
– Change in the value of interests in affiliates		(95)		566
- (Profit)/loss on goodwill changes due to financial instruments		51		5
– (Profit)/loss on currency exchange differences		(466)		1,042
- Change in the value of the provision for retirement benefits		39		(21)
Changes in working assets:				
– Inventory		(2,080)		2,217
– Trade and other receivables		(3,919)		(2,536)
– Trade and other payables		6,636		(5,732)
		76,705		**63,937**
Purchase of formwork		(50,979)		(53,489)
Income tax paid		(7,298)		(5,817)
Net cash flows from operating activities		**18,428**		**4,631**
Cash flows from investing activities				
Acquisition of tangible fixed assets		(1,632)		(4,366)
Inflows on disposal of tangible fixed assets		2		121
Purchase of Intangible assets		(322)		(123)
Purchase of interests in associated entity		(1,059)		–
Loans granted		-		–
Repayment of granted borrowings		878		–
Interest received		1,130		2,049
Net cash from investing activities		**(1,003)**		**(2,319)**
Cash flows from financing activities				
Contracting of loans and borrowings		410		–
Interest paid		(120)		–
Dividend paid		(28,380)		–
Net cash from financing activities		**(28,090)**		**–**
Net increase/(decrease) of cash		(10,665)		2,312
Cash as at beginning of the period		36,948		34,964
FX (losses) /gains on valuation of cash		(481)		(328)
Cash as at end of the period	12.	**25,802**		**36,948**

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) Statement on compliance and general preparation principles

Consolidated Financial Statements of the ULMA Construccion Polska S.A. Capital Group, for which ULMA Construccion Polska S.A. is the parent entity, covers the year ended on 31 December 2017 and contains comparable data for the year ended on 31 December 2016.

These consolidated s financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), endorsed by EU ("EU IFRS"). As at the date the financial statements were approved for publication, considering the pending process in EU on implementing IFRS, IFRS applicable to these financial statements do not differ from EU IFRS.

EU IFRS cover standards and interpretations approved by the International Accounting Standards Board ("IASB").

These consolidated statements were prepared in compliance with the historical cost principle, except for financial assets and liabilities (financial derivatives) measured at fair value through P&L.

These consolidated financial statements are presented in the Polish Zloty ("PLN"), and all values, unless indicated otherwise, are stated in PLN '000.

These consolidated financial statements have been prepared based on the assumption that the Group companies will continue as a going concern in the foreseeable future. As of the publication date hereof, no circumstances were identified that would pose a threat to the Group companies continuing as a going concern.

The duration of the Parent Company and the companies of the Capital Group is unspecified.

These consolidated financial statements were approved for publication by the Management Board on 26 March 2018.

Transformation of comparable data

The Group has transformed its comparable data for 2016. The adjustment refers to:

- Reclassification of impairment allowances to receivables (establishment and reversal) and the amounts of written off trade receivables totalling PLN 3,664 thousand, previously disclosed as "Costs of sales and marketing" to "Other operational expenses",
- Set-off of the amounts of certain related movements of fixed assets in the group of shuttering, previously disclosed jointly in items: "Other operational revenues" and "Other operational expenses", in order to evidence the total effects of managing the Group's fixed assets. The set-off amount is PLN 2,343 thousand.

The above adjustments did not affect the Group's result on operations for 2016.

Modifications to the applied accounting principles

The accounting principles (policies) applied to prepare these financial statements are compliant with those applied to the financial statements of the Group for the year ended on 31 December 2016, with the exception of those listed below. The modifications to IFRS listed below were applied to these financial statements when they became effective; however, they have no material impact on the presented and disclosed financial information and did not apply to any transactions concluded by the Company:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
  The modifications contain details related to the generation of negative temporary differences in case of debt instruments measured at fair value, estimates of probable future taxable income and an evaluation if the future generated income will cover the negative temporary differences. The modifications apply prospectively.
- Modifications to IAS 7 *Initiative on disclosures*
  The modifications require entities to disclose information that will support readers of the financial statements in their assessment of changes to liabilities resulting from financing activities. No comparable information for the previous periods is required.
- Modifications to 12 *Disclosures on interests in other entities* that are part of the *Modifications resulting from the 2014-2016 IFRS review*
  The modifications clarify that the requirements specified in the standard apply also to the entity's interests in subsidiary companies, joint contractual agreements (i.e. joint activities or joint ventures), associated entities or non-consolidated structured entities that have been classified (or incorporated to the group available for sale that has been classified) as available for sale or discontinued in line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The Group has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective in the light of EU regulations.

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.
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 2017	0.1236	0.8953	0.010633	4.1709	2.0%
31 December 2016	0.1542	0.9749	0.012659	4.4240	-0.6%

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. Derivative instruments 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 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 are 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
- scaffolding systems 2 – 14
- equipment and other fixed assets 5

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 1H).

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.

Inventory of fixed assets classified as scaffolding systems is performed annually; of other fixed assets – every 4 years.

In Q4 2017 (from 1 October 2017), on the basis of current estimates, the parent Company verified the approved useful life of fixed assets classified as shuttering systems and as a result reduced the levels of depreciation rates. The modifications resulted in reduced depreciation expenses for the group by PLN 4,820 versus a calculation if there were no change to the depreciation rates.

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. 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.

H. 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.

I) 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 is 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.

J) Inventories

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.

K) Trade and other receivables

Trade receivables are initially recognised at fair value corresponding to nominal value and subsequently measured according to the amortised 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”.

L) Cash and cash equivalents

Cash and cash equivalents are recognised in the statement of financial condition at 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.

M) Capitals

Common shares are classified as equity. Initial capital is disclosed according to the par value of shares.

The reserve capital originates from the surplus of the issue price of the Company's shares over their nominal value of PLN 116,473 thousand which was reduced by issue-related costs of PLN 1,483 thousand.

The items of the statement of financial position “Retained profit” discloses statutory allocations from profit generated in the previous years, equivalent to one third of the share capital of the parent company of PLN 3,504 thousand, as well as surplus from profit distributions in excess of the statutory mandatory allocation and the profit for the current financial year.

FX gains (losses) on translation of foreign operations and net investments

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.

N) Loans and borrowings

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.

O) 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.

P) 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.

Q) 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.
  Disposal of fixed assets in the scaffolding (sale, scrapping, use for contract performance) is measured at net book value for the oldest items in each assortment. This is due to the fact that elements in that group of fixed assets are identified for type and there is no individual identification.

- 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.

- Provisions for employee benefits (retirement and disability benefits) have been measured with actuarial methods. The underlying assumptions are presented in section T.

- The legal regulations applicable to VAT, corporate income tax and social insurance contributions are subject to frequent modifications which results in no adequate points of reference, incohesive official interpretations and a low number of precedents that taxpayers could rely on.
  The applicable regulations contain also certain ambiguities that result in differences of opinion as to legal interpretations of tax regulations – among public authorities and between public authorities and taxpayers.
  Tax settlements and other areas of operations (for instance customs or foreign exchange issues) may be inspected by the authorities that are entitled to impose high penalties and fines as well additional tax liabilities resulting from inspections that have to be paid along with high interest for delay.
  Therefore, the amounts disclosed in the financial statements may change in the future as a result of final decisions by tax inspection authorities.
  In the opinion of the Management Board, no circumstances exist indicating the possible occurrence in the Company of any material liabilities in consideration thereof.
  Effective on 15 July 2016, modifications were made to the Tax Code in order to transpose the provisions of the General Anti-Avoidance Rule (GAAR) to Polish tax regulations to prevent the generation and use of artificial legal structures to avoid tax payments in Poland.
  In accordance with the modifications to the Tax Code, tax avoidance is understood as taking such actions that – although formally compliant with applicable laws – are characterised by:
  - first, artificial nature and non-compliance with the economic reality in which the taxpayer operates;
  - secondly, such activities are pursued primarily to accomplish tax benefits that under the circumstances would be contradictory to the subject and purpose of the tax regulations.

  The new regulations will thus require more accurate judgements in the assessment of tax effects of each transaction.
  The transposition of the above regulations would support Polish fiscal inspection authorities in questioning arrangements and agreements made by taxpayers such as capital group restructuring or reorganisation.
  The Company recognises and measures current and deferred income tax assets and/or liabilities applying the requirements of IAS 12 *Income Taxes*, on the basis of profit (tax loss), taxation base and applicable tax rates, and further subject to uncertainties related to tax settlements.
  The Group has been endeavouring to mitigate the uncertainties of tax settlements by regularly participating in training, resorting to tax consultants and requesting individual tax rulings from tax authorities.

R) 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 materials are recognised if significant risks and benefits resulting from ownership of goods or materials 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 shuttering systems, settled on the basis of daily rates. Such revenues from services performed over time are recognised on a monthly basis.
Revenues from the provision of other services – assembly, transport, repairs – are recognised in one full amount.

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 profit and loss, 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.

S) 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.

T) 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 Group 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.
The provision for the employee is calculated on the basis of the estimated amount of the retirement benefit or disability benefit the Company undertakes to pay on the basis of the Regulations.
The anticipated amount of retirement benefits is calculated as the product of:

- The anticipated base amount of the retirement or disability pension,
- The anticipated growth of the base amount by the retirement age,
- A percentage ratio subject to seniority.

The amount calculated in this way is subject to actuarial discount as of the balance date. The actuarial discount is the product of the financial discount and the probability that a specific person will work for the Company until obtaining the right to pension.

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 it 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 1,300 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 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 1,043 thousand (PLN 1,454 thousand in 2016).

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 61.9% of the gross value of this group of financial assets, whereas non-outstanding trade receivables represent 42.2% of the value of the said group (in 2016 those values were 56.4% and 51.9%, respectively).

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

31 December 2017	Arrears <0	Arrears up to 30 days	Arrears from 31 to 90 days	Arrears from 91 to 180 days	Arrears from 181 to 360 days	Arrears in excess of 360 days	Total
Gross trade receivables	22,461	17,236	3,824	1,849	3,005	37,588	**85,963**
Impairment charges				(137)	(875)	(31,705)	**(32,717)**
Net trade receivables	**22,461**	**17,236**	**3,824**	**1,712**	**2,130**	**5,883**	**53,246**

31 December 2016	Arrears <0	Arrears up to 30 days	Arrears from 31 to 90 days	Arrears from 91 to 180 days	Arrears from 181 to 360 days	Arrears in excess of 360 days	Total
Gross trade receivables	25,397	6,386	4,057	2,908	1,241	46,777	**86,766**
Impairment charges				(57)	(294)	(37,495)	**(37,846)**
Net trade receivables	**25,397**	**6,386**	**4,057**	**2,851**	**947**	**9,282**	**48,920**

Impairment was identified of financial assets in the group of trade and other receivables of PLN 32,717 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 collateral 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 3,970 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. The amount of PLN 32,000 thousand represents a loan granted to the parent company – Ulma CyE S. Coop. The receivables are secured with a registered pledge established by the borrower on its shuttering and scaffolding up to PLN 44,773 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 core objectives of capital management include the assurance of an adequate operational liquidity level and ensuring the potential to carry out the individual companies of the Group's investment plans in line with the approved budgets so that operations of the Group could contribute to increasing the shareholder value.
The Group manages its capital structure and in response to changing economic conditions takes steps to modify its capital.
In order to maintain or adjust its capital structure, the Group (subject to the approval of the parent entity's shareholders) may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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.

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 01 January 2017:

Standard	Description of changes	Effective date:
IFRS 15 *Revenue from Contracts with Customers* and clarifications to IFRS 15	The standard applies to 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 Amendments to hedge accounting.	01 January 2018
IRFS 14 *Regulatory accruals and deferred income*	Accounting principles and disclosures concerning regulatory deferral accounts.	The standard in its current version will not be applicable in EU
Amendments to IRFS 10 and IAS 28	Contains guidelines concerning disposal or contribution of assets by an investor to affiliated entities or joint ventures.	Not specified
IFRS 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 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 IFRS (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	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
IFRS 17	Insurance contracts	By the date of approval hereof, not endorsed by EU – 1 January 2021

IFRIC 23	Uncertainty over Income Tax Treatments	By the date of approval hereof, not endorsed by EU – 1 January 2019
Modifications to IFRS 9	Contracts with prepayment features with a negative set-off	By the date of approval hereof, not endorsed by EU – 1 January 2019
Modifications to IAS 28	Long-term interests in associated entities and in joint ventures	By the date of approval hereof, not endorsed by EU – 1 January 2019
Modifications to IAS 19	Modification, restriction or settlement of the program	By the date of approval hereof, not endorsed by EU – 1 January 2019
Modifications resulting from a review of IFRS 2015-2017		By the date of approval hereof, not endorsed by EU – 1 January 2019

The Group intends to implement the new IFRS standards and amendments to standards and interpretations approved by the International Accounting Standards Board but not effective as of the reporting date as soon as they become effective.

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

IFRS 15

The International Financial Reporting 15 *Revenue from Contracts with Customers* ("IFRS 15"), issued in May 2014 and amended in April 2016, establishes a Five-Step Model to recognise revenues resulting from contracts with customers. In compliance with IFRS 15, revenues are recognised in the remuneration amount which – as expected by the entity – is due in exchange of the goods or services promised to customers.

The new standard will replace all previous requirements concerning revenue recognition in line with IFRS. The standard applies to annual reporting periods commencing on or after 1 January 2018. Earlier application is permitted.
The Group may freely choose a full or modified retrospective approach and the relevant temporary regulations provide for practical solutions.

The Group intends to apply IFRS 15 when it becomes effective applying the retrospective method with the overall effect of the first application recognised on the date of the first application.

The preparation process in the Group to implementing IFRS 15 will cover:

- Review of contracts with customers,
- Review of contractual arrangements concerning the sale of goods and provision of services,
- Review of all discounts, rebates and other inducements offered to the Company's customers,
- Review of contractual arrangements concerning transport

The above analysis additionally focused on:

- revenue recognition (revenues recognised in one full amount or revenues recognised over time),
- variable remuneration,
- combination of contracts and
- payments from customers.

The Group identifies the following contract types:

- single-element contracts – sale of commercial goods and ST shuttering,
- multi-element contracts– covering rental, assembly/disassembly, preparation of individual moulds, transport to/from time, repairs, settlement of lost and damaged elements, rebates and discounts, etc.

An analysis of contracts with customers proved that the Group may recognise over time only revenues from rental of shuttering and scaffolding.
The Group recognises the revenues on a monthly basis and therefore the implementation of IFRS 15 will have no impact on the Group's practice in that respect.

A review of contracts with customers did not reveal any other aspects in the Group that would require modifications to the revenue recognition applied by the Company – the principles applied by the Company so far are either identical to the rules of IFRS 15 or the differences are immaterial.

IFRS 9

In July 2014 the International Accounting Standards Board published the International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"). IFRS 9 covers three aspects related to financial instruments: recognition and measurement, impairment and hedge accounting. IFRS 9 applies to annual reporting periods commencing on or after 1 January 2018 and it may be applied earlier.
The Group intends to apply IFRS 9 from its effective date without transforming its comparable data.
In 2017 the Group carried out a detailed review of the impact of implementing IFRS 9 on the accounting principles (policies) applied by the Company with reference to the Company's business or financial results.
This view is based on the information available now and it may be modified subject to reasonable and verifiable additional information at the time the Group applies IFRS 9 for the first time.

The Group expects no material impact of IFRS 9 on its statement of financial condition or equity with the exception of applying IFRS 9 to impairment of trade receivables. The Group expects increased impairment allowances to receivables with an adverse effect equity, as discussed below.

IFRS 9 contributes to earlier loss recognition since from the time a financial asset is recognised in the balance sheet, the entity is expected to estimate anticipated credit losses with a three-step model based on changes to credit risk.
IFRS 9 implements a fundamental change to the measurement of impairment of financial assets. In compliance with the new Standard, entities will be obliged to recognise and measure impairment on the basis of an anticipated loss concept in place of the existing concept of actual losses.
In compliance with IFRS 9, entities will estimate allowances for anticipated credit loss equal to 12-month anticipated credit loss or anticipated credit loss over the life of the financial instrument.
In case of trade receivables, the Company applies a simplified approach and will estimate allowances for anticipated credit loss equal to anticipated credit loss over the life of the receivables.
As a result of an in-depth analysis of the impact of IFRS 9 on the calculation of allowances for impairment of trade receivables, the Company decided that the general provision will be calculated only with respect to receivables of “NORMA” customers who are customers with respect to which no court or collection proceedings have been initiated.
The calculation method of impairment allowances for receivables subject to enforced collection (or from customers that are not members of the “NORMA” group) will remain unchanged after implementation of IFRS 9. The calculation will continue to be based on estimates made by the Company as to the likelihood of collection, in particular subject to the current legal status of the case and estimates to the collateral held by the Company for each receivable subject to collection proceedings.

An analysis of trade receivables from customers in the NORMA group as at 31.12.2017 indicates that on the first day the standard is applied:

- impairment charges will grow by PLN 1,437 thousand,
- the deferred income tax asset will grow by PLN 222 thousand,
- the Company's equity will be reduced by PLN 1,215 thousand.

Calculating the above amounts, the Company applied the simplified model methodology detailed below, in line with the guidelines specified in IFRS 9.

1) The data used for the analysis covered 3 years ended on 31.12.2017 (the Company is of the opinion that the period is sufficiently representative).
2) An analysis was performed of the delay in payment for the Company's invoices in the analysed period and the amount of invoices unpaid by customers as at 31.12.2017.
3) **Loss likelihood matrix** (PD – probability of default) is percentage ratios set for several intervals to show the delay in payment for invoices. In compliance with the guidelines of IFRS 9, “loss” is recognised as invoices paid later than 90 days after due date or unpaid until the balance sheet date.
4) **Receivable monetising degree** (LGD – loss given default) covered with a potential loss (in line with the criteria detailed above), set as a percentage of receivables actually paid over 90 days to the sum of receivables defined as “loss”.
5) **Risk exposure** is the balance of trade receivables as at 31.12.2017 from customers in the “NORMA” group,
6) When the values in items 3-5 above are determined **the general allowance is calculated** for each interval separately as follows:

% PD matrix x (1 – % LGD) x amount from risk exposure

IFRS 16

In January 2016 the International Accounting Standards Board published the International Financial Reporting Standard 16 *Leases* ("IFRS 16") which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SKI 15 *Operational leases – special promotional offer* and SKI 27 *Assessment of the essence of lease-based transactions*. IFRS 16 sets the rules of recognising leases with respect to measurement, presentations and disclosures.
IFRS 16 introduces a uniform accounting model for lessees and requires that lessees recognise leased assets and lease liabilities with a period of over 12 months unless that underlying asset has a low value. Initially, the lessee recognises the asset related to the right of using the underlying asset or lease liabilities which reflects its obligation to pay lease fees.
Lessees separately recognise the depreciation of the asset related to the right of using the asset and interest on lease liabilities.
IFRS 16 applies to annual period commencing on or after 1 January 2019. Earlier application is allowed for entities that apply IFRS 15 from the date or before the date of the first application of IFRS 16. The Company has not decided to apply IFRS 16 before it becomes mandatory.
An initial analysis of the impact of IFRS 16 on the Company's accounting principles shows that in case of contracts recognised so far as operational lease contracts where the Company acts as the lessee, a need will arise to recognise the asset and lease liabilities in the financial statements.
The Company is a lessee in case of lease contracts of warehouses, logistics centres, vehicles and fork-lift trucks.
Therefore, when the standard is applied initially, the following may occur:

- an increased value of assets and liabilities in the Company's statement of financial condition,
- increased depreciation costs and financial expenses (interest) and reduced costs of lease and rental in the profit and loss account.

Reviewing the above impact of IFRS 16 on the Company's financial statements, it is necessary to remember that the lease and rental fees are recognised in a straight-line method. The implementation of IFRS 16 will result in a situation that lease assets will be recognised with a straight-line method (depreciation) while interest on liabilities will be recognised on the basis of an effective interest rate which will increase interest charges at the beginning to be reduced afterwards.
As at the approval date of these financial statements for publication, the Company did not close the analysis to assess the impact of implementation of IFRS 16 on the financial statements.

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 01 January 2017 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,
- 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 (net profit for the financial period plus depreciation/amortisation).

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:

Financial year ended on 31 December 2017

Item description	Servicing construction sites	Sales of construction materials	Group
Total sales revenues	175,254	40,878	216,132
Internal sales	(868)	(13970)	(14,838)
Sales revenues	**174,386**	**26,908**	**201,294**
Operating expenses less depreciation/amortisation	(102,928)	(34,982)	(137,910)
Costs of internal trading	253	11,739	11,992
Consolidated operating expenses less depreciation/amortisation	**(102,675)**	**(23,243)**	**(125,918)**
EBITDA	**71,711**	**3,665**	**75,376**

Financial year ended on 31 December 2016

Item description	Servicing construction sites	Sales of construction materials	Group
Total sales revenues	156,925	36,062	192,987
Internal sales	(634)	(11,866)	(12,500)
Sales revenues	**156,291**	**24,196**	**180,487**
Operating expenses less depreciation/amortisation	(97,717)	(29,021)	(126,738)
Costs of internal trading	487	11,331	11,818
Consolidated operating expenses less depreciation/amortisation	(97,230)	(17,690)	(114,920)
EBITDA	**59,061**	**6,506**	**65,567**

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

	12 months of 2017	12 months of 2016
Segment EBITDA profit	**75,376**	**65,567**
Amortisation/depreciation	(44,396)	(48,959)
Interest income	1,126	1,633
Other financial income	-	2
Interest expense	(120)	(128)
Other financial expenses	(1,133)	(719)
Share in profit of affiliated entities	101	(566)
Profit before tax	**30,954**	**16,830**
Income tax	(6,729)	(3,938)
Net profit	**24,225**	**12,892**

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 at 31 December 2017	169,248	10,452	156,496	336,196
As at 31 December 2016	157,737	8,296	169,899	335,932

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

Item description	31 December 2017	31 December 2016
Segments' assets	179,700	166,033
Non-allocated tangible fixed assets	89,328	92,264
Non-allocated intangible assets	400	201
Investments in affiliates	1,155	–
Deferred income tax asset	1,347	1,071
Other fixed assets	3,957	4,012
Tax and other receivables	34,507	35,404
Cash and cash equivalents	25,802	36,947
Total assets	**336,196**	**335,932**

Other receivables not allocated to segments cover primarily receivables under loans granted to related entities of PLN 32,000 thousand.

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

Item description	2017	2016
Domestic sales revenues	161,328	148,174
Foreign sales revenues	39,966	32,313
Total sales revenues	**201,294**	**180,487**
Domestic fixed assets	203,593	198,227
Foreign fixed assets	10,837	11,732
Total fixed assets	**214,430**	**209,959**

5. Tangible fixed assets

Changes to tangible fixed assets in 2017

	Land, buildings and structures	Technical equipment, machines and means of transport	Shuttering systems	Other fixed assets	Fixed assets under construction	Total tangible fixed assets
GROSS VALUE						
As at 01 January 2017	**106,077**	**11,261**	**504,269**	**3,024**	**59**	**624,690**
Increases due to purchases	208	1,060	50,979	162	202	52,611
Increases – inventory surpluses, reclassifications	-	–	6,467	–	(47)	6,420
Decreases – sales	-	(140)	(7,721)	–	–	(7,861)
Decreases – liquidations, shortages and reclassifications	(29)	(327)	(22,578)	(72)	–	(23,006)
FX gains/losses	(14)	(182)	(3,380)	(52)	(11)	(3,639)
As at 31 December 2017	**106,242**	**11,672**	**528,036**	**3,062**	**203**	**649,215**
ACCUMULATED AMORTISATION						
As at 01 January 2017	**18,814**	**6,641**	**390,786**	**2,703**	**–**	**418,944**
Amortisation for the period	2,877	1,230	39,992	177	–	44,276
Decreases – sales	-	(70)	(6,673)	(2)	–	(6,745)
Decreases – liquidations, reclassifications	(14)	(316)	(15,156)	(74)	–	(15,560)
FX gains/losses	(6)	(72)	(1,658)	(37)	–	(1,773)
As at 31 December 2017	**21,671**	**7,413**	**407,291**	**2,767**	**–**	**439,142**
NET VALUE:						
As at 01 January 2017	**87,263**	**4,620**	**113,483**	**321**	**59**	**205,746**
As at 31 December 2017	**84,571**	**4,259**	**120,745**	**295**	**203**	**210,073**

Changes to tangible fixed assets in 2016

	Land, buildings and structures	Technical equipment, machines and means of transport	Shuttering systems	Other fixed assets	Fixed assets under construction	Total tangible fixed assets
GROSS VALUE						
As at 01 January 2016	**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 gains/losses	(4)	32	(235)	4	–	(203)
As at 31 December 2016	**106,077**	**11,261**	**504,269**	**3,024**	**59**	**624,690**
ACCUMULATED AMORTISATION						
As at 01 January 2016	**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 gains/losses	(1)	3	(12)	1	–	(9)
As at 31 December 2016	**18,814**	**6,641**	**390,786**	**2,703**	**–**	**418,944**
NET VALUE:						
As at 01 January 2016	**87,718**	**3,952**	**109,043**	**364**	**141**	**201,218**
As at 31 December 2016	**87,263**	**4,620**	**113,483**	**321**	**59**	**205,746**

The depreciation charge to tangible fixed assets was increased by:

Item	12 months of 2017	12 months of 2016
Costs of sold products, goods and materials	41,247	45,801
Sales and marketing costs	4	1
Overheads	3,025	3,024
Total	**44,276**	**48,826**

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

6. Intangible assets

Changes to intangible asset items in 2017.

	Licenses and software	Other	Total intangible assets
GROSS VALUE			
As at 01 January 2017	**4,708**	**40**	**4,748**
Increases	322	–	322
Decreases – liquidation	(108)	–	(108)
FX gains/losses	(7)	(3)	(10)
As at 31 December 2017	**4,915**	**37**	**4,952**
ACCUMULATED AMORTISATION			
As at 01 January 2017	**4,508**	**39**	**4,547**
Depreciation for the period	120	–	120
Decreases – liquidation	(108)	–	(108)
FX gains/losses	(5)	(2)	(7)
As at 31 December 2017	**4,515**	**37**	**4,552**
NET VALUE:			
As at 01 January 2017	**200**	**1**	**201**
As at 31 December 2017	**400**	**0**	**400**

Changes to intangible asset items in 2016.

	Licenses and software	Other	Total intangible assets
GROSS VALUE			
As at 01 January 2016	**4,574**	**39**	**4,613**
Increases	123		123
Decreases – sale	(3)		(3)
FX gains/losses	14	1	15
As at 31 December 2016	**4,708**	**40**	**4,748**
ACCUMULATED AMORTISATION			
As at 01 January 2016	**4,374**	**39**	**4,413**
Amortisation for the period	132	1	133
Decreases – sale	(3)	–	(3)
FX gains/losses	5	(1)	4
As at 31 December 2016	**4,508**	**39**	**4,547**
NET VALUE:			
As at 01 January 2016	**200**	**0**	**200**
As at 31 December 2016	**200**	**1**	**201**

The amortisation impairment charge of intangible assets increased:

Item	12 months of 2017	12 months of 2016
Costs of sold products, goods and materials	4	5
Sales and marketing costs	-	-
Overheads	116	128
Total	**120**	**133**

7. Financial instruments

	Book value		Fair value		Fair value hierarchy
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	
Cash	25,802	36,948	25,802	36,948	Level 1
Receivables and loans granted					
Trade and other receivables	54,532	50,613	54,532	50,613	Level 3
Loans granted	32,000	32,981	32,000	32,981	Level 3
Financial liabilities					
Liabilities under factoring of trade payables	2,936	3,046	2,936	3,046	Level 3
Trade and other payables	27,313	20,582	27,314	20,582	Level 3
Derivative instruments					
Financial instruments measured at fair value through financial result	64	13	64	13	Level 2

As measured by the Company, the fair value of cash, receivables and loans granted, financial liabilities and other liabilities is not materially different than the book value due to short maturities.
In the period ended on 31 December 2017 or in the period ended on 31 December 2016 there were no transfers between level 1 and level 2 of the fair value hierarchy and no instrument was transferred from/to level 3 of the fair value hierarchy.

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	1,155	30.00

Basic information on the affiliate.

	31 December 2017	31 December 2016
Fixed assets	5,050	7,837
Current assets	5,788	4,573
Equity	4,166	430
Long-term liabilities	3,150	7,701
Short-term liabilities	3,522	4,279
Sales revenues	12,623	9,942
Net financial result	337	(2,083)

In 2017, the share capital of ULMA Cofraje S.R.L Romania was increased by RON 3,850 thousand. The shares in the increased share capital were acquired by the existing shareholders in the existing % proportion in the capital held and in votes.
The share of ULMA Construccion Polska S.A. in the positive financial result of the associated company for 2017 was PLN 101 thousand.

9. Other fixed assets

Other fixed assets include the book value of the perpetual usufruct right of land in the amount of PLN 3,957 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 2017	31 December 2016
Trade receivables from non-affiliated entities	84,897	84,637
Impairment charges on trade receivables	(32,717)	(37,846)
Net trade receivables	*52,180*	*46,791*
Other receivables	898	992
Prepayments	388	701
Trade receivables from affiliated entities	1,066	2,129
Loan receivables	32,000	32,981
Total trade and other receivables	**86,532**	**83,594**
of which:		
Long-term part	-	981
Short-term part	86,532	82,613

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 3,867 thousand (PLN 3,664 thousand in 2016) was recognised in other operational revenues/expenses in the consolidated profit and loss account.

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

	12 months of 2017	12 months of 2016
As at the beginning of the period	**37,846**	**37,338**
Increases – impairment charges on trade receivables	4,141	3,537
Increases – impairment charges to interest for delay	-	-
Utilisation	(8,847)	(2,901)
Adjustment of earlier impairment charges	(33)	(57)
FX gains/losses	(390)	(71)
As at the end of the period	**32,717**	**37,846**

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

11. Inventories

	Status as at:	
	31 December 2017	31 December 2016
Materials	2,208	2,704
Goods	3,842	1,266
Gross value of inventories	**6,050**	**3,970**
Impairment charge to inventories	(340)	(340)
Net value of inventories	**5,710**	**3,630**

12. Cash and cash equivalents

	Status as at:	
	31 December 2017	31 December 2016
Cash in hand and in bank accounts	25,802	36,948
Total cash, including:	**25,802**	**36,948**
Restricted cash	111	112

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

	Status as at:	
	31 December 2017	31 December 2016
Cash and cash equivalents	25,802	36,948
Overdraft (note 15)	-	-
Cash and cash equivalents disclosed in the cash flow statement	**25,802**	**36,948**

13. Share capital and reserve capital

	Number of shares	Nominal value of shares	Share premium (agio)	Total
As at 01 January 2016	**5,255,632**	**10,511**	**114,990**	**125,501**
– increases	-	-	-	-
– decreases	-	-	-	-
As at 31 December 2016	**5,255,632**	**10,511**	**114,990**	**125,501**
– increases	-	-	-	-
– decreases	-	-	-	-
As at 31 December 2017	**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 2017, the Company's shareholding structure was as follows:

	Share capital		Votes at 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

14. Trade and other payables

	Status as at:	
	31 December 2017	31 December 2016
Trade payables towards unrelated entities	21,085	16,256
Trade payables towards related entities	3,350	1,726
Taxes and other charges	6,611	6,596
Accruals	2,405	2,297
Deferred income	-	1
Other liabilities	473	302
Total trade and other payables	**33,924**	**27,178**
Of which:		
Long-term part	-	-
Short-term part	33,924	27,178

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 2017, the Group's liabilities to the bank amounted to PLN 2,936 thousand. The amount was disclosed in the consolidated statement of financial condition as Liabilities under factoring of trade payables.

15. Loans and borrowings:

As at 31 December 2017, the Group holds a liability under a short-term loan contracted by its subsidiary entity in Ukraine of PLN 410 thousand (UAH 3,317 thousand).

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

	Status as at:	
	31 December 2017	31 December 2016
Based on variable interest:		
– expiring within one year	418	–
– expiring after one year		-
Total unused credit limits	**418**	**–**

16. Leases

a) Finance lease

As at 31 December 2017 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 2017	31 December 2016
Below one year	4,724	3,799
1 to 5 years	12,152	11,104
Over 5 years	4,961	2,936
Total	**21,837**	**17,839**

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 2017	31 December 2016
Deferred income tax asset:	3,473	3,842
Deferred income tax liability:	(4,574)	(5,707)
Set-off	2,126	2,771
Book value of deferred income tax asset	1,347	1,071
Book value of deferred income tax liability	(2,448)	(2,936)

Deferred income tax asset and liability in the consolidated statement of financial condition as at 31 December 2017 were disclosed in amounts of set-off assets and liabilities in each company of the Capital Group.

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:

	Statement of financial position		Profit and loss account		Equity	
	2017	2016	2017	2016	2017	2016
Deferred income tax provision						
Tax depreciation	4,533	5,194	661	2,248	0	0
Unrealised FX gains/losses	26	483	10	(16)	447	(156)
Other	15	30	16	76	0	0
Total	**4,574**	**5,707**	**687**	**2308**	**447**	**(156)**
Deferred income tax asset						
Valuation of tangible fixed assets	1,126	1,068	58	(119)		
Impairment charges to receivables	1,357	2,015	(658)	(217)		
Provision for costs	973	754	235	(126)		
Unrealised FX gains/losses	17	5	12	4		
Total	**3,473**	**3,842**	**(353)**	**(458)**	**0**	**0**
Deferred income tax (charge)/credit			**334**	**1,850**	**447**	**(156)**

18. Pension liabilities

	Status as at:	
	31 December 2017	31 December 2016
The liabilities, included in the statement of financial position, arising from:		
Pension benefits	224	185
Total	**224**	**185**

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

	12 months 2017	12 months 2016
Amounts allocated to pension benefits provision	13	12
Interest expense	8	5
Actuarial profit and loss, net	26	(27)
Benefits paid	(8)	(12)
Recognised in total in employment benefit costs	**39**	**(22)**

Change in balance sheet liability:

	12 months 2017	12 months 2016
Opening balance of pension benefits provision	185	207
Amounts allocated to pension benefits provision	13	12
Interest expense	8	5
Actuarial profit and loss, net	26	(27)
Benefits paid	(8)	(12)
Closing balance of pension benefits provision	**224**	**185**

19. Sales revenues

	12 months 2017	12 months 2016
Sales revenue from construction site services	174,386	156,291
Revenue from sales of construction goods and materials	26,908	24,196
Total sales revenues	**201,294**	**180,487**

- 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 2017 amounted to PLN 3,066 thousand (in 2016 – PLN 3,359 thousand).

20. Prime costs

	12 months 2017	12 months 2016 (transformed data)
Depreciation of tangible fixed assets and amortisation of intangible assets	44,396	48,959
Costs of employment benefits (note 20 a)	32,469	31,312
Consumption of raw materials, auxiliary materials and energy	12,232	11,622
Transport services	14,394	14,934
Rental and tenancy services	13,229	12,037
Overhauls and maintenance	8,668	9,438
Assembly and construction services	4,403	4,275
Other outsourced services	14,076	15,059
Other expenses	5,968	5,829
Value of goods and materials sold	16,984	10,381
Total prime costs	**166,819**	**163,846**
Changes in the products and production in progress and costs of services for internal needs	(26)	(50)
Costs of sales and marketing (including impairment charges)	(2,601)	(2,716)
Administrative expenses	(15,236)	(16,501)
Costs of sold products, goods and materials	**148,956**	**144,579**

20 a) Costs of employee benefits		
Costs of salaries and costs of termination of employment benefits	26,797	26,129
Costs of social insurance and employee benefits	5,672	5,183
Total costs of employee benefits	**32,469**	**31,312**

21. Other operating revenues and costs

21 a) Other operating revenues	12 months 2017	12 months 2016 (transformed data)
Inventory surplus	231	–
Profit on the change of fair value of forward contracts	-	33
Received indemnity – lost components of tangible fixed assets and working assets	-	1,713
Sale and recovery of components of tangible fixed assets	18	973
Impairment allowance to fixed assets	-	975
Re-invoices	248	235
Other revenues	-	-
Other operating revenues in total	**497**	**3,929**

21 b) Other operating costs	12 months 2017	12 months 2016 (transformed data)
Physical count shortages	-	(140)
Change of allowances for receivables and written-off receivables	(3,867)	(3,664)
Loss on the change of fair value of forward contracts	(11)	(93)
Other expenses	(140)	(115)
Other operating costs in total	**(4,018)**	**(4,012)**

22. Financial income and expenses

22 a) Financial revenue	12 months 2017	12 months 2016
Interest on funds in the bank account	319	816
Interest on loan granted	807	817
Other financial income	-	2
Total financial income	**1,126**	**1,635**

22 b) Financial expenses		
Interest costs:		
– bank credits	-	-
– other – for delay in payment of liabilities	(120)	(128)
		(128)
FX gains/losses	(1,120)	(700)
Costs of bank financial products	(13)	(15)
Bank Guarantee Fund	-	(4)
Total financial expenses	**(1,253)**	**(847)**

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 2017	12 months 2016
Sales revenues	(226)	146
Costs of sold products, goods and materials	294	(22)
Financial expenses	(1,120)	(700)
Total FX profit (loss)	**(1,052)**	**(576)**

23. Income tax

	12 months 2017	12 months 2016
Current tax	(7,063)	(5,768)
Deferred tax (note 17)	334	1,830
Total income tax	**(6,729)**	**(3,938)**

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 of 2017	12 months of 2016
Profit (loss) before tax	**30,954**	**16,830**
Permanent non-tax deductible expenses, of which:	**2,631**	**3,767**
Entertainment costs	1,419	1,627
Expenses of previous years	431	265
Contributions to PFRON	163	162
VAT on written off receivables	-	1,191
Other	313	522
Interest	305	
Tax loss in subsidiary company	**1,071**	**483**
Other	**819**	**–**
Tax base	**35,475**	**21,080**
Charges to the financial result due to income tax	**6,729**	**3,938**

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.

24. Dividend per share

Pursuant to Resolution No. 7 of the General Shareholders' Meeting of ULMA Construccion Polska S.A. of 21 April 2017, the net profit for the financial year 2016 in the amount of PLN 10,711,612.37 and part of the retained profits carried forward in the amount of PLN 17,668,800.43, totalling PLN 28,380,412.80 were allocated for distribution to the shareholders in the form of dividend, i.e. in the amount of PLN 5.40 gross per share.

The date of the rights to dividend has been set for 5 May 2017, and the dividend distribution date has been set for 18 May 2017.

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.

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.

In the presented financial years, the composition of the Capital Group was not changed.

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 Kazakhstan sp. z o.o. with its registered office in Astana, at ul. Taszenowa 25 was set up on 27.08.2010. Its strategic purpose will be 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 the 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 the 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.

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 2017	As at 31 December 2016
Trade receivables	**1,066**	**2,129**
Of which:		
- from the Parent Company	577	1,667
- from the associated entity	13	129
- from other related entities	476	333
Trade payables	**3,350**	**1,726**
Of which:		
- to the Parent Company	3,204	1,656
- to the associated entity	28	–
- to other related entities	118	70

Sales and purchases from Group entities	12 months 2017	12 months of 2016
Sales	**5,486**	**4,169**
Of which:		
- to the Parent Company	3,066	3,359
- to the associated entity	100	1
- to other related entities	2,320	809
Purchases	**37,160**	**36,389**
Of which:		
- from the Parent Company	35,608	35,927
- from the associated entity	109	–
- from other related entities	1,443	462

Loans, interest, dividends	12 months 2017	12 months of 2016
Loans granted – EUR thousand	-	-
Loans repaid – EUR thousand – ULMA Cofraje Romania	221	–
Interest income on loans – PLN thousand	2	3
Interest income on loans – PLN thousand	800	802

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 2017 and in 2016 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 2017 and as at 31 December 2016 there were no loans granted by Group companies to managing and supervising persons and their relatives.

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

In 2017 members of the Management Board and Supervisory Board were paid remuneration including bonus as follows:

	12 months of 2017	12 months of 2016
Management Board of ULMA Construccion Polska S.A.		
Rodolfo Carlos Muñiz Urdampilleta	1,213	1,240
Andrzej Kozłowski	447	1,534
of which: post-employment benefits	*447*	*1,068*
Andrzej Sterczyński	441	442
Krzysztof Orzełowski	383	381
ULMA Opałubka Ukraine		
Dmitriv Lyakhovetskiy	262	254
ULMA Opałubka Kazakhstan		
Evgeniy Khukhałow	109	–
Marlena Sowinska	-	528
ULMA Construccion BALTIC		
Vykintas Kuzmickas	197	232
Supervisory Board of ULMA Construccion Polska S.A.		
Rafał Alwasiak	-	11
Michał Markowski	36	18
Andrzej Kozłowski	72	47

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

31. Profit 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 2017	12 months 2016
Profit/(loss) attributable to shareholders of the parent company	24,225	12,892
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)	4.61	2.45
Diluted profit/(loss) per share (in PLN per share)	4.61	2.45

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, 26 March 2018