



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

**ULMA Construcccion Polska S.A.
and**

**THE CAPITAL GROUP OF
ULMA Construcccion Polska S.A.**

FOR THE YEAR ENDED ON 31 DECEMBER 2017



Pursuant to Art. 55.2a of the Accounting Act and Art. 83.7 of the Regulation of the Minister of Finance on current and periodic disclosures, the Company has prepared the Report of the Management Board on operations of ULMA Construcción S.A. and the Capital Group in one document. Any other required elements of the report on operations of the Company, not disclosed in this part of the report, are identical to the Report of the Management Board on operations of the ULMA Construcción S.A. Capital Group.

Organisational description of the Capital Group

As at 31.12.2017, the ULMA Construcción Polska S.A. Capital Group ("Group", "Capital Group") was composed of:

- ULMA Construcción 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 Opatubka 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 Opatubka 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 Construcción 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 products and services offered by the Capital Group in the Romanian market.

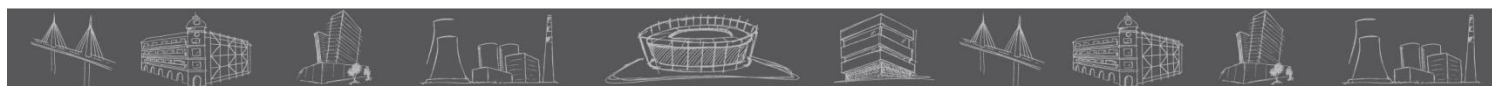
Scope of business activity of the Capital Group

ULMA Construcción Polska S.A. Capital Group operates in the construction industry. The business activity of the entities which belong to the Capital Group includes sales and lease of shuttering and scaffolding systems for the needs of building construction and of engineering construction, performance of maintenance works and development of designs of application of those systems and also maintenance of shuttering and other accessories used for assembly of shuttering systems.

Registered offices, dates of establishment and registrations of the entities which belong to the Capital Group.



- ULMA Construcccion Polska S.A., with its registered office in Koszajec 50, 05-840 Brwinów, has been operating since 01.07.1995, on the basis of the Resolution of the Shareholders Meeting transforming the limited liability company into a joint-stock company (Notarial Deed of 15.09.1995, Repertory A No. 5500/95), entered in the Register of Entrepreneurs of the National Court Register under KRS number 0000055818 by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. From 14.02.1989 until transformation into a joint stock company, the company operated under the name of Bauma Sp. z o.o.,
- ULMA Opałubka Ukraine with its registered office in Kiev, Gnata Juri 9, entered on 18.07.2001 to the National Register of the Republic of Ukraine under entry no. 5878/01 (ID code 31563803),
- ULMA Cofraje S.R.L with its registered office in Bragadiru at Soseaua de Centura nr 2-8 Corp C20 (Romania), entered after the change of address to the Romanian Commercial Register under number 22679140
- ULMA Opałubka Kazakhstan with its registered office in Astana at Taszenowa 25, entered on 27.08.2010 to the Register of the Ministry of Justice by the Department of Justice of the city of Astana under number 37635-1901-TOO/NU/,
- ULMA Construcccion BALTIC with its registered office in Vilnius at Pylimo 41-12, entered on 27 April 2012 in the Register of Legal Entities of the Republic of Lithuania under number 302770757.



Core economic and financial highlights disclosed in the annual financial statements, in particular description of factors and events, including non-typical ones, with material impact on the issuer's activities and the generated profit or suffered loss in the financial year; development prospects for the issuer's activity minimum in the coming financial year

Herebelow, there are core highlights of the consolidated financial statements of the Group and the Issuer's standalone financial statements for 2016-2017.

Consolidated profit and loss account and other comprehensive income

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	2016	2017/2016 dynamics
Sales revenues	40,486	49,188	53,658	57,962	201,294	180,487	1.12
Costs of sold products, goods and materials	(34,731)	(39,266)	(39,364)	(35,595)	(148,956)	(144,579)	1.03
Gross profit on sales	5,755	9,922	14,294	22,367	52,338	35,908	1.46
Sales and marketing costs	(945)	(338)	(1,168)	(150)	(2,601)	(2,716)	0.96
Overheads	(3,644)	(3,467)	(3,843)	(4,282)	(15,236)	(16,501)	0.92
Other net operating expenses	(65)	(926)	(1,011)	(1,519)	(3,521)	(83)	4242
Profit on operating activity	1,101	5,191	8,272	16,416	30,980	16,608	1.87
Financial income	338	311	251	226	1,126	1,635	0.69
Financial expenses	(506)	(32)	33	(748)	(1,253)	(847)	1.48
Share in profit / loss of affiliated entities		(209)	(48)	358	101	(566)	-
Profit before tax	933	5,261	8,508	16,252	30,954	16,830	1.84
Income tax	(445)	(1,284)	(1,913)	(3,087)	(6,729)	(3,938)	1.71
Net profit	488	3,977	6,595	13,165	24,225	12,892	1.88
Other revenues	(63)	(882)	(245)	(1,295)	(2,485)	410	-
Comprehensive income	425	3,095	6,350	11,870	21,740	13,302	1.63
Operating profitability (%)	2.72	10.55	15.42	28.32	15.39	9.20	
Net profitability (%)	1.21	8.09	12.29	22.71	12.03	7.14	

Unless specified otherwise, all amounts are in PLN '000



Consolidated statement of financial position

	31.12.2017	Structure %	31.12.2016	Structure %	Dynamics
Tangible fixed assets	210,073	62	205,746	61	1.02
Other fixed assets	6,859	2	6,265	2	1.09
Total fixed assets	216,932	65	212,011	63	1.02
Inventories	5,710	2	3,630	1	1.57
Receivables	87,752	26	83,343	25	1.05
Other current assets	25,802	8	36,948	11	0.70
Total current assets	119,264	35	123,921	37	0.96
Total assets	336,196	100	335,932	100	1.00
Share capital	10,511	3	10,511	3	1.00
Supplementary capital	114,990	34	114,990	34	1.00
Currency exchange differences from	(16,456)	(5)	(13,971)	(4)	1.18
Retained profit	186,780	56	190,935	57	0.98
Total equity	295,825	88	302,465	90	0.98
Long-term liabilities	2,621	1	3,080	1	0.85
Short-term liabilities	37,750	11	30,387	9	1.24
Total liabilities	40,371	12	33,467	10	1.21
Total equity and liabilities	336,196	100	335,932	100	1.00
Return on Equity (%)	8.92		4.45	-	-
Debt ratio (%)	12.0		10.0	-	-
Rotation of trade receivables (days)	91		97	-	-
Rotation of trade payables (days)	52		47	-	-
Current liquidity ratio	3.2		4.1	-	-

Return on Equity =	$\frac{\text{Net profit for the financial year} \times 100\%}{\text{Equity} - \text{Net profit for the financial year}}$
Debt ratio =	$\frac{\text{Liabilities} \times 100\%}{\text{Total equity and liabilities}}$
Rotation of trade receivables =	$\frac{\text{Average trade receivables} \times 365 \text{ days}}{\text{Sales revenues}}$
Rotation of trade payables =	$\frac{\text{Average trade payables} \times 365 \text{ days}}{\text{Operating expenses}}$
Current liquidity ratio =	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$

Unless specified otherwise, all amounts are in PLN '000



Standalone profit and loss account and other comprehensive income

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	2016	2017/2016 dynamics
Sales revenues	37,407	44,440	47,473	51,888	181,208	166,208	1.09
Costs of sold products, goods and materials	(33,666)	(36,841)	(36,761)	(34,023)	(141,291)	(138,541)	1.02
Gross profit on sales	3,741	7,599	10,712	17,865	39,917	27,667	1.44
Sales and marketing costs	(625)	(634)	(625)	(636)	(2,520)	(2,733)	0.92
Overheads	(3,113)	(3,137)	(3,072)	(3,650)	(12,972)	(13,736)	0.94
Other net operating expenses	(52)	(926)	(903)	(528)	(2,409)	318	-
Profit on operating activity	(49)	2,902	6,112	13,051	22,016	11,516	1.91
Financial income	443	537	3,515	338	4,833	2,766	1.75
Financial expenses	(1,553)	(761)	(93)	(1,349)	(3,756)	(146)	25.73
Profit before tax	(1,159)	2,678	9,534	12,040	23,093	14,136	1.63
Income tax	25	(754)	(1,307)	(2,706)	(4,742)	(3,425)	1.38
Net profit	(1,134)	1,924	8,227	9,334	18,351	10,711	1.71
Other revenues	-	-	-	-	-	-	
Comprehensive income	(1,134)	1,924	8,227	9,334	18,351	10,711	
Operating profitability (%)	(0.13)	6.53	12.87	25.15	12.15	6.93	
Net profitability (%)	(3.03)	4.33	17.33	17.99	10.13	6.44	

Unless specified otherwise, all amounts are in PLN '000



Statement of financial position

	31.12.2017	Structure %	31.12.2016	Structure %	Dynamics
Tangible fixed assets	199,268	60	194,063	57	1.03
Other fixed assets	26,815	8	30,830	9	0.87
Total fixed assets	226,083	68	224,893	66	1.01
Inventories	4,496	1	2,374	1	1.89
Receivables	81,243	24	78,333	23	1.04
Other current assets	22,305	7	32,717	10	0.68
Total current assets	108,044	32	113,424	34	0.95
Total assets	334,127	100	338,317	100	0.99
Share capital	10,511	3	10,511	3	1.00
Supplementary capital	114,990	34	114,990	34	1.00
Retained profit	171,339	51	181,368	54	0.94
Total equity	296,840	89	306,869	91	0.97
Long-term liabilities	2,620	1	3,080	1	0.85
Short-term liabilities	34,667	10	28,368	8	1.22
Total liabilities	37,287	11	31,448	9	1.19
Total equity and liabilities	334,127	100	338,317	100	0.99
Return on Equity (%)	6.6		3.6	-	
Debt ratio (%)	11.2		9.3	-	
Rotation of trade receivables (days)	94		98	-	
Rotation of trade payables (days)	53		53	-	
Current liquidity ratio	3.1		4.0	-	

Return on Equity =	$\frac{\text{Net profit for the financial year} \times 100\%}{\text{Equity} - \text{Net profit for the financial year}}$
Debt ratio =	$\frac{\text{Liabilities} \times 100\%}{\text{Total equity and liabilities}}$
Rotation of trade receivables =	$\frac{\text{Average trade receivables} \times 365 \text{ days}}{\text{Sales revenues}}$
Rotation of trade payables =	$\frac{\text{Average trade payables} \times 365 \text{ days}}{\text{Operating expenses}}$
Current liquidity ratio =	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$

Unless specified otherwise, all amounts are in PLN '000



Market environment in 2016

Market environment in Poland

According to data of the Central Statistical Office (GUS), the GDP growth rate in 2017 was 4.6% and was the highest in the last six years. Consumption and exports were the core drivers of Poland's economy that grew last year by 4.8% and 7.8% respectively.

The increased consumption by households was beyond any doubt the effect of a good situation in the labour market and reduced unemployment, the growth rate of salaries and the child upbringing benefit under the Family 500+ programme.

Investments have increasingly contributed to economic growth in Poland – after the slump in 2016 and poor H1 2017, investments accelerated, in particular in Q3 and Q4 2017 as a result of which the growth rate was 5.4% y/y. An increasing number of government and local investments results from faster spending of EU subsidies granted to Poland for 2014-2020. Additionally, the growing optimism among the population also contributes to growing private investments. According to Eurostat, Poland is one of the four fastest growing economies in the European Union.

The better market situation resulted in an improved condition in construction. Construction and assembly production by companies employing over 9 persons was by 12.6% higher y/y. A growth of construction and assembly production was recorded in all segments of construction, in particular in the **engineering sector**. In the segment that covers construction of bridges, viaducts and flyover that is most important for the Group, after a spectacular growth in Q2 2017 (+69,3%), a correction occurred in subsequent quarters (in Q3 2017 by 39.6% and in Q4 2017 by another 18.6%), as a result of which the drop was -3.3% y/y over the entire analysed period.

Good results were recorded in **residential construction** (+14%). According to preliminary data by GUS, in the entire period under review:

- 178,258 apartments were commissioned (or by 9.1% more than in the equivalent period last year)
- permits were issued or notifications made related to construction projects for 250,218 apartments (or by 18,3% more than in the equivalent period last year), and
- the construction of 205,990 apartments was commenced (or by 18.4% more than a year earlier).

In the **non-residential sector** also a growth (13.5%) was recorded in the analysed period.

There was a major improvement also in the **industrial** sector where the growth was 5.2% y/y which was due to an overall trend in the investment area as specified above.

Paradoxically, the good results in construction and assembly production were accompanied by reduced margins of construction companies. The above in particular applies to large companies pursuing long-term contracts. For many companies, contracts concluded one or two years earlier may prove unprofitable with the current construction and assembly production prices that have been growing much slower than production costs. According to GUS, the profitability ratio on sales in construction is now lower than among all enterprises – after H1 2017 it was 2.5% vs. 5.3% for other market participants. The highest profitability (3.9%) was generated by construction companies employing 10 to 49 staff. The net profitability ratio on sales in the group of construction companies with over 49 employees was 3% after three quarters of 2017.



Market environment abroad

Last year, the economic and financial situation in Ukraine continued to stabilise. Gross Domestic Product – which decreased in 2015 by 9.9% – grew in 2016 by 1.8% and continued to grow in 2017 by 2%. Inflation which was 43.3% in 2015, decreased in 2017 to 14.4% which was an indication of continued stabilisation of the entire economy and slowing down of inflation generating trends. Nevertheless, the Ukrainian currency (hryvnia, UAH) continues to remain unstable although the fluctuations in the analysed period were not as high as in the previous years.

In the construction sector, it was growing throughout the year and overall in 2017 the growth was 20.9% y/y, and reached two-digit growth rates in all construction sectors – the largest ones were in the engineering sector (+26.3%) and in the non-residential sector (+20.2%). The lowest growth was noted in the residential sector (+11.7%).

In Kazakhstan, after a period of stagnation, foreign investors started to finance new projects and investments. The largest investment by Chevron Oil, USA – commenced funding of USD 36.6 billion to expand an oil field in Tengiz, western Kazakhstan. At the end of 2017, the government of Kazakhstan decided to start financing of the BAKAD project – a ring road of Almaty which provides for the construction of 17 bridges which is the core business of the subsidiary company – ULMA Opałubka Kazachstan sp. z o.o. The overall growth of construction and assembly production in Kazakhstan was 1.9% y/y in 2017, including engineering construction – +18.3%. However, the non-residential sector and the residential sector recorded decreases by -18% and -4.3% respectively [with the inflation of 7.4%].

In the analysed period, Lithuania's economy was growing at +3.8% y/y. The growth of construction and assembly production was 14.2% in 2017, including the engineering sector by +14.2%, non-residential sector by + 11.9% and the residential sector – a drop by -3.3%. The inflation rate in 2017 was 3.7%.

Sales revenues

In 2017 the Capital Group achieved PLN 201,294 thousand of total revenues from sales in comparison to PLN 180,487 thousand in the previous year (an increase by 12%).

The increased sales revenues applied primarily to the operating segment of the Capital Group being support to construction projects. Revenues of the segment in 2017 jointly amounted to PLN 174,386 thousand versus PLN 156,291 thousand in the equivalent period last year (a growth by PLN 18,095 thousand or by 11.6%).

In 2017 ULMA Construcccion Polska S.A. generated PLN 181,208 thousand as total sales revenues versus PLN 166,208 thousand in the previous year (a growth by PLN 15,000 or 9.0%)

Operating profitability

In 2017 the Capital Group obtained positive result on operating activity, in the amount of PLN 30,980 thousand versus PLN 16,608 thousand in the previous year (an increase by PLN 14,372 thousand).



The core values related to EBIT (operating profit) and EBITDA (operating profit + depreciation) in the analysed periods in the **ULMA Construcción Polska S.A. Capital Group** were as follows:

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	2016
Sales	40,486	49,188	53,658	57,962	201,294	180,487
EBIT	1,101	5,191	8,272	16,416	30,980	16,608
% of sales	2.72	10.55	15.42	28.32	15.39	9.20
Amortisation/de	11,823	12,131	12,514	7,928	44,396	48,959
EBITDA	12,924	17,322	20,786	24,344	75,376	65,567
% of sales	31.92	35.22	38.74	42.00	37.45	36.33

In 2017 the total depreciation allowances amounted to PLN 44,396 thousand in comparison to PLN 48,959 thousand in the previous year. In the overall amount of depreciation allowances specified above, the largest depreciation allowances related to scaffolding and shuttering. The amount of the allowances is primarily subject to the estimated useful life of the assets.

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.

In 2017 – as a result of growing revenues from the core activity of the Capital Group being services for construction projects in Poland and due to a good market condition in Ukraine and in Lithuania, the Capital Group recorded an improved EBITDA in absolute terms by PLN 9,809 thousand (or by almost 15%). EBITDA profitability (calculated as the ratio of EBITDA to sales) was over 37% in the period versus about 36% in the previous year.

In 2017 the Capital Group recognised net impairment charges to receivables (the sum of established and reversed allowances) and wrote-off lost receivables in the total amount of PLN 3,867 thousand versus PLN 3,664 thousand in the equivalent period last year (the allowances are disclosed under “Costs of sales and marketing”). The phenomenon is due to an estimate of the risk related to recovery of receivables in view of the litigation pursued by the Capital Group against its debtors.

Apart from allowances for receivables, the net operational expenses also include damages received for lost tangible fixed assets and working assets and the effects of management of allowances updating the values of tangible fixed assets. In 2016 the effect of those phenomena was positive and totalled PLN 2,688, mainly as a result of damages received from a customer for destruction of assess rented to the customer in a fire. There were no such one-off events in the analysed 2017.

The item “Overheads” covers the actual cost of the Management Board as well as all cost items related to general administrative services to the Capital Group (accounting, IT, legal services, etc.). In 2017 the expenses amounted to PLN 15,236 thousand versus PLN 16,501 thousand in the equivalent period last year (-8%).

Apart from economic effects pertaining to the settlement and valuation of hedging contracts (NDF) other operating activity includes also economic effects related to the customisation of shuttering system elements to individual customer's needs and general effects of asset management (negative and positive physical count results and provisions for impairment of inventories).



The core values related to EBIT (operating profit) and EBITDA (operating profit + depreciation/amortisation) in the analysed periods at **ULMA Construcción Polska S.A.** were as follows:

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	2016
Sales	37,407	44,440	47,473	51,888	181,208	166,208
EBIT	(49)	2,902	6,112	13,051	22,016	11,516
% of sales	(0.13)	6.53	12.87	25.15	12.15	6.93
Amortisation/de	11,181	11,282	11,650	6,709	40,822	46,752
EBITDA	11,132	14,184	17,762	19,760	62,838	58,268
% of sales	29.76	31.92	37.41	38.08	34.68	35.06

Foreign exchange risk hedging transactions

The Capital Group companies purchase the products (scaffoldings and shuttering systems and accessories for such systems) which are the object of their commercial and service operation from its parent entity in Spain, other ULMA Group companies and third-party companies.

Within its commercial activities, the Group is active in export markets, particularly in Ukraine, Lithuania, and in Kazakhstan where business is pursued via subsidiary companies Ulma Opałubka Ukraina sp. z o.o., Ulma Construcción BALTIC sp. z o.o., and Ulma Opałubka Kazakhstan Sp. z o.o. As a result, the Capital Group companies are exposed to the FX risk that the Group mitigates by:

- participating in the FX and term markets using Non Delivery Forward (NDF) contracts, or
- by adjusting the prices of the offered services and materials which is not fully effective.

All term instruments (NDF) held by the Capital Group are concluded solely in order to hedge against FX risk and are not asymmetric.

The Capital Group does not apply hedge accounting and therefore the results from hedge transaction execution and valuation (positive and negative) are charged to the result for the period.

Financial costs and other total income

The Capital Group uses bank loans and its own funds to finance investments related to purchases of products for lease (i.e. shuttering and scaffolding systems).

In 2017 ULMA Construcción Polska S.A. was not using any bank loans. ULMA Opałubka Ukraina was the sole company in the Group that had a bank loan in 2017. Its liabilities under the bank loan amounted to PLN 410 thousand as at 31 December 2017.

The parent company Ulma Construcción Polska S.A. grants long-term loans to its subsidiary companies to finance its business in export markets.

As at 31 December 2017, the amount of long-term loan granted was EUR 2,500 thousand and USD 1,300 thousand. In compliance with the International Accounting Standards (IAS 21), the loans are disclosed as "Net investments in foreign operations" and therefore all FX differences are recognised in the "statement of changes in consolidated equity" and in "other comprehensive income".



In 2017 the total amount of FX differences recognised in those statements amounted to PLN -2,485 thousand, of which:

- PLN -189 thousand were FX losses related to the said “net investments” (loans granted) in foreign operations. FX differences on the measurement of settlements as at the balance sheet date are recognised in equity and only afterwards – following repayment of the loans by the subsidiaries, realised FX profit/loss is recognised in the consolidated profit and loss account,
- - PLN 2,296 thousand were FX losses due to translation of financial statements of foreign subsidiary companies and related to the depreciation of hryvnia or Tenge versus PLN in the analysed period.

In 2016 the amounts were respectively:

- + PLN 255 thousand as FX gains related to “net investments in foreign operations”, and
- + PLN 311 thousand of FX losses due to translation of financial statements of foreign subsidiary companies.

The Capital Group has been trying to hedge the FX risk related to the internal loans in its exposure to EUR – UAH and USD – UAH in Ukraine in a natural manner – by adjusting its price lists of services and materials offered in the market to the current UAH exchange rate to USD. However, the effectiveness of those efforts is difficult to estimate due to the volume and unpredictability of UAH volatility, in particular in view of the complicated geopolitical situation in Ukraine and the military conflict in the east.

Apart from the above long-term loans, ULMA Construcción Polska S.A.:

- has granted a loan to its subsidiary company ULMA Opatubka Kazachstan of USD 350. The loan was extended on arm's length basis until 31 December 2017.
As at 31.12.2017, the loan balance was to USD 0.
- has granted a loan to its parent company ULMA CyE S. Coop. of PLN 32,000 thousand. The loan to the parent entity was granted at arm's length – the applicable interest rate is based on WIBOR 3M. One tranche of PLN 11,000 thousand falls due on 29.06.2018 and another tranche of PLN 21,000 on 31.01.2019.

In 2017 ULMA Construcción Polska S.A. generated PLN 1,542 thousand of interest income on the above loans (in 2016 the interest amounted to PLN 1,792 thousand).

Apart from the above phenomena, ULMA Construcción Polska S.A. received dividend in 2017 from its subsidiary company – ULMA Opatubka Ukraina sp z o.o. of PLN 3,080 thousand that was recognised as financial income in the standalone financial statements of ULMA Construcción Polska S.A. In compliance with consolidation principles, the transaction has no effect on the consolidated results recognised in the profit and loss account of the Capital Group.

Net profit/(loss)

Net of income tax, the Capital Group generated in 2017 positive net profit of PLN 24,225 thousand versus positive net profit in the previous year of PLN 12,892 thousand.

The net profit of ULMA Construcción Polska S.A. generated in 2017 amounted to PLN 18,351 versus PLN 10,711 thousand net profit in the previous year.



Cash flows

The table below presents the Group's abbreviated cash flow statement for the analysed periods:

	12 months of 2017	12 months of 2016	Dynami cs
Net profit	24,225	12,892	1.88
Amortisation/depreciation	44,396	48,959	0.91
Total financial surplus	68,621	61,851	1.11
Other elements of net operating cash flow	(50,193)	(57,220)	0.88
Net cash from operating activities	18,428	4,631	3.98
Net cash from investing activities	(1,003)	(2,319)	0.43
Net cash from financing activities	(28,090)	-	-
Net cash	(10,665)	2,312	-
FX (loss)/profit on valuation of cash and overdraft facility	(481)	(328)	1.47
Change of cash and under overdraft facility	(11,146)	1,984	

The table below presents the abbreviated cash flow statement of ULMA Construccin Polska S.A. for the analysed periods:

	12 months of 2017	12 months of 2016	Dynami cs
Net profit	18,351	10,711	1.71
Amortisation/depreciation	40,822	46,752	0.87
Total financial surplus	59,173	57,463	1.03
Other elements of net operating cash flow	(45,278)	(53,485)	0.85
Net cash from operating activities	13,895	3,978	3.49
Net cash from investing activities	4,335	(2,163)	-
Net cash from financing activities	(28,500)	-	-
Net cash	(10,270)	1,815	-
FX (loss)/profit on valuation of cash and overdraft facility	(142)	(159)	0.89
Change of cash and under overdraft facility	(10,412)	1,656	-

Cash flows from operating activities

In 2017 the Capital Group recorded a major increase of cash flows from operating activities that amounted to PLN 18,428 thousand versus PLN 4,631 thousand in the previous year. The result was primarily due to:

- increased financial surplus (net profit + depreciation/amortisation) by PLN 6,770 thousand,
- increase of net cash due to lower working capital as at the end of 2017 resulting from payment dates for liabilities originated in Q4 2017 versus the equivalent period in 2016.

In 2017 ULMA Construccin Polska S.A. recorded a major increase of cash flows from operating activities that amounted to PLN 13,895 thousand versus PLN 3,978 thousand in the previous year. The result was primarily due to:

- increased financial surplus (net profit + depreciation/amortisation) by PLN 1,710 thousand,
- increase of net cash due to lower working capital as at the end of 2017 resulting from payment dates for liabilities originated in Q4 2017 versus the equivalent period in 2016.



In 2017 the Capital Group managed to slightly improve the rotation of receivables ratio versus one level generated in 2016 (as presented in the table below).

		31 December 2017	31 December 2016
1.	Net trade receivables (net of impairment allowances)	53,246	48,920
2.	Grossed-up sales revenues for the 12 month-period until the balance sheet date	247,592	221,999
3.	Number of days	365	365
4.	Turnover ratio (1*3/2)	78	80

The Capital Group tries to mitigate the risk related to receivables by effective implementation of internal procedures and rules on identification, measurement and monitoring of the financial and liquidity situation of the Group's customers at the point of commencing and during the cooperation.

Cash flows from investing activities

The cash flow statement discloses mainly:

- the amounts spent on other investments with the exception of those related to extension of the offered product portfolio (shuttering and scaffolding systems) that are disclosed in cash flows from operating activities.
- amounts spent to acquire interests in the increased capital of the associated entity,
- amounts received (expensed) as loans repaid (granted) to Group companies,

Cash flows from financing activities of ULMA Construcccion Polska S.A. cover additionally dividend inflow from the subsidiary company – Ulma Opalubka Ukraina sp z o.o. of PLN 3,080 thousand. In compliance with consolidation principles, the transaction has no effect on the consolidated results recognised in the profit and loss account of the Capital Group.

Cash flows from financing activities

In 2016 there were no cash flows from investing activities.

In 2017 the core item of cash flows from financing activities was the dividend disbursed by ULMA Construcccion Polska S.A. of PLN 28,380 thousand and as a result in 2017 the Capital Group recorded a drop of cash by PLN 10,665 thousand down to PLN 25,802 thousand as at 31 December 2017.

In 2017 ULMA Construcccion Polska S.A. recorded a decrease of cash and overdraft facility by PLN 10,270 thousand to PLN 22,305 thousand as at 31 December 2017 which was materially affected by the dividend distribution as mentioned above of PLN 28,380 thousand.



Material risk factors and hazards with the issuer's exposure thereto

I Risk of competition and outlooks for the construction industry in Poland

The year of 2017 is the time of recovery and improved conditions in construction industry. At the time, the long awaited upward trend occurred in the construction sector. According to data of the Central Statistical Office, in December 2017 industrial sold production was by 2.7% higher than in 2016 and sold construction and assembly production was higher by +12.7% – production growth was recorded in all construction sectors, in particular in engineering.

Market analysts predict that 2018 will be very important for the entire construction sector as one the one hand there will be results of the enormous work performed on infrastructural programs while on the other hand – difficulties may intensify for construction companies to remain profitable in view of the existing cost pressure. Major fluctuations of market conditions do not support any sector and in construction industry they result in large-scale problems. The companies that were forced to lay off their staff two years ago due to no contracts, now complain about shortage of labour which is a major challenge with the growing labour costs. Thus, 2018 will be a test of skills of all participants of construction investment processes, in particular in project coordination, improvement of logistics or effective technological solutions.

The risk of profitability of the entire construction segment should be effectively set off with an overall good market condition and a growing number of new contracts. Additionally, the abundant experience of the Group in handling infrastructural projects and the high efficiency on bidding in 2017, look promising for the future. Projections show that in 2018 there will be a growth of production in engineering construction (by 21.1%), in particular in railway construction and in the segment covering construction of bridges, viaducts and flyovers, that is the most important segment for the Group. There are estimates that GDDKiA and PKP PLK, supported with EU funds, have about PLN 135 billion available on roads and PLN 66 billion on railway modernisation respectively. A further growth is forecast for residential and non-residential construction although not as high as in 2017 (3.2% and 6.7% respectively).

I FX risk

Companies in the Capital Group purchase products (shuttering systems and related accessories) from its parent entity in Spain and from other entities outside Poland. On the other hands, companies in the Group are active in export markets. As a result, the Group is exposed to FX risk which it has been trying to mitigate by acting in the FX market or in the term market and concluding FX Non-Delivery Forward contracts (NDF). The subsidiary company Ulma Opatubka Ukraina sp. z o.o. continues to have intragroup loans denominated in USD. Due to the lack of possibilities to effectively hedge the FX risk relating to the transaction, the Company remains exposed to the risk related to its USD-UAH exposure (in the capital market in Ukraine there are no derivative instruments available with the hryvnia as the base currency). As mentioned, the Management Board has been trying to mitigate the risk by updating the prices of its offered products and services following changes to the UAH exchange rates. However, in the time of a slowdown, such actions do not mitigate the effects of hryvnia devaluation.

The risk related to financial instruments is detailed in note No. 2 in the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the year ended on 31 December 2017.

Proceedings pending in courts, arbitration bodies, or public administration bodies, taking into account the information concerning:



- **proceedings relating to liabilities or receivables of ULMA Construcccion Polska S.A. or its subsidiary with the value at least equal to 10% of equity of ULMA Construcccion Polska S.A., specifying: the object of the proceedings, value of the dispute, date of commencement of the proceedings, parties to the proceedings and the position of the Company**
- **two or more proceedings relating to liabilities or receivables with total value corresponding to at least 10% of equity of ULMA Construcccion Polska S.A., specifying total value of such proceedings for liabilities and receivables separately and describing the position of the Company in the case, and, in reference to the biggest proceedings in the groups of liabilities and receivables – specifying their object, the value of the dispute, date of commencement of the proceedings and parties thereto**

Neither ULMA Construcccion Polska S.A., nor any of its subsidiaries are parties to proceedings related to payables or receivables of the Company with the value equal minimum to 10% of the Company's equity.

There are no two or more proceedings concerning payables to or receivables from one counterparty with the total value equal minimum to 10% of the Company's equity.

Proceedings concerning receivables of ULMA Construcccion Polska S.A. as at 31.12.2017:

ULMA Construcccion Polska S.A. is engaged in 51 court proceedings involving receivables (as at 31 December 2017) in the total amount of PLN 21,586 thousand. Those cases include court proceedings for which courts have not issued so far a legally binding writ of execution and receivables from debtors to whom courts have issued a bankruptcy order, settlement or restructuring.

None of the court cases pursued by ULMA Construcccion Polska S.A. involves a value higher than 10% of equity of ULMA Construcccion Polska S.A.



Particular groups of court proceedings are listed in the table below:

Item	Number of proceedings	Balance as at 31.12.2017	Current status of the case
Court proceedings	5	530	
<i>including the largest cases:</i>			
MAXON Sp. z o.o.		462	The Company expects the issued orders for payment to become final. The Debtor and the guarantors (2 natural persons and 2 legal entities) are the debtors of the Company.
PB ARS SP. Z O.O. S.K.		34	The Company expects the issued order for payment to become final. The Debtor and the guarantor (a natural person) are the debtors of the Company.
Total of all of the above cases		496	94% of total
Item	Number of proceedings	Balance as at	Current status of the case
Bankruptcy proceedings	46	21,056	
<i>including 5 largest cases:</i>			
HYDROBUDOWA POLSKA SA		6,602	The receivable was reported to the receiver.
RADKO Sp. z o.o.		4,154	On 20.01.2016 the Court transformed the previous bankruptcy proceedings with a settlement into bankruptcy covering the liquidation of the bankrupt's assets. Apart from the receivables reported by the Company to bankruptcy proceedings, the Company pursues several other proceedings. Those are among others: <ul style="list-style-type: none"> enforced collection proceedings against guarantors (former members of the Debtor's management board), With respect to one guarantor, enforced collection is under way from landed properties. The Company is looking forward to receiving proceeds from the sale of one property and the effects of the other proceedings. The Company is also a party to criminal proceedings against the Debtor's former management in connection with Art. 300 of the Penal Code (purposeful disposal of assets by the Debtor's management). Additionally, the Company filed a suit to the District Court in Kraków requesting a ban for the Debtor's former management to pursue business activity and sit in governing bodies of commercial companies.
AEDES S.A.		1,155	On 11.02.2016 the District Court in Kraków issued a decision on opening arrangement proceedings with the Debtor. Receivables were notified to the Restructuring Adviser appointed by the Court. On 22.02.2017 the creditors passed the following arrangement proposals concerning the Company's receivables: reduction by 50% and payment in 17 quarterly instalments. The decision approving the arrangement has become legally final. The Company is looking forward for the arrangement to be implemented.

Unless specified otherwise, all amounts are in PLN '000

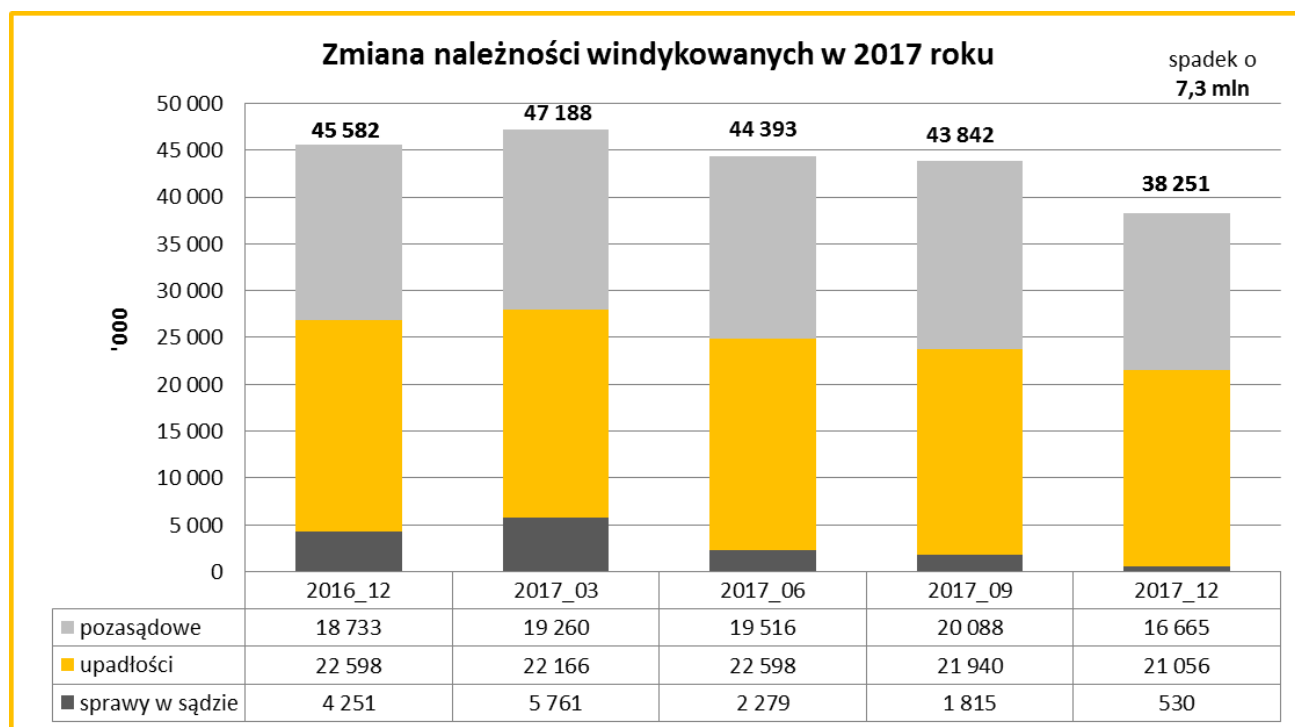


HENPOL Sp. z o.o.		1,010	The receivable was reported to the receiver.
Krokbud Sp. z o.o.		864	On 21.04.2016 the District Court in Nowy Sącz issued a decision declaring the Debtor's bankruptcy with a possible settlement. The receivable was reported to Court. The Company waits for arrangement proposals by the Debtor and voting by the creditors.
Total of all of the above cases		13,785	65% of total
Total pending proceedings:	51	21,586	

Apart from the litigation cases listed above, the Company pursues several enforced collection proceedings. Those are in particular pre-judicial and enforced collection proceedings. Now the Company is involved in 154 such proceedings totalling PLN 16,665 thousand.



The total balance of receivables under cases at various stages of collection processes dropped to PLN 38,251 thousand (or by PLN 7.3 million versus last year). The decrease is primarily due to receivables written off as expenses due to ineffective collection and bankruptcy proceedings for PLN 8 million. In the analysed 2017, the balance of new receivables subject to enforced collection grew by PLN 0.7 million.



Proceedings concerning receivables of subsidiary companies as at 31.12.2017

As at the balance sheet date, there were 14 court cases altogether in the Company's subsidiary companies PLN 643 thousand, of which:

- a) 8 cases for PLN 172 thousand are at the stage of court proceedings,
- b) 6 cases for PLN 471 thousand relate to reorganisation and bankruptcy proceedings.

Apart from the above litigation covering pending court and bankruptcy proceedings (including restructuring), the Subsidiary Companies pursue also other enforced collection proceedings. Those are in particular pre-judicial and enforced collection proceedings. Now the subsidiary companies are involved in 23 such proceedings totalling PLN 1.428 thousand.

The above amounts have been stated after translation into PLN at the exchange rates prevailing on the balance sheet date.

The Group recognises impairment charges to all doubtful receivables and receivables pursued in court. The amount of such impairment charges are recognised under "Costs of sales and marketing" and the amount is equivalent to assessment as to the likelihood to recover the receivables as a result of court litigation or enforced collection.



Information on basic products, goods and services with details of their value and quantities and the share of each product, goods and services (if material) or groups thereof in the Issuer's total sales as well as changes in the financial year

Rental and sale of shuttering systems and scaffolding are the core sources of the Group's revenues. Additionally, the Group sells plywood for formwork, adhesive liquids for formwork and other reinforced concrete accessories.

Ordered volumes are controlled and suited to the growth of the construction market and cooperation with the numerous entities in construction industry. The Capital Group also adapts its current products (shuttering systems and scaffolding) to the changing demand of the construction market.

In 2017 the Group was involved in commercial and servicing activities as follows:

- sale and rental of shuttering systems and scaffolding,
- preliminary assembly of shuttering elements for engineering structures,
- sale of trading goods.
- accessories for reinforced concrete works,
- formwork plywood.

Data of segmentation of the Group's sales is presented in the consolidated financial statements in the note on business segments.

Information on major R&D achievements

In the financial year of 2017, neither the Company, nor the Capital Group was involved in any R&D works that would be material for their operations.

Information on markets, split into the domestic and foreign markets, and information in procurement sources of materials or production, goods and services, with details of dependence on one or more buyers or suppliers, when the share of one buyer or supplier reaches minimum 10% of total sales revenues – makes of such supplier(s) or buyer(s), their share in sales or purchases and their formal relationships to the issuer

Sales by the Group are concentrated in the domestic market. The total domestic sales accounted for 80% of the Group's revenues. Over 50% of the revenues are concentrated in a group of 15 largest construction companies operating in Poland that belong to international construction capital groups from Western Europe.

In line with the classification criteria of major contracts concluded with Group's customers, it should be noted that no contract carried out in 2017 met the criteria.

However, ERBUD S.A. should be mentioned as a customer with whom the total amount of net sales revenues in 2017 accounted for 10.6% of overall sales revenues of the Company (9.6% of overall sales revenues of the Capital Group).

Export sales are performed primarily through the Group's own sales network in East European and Asian markets. As a result, in 2017 the share of exports in total sales revenues of the Group accounted for almost



20% versus over 18% in 2016. Apart from Kazakhstan, products were exported to Ukraine and Lithuania as well as to Romania, the Czech Republic, Germany and Spain.

A major part of shuttering offered in various markets is acquired from the core shareholder in Spain – in 2017 the purchases from Spain accounted for 17.1% of the total sales carried out by the Group. The other shuttering systems are purchased from third party suppliers from Germany, Austria, the Czech Republic, Latvia and Poland.

Information on contracts that are material for the Issuer's business, including contracts known to the Issuer concluded between shareholders, insurance, cooperation contracts

During the period covered with the report, companies in the Capital Group did not enter into any other contracts with the shareholders apart from those specified herein. The other transactions and contracts were of typical and routine nature, were concluded at arm's length, and their nature and terms and conditions resulted from current operational activity pursued by the companies in the Capital Group.

Transactions with related entities if the individual or total value with one related entity since the beginning of the year has exceeded PLN equivalent of EUR 500,000

Transactions concluded in 2017 by ULMA Construcción Polska S.A. and its subsidiaries with affiliates were of typical and routine nature, were concluded at arm's length, and their nature and conditions resulted from running ongoing operations.

The major transactions were concluded with the parent entity ULMA C y E, S. Coop. (Spain), including in particular

- purchases of shuttering and scaffolding and rental services of shuttering and scaffolding, totalling PLN 34,377 thousand,
- other purchases totalling PLN 1,231 thousand.

Pursuant to the annex of 13 December 2017, the repayment date of the loan granted to the parent entity ULMA CyE, S. Coop. was extended and two repayment dates were agreed. One tranche of PLN 11,000 thousand falls due on 29.06.2018 and the other tranche of PLN 21,000 on 31.01.2019.

Information on contracted and terminated loan agreements in the financial year with details of amounts thereof, type and interest rates, currency and repayment dates

In the financial year of 2017 ULMA Construcción Polska S.A. did not make any modifications to its loan agreements with banks.

On 3 November 2014 ULMA Opatubka Ukraina Sp. z o.o. concluded a short-term loan agreement with UkrSibbank in hryvnia in the amount equivalent to EUR 150 thousand. The repayment date of the loan is 31 December 2019. As at the balance sheet date of 31 December 2017, the debt under the agreement amounted to PLN 410 thousand, translated at the exchange rate as at the balance sheet date



On 19 October 2016 ULMA Construcción Polska S.A. concluded an agreement with mBank S.A. “on electronic repayment of obligations” to certain of its suppliers, financed with a credit line for PLN 5,500 thousand valid until 29 June 2018. The objective of the credit line is to optimise working capital financing.

Information on the Issuer's organisational and capital relationships with other entities and identification of its core domestic and foreign investments (securities, financial instruments, intangible assets and properties), including capital investments made outside the group of related entities, and description of the financing methods.

The above information was presented in the financial statements of the Capital Group and the Issuer, in particular in notes

- standalone financial statements – Notes 4, 7 and i 27
- consolidated financial statements of the Capital Group – Notes 5, 8 and 29

Information on loans granted in the financial year, including loans granted to the Issuer's related entities, with details of the amounts thereof, type and interest rates, currency and repayment dates.

ULMA Construcción Polska S.A. granted an investment loan to its subsidiary, ULMA Opałubka Ukraine sp. z o.o., in the amount of USD 1,500 thousand at a market interest rate, repayable by 04 January 2019. As at 31.12.2017, the loan balance was to USD 1,300. The Management Board intends to extend the repayment of the loan.

ULMA Construcción Polska S.A. extended a loan to its affiliate ULMA Cofraje srl Romania in the amount of EUR 241,000 thousand. The loan was extended on arm's length basis until 31 December 2018. The loan was fully repaid in 2017.

With an annex of 3 November 2014, ULMA Construcción Polska S.A. increased the investment loan granted to its subsidiary ULMA Construcción BALTIC up to EUR 2,500 thousand. The loan was extended on arm's length basis until 03 January 2020 (annex of 29 June 2017). As at 31.12.2017, the loan balance amounted to EUR 2,500 thousand.

On 30 December 2015 ULMA Construcción Polska S.A. granted a loan to its parent company ULMA C y E, S. Coop. (Spain) PLN 32,000 thousand, Pursuant to the annex of 13 December 2017, the repayment date of the loan was extended and two repayment dates were agreed. One tranche of PLN 11,000 thousand falls due on 29.06.2018 and the other tranche of PLN 21,000 on 31.01.2019.

ULMA Construcción Polska S.A. extended to its subsidiary, ULMA Opałubka Kazakhstan, a loan in the amount of USD 350. The loan was extended on arm's length basis until 31 December 2017. As at 31.12.2017, the loan balance was to USD 0 .

Information on sureties and guarantees granted and received in the financial year, including sureties and guarantees granted to the Issuer's related entities



ULMA Construcción Polska S.A. granted a surety to UKRSIBBANK for its subsidiary company – ULMA Opalubka Ukraina Sp. z o.o. as security to repayment to a bank loan. The surety was granted for the term of the loan for EUR 150 thousand.

In case of an issue of securities in the period covered with the report – use by the issuer of proceeds from the issue until the date hereof

In the period under report, ULMA Construcción Polska S.A. did not make any issue of securities.

Differences between financial results disclosed in the consolidated financial statements and previously published projected results for the period.

The Capital Group does not publish any forecasts about financial results of the Group.

Assessment with justification concerning the management of financial resources, in particular the ability to repay its debt, with details of potential hazards and actions that the issuer has taken or intends to take to counteract the hazards

All companies in the Capital Group have been repaying its commercial and loan obligations on time.

In 2017 the Capital Group continued to extend its assets (shuttering systems and scaffolding) by making investment purchases and transfers of assets from the countries in which the parent company (ULMA C y E S, Coop.) operates where the use thereof is low. Within the process, the shifted assets are rented subject to market terms which support the Capital Group to optimise the management of its financial resources.

As mentioned, subsidiary companies of the Capital Group are exposed to FX risk. The Capital Group has been trying to mitigate the risk by actively participating in FX and term markets or actions focused on searching for natural hedging methods. The risk applies in particular to the intragroup loan granted by ULMA Construcción Polska S.A. to Ulma Opalubka Ukraina sp. z o.o., denominated in USD. The current unstable geopolitical and economic situation in Ukraine generates a real hazard to the stability of the hryvnia (UAH).

Assessment of feasibility of investment projects, including capital investments, as compared to the funds available, including potential changes to the funding structure of the Group's business

The core investment activities performed by the Capital Group in 2017 were connected with purchases of shuttering systems and scaffolding, in particular to expand the potential of the Capital Group in the industrial segment and to expand its product portfolio by OH&S systems and to make replacement investments. The scale of the investment activities was necessary to maintain the competitiveness of the Capital Group in various markets. With its financial surplus, generated in operations, the Capital Group will be able to continue the required investment purchases in the near future to be financed with its own funds.

As of the date hereof, the Management Board intends to make no modifications to its funding policy of the investment activity by the Capital Group.



Factors and non-typical events affecting the result on operations in the financial year with details of the impact of individual factors and non-typical events on the generated result.

In 2017 there were no non-typical events that could have materially affected the financial result of the Capital Group or such that could impact the result in the future years.

Characteristics of external and internal factors material to the development of the Issuer's business and business prospects including elements of its market strategy

Market in Poland

Despite favourable market conditions, the situation of construction companies in Poland is difficult. In 2017 their debt grew up to PLN 4.27 billion. According to representatives of the sector, the major barriers to construction industry are as follows: major changes in the market, shortage of labour, problems with supplies of raw materials for construction, including growing prices of such materials and growing costs of production. The periodic changes related to the implementation of EU programs result either in cumulation of works with the negative consequences or – when funding is not available – idle time with no contracts. Now we are facing enormous demand for the services of construction companies.

The growing prices have an increasingly negative impact on construction companies. The Polish Association of Construction Employers (PZPB) and the General Chamber of Road Building (OIGD) sent a letter to the ministries of infrastructure and finances, asking to implement a realistic indexation to contracts – the letter states that since the beginning of the previous year, the costs of materials have increased by 30% and of subcontracting – by 20%. The Polish Association of Construction Employers warns that the boom in construction may result in problems among construction companies and among investors. Additional costs may not be avoided with a further growth of costs.

Primarily public contracts are the driver to the development of Poland's construction sector with the entities predominating – GDDKiA and PKP PLK. The information provided by GDDKiA shows that almost 450 km of new roads are to be commissioned in 2018. Tender proceedings now cover 53 road sections totalling 727 km in length. 1,292.5 km new roads are being built, of which concrete roads cover 430.4 km and asphalt roads 860.6 km. In 2017 (by 22 December) GDDKiA signed 28 construction contracts covering 272.6 km for about PLN 6.2 billion.

No more large investments are expected in the industrial sector. In December 2017 the largest power unit in Poland was commissioned – 1,075 MW at the Kozienice Power Plant. New power units are being built at the Power Plants in Opole, Jaworzno III and Turów. The Energa and Enea groups plan to jointly build a power unit of 1,000 MW at the Power Plant in Ostrołęka – however, so far no final decision on the investment has been taken. Thus, the works in the sector will mostly cover modernisation of existing power units.

In 2017 the residential market generated the best result in the last 9 years. Thousands of new apartments were commissioned, new one are under construction. In interesting and well located buildings, apartments are sold before the actual construction reaches the first floor level.

The above symptoms and information indicate that in 2018 the good condition in the construction market should continue despite financial and operational risks and cost pressures adversely affecting the operational profitability of market participants.



Commercial risk in export markets

The major risks in export markets include:

Ukraine:

- the escalation risk of the conflict with Russia continues to exist but has been reduced in the Group's opinion,
- political risk has been growing, including the level of internal tensions as a result of unsatisfactory progress in economic reforms and reforms of state institutions, not in line with the expectations of a majority of Ukrainians,
- the risk related to the unstable local currency continues to be high although changes to the exchange rate have been quite smooth and not in surges.

Kazakhstan:

- the risk of continued weakening of competitive advantage of enterprises from outside the Eurasian Economic Union (EEU) continues to be high. We have been noting a major increase of the presence of competitors from Russia in the Kazakh market with very advantageous offers – although the products offered by them are of lower technological standards than offered by West European countries.
- the risk of instability of the local currency (tenge) has been growing.

Baltic States:

- in the Baltic States, there has been a strong growth in the number of announced tenders and commenced construction projects. However, the positive trend is accompanied a risk of increased payment bottlenecks, delays in performance of construction plans and an overall deficit of means of production.

Internal factors influencing further development of the Capital Group include:

- holding a broad portfolio of products and services, enabling comprehensive support to investments in all sectors of the construction market, with a special focus on the following sectors: construction of roads and bridges, energy sector construction, ecological construction, and construction of high buildings,
- partial renewal in the recent years of a portfolio of products related to wall systems and addition of OH&S systems,
- a growing portfolio of reference facilities implemented in Poland with the use of advanced construction panel technologies (self-lifting system or hinged method),
- holding internal funds for flexible support of investment needs in order to expand the product portfolio with modern solutions and to replace the assets.

In the financial year of 2018 the Capital Group will continue the direction of its operations in Poland and in its export markets with consequences in alignment of organisational structures to the challenges derived in the changing market environment. However, favourable information coming from the market as mentioned above should generate material operational and financial benefits for the Capital Group.

Changes to key rules of business management of the Issuer and its capital group

In 2017 there were no changes to the key rules of business management of the parent company and the ULMA Construcción Polska S.A. Capital Group.



Changes in the Issuer's managing and supervisory bodies in the last financial year, rules concerning the appointment and dismissal of members of the managing bodies and authority of the managing persons, in particular their rights to decide about issues or redemption of shares

In accordance with the Articles of Association, the Management Board of the parent company ULMA Construcccion Polska S.A. is composed of one to five members. Members of the Management Board are appointed and dismissed by the Supervisory Board. The term of office of a member of the Management Board is determined by the Supervisory Board, however, it cannot exceed three years. The Supervisory Board also determines the number of members of the Management Board and elects the President from among them.

In accordance with the Regulations of the Management Board of ULMA Construcccion Polska S.A., the Management Board adopts resolutions on issues provided for by law and the Company's Articles of Association; however, if adoption of a resolution requires a consent of the Company's General Meeting or of the Supervisory Board, such a resolution may be adopted only upon obtaining such a consent. The Management Board adopts resolutions in particular in matters concerning:

- convening of the General Meeting of Shareholders,
- establishing a detailed organisational structure of the Company and internal regulations,
- granting and withdrawing powers of attorney for representatives and proxies,
- incurring loans,
- making investments,
- determination of the principles of establishing remuneration for Company's employees,
- determination of the principles and manner of accounting,
- determination of detailed principles of the Company's financial management,
- development of the Company's internal annual financial plans,
- development of the Company's long-term internal development plans,
- setting and announcing the distribution date of dividend approved by the General Meeting for distribution.

In accordance with the Articles of Association, the Supervisory Board of the parent company ULMA Construcccion Polska S.A. is composed of five to nine members, elected by the General Meeting. The term of office of the Supervisory Board is three years.

The Supervisory Board exercises continuous supervision over the Company's operations. The obligations of the Supervisory Board include in particular:

- examination of the balance sheet,
- examination of the Management Board's report and conclusions made by the Management Board on allocation of profit or loss,
- suspension in service, for material reasons, individual members of the Management Board or the entire Management Board,
- delegating a member or members for acting temporarily as the Management Board in the case of suspension or dismissal of all the members of the Management Board or when the Management Board is unable to act for other reasons,
- approving the regulations of the Management Board,
- establishment of rules for remuneration of the Management Board members,
- granting permits for investments and purchases which exceed 4/5 (four fifth) of the share capital nominal value and for incurring loans which exceed the said value,
- appointment of the expert auditor,
- granting a consent for purchase or sale by the Management Board of a real estate or a share in a real estate.

In 2017 the following changes took place in the Issuer's Supervisory Board:



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.

All contracts concluded between the Issuer and managing persons providing for compensation if they resign or are dismissed from their positions without valid reasons or when such dismissal results from a merger of the Issuer by take-over

Apart from no-competition agreements after termination of employment in Group companies, there are no contracts between companies in the ULMA Construcción Polska S.A. Capital Group and managing persons providing for compensation if they resign or are dismissed from their positions without valid reasons or when such dismissal results from a merger or take-over of the parent company ULMA Construcción Polska S.A. The no-competition agreements provide for a ban to take up competitive activities in relation to the activities in which the Group companies are involved, for a period from 12 to 25 months. The monthly compensation for refraining to become involved in competitive activities – subject to each agreement – is equivalent to average monthly salary or 25% of average monthly salary of the managing person.

The amount of remuneration, bonus or benefits, including from incentive or bonus programmes, based on the issuer's equity, including programmes with pre-emption bonds, convertible bonds, subscription warrant (in cash, in kind or any other form), disbursed, disbursable or potentially due, separately for each managing or supervising person of the Issuer in the Issuer's enterprise, irrespective of the fact if they were expensed or resulted from profit distribution; when the Issuer is a parent entity or a major investor – separately information on the remuneration and bonus related to the functions performed in the bodies of the subsidiary entities; if the relevant information was disclosed in the financial statements

The above information is disclosed in Note 30 of additional information to the consolidated financial statements.

The total number and nominal value of all shares of the issuer and shares in the issuer's related entities, held by managing and supervising persons (separately for each person)

To the best of our knowledge, as of the publication date hereof no proxy, member of the Management Board or Supervisory Board holds any shares in the parent company ULMA Construcción Polska S.A. or shares (interests) in subsidiary companies.

Shareholders that directly or indirectly via their subsidiary entities hold minimum 5% in the overall number of votes at general meetings with details of their shareholdings, their percentage share in the share capital, number of votes attached thereto and their percentage share in the overall number of votes at general meetings



As at 31 December 2017, the shareholders holding more than 5% of the total number of votes are as follows:

- ULMA C y E S, Coop. (Spain) holding directly 3,967,290 shares in ULMA Construcción Polska S.A. which account for 75.49% of the Company's share capital and entitle to 3,967,290 votes at general meetings, accounting for 75.49% of the total number of votes.
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding directly 263,000 shares in ULMA Construcción Polska S.A., which account for 5.00% of the Company's share capital and entitle to 263,000 votes at general meetings, accounting for 5.00% of the total number of votes.

On 22 January 2018, as a result of concluded transactions, the Funds managed by Quercus TFI S.A. 264,893 shares in the Company which accounted for 5.04 % of the Company's share capital. The shares entitled to 264,893 votes at the Company's General Meeting which accounted for 5.04 % of the overall votes at General Meetings.

Information on any agreements (including concluded after the balance sheet date) that may in the future generate changes to the proportions of shareholdings by the existing shareholders and bondholders, known to the Issuer.

To the best of our knowledge, there are no agreements that may in the future generate changes to the proportions of shareholdings by the existing shareholders.

Holders of all securities with special control rights with respect to the Issuer with details of such rights

As at the publication date hereof, there are no securities with special control rights with respect to the parent company ULMA Construcción Polska S.A.

Information on a control system of employee share schemes

In companies in the ULMA Construcción Polska S.A. Capital Group there are no employee share schemes.

Information on:

- // conclusion date by the Issuer of a contract with the statutory auditor to audit or review financial statements or consolidated financial statements, and the term of the contract.
- // remuneration of the statutory auditor, disbursed or payable for the financial year, separately for:

- Audit of the annual financial statements
- Other attestation services, including reviews of financial statements
- Tax consultancy services
- Other services

A review of the interim financial statements of ULMA Construcción Polska S.A. and audit of the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for 2017 were performed by Ernst & Young Audyt Polska Sp. z ograniczoną odpowiedzialnością s.k. pursuant to the contract concluded on 26 July 2017. The total contractual remuneration was PLN 200 thousand, including for the review of interim financial statements – PLN 56 thousand.



A review of the interim financial statements of ULMA Construcción Polska S.A. and audit of the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for 2016 were performed by KPMG Audyt Sp. z o.o. spółka komandytowa pursuant to the contract concluded on 15 July 2016. The total contractual remuneration was PLN 170 thousand, including for the review of interim financial statements – PLN 80 thousand.

Translation of selected financial data into EUR

Translation of selected consolidated financial data into EUR is presented in the table below:

ITEM	in PLN '000		in EUR thousand	
	12 months of 2017	12 months of 2016	12 months of 2017	12 months of 2016
Net revenues from sales of products, goods and materials	201,294	180,487	47,279	41,248
Profit (loss) on operations	30,980	16,608	7,276	3,796
Gross profit (loss)	30,954	16,830	7,270	3,846
Net profit/(loss)	24,225	12,892	5,690	2,946
Net cash flows from operating activities	18,428	4,631	4,328	1,058
Net cash flows from investing activities	(1,003)	(2,319)	(236)	(530)
Net cash flows from financing activities	(28,090)	-	(6,598)	-
Net cash flow	(10,665)	2,312	(2,505)	528
Diluted profit per share	4.61	2.45	1.08	0.56
Profit per ordinary share (in PLN/EUR)	4.61	2.45	1.08	0.56
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Total assets	336,196	335,932	80,605	75,934
Liabilities	40,371	33,467	9,679	7,565
Long-term liabilities	2,621	3,080	628	696
Short-term liabilities	37,750	30,387	9,051	6,869
Equity	295,825	302,465	70,926	68,369
Share capital	10,511	10,511	2,520	2,376
Weighted average number of shares	5,255,632	5,255,632	5,255,632	5,255,632
Number of shares as at the balance-sheet date	5,255,632	5,255,632	5,255,632	5,255,632
Book value per share (in PLN/EUR)	56.29	57.55	13.50	13.01



Translation of selected standalone financial data into EUR is presented in the table below:

ITEM	in PLN '000		In EUR '000	
	12 months of 2017	12 months of 2016	12 months of 2017	12 months of 2016
Net revenues from sales of products, goods and materials	181,208	166,208	42,561	37,984
Profit on operations	22,016	11,516	5,171	2,632
Gross profit (loss)	23,093	14,136	5,424	3,231
Net profit/(loss)	18,351	10,711	4,310	2,448
Net cash flows from operating activities	13,895	3,978	3,264	909
Net cash flows from investing activities	4,335	(2,163)	1,018	(494)
Net cash flows from financing activities	(28,500)	-	(6,694)	-
Net cash flow	(10,270)	1,815	(2,412)	415
Diluted profit per ordinary share (in PLN/EUR)	3.49	2.04	0.82	0.47
Basic profit per ordinary share (in PLN/EUR)	3.49	2.04	0.82	0.47
	in PLN '000		In EUR '000	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Total assets	334,127	338,317	80,109	76,473
Liabilities	37,287	31,448	8,940	7,108
Long-term liabilities	2,620	3,080	628	696
Short-term liabilities	34,667	28,368	8,312	6,412
Equity	296,840	306,869	71,169	69,365
Share capital	10,511	10,511	2,520	2,376
Weighted average number of shares	5,255,632	5,255,632	5,255,632	5,255,632
Number of shares as at the balance-sheet date	5,255,632	5,255,632	5,255,632	5,255,632
Book value per share (in PLN/EUR)	56.48	58.39	13.54	13.20

Individual items of assets, equity and liabilities have been translated into EUR applying the mean exchange rates announced by the President of the National Bank of Poland, effective as at the balance sheet date. The mean EUR exchange rate as at 31 December 2016 was 4.4240 PLN/EUR and as at 31 December 2017 it was 4.1709 PLN/EUR.

The rate applied to the total revenues report items and the cash flow statement was the arithmetic mean of exchange rates effective on the last day of each month in the specified period, i.e. data for the period 1.01. – to 31.12.2017 translated at the rate = 4.2576 PLN/EUR, the data for the equivalent period of 2016 was translated at the rate = 4.3757 PLN/EUR.

Investor Relations

As part of the measures taken to establish proper investor relations, the Group has appointed a person responsible for contact with the Warsaw Stock Exchange (GPW), Polish Financial Supervision Authority (KNF) and shareholders.

Jolanta Szelaĝ
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Statement on the application of the Corporate Governance Rules

The statement of the Management Board on the application of the Corporate Governance Rules in 2017 will be published along with this Report of the Management Board on operations of the ULMA Construcccion Polska S.A. Capital Group in 2017.

Statement on the application of the Diversity Policy

ULMA Construcccion Polska S.A. (ULMA) appreciates the importance of diversity as an element of competitive advantage and rejects all forms of discrimination and ensures the existences and promotion of diversity, integration and equal opportunities among its employees.

The diversity among our employees supports innovation and creativity, effective responses to our customers' needs.

The objective of the Diversity and Equal Treatment Policy ("Policy") is to set key principles of our operations, required to keep building the organisational culture focused on diversity and the resultant values, as well as to ensure equal opportunities and potential to all employees, irrespective of their race, gender, age, sexual orientation, disability, political views, nationality confession or any other personal, physical or social factors.

The Policy is an element of a cohesive operating vision, applied and promoted by ULMA that is reflected in our internal regulations (procedure, regulations), including inter alia the Code of Ethics, Organisational Regulations, Anti-mobbing Policy or Recruitment Procedure.

The Diversity and Equal Treatment Policy covers three core operating principles:

- equal access to employment, adequate remuneration and professional development;
- working environment free of mobbing,
- no discrimination

The management of ULMA has been taking all reasonable efforts to promote and maintain an atmosphere of mutual respect, subject to the identity and dignity of other people.

Statement of the Parent Company's Management Board

The financial statements of ULMA Construcccion Polska S.A. and the consolidated financial statements of the ULMA Construcccion Polska S.A. Capital Group for year ended on 31 December 2017 were approved by the Management Board of ULMA Construcccion Polska S.A. on 26 March 2018.

The financial statements of ULMA Construcccion Polska S.A. and the consolidated financial statements for the year ended on 31 December 2017 were prepared in order to present the economic and financial position and profit of ULMA Construcccion Polska S.A. and the ULMA Construcccion Polska S.A. Capital Group.

The financial statements of ULMA Construcccion Polska S.A. and the consolidated financial statements for the year ended on 31 December 2017 were prepared in compliance with the International Financial Reporting Standards (IFRS) and the related interpretations, published as regulations of the European Commission.



The consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the year ended on 31 December 2017 include:

- consolidated statement of financial position
- consolidated profit and loss account and other comprehensive income
- statement of changes in consolidated equity
- consolidated cash flow statement
- additional information.

The financial statements of ULMA Construcción Polska S.A. for the year ended on 31 December 2017 include:

- statement of financial position
- profit and loss account and other comprehensive income
- statement of changes in equity
- cash flow statement
- additional information.

To the best of our knowledge, the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the year ended on 31 December 2017 and the comparable data have been prepared in accordance with the applicable accounting rules and present a true, reliable and transparent view of the economic and financial position and profit of ULMA Construcción Polska S.A. and the ULMA Construcción Polska S.A. Capital Group, and the report of the Management Board on operations of ULMA Construcción Polska S.A. and the ULMA Construcción Polska S.A. Capital Group in 2017 gives a true picture of the development, achievements and condition of the Company and of the Group, including a description of basic risks and hazards.



The entity authorised to examine financial statements that audit the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the year ended on 31 December 2017 has been selected in accordance with the applicable laws. The entity and the auditors that performed the audit meet the requirements to issue an impartial and independent opinion on the audited financial statements for the year ended on 31 December 2017, in compliance with the applicable laws and professional standards.

On behalf of the Management Board of ULMA Construcción 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

.....

Koszajec, 26 March 2018