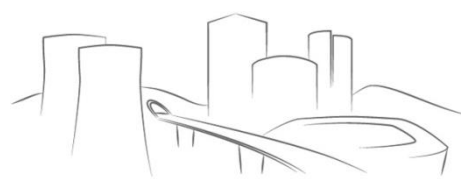


REPORT OF THE MANAGEMENT BOARD ON OPERATIONS

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

FOR THE PERIOD OF 6 MONTHS ENDED ON 30 June 2017



From the beginning of your projects



Organisational description of the Capital Group

As at 30.06.2017, the ULMA Construcccion Polska S.A. Capital Group (“Group”, “Capital Group”) was composed of:

- ULMA Construcccion Polska S.A. – **parent entity** of the ULMA Construcccion Polska S.A. 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 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 Cofraje S.R.L. – **affiliated company** responsible for commercial activities related to products and services offered by the Capital Group in the Romanian market.
- ULMA Opałubka Kazachstan sp. z o.o. – **subsidiary company** responsible for commercial activities related to products and services offered by the Capital Group in the Kazakh market,
- ULMA Construcccion BALTIC sp. z o.o. – **subsidiary company** responsible for commercial activities related to products and services offered by the Capital Group in the Lithuanian market and other Baltic states,

Scope of business activity of the Capital Group.

ULMA Construcccion 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.,

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



- 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 J23/289/30.01.2013,
- 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 Construcción 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.

Brief description of issuer's significant successes or failures in the period of the report, specifying relevant major events and the description of factors and events, in particular atypical ones, with significant impact on the financial results

Market environment in Poland

Macroeconomic data for industry and construction published for Q2 2017 indicates continued very positive trends in the economy commenced in Q1 this year.

In Q2 2017, industrial output sold grew by 4.3% y/y vs. 7.3% y/y recorded in Q1 2017. In the entire analysed H1 2017, the ratio was relatively stable and was 5.8% vs. the equivalent period of the preceding year (*source: Company's estimates*).

An analysis of the data published by GUS, similar positive trends were recorded by the construction industry in 2017. In Q2 2017, the construction and erection production (by companies employing over 9 employees) recorded a growth by 7.6% y/y after a growth in Q1 2017 by 3.9% vs. the equivalent period of the previous year.

Special attention should be paid to the data for the last months – June and July 2017 when the construction and erection production recorded a growth by 11.6% and 19.8% y/y respectively and thus indicated a likelihood that this year's construction season would close with very good results.

In the entire analysed H1 2017, the construction and erection production grew by 5.7% vs. the equivalent period of the preceding year (*source: Company's estimates*).

Sectoral data (in accordance with PMR)

For **housing construction**, the growth in Q1 and Q2 this year was around 13% y/y. In the six months of 2017, developers commissioned 37.4 thousand apartments (which accounted for 47.8% of the overall number of commissioned apartments) or by 7.6% more than in the equivalent period last year when the growth was 44.5%. Statistics show the continued boom in the housing construction sector. Additionally, in Q2 2017 there were 70.5 thousand building permits issued for apartments vs. 60.2 thousand of such

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



apartments in the equivalent period last year. Additionally, in Q2 2017 there were 61.8 thousand apartments with the construction commenced vs. 44.2 thousand of such apartments in the Q1 2017.

In **non-housing construction**, the growth was somewhat weaker – by 5.1% in Q1 this year and 7% in Q2 2017 y/y. Attention should only be called to the segment related to hotel construction where the growth rate in H1 2017 was 62.6% y/y (source: *Company's estimates*).

In **engineering construction**, the growth rate in Q2 2017 was 12.4% y/y which seems to have reversed the downward trend which in Q1 was -1.1% y/y.

In the segment which is most important for the Group – construction of bridges and viaducts – the growth was as much as 69.3% y/y and was somewhat higher than the growth in Q1 this year which was 52.2% y/y. The good result is due to the first investments financed with EU funds. In the tenders held in H1 2017, GDDKiA collected offers for PLN 6 billion and PKP PLK for almost PLN 10 billion.

In **industrial construction**, a segment covering complex industrial developments, there were single digit drops. The situation may be due to the fact that the peak outlays for the power plants in Bełchatów, Opole and Ostrołęka were made in previous periods (2016) and additionally this year capital expenditures were reduced in power companies controlled by the State Treasury.

According to GUS, last April we recorded historic fact that the situation in construction industry finally turned to be profitable after over five years. As published by GUS, in May there was a slight slump but June showed even some degree of optimism among construction companies. We expect the building and erection production to continue to grow in the further months of the year which will be the result of both a low reference base as well as a larger number of major projects in progress. The above positive signals from our country's economy have materially contributed to maintaining a very good trend in GDP growth for Q1 and Q2 this year.

Market environment abroad

In Ukraine, in Q2 2017 GDP growth was positive at 1.6% although somewhat lower than the growth in Q1 2017. The growth rate of industrial production in the entire H1 2017 dropped by 0,6% y/y. In the same period, inflation remained at 13.8% annually.

Very good information has been received from the construction market as the growth rate of building and erection production in Q1 and Q2 this year was 19.4% and 8.7% y/y. With such positive data, the growth of building and erection production throughout 2017 is expected to be 7.8% y/y.

In the analysed period, the highest growth was recorded in the **non-housing sector** of 25,8% and 17,3% in Q1 and Q2 this year respectively. The **engineering sector** can boast another good result (Q1 this year a growth by 13.2% and Q2 this year a growth of 9.2% y/y). The poorest result was generated in the **housing sector** which after very good data for Q1 2017 (growth by 23.4% y/y), slowed down its growth rate in Q2 this year although it remained positive (a growth only by 2.3% y/y).

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



As far back as in H1 2016 there was an increasing stability of Ukraine's economic situation which was reflected in positive values of almost all major indicators in 2016. In the analysed period of H1 2017, we keep observing further consolidation of the trends. A stable financial situation and return to a growth path are to be deemed the largest success on Ukraine's economic policy. The core element affecting the developments was the relatively stable political situation in Ukraine, relative de-escalation of hostilities in Donbas and the advantageous developments in foreign markets. Also the results of the undertaken reforms had its contribution as they have gradually started to exert their impact on Ukraine's economy.

In Kazakhstan in Q1 and Q2 2017, GDP growth was 3.6% and 4.7% y/y respectively.

The growth of industrial production was 5.8% and 9.7% y/y respectively thus indicating positive trends. In the analysed period, there was an upturn also in construction industry. The growth rate of building and erection production was 7.1% in Q1 vs. 5.4% in Q2 this year. The highest growth rate was recorded in the **housing sector** (9.1% in Q2 after a drop of 1.5% recorded in Q1 this year). A similar situation was recorded in the **engineering sector** where in Q2 the growth rate was 6.7% vs. a weaker Q1 (0.7%).

The above data shows that 2017 will be much better for Kazakhstan's economy than the previous two years which were characterised with low prices of energy materials that directly affect the condition of the oil and gas industry that is the core income source for the country.

In Lithuania, in Q1 2017 GDP growth was 3.9% while in Q2 2017 it somewhat slowed down to 3.2% y/y.

In the analysed H1 2017, the growth in industrial production was 6.8%.

After 2016 in which there was a material slowdown in investment activities and a drop of building production due largely to the commissioning of projects supported with EU funds, this year the negative trend has been significantly reversed since the growth rate of building and erection production in Q1 was 8.2% and in Q2 this year the production grew by 15.1% y/y.

After a weaker Q1, the growth rate in the **housing sector** reached 21.2% y/y in Q2. In the **non-housing**, the good trend continued throughout H1 2017. Poorer results were recorded in the **engineering sector** which in Q1 2017 grew only by 1.3% but in Q2 2017 it grew by as much as 11.3% y/y.

(source: data by PMR)

Sales revenues

In the period of 6 months of 2017, the Capital Group achieved PLN 89,674 thousand of total revenue from sale in comparison with PLN 85,997 thousand in the equivalent period of the previous year (a growth by PLN 3,677 thousand or by 4.3%).

A major growth of sales revenues was recorded in the "Construction site services" segment. Revenues in that area in H1 2017 jointly amounted to PLN 78,347 thousand versus PLN 74,149 thousand in the equivalent period last year (increase by PLN 4,198 thousand or by 5.7%).

In H1 2017 the Capital Group generated overall PLN 17,155 thousand as exports in commercial and service activities (being the activity pursued by its subsidiary companies in Kazakhstan, Ukraine and Lithuania or by groups of dealers and end buyers in other countries, etc.). The revenues were by 15.3% higher vs. the



equivalent period last year following the good market condition recorded in Ukraine (despite military conflict continued in its eastern areas) and in Lithuania.

A worse situation was recorded this year by the Capital Group in Kazakhstan where the decreased sales vs. the equivalent period last year was adversely affected by competitors from China and Russia that have the advantage in terms of customs charges vs. the players coming from Western Europe.

As a result, the share of commercial exports in the total revenues grew in H1 2017 to 19.1% vs. 17.3% in the equivalent period last year.

Operating profitability

In H1 2017 the Capital Group obtained a positive result on operating activity, in the amount of PLN 6,291 thousand comparison to PLN 5,113 thousand the corresponding period of the previous year (an increase by PLN 1,178 thousand). The basic values related to EBIT (operating profit) and EBITDA (operating profit + depreciation/amortisation) in the analysed periods were the following:

	Q1 2017	Q2 2017	6 months of 2017	6 months of 2016
Sales	40,486	49,188	89,674	85,997
EBIT	1,101	5,190	6,291	5,113
% of sales	2.72	10.55	7.02	5.95
Amortisation/depreciation	11,823	12,131	23,954	23,501
EBITDA	12,924	17,321	30,245	28,614
% of sales	31.92	35.21	33.73	33.27

In H1 2017 the Capital Group recorded an absolute EBITDA increase by PLN 1,631 thousand (i.e. by 5.7%) in comparison to the level achieved in H1 of the previous year. EBITDA profitability (calculated as the ratio of EBITDA to sales) was very similar to the level generated in the previous year.

Although this year in the domestic construction market where a vast majority of the Capital Group is being generated, there was no increase of prices of the services offered by the Capital Group (in the wake of continued poor situation in construction and competitive pressures), the reorganisation activities that took place in the previous years supported the maintenance of EBITDA operational profitability at a level similar to the equivalent period in 2015. Those efforts were focused on comprehensive operating cost optimisation and adjustment thereof to the current market situation, including: adjustment of headcount and payroll, renegotiation of service contracts related to the management and operation of logistics centres, optimisation in the management of the car fleet and optimisation in modernisation activities covering the existing resources of formwork and scaffolding.

A comparison of quarterly data, an improving trend of the EBITDA operational profitability can be noticed which in Q2 2017 grew up to 35.21% vs. 31.92% in Q1 2017. Fixed costs constitute a major part of the Group's operating expenses. Therefore, consistent control thereof with a simultaneous growth of sales revenues has been contributing to reaching the effects of economies of scale.

Additionally, in H1 2017 the Group recognised impairment charges of PLN 2,268 thousand compared to PLN 1,252 thousand the equivalent period of the previous year (disclosed in the "Sales and marketing costs").

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



The phenomenon is due to an estimate of the risk related to recovery of receivables in litigation pursued by the Capital Group against its debtors.

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 the NDF instruments held by the Group are acquired only for the purposes of hedging against the FX risk and are not of asymmetric nature.

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.

Other operating revenues/costs

Apart from the economic effects concerning the execution and measurement of contracts hedging against FX risk (NDF), other operations cover the effects of managing the assets held (inventory shortages and surplus, scrapping).

In H1 2017 the net revenues due to the above amounted to PLN 383 thousand vs. PLN 498 thousand in H1 2016.

Apart from the above revenues, in H1 2017 the profit and loss account discloses re-invoiced revenues of PLN 89 thousand. In H1 2016, total other related revenues amounted to PLN 102 thousand.

Financial expenses

In H1 2015 the parent Company fully repaid its bank loans contracted earlier and now it is free of the costs of bank financing.

Net profit

Net of income tax, the Capital Group generated in 2017 a positive net profit of PLN 4,464 thousand versus a positive net profit in the previous year of PLN 4,030 thousand.

Other comprehensive income

Changes in other comprehensive income resulted in decreasing the Group's equity in H1 2017 by PLN 945 thousand. The above amount covers:

- FX losses on translation of the financial statements of foreign companies by – PLN 922 thousand,
- FX losses adjusted for income tax on the measurement of intragroup borrowings disclosed pursuant to IAS 21 as net investments in foreign companies in the amount of PLN 23 thousand.

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



In the equivalent period last year, as a result of a very high depreciation of the above currencies, the Capital Group's equity was increased by jointly 452 thousand.

Transactions with the total value in the last 12 months exceeding 10% of equity

Over the last 12 months, the Capital Group did not execute any transactions with the value exceeding 10% of the Capital Group's equity (that is the value of which would exceed PLN 27,760 thousand).

The most significant transactions involved the following:

- acquisition (mainly shuttering and lease services concerning shuttering systems) made by ULMA Construcción Polska S.A. from its parent entity ULMA C y E, S. Coop. for PLN 26,246 thousand.

Apart from the above transactions, there were no other commercial transactions with any other entity with the value for the last 12 months exceeding 10% of the Capital Group's equity – all the transactions were of typical and routine nature, were concluded at arm's length and their nature and terms and conditions resulted from regular operations.

Cash flows

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

	6 months of 2017	6 months of 2016	Dynamics
Net profit (loss)	4,464	4,030	1.11
Amortisation/depreciation	23,954	23,502	1.02
Total financial surplus	28,418	27,532	1.03
Other elements of net operating cash flow	(12,345)	(41,356)	0.30
Net cash flows from operating activities	16,073	(13,824)	-
Net cash flows from investing activities	(65)	(102)	0.64
Net cash flows from financing activities	(27,833)	-	-
Net cash flows	(11,825)	(13,926)	0.85

Cash flows from operating activities

In H1 2017 the Capital Group generated positive cash flows from operating activities of 16,073 thousand comparison to the negative cash flows of (PLN 13,824) thousand generated in the equivalent period of the previous year. The above change was primarily due to purchases of formwork systems recognised as fixed assets that as at 30 June 2017 were disclosed in the balance of liabilities payable in future periods in line with the respective payment terms.

In H1 2017 the Capital Group managed to significantly improve the receivables rotation indicator vs. the one achieved in H1 2016 (as presented in the table below).

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



		30 June 2017	30 June 2016
1.	Net trade receivables (net of impairment allowances)	49,793	50,896
2.	Grossed-up sales revenues for the 12 month-period until the balance sheet date	224,680	217,378
3.	Number of days	365	365
4.	Turnover ratio (1*3/2)	81	85

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

In H1 2017 the Capital Group made only small purchases of other fixed assets and was paid interest on loans granted to related entities.

Otherwise, cash flows from investing activities were affected by changes to the balance of loans granted to related entities related to the repayment of the granted loans of PLN 878 thousand.

In H1 2017 the share capital in the associated entity ULMA Cofraje Romania was increased. The Group's related expenses amounted to PLN 1,059 thousand.

Cash flows from financing activities

The core item in cash flows from financing activities was the dividend distribution of 28,380 thousand.

As a result of the above events, in H1 2017 the level of the Group's cash decreased by PLN 11,825 thousand from PLN 13,926 thousand versus the equivalent period of the previous year.



Translation of selected financial data into EUR

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

ITEM	in PLN '000		In EUR '000	
	6 months of 2017	6 months of 2016	6 months of 2017	6 months of 2016
Net revenues from sales of products, goods and materials	89,674	85,997	20,999	19,632
Profit (loss) on operations	6,291	5,113	1,473	1,167
Gross profit (loss)	6,193	5,635	1,450	1,286
Net profit (loss)	4,464	4,030	1,045	920
Net cash flows from operating activities	15,991	(13,824)	3,745	(3,156)
Net cash flows from investing activities	17	(102)	4	(23)
Net cash flows from financing activities	(27,833)	-	(6,518)	-
Net cash flows	(11,825)	(13,926)	(2,769)	(3,179)
Diluted profit per share	0.85	0.77	0.20	0.18
Profit per ordinary share (in PLN/EUR)	0.85	0.77	0.20	0.18
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Total assets	330,445	335,932	78,184	75,934
Liabilities	52,841	33,467	12,502	7,565
Long-term liabilities	1,224	3,080	289	696
Short-term liabilities	51,617	30,387	12,213	6,869
Equity	277,604	302,465	65,682	68,369
Share capital	10,511	10,511	2,487	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)	52.82	57.55	12.50	13.01

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 30 June 2017 was 4.2265 PLN/EUR and as at 31 December 2016 it was 4.4240 PLN/EUR.

The rate applied the items in the statement of comprehensive income and the items in cash flow statement was the arithmetic mean of exchange rates effective in the specified period, i.e. data for the period from 1.01. – to 30.06.2017 translated at the rate = 4.2704 PLN/EUR, the data for the equivalent period of 2016 was translated at the rate = 4.3805 PLN/EUR.

Information regarding seasonal or cyclical character of the Issuer's activity in the discussed period

Construction business is characterised by high seasonality, which has direct impact on the revenues on sales of products and services of the Capital Group. Particularly unfavourable weather conditions and frequent delays in execution of budget investments usually occur in Q1. Usually these factors improve in subsequent quarters and the peak season in the construction industry usually occurs in the Q3 of the calendar year.

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



The effects described above result also in seasonal character of maintenance of the products owned by the Capital Group (shuttering and scaffolding systems). The majority of such works is performed during the construction season, i.e. in the Q2 and Q3.

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

In the H1 2017 there were no operations of that type.

Information concerning the dividend paid (or declared), in aggregate and calculated per share, divided into ordinary and preferred shares

Pursuant to Resolution No. 7/2017 of the General Shareholders' Meeting of ULMA Construcción Polska S.A. of 21 April 2017, the net profit for the financial year of 2016 in the amount of PLN 10,711,612.37 and part of the retained profit 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 (PLN 5.40 per share).

The ex-dividend date was set on 5 May 2017. In compliance with the above resolution, the dividend was disbursed on 18 May 2017.

Events occurring after the day as at which the abbreviated semi-annual consolidated financial statements were prepared, which were not covered by these statements and which may materially affect the future financial results of the ULMA Construcción Polska S.A. Capital Group

Despite high effectiveness of hedging measures mitigating the FX risk, net result on such transactions is subject to volatility of foreign currency exchange rates. This in particular relates to transactions hedging FX risk resulting from the outstanding intragroup loans granted by ULMA Construcción Polska S.A. to its subsidiary companies.

As a result, the volatility of EUR and USD exchange rates to PLN, UAH (Ukrainian hryvnia) and KZT (Kazakh tenge) continues to affect comprehensive income generated by the Capital Group.

Information on changes in contingent liabilities or contingent assets, occurring following the end of the previous financial year

No changes to contingent liabilities and contingent assets have taken place as from the end of the last financial year.

Effects of changes in the structure of business undertaking, including those resulting from combination of business undertakings, acquisition or disposal of Group undertakings, long-term investments, division, restructuring and discontinuation of operations

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



In the H1 2017 there were no economic operations of that type.

Position of the Management Board regarding the possibility to achieve previously published forecasts for the given year, in light of the results presented in the semi-annual report in relation to the forecast results

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

Shareholders holding, directly or indirectly through subsidiary entities, at least 5% of the total number of votes at the general shareholders meeting of ULMA Construcción Polska S.A. as at the date of providing the report, and the number of shares held by such entities, the percentage share in the share capital, the number of resulting votes and changes in the structure of ownership of significant blocks of shares of ULMA Construcción Polska S.A. over the period after submission of the previous report

As of the date of publishing this report, 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 shares in the Company's share capital and entitle to 3,967,290 votes at the general meeting, which accounts for 75.49% of the total number of votes.
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding directly 263,400 shares in ULMA Construcción Polska S.A., which account for 5.01% of the Company's share capital and entitle to 263,400 votes at general meetings, accounting for 5.01% of the total number of votes.

As from the date of submitting of the previous report, there have been no changes to the ownership structure of significant blocks of shares in ULMA Construcción Polska S.A.

According to the information held by ULMA Construcción Polska S.A, in the period from the date of submitting the previous report there were no changes to the shareholding of ULMA Construcción Polska S.A. shares or rights thereto (options) by the persons specified above.

According to the information held by ULMA Construcción Polska S.A, in the period from the submission date of the previous report there were no changes to the shareholding of ULMA Construcción Polska S.A. shares or rights to them (options) by the persons specified above. None of the persons managing and supervising ULMA Construcción Polska S.A. holds any shares of the issuer.

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

- proceedings relating to liabilities or receivables of ULMA Construcción Polska S.A. or its subsidiary with the value at least equal to 10% of equity of ULMA Construcción 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 with the total value equal minimum to 10% of the Company's equity.

Proceedings concerning receivables of ULMA Construcccion Polska S.A.:

ULMA Construcccion Polska S.A. is engaged in 58 court proceedings involving receivables (as at 30 June 2017) in the total amount of PLN 24,436 thousand. Those cases include court proceedings for which courts have not issued so far an enforcement order with a writ of execution (legally binding payment order), and receivables from debtors to whom courts have issued a bankruptcy order, with both options – arrangement bankruptcy or liquidation bankruptcy.

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 30.06.2017	Current status of the case
Court proceedings	8	2,279	
<i>including the largest cases:</i>			
ART OF CONCRETE SP. Z O.O.		872	The issued payment orders for the Debtor and the guarantor (natural person) are expected to become final. To secure claims, judicial mortgages have been established on properties belonging to the guarantor upon the Company's motion.
BUDO-MOST BUDOWA I REMONT PAWEŁ SOBIESKI		533	The issued payment orders for the Debtor and the guarantor (natural person) are expected to become final. To secure claims, judicial mortgages have been established on properties belonging to the guarantor upon the Company's motion.
BOMIS BUDOWNICTWO SP. Z O.O.		341	The issued payment orders for the Debtor and the guarantor (legal person) are expected to become final. To secure claims, judicial mortgages have been established on properties belonging to the guarantor upon the Company's motion.
SCAFFOLDING GROUP SP. Z O.O.		204	When a writ of payment is issued, the Company waits until it becomes legally valid to commence enforced collection procedure.
GAZET SP. Z O.O.		76	The issued payment order for the Debtor is expected to become final. Once the writs of execution have been received, the Company shall forthwith send a motion to a bailiff to commence enforcement proceedings.
Total of all of the above cases		2,027	89% of total
Item	Number of proceedings	Balance as at 30.06.2017	Current status of the case
Bankruptcy proceedings	50	22,598	
<i>including 5 largest cases:</i>			
HYDROBUDOWA POLSKA SA		6,602	Receivables notified to the receiver in bankruptcy include amounts due from the Debtor for all completed contracts, including the construction of A4 motorway (Dębica-Rzeszów) performed by the Debtor under a consortium with SIAC Construction Ltd.

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



RADKO Sp. z o.o.		4,332	<p>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:</p> <ul style="list-style-type: none"> • enforced collection proceedings against guarantors (former members of the Debtor's management board), • enforcement proceedings from a property that was subject to actio Pauliana. The property had been validly auctioned and now the Company is waiting for the proceeds from the auction. • The Company is 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	<p>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.</p>
HENPOL Sp. z o.o.		1,010	The receivable was reported to the receiver.
Krokbud Sp. z o.o.		864	<p>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.</p>
Total of all of the above		13,963	63% of total
Total pending proceedings:	58	24,436	

Apart from the above litigation covering pending court and bankruptcy proceedings (including restructuring), the Company pursues a number of enforced collection proceedings. Those are in particular pre-judicial and enforced collection proceedings. Now the Company is involved in 189 litigations of that type totalling PLN 19,516 thousand; the receivables from SIAC CONSTRUCCION LTD. that used to be disclosed as "pending litigation" has been written off after the balance sheet data as an expense with the reversal of the corresponding provision due to the fact that the legal path against the debtor had been exhausted with no success and no other legal instruments to effectively pursue damages from the State Treasury (GDDKiA) as a result of the applicable special legislation.

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



Proceedings concerning receivables of subsidiary companies as at 30.06.2017:

As at the balance sheet date, there were 8 court cases altogether in the Company's subsidiary companies PLN 581 thousand, of which:

- a) 2 cases for PLN 15 thousand are at the stage of court proceedings,
- b) 6 cases for PLN 566 thousand relate to reorganisation and bankruptcy proceedings.

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 the assessment as to the likelihood to recover the receivables as a result of court litigation or enforced collection.

Information on conclusion by ULMA Construcción Polska S.A. or its subsidiary of one or more transactions with related entities, if the value of such transactions (the total value of all transactions concluded from the beginning of the accounting year) exceeds the equivalent of EUR 500.000 – if such transactions are of typical and routine nature, concluded at an arm's length basis, and their nature and conditions result from running ongoing operations by ULMA Construcción Polska S.A. or its subsidiary, with specification of their total value and, with respect to a contract of higher value, with the information about:
the entity with whom the transaction was concluded,
relations of ULMA Construcción Polska S.A. or its subsidiary with the entity being a party to the transaction,
object of the transaction,
significant terms and conditions of the transaction, including in particular the financial conditions and specification of special terms and conditions, typical of the contract which depart from terms and conditions commonly applied in such contracts

Transactions concluded in H1 2017 by ULMA Construcción Polska S.A. and its subsidiaries 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 most significant transactions involved the acquisition of shuttering and lease services concerning shuttering systems made by ULMA Construcción Polska S.A. from ULMA C y E, S. Coop. with the value of PLN 19,185 thousand.

In the period of the last 12 months (from 1.07.2016 to 30.06.2017) the value of the above transactions amounted to PLN 26,246 thousand.

Besides commercial transactions, in previous periods ULMA Construcción Polska S.A. granted long-term and short-term borrowings to affiliated entities. A list of the granted borrowings, as at the indebtedness on the balance sheet date and 31.12.2016 has been presented in the table below.

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



Related Entity	30.06.2017	31.12.2016
ULMA Opařubka Ukraine (in USD thousand) – a long-term loan	1,300	1,500
ULMA Cofraje Romania (in EUR thousand) – a long-term loan	-	221
ULMA Opařubka Kazakhstan (in USD thousand) – a short-term loan	115	150
ULMA Construccıon BALTIC (in EUR thousand) – a long-term loan	2,500	2,500
ULMA CyE, S.Coop. (in EUR PLN thousand) – a short-term loan	32,000	32,000

In 2017, ULMA Construccıon Polska S.A. signed an annex to the loan to its parent company ULMA C y E, S. Coop. – pursuant to which the repayment of the loan was postponed until 30 December 2017.

The above long-term loans granted to the subsidiary companies are treated as net investments in subsidiary companies.

Unrealised FX gains/losses resulting from the valuation of the above mentioned long-term loans (with the exception of the loan to ULMA Cofraje Romania) are directly charged to the Group's equity.

Information about the ULMA Construccıon Polska S.A. or its subsidiary undertaking advancing suretyship for a loan or borrowing or providing a guarantee – in aggregate to one entity or a subsidiary undertaking of such entity, if the total value of the existing suretyships or guarantees is equivalent to 10% of the shareholders' equity of the ULMA Construccıon Polska S.A.

There were no economic operations of this type in the analysed period.

Other information, which according to ULMA Construccıon Polska S.A. Group is significant for assessment of the personnel, property or financial situation, financial results and changes thereof, as well as information which is significant for the assessment of the capability of satisfaction of liabilities by ULMA Construccıon Polska S.A. Group.

Apart from the events described above, there were no other major events in the H1 2017.

Moreover, the Management Board of ULMA Construccıon Polska S.A. is not aware of any information important for the assessment of the Company's staff, assets, financial standing, financing results and changes thereto, as well as the assessment of the Capital Group's ability to satisfy its liabilities.



Factors which, in the opinion of ULMA Construcción Polska S.A., will affect results of ULMA Construcción Polska S.A. Capital Group at least in the remaining months of 2017

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

The improved condition in 2017 in the construction market generates consequences in the labour market. A number of subcontractors faces the problem of hiring staff for their construction projects and as a result labour costs have kept growing since the beginning of this year.

Additionally, the amendments to VAT regulations (reversed VAT), effective from 1 January 2017, adversely affects the liquidity ratios of subcontracting companies.

Following the above, the risk profile of subcontractors has been materially increased – on the one hand, they are subject to pressures on the part of general contractors to complete the signed contracts in line with the terms and conditions from previous years while on the other hand they are subject to cost and liquidity pressures.

Such situation may result in a radical growth of bankruptcies among subcontracting companies (that often are contractors to the Capital Group) which fail to adequately see to their financial resources and profitability and over a longer term – even to a reverse of the good situation in the entire construction segment.

Poland's ability to maintain the stream of foreign investment inflow is a strong driver for good situation in construction – in view of the impaired image of our country in the eyes of foreign investors, foreign investments may slow down.

Additionally, the need to fund the expensive social programs launched by Poland's government may over a longer time result in a reduction of domestic investment spending.

Also the UK's decision to leave the European Union is of importance to the investment climate in Poland, also for the construction sector. Although the process will be spread over several years, due to the long-term horizon of the planned investments, Brexit may be the factor that will start now to restrict investment projects or cause a more prudent assessment thereof in relation to EU funding.

Those factors constitute material elements of political risk to maintaining a good situation in construction industry in our country.

Nevertheless, the current inflows of EU funding from the New Perspective 2014-2020 are earmarked for infrastructural construction and effectively set off the above systemic and political risks.

A major chance exists that such a large volume of commenced and progressing road projects as now will result in growing prices of construction materials and equipment when the road investments cumulate in 2018-2020.

The very low interest rate levels continue to effectively stimulate growing investments in the housing sector which is translated into a very good condition of that market segment.

I Commercial risk in export markets

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



The factors that in the near future may affect the economic condition and the revenues of the Capital Group in foreign markets, include the following:

Ukraine:

- risk of conflict escalation with Russia with a simultaneous slow but consistent stabilisation of the economic situation and a slow-down to downwards trends in the construction market, in particular in the housing construction segment.
- entry into force on 1 September 2017 of the association agreement with the EU will be the first step on the way to becoming a Community EU member,
- plans to reconstruct, expand and modernise the road infrastructure in Ukraine, and thus preparations to implementing an investment program in the PPP formula,
- instability the local currency (hryvnia) and its vulnerability to political risk.

Kazakhstan:

- determination of Kazakhstan's government in their implementation of economic reforms and efforts to find funding to continue long-term development programs, including a release of the industrial development potential in the wake the maintained interest by foreign companies,
- continued low oil prices generating budgetary tensions and problems with financing infrastructural development investments from the State budget,
- continued weakening competitive advantage of enterprises from outside the Eurasian Economic Union (EEU).
- the speed of changes resulting from Kazakhstan's joining the WTO, enforcing growing competition and reduced import tariffs for a number of products to levels before joining the EEU,
- instability of the local currency (tenge).

In view of the above hazards, the Capital Group has been striving to re-model its business in the market now based mainly on large volume projects and to increase its penetration of the industrial construction sector.

Baltic States:

- the rate of commencing of projects supported within the new EU perspective for 2016 – 2020 on a larger scale.

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 Capital Group are active in export markets. As a result, the Capital 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).

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



The subsidiary company Ulma Opalubka Ukraina sp. z o.o. holds an intragroup long-term loan denominated in USD. Due to no availability of an efficient hedging against FX risk concerning the transaction, the Company is exposed to the USD – hryvnia in terms of measurement of the loan.

The Management Board has been trying to mitigate the risk by updating the prices of offered products and services following changes to the EUR/UAH exchange rates – the subsidiary operating in Ukraine incorporates appropriate provisions to its contracts with customers, hedging the amount of revenues in case of hryvnia devaluation. Nevertheless, in case of an economic slump, the hedging does not guarantee full success.

The risk related to financial instruments is detailed in note No. 2 in the consolidated financial statements of ULMA Construcción Polska S.A. for the period of 6 months ended on 30 June 2017.

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 Szeląg

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Statement of the Parent Company's Management Board

The interim abbreviated consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2017 and the interim abbreviated standalone financial statements of ULMA Construcción Polska S.A. were approved by the Management Board of ULMA Construcción Polska S.A. on 14 September 2017.

The interim abbreviated consolidated and standalone financial statements for the 6 months' period ended on 30 June 2017 were prepared in order to present the economic and financial position and profit of the ULMA Construcción Polska S.A. Capital Group and its parent company.

The interim abbreviated consolidated and standalone financial statements for the 6 months' period ended on 30 June 2017 were prepared in accordance with the International Financial Reporting Standard – "Interim Financial Reporting".

The interim abbreviated consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2017 include:

- interim abbreviated consolidated statement of financial position
- interim abbreviated consolidated profit and loss account and other comprehensive income
- interim abbreviated statement of changes in consolidated equity
- interim abbreviated consolidated cash flow statement
- additional information to the interim abbreviated consolidated financial statements

interim abbreviated standalone financial statements of ULMA Construcción Polska S.A. for the 6 months' period ended on 30 June 2017 include:

- interim abbreviated standalone statement of financial condition
- interim abbreviated standalone profit and loss account and other comprehensive income
- interim abbreviated standalone statement of changes in equity
- interim abbreviated standalone cash flow statements
- additional information to the interim abbreviated standalone financial statements

To the best of our knowledge the interim abbreviated consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the 6 months' period ended on 30 June 2017 and the consolidated comparable data and interim abbreviated standalone financial statements of ULMA Construcción Polska S.A. for the 6 months' period ended on 30 June 2017 and comparable data have been prepared in accordance with the applicable accounting regulations and give a true, reliable and transparent view of the economic and financial position and profit of ULMA Construcción Polska S.A. Capital Group and its parent company, and the report of the Management Board on operations of ULMA Construcción Polska S.A. Capital Group in the 6 months' period of 2017 gives a true picture of the development, achievements and situation of the Group, including a description of the basic hazards and risk.



The entity authorised to examine and review the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group and separate financial statement of the parent company for the 6 months' period ended on 30 June 2017 has been selected in accordance with the provisions of law. The said entity and expert auditors which audit the said financial statements meet the requirements necessary to prepare an unbiased and independent report on the review, in accordance with relevant provisions of domestic law.

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, 14 September 2017