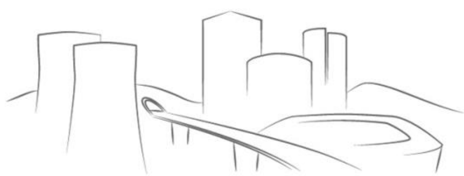
CONSOLIDATED FINANCIAL STATEMENTS

of the Capital Group ULMA Construccion Polska S.A.

FOR THE YEAR ENDED ON 31 DECEMBER 2018

(with audit report of the independent chartered auditor)



From the beginning of your projects

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CAPITAL GROUP
ULMA Construccion Polska S.A.

GENERAL INFORMATION

Objects of activity

Objects of the Capital Group of ULMA Construccion Polska S.A.
(hereinafter referred to as the "Group") are as follows:

- rental and sale of construction scaffoldings and formworks,
- custom-made designs for formwork and scaffolding applications,
- export of construction services provided by the Group's companies,
- sale of construction materials and resources as well as concrete accessories,
- transport, equipment and repair activities, including the sale and rental of construction equipment.

The parent company of ULMA Construccion Polska S.A. is a joint-stock company (hereinafter referred to as the "Company"). The Company was established on 14 February 1989 under the name of Bauma Sp. z o.o. as a limited liability company (z o.o.), Reg. No. A.II – 2791. On 15 September 1995, it was transformed into a joint-stock company by virtue of a notary deed before notary Robert Dor at the Notary's Office in Warsaw, Reg. No. A 5500/95. On 29 October 2001, the District Court in Warsaw, XIV Economic Division of the National Court Register, entered the Company in the Register of Entrepreneurs under KRS No. 0000055818. On 6 November 2006, BAUMA S.A. was renamed ULMA Construccion Polska S.A. by virtue of Resolution No. 1 of the Extraordinary General Meeting of Shareholders. The relevant entry in the National Court Register was made on 14 November 2006.

Registered office

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

Parent company and the Group's companies

The Group of ULMA Construccion Polska S.A. is controlled by ULMA C y E, S. Coop. with its registered office in Spain, holding 75.49% of shares of the Company. The remaining 24.51% of shares are held by numerous shareholders.

The Group of ULMA Construccion Polska S.A. includes:

- ULMA Construccion Polska S.A. – **the parent company of** the Capital Group responsible for management and administration within the entire Group, and for commercial activities relating to products and services offered by the Capital Group on the domestic market and on selected foreign markets,

- ULMA Opalubka Ukraina sp. z o.o. – **a subsidiary** responsible for commercial activities relating to products and services offered by the Capital Group on the Ukrainian market,

- ULMA Opalubka Kazakhstan sp. z o.o **– a subsidiary** responsible for commercial activities relating to products and services offered by the Capital Group on the Kazakh market.

- ULMA Construccion BALTIC sp. z o.o. – **a subsidiary** responsible for commercial activities relating to products and services offered by the Capital Group in the Baltic States (Lithuania, Latvia and Estonia).

The Group is also a shareholder in ULMA Cofraje S.R.L. – **an affiliate** responsible for commercial activities relating to products and services offered by the Capital Group on the Romanian market.

Members of supervisory and management bodies as at 31 December 2018 and as at the date of approving the report for publication

Supervisory Board

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

Audit Committee

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

Management Board

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

Statutory auditor

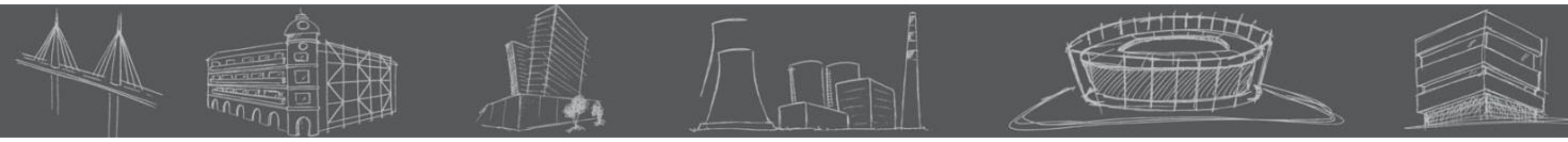
Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa
The company is entered in the list of entities authorised to audit financial statements under No. 130.

Banks

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

Stock exchange listings

The Company is listed on the Warsaw Stock Exchange (hereinafter referred to as the "WSE”).
WSE symbol: ULM.



CAPITAL GROUP
ULMA Construccion Polska S.A.

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended on 31 December 2018

Consolidated profit and loss account and other total income

	Note	12 months of 2018	12 months of 2017
Sales revenues	19.	223 721	201 294
Costs of products, goods and materials sold	20.	(141 642)	(148 956)
I. Gross profit on sales		**82 079**	**52 338**
Sales and marketing costs	20.	(2 577)	(2 601)
Overheads	20.	(17 157)	(15 236)
Other operating revenues	21.	1 021	497
Other operating expenses	21.	(7 549)	(4 018)
Including: losses due to impairment of receivables		*(7 413)*	*(3 867)*
II. Operating profit		**55 817**	**30 980**
Financial revenues	22.	1 798	1 126
Financial expenses	22.	(128)	(1 253)
Net financial revenues (expenses)		*1 670*	*(127)*
Share in profits (losses) of affiliates		677	101
III. Profit before tax		**58 164**	**30 954**
Income tax	23.	(11 167)	(6 729)
IV. Net profit for the financial period		**46 997**	**24 225**
Other total net income subject to reclassification to profit (loss) in subsequent reporting periods			
Exchange differences regarding net investment in a subsidiary		426	(636)
Income tax related to other total income items		-	447
Exchange rate differences from the restatement of financial statements of foreign subsidiaries		841	(2 296)
V. Total income for the financial period		**48 264**	**21 740**
Net profit attributable to shareholders of the parent company	31.	46 997	24 225
Net profit attributable to minority shareholders		-	-
Total income attributable to shareholders of the parent company for the financial period		48 264	21 740
Total income attributable to minority shareholders for the financial period		-	-
Weighted average number of ordinary shares		5 255 632	5 255 632
Basic and diluted earnings per share attributable to shareholders of the parent company (in PLN per share)		8.94	4.61

Consolidated financial statements

	Note	As at: 31 December 2018		31 December 2017
ASSETS				
I. Fixed assets				
1. Tangible fixed assets	5.	229 623		210 073
2. Intangible assets	6.	226		400
3. Shares in affiliates	8.	1 786		1 155
4. Other fixed assets	9.	3 902		3 957
5. Long-term receivables	10.	-		-
6. Deferred tax assets	17.	2 933		1 347
Total fixed assets		**238 470**		**216 932**
II. Current assets				
1. Inventories	11.	6 332		5 710
2. Trade receivables and other receivables	10.	72 654		86 532
3. Current income tax receivables		382		1 220
4. Cash and cash equivalents	12.	50 387		25 802
Total current assets		**129 755**		**119 264**
Total assets		**368 225**		**336 196**
EQUITY AND LIABILITIES				
I. Equity				
1. Share capital	13.	10 511		10 511
2. Supplementary capital – share premium	13.	114 990		114 990
3. Foreign exchange differences from the restatement of foreign subsidiaries		(15 189)		(16 456)
4. Retained earnings, including:		212 538		186 780
a. Net profit for the financial period		*46 997*		*24 225*
Total equity		**322 850**		**295 825**
II. Liabilities				
1. Long-term liabilities				
a. Provisions for deferred income tax	17.	3 765		2 448
b. Long-term retirement benefits liabilities	18.	185		173
Total long-term liabilities		**3 950**		**2 621**
2. Short-term liabilities				
a. Credits and loans	15.	1 693		410
b. Short-term pension benefits liabilities	18.	61		51
c. Short-term liabilities due to factoring of trade liabilities	14.	1 257		2 936
d. Current income tax liabilities		2 134		365
e. Derivatives	7.	-		64
f. Trade liabilities and other liabilities	14.	36 280		33 924
Total short-term liabilities		**41 425**		**37 750**
Total liabilities		**45 375**		**40 371**
Total equity and liabilities		**368 225**		**336 196**

Statement of changes in consolidated equity

Item	Share capital at nominal value	Share premium	Foreign exchange differences from the restatement of foreign subsidiaries	Retained earnings	Total equity
As at 31 December 2017 (data reported)	**10 511**	**114 990**	**(16 456)**	**186 780**	**295 825**
Adjustment for IFRS 9	**-**	**-**	**-**	**(1 215)**	**(1 215)**
As at 1 January 2018 (data restated)	**10 511**	**114 990**	**(16 456)**	**185 565**	**294 610**
Total income in 2018	-	-	1 267	46 997	48 264
Dividend paid	-	-	-	(20 024)	(20 024)
As at 31 December 2018	**10 511**	**114 990**	**(15 189)**	**212 538**	**322 850**

Item	Share capital at nominal value	Share premium	Foreign exchange differences from the restatement of foreign subsidiaries	Retained earnings	Total equity
As at 1 January 2017	**10 511**	**114 990**	**(13 971)**	**190 935**	**302 465**
Total income in 2017	-	-	(2 485)	24 225	21 740
Dividend paid	-	-	-	(28 380)	(28 380)
As at 31 December 2017	**10 511**	**114 990**	**(16 456)**	**186 780**	**295 825**

Consolidated cash flow statement

	Note	12 months of 2018	12 months of 2017
Operating cash flows			
Net profit (loss) for the financial period		**46 997**	**24 225**
Adjustments:			
- Income tax	23.	11 167	6 729
- Depreciation of tangible assets	5.	35 101	44 276
- Depreciation of intangible assets	6.	213	120
- Write-downs of fixed assets		136	-
- Net value of sold formworks – tangible assets		8 899	2 195
- Interest expense		128	120
- Interest revenue		(1 175)	(1 126)
- Change in the value of shares in affiliates		(631)	(95)
- (Profits) losses on changes in the fair value of financial instruments		(64)	51
- Foreign exchange (profits) losses		641	(466)
- Change in value of provisions for retirement benefits		22	39
Changes in current assets:			
- Inventories		(622)	(2 080)
- Trade receivables and other receivables		1 441	(3 919)
- Trade liabilities and other liabilities		677	6 636
		102 930	**76 705**
Purchase of formworks		(60 324)	(50 979)
Income tax paid		(8 588)	(7 298)
Net operating cash		**34 018**	**18 428**
Investing cash flows			
Acquisition of tangible fixed assets		(2 022)	(1 632)
Inflows from the sale of tangible fixed assets		16	2
Acquisition of intangible assets		(16)	(322)
Acquisition of shares in associated entity		-	(1 059)
Repayment of loans granted		11 000	878
Interest received		1 175	1 130
Net investing cash		**10 153**	**(1 003)**
Financing cash flows			
Raising credits and loans		1 693	410
Repayment of credits and loans		(410)	-
Interest paid		(128)	(120)
Dividends paid		(20 024)	(28 380)
Net financing cash		**(18 869)**	**(28 090)**
Net increase (decrease) in cash		25 302	(10 665)
Opening cash		25 802	36 948
Foreign exchange (losses) profits on the measurement of cash		(717)	(481)
Closing cash	12.	**50 387**	**25 802**

Notes to the consolidated financial statements

1. Description of the major accounting principles applied

The basic accounting principles applied in the preparation of these consolidated financial statements are presented below. The described principles were applied in the presented periods in a continuous manner.

A) Statement of compliance and general principles of preparation

Consolidated financial statements. of the Capital Group ULMA Construccion Polska S.A., for which ULMA Construccion Polska S.A. is the parent company, cover the year ended on 31 December 2018 and contain comparative data for the year ended on 31 December 2017.

The parent company and the companies of the Capital Group of ULMA Construccion Polska S.A. were established for an indefinite period.

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

The EU IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been drawn up according to the historical cost principle, except for financial assets and liabilities (derivatives) valued at their fair value through profit and loss account.

These consolidated financial statements are expressed in PLN ("PLN") and all the amounts, unless indicated otherwise, are given in thousands of PLN.

These consolidated financial statements were prepared on the assumption that the Group's companies would continue as going concerns in the foreseeable future. As at the date of approving these financial statements, there are no circumstances indicating any threat to the Group's companies to continue as going concerns.

These consolidated financial statements were approved for publication by the Management Board on 27 March 2019.

Changes in the applied accounting principles

The accounting principles (policies) applied in the preparation of these financial statements are consistent with those applied in the preparation of the Group's financial statements for the year ended on 31 December 2017, except for those presented below.

For the first time, the Group applied IFRS 15 *Revenue from contracts with customers* ("IFRS 15") and IFRS 9 *Financial instruments* ("IFRS 9").

The remaining new or changed standards and interpretations that were applied for the first time in 2018 have no significant impact on the Group's consolidated financial statements.

Influence of IFRS 9 on the consolidated financial statements on the day of first application, i.e. 1 January 2018:

Item	31 December 2017 (data reported)	Impact of IFRS 9 application	1 January 2018
Trade receivables and other receivables	86 532	(1 437)	85 095
Total assets	**336 196**	**(1 437)**	**334 759**
Provisions from deferred income tax	2 448	(222)	2 226
Retained earnings	186 780	(1 215)	185 565
Total equity and liabilities	**336 196**	**(1 437)**	**334 759**

The remaining new or changed standards and interpretations that were applied for the first time in 2018 have no significant impact on the Group's consolidated financial statements.

- Improvements to IFRS 2 – Classification and measurement of share based payment transactions;
- Improvements to IFRS 4 – Application of IFRS 9 Financial instruments in conjunction with IFRS 4 Insurance contracts;
- Improvements resulting from the review of IFRS 2014-2016 cycle – improvements to IFRS 1, IAS 28;
- Improvements to IAS 40 – real estate qualification, i.e. transfer of investment real estate to other asset groups;
- Improvements to IFRIC 22 – the change concerns the method of determining the date of the transaction, and therefore the SPOT exchange rate that should be used in a situation when an advance payment is made or received in a foreign currency.

IFRS 9

IFRS 9 replaced IAS 39 *Financial instruments: recognition and measurement* and applies to annual periods starting on 1 January 2018 or later. IFRS 9 addresses three areas related to financial instruments : classification and measurement, impairment and hedge accounting.

The Group applied IFRS 9 from the date of the standard entering into force, without restating the comparative data.

a) Classification and measurement

According to IFRS 9, with the exception of some trade receivables, at initial recognition, the entity measures the financial asset at its fair value, which in the case of financial assets not measured at their fair value through profit or loss, are increased by transaction costs, which can be attributed to the acquisition of these financial assets directly.

After the initial recognition, the entity measures a financial asset at amortised cost, at fair value through other comprehensive income or at fair value through financial result. The entity classifies a financial asset based on the entity's business model in financial asset management and characteristics of the cash flows resulting from the contract for the financial asset (the so-called "SPPI criterion").

The classification and measurement of the Group's financial assets according to IFRS 9 is as follows:

- Debt instruments measured at amortised cost, kept in accordance with the business model aimed at maintaining financial assets to obtain cash flows resulting from the contract, being only repayment of the principal and interest on the outstanding principal amount. The Group includes in this category of financial assets trade receivables, loans granted, and cash and cash equivalents.
- Debt instruments are measured at fair value through total other income for which accumulated profits or losses previously recognised as total other income are reclassified to the financial result at cessation of recognition. The Group does not have financial assets which would be classified in this category of financial assets
- Equity instruments valued at fair value through total other income for which accumulated profits or losses previously recognised as total other income are not reclassified to the financial result at cessation of recognition. The Group does not have financial assets which would be classified in this category of financial assets
- Financial assets measured at fair value against financial result. The Group includes derivatives in this category

The Group assessed the business model on the first day of application of IFRS 9, that is 1 January 2018, and then applied it retrospectively irrespective of the business model of previous reporting periods for those financial assets for which recognition was not ceased before 1 January 2018.

IFRS 9 does not introduce significant changes in the classification and measurement of financial liabilities, with the exception of modifications that do not result in cessation of recognition of an existing financial liability. The new standard imposes an obligation on the entity to recognise adjustments to the value of amortised cost of a financial liability as income or expense in the financial result at the time of modification.

b) Impairment

Application of IFRS 9 substantially changes the approach to impairment of financial assets by moving away from the concept of *incurred loss* towards *expected loss*, in which the entire expected credit loss is recognised *ex-ante*.

In the case of trade receivables, the Group applies a simplified approach and measures a write-off for expected credit losses in the amount equal to the expected credit losses over the entire lifetime using a provision matrix. The Group uses its historical data on credit losses, adjusted, where appropriate, with information on the future impact.

In the case of other financial assets, the Group measures the write-off for expected credit losses in the amount equal to the 12-month expected credit losses. If the credit risk related to the given financial instrument had significantly increased since the initial recognition, the Group measures the write-off for expected credit losses for the financial instrument in an amount equal to expected credit losses over the whole lifetime.

The Company assumes that the credit risk associated with the given financial instrument has increased significantly since the day of its initial recognition in a case when the delay in repayment exceeds 30 days.

At the same time, the Group assumes that the debtor's *default* takes place when the delay in repayment exceeds 90 days.

As a result of application of IFRS 9, impairment write-off on 1 January 2018 increased by PLN 1 417 thousand, in correspondence with retained earnings and amounts to PLN 34,154 thousand on that day.

The Group has not implemented a model for estimating expected credit losses for granted loans and sureties because the credit risk level concerning these items is low and any possible losses due to the expected credit losses would have a minimal impact on the financial statements.

Moreover, the Group has not identified any significant impact on equity or the financial statements in connection with the application of IFRS 9 in classification and measurement. The assets classified by then as "loans and receivables" have been fully classified as "measured at amortised cost". This has not changes the manner of their measurement. Therefore, adjustments in the financial statements were not necessary.

Application of IFRS 9 had no influence on the measurement of the Group's financial instruments on the day of first application. Classification of financial instruments in accordance with IFRS 9 is presented in note 7.

Improvements related to hedge accounting have no impact on the Group's statements because the Group does not keep hedge accounting

IFRS 15

IFRS 15 repeals IAS 11 Construction contracts, IAS 18 revenue and related interpretations are valid for annual periods beginning on 1 January 2018 or later. The standard applies to all contracts with customers, except those covered with the scope of other standards.

The new standard establishes the so-called Five Steps Model for recognition of revenue under contracts with customers. According to IFRS 15, revenues are recognised in the amount of remuneration which – as expected by the entity – it is entitled to in exchange for handing over the promised goods or services to the customer.

Application of IFRS 15 requires the parent entity's Management to make judgements on each of the five steps of the established model.

The Group has applied IFRS 15 from the date of entry into force of the standard, using the retrospective method with the total effect of the first application recognised on the first day of application.

The Group operates in the following area:

a) Sale of commercial goods and formworks

   Contracts provide for only one obligation to perform the service – sale of goods, revenue is recognised at a specific moment, that is when the customer takes over control over the goods (as a rule at delivery). Consequently, the impact of application of IFRS 15 on the moment of recognition of revenue from such contracts is not relevant

b) Sale of a package of goods and services or a package of several services provided in different periods

   The subject of multi-element contracts includes, among others, rental, assembly and disassembly services, preparation of individual forms, transportation from/to construction site, repairs, settlements of lost and damaged formwork, rebates and discounts.

   Analysis of contracts with customers show that, in the case of the Group, only revenue from rental of formwork and scaffolding can be considered recognised over time. The Group recognises the above-mentioned revenues on a monthly basis, therefore implementation of IFRS 15 does not affect the previous practices of the Group in this regard. Revenue from other services is recognised at one moment.

c) Advance payments received from customers

So far, the Group has presented advance payments received from customers in the item "Other financial liabilities". In line with the previous accounting policy (principles), the Group did not recognise the costs of interest on received advance payments, including long-term ones.

According to IFRS 15, the Group evaluates whether the contract contains a significant financing element. The Group decided to use the practical solution in which it does not adjust the promised amount of remuneration with the impact of a significant financing element if, at the time of contract conclusion, it expects that the period from handing over the promised good or service to the customer to the moment of payment for the good or service by the customer will not exceed one year. Therefore, the Group has not separated a significant financing element for short-term advance payments.

There are no significant contracts in the Group for which the period between the transfer of the promised good or service to the customer and the moment of payment for the good or service exceeds one year.

The Group did not decide to apply earlier any other standard, interpretation or improvement that has been published but have not entered into force yet in the light of European Union regulations.

B) Consolidation

The consolidated financial statements of the Group was drawn up on the basis of the financial statements of the parent company, financial statements of its subsidiaries and associates. Financial statements of consolidated entities are prepared for the same reporting period.
Due to the fact that not all member entities of the Capital Group apply the same accounting principles consistent with the principles applied by the parent entity, appropriate transformations of financial statements of these entities were made, adjusting the data to the accounting principles applied in the parent company for the purpose of drawing up the consolidated financial statements.
The entities controlled by the parent company are considered to be subsidiaries. The parent company exercises control if it holds, directly or indirectly, through its subsidiaries, more than half of the votes in the given company, unless it can be proved that such ownership does not constitute control. The Company exercises control when, due to your involvement in another entity, it has rights to variable financial results and can influence the amounts of these financial results by exercising power over that entity. Exercising power can also take place when the parent company does not own more than half of the votes in the subsidiary. Subsidiaries are subject to consolidation under the full method. Subsidiaries are subject to full consolidation from the day on which the Group takes control over them. Their consolidation ceases on the day when the control ceases. The acquisition cost is determined as the fair value of the transferred assets, issued equity instruments and liabilities incurred or taken over as at the takeover date, increased by costs directly related to the takeover. Identifiable acquired assets and liabilities and contingent liabilities taken over under business combinations are measured as at the takeover date, at their fair value, irrespective of the size of any non-controlling interest. The excess of the acquisition cost over the fair value of the Group's interest in identifiable net assets taken over is recognised as goodwill. If the cost of takeover is lower than the fair value of the net assets of the subsidiary taken over, differences are recognised directly in the financial result.
Affiliates are entities on which the parent company has significant influence directly or through subsidiaries but does not control them independently and jointly with other entities.
Investment in affiliates is recognised using the equity method.

Transactions, settlements and unrealised profits on transactions between companies in the Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset.
Exchange differences arising in monetary items which form part of the net investment in an entity operating abroad, are initially recognised in a separate item of equity and disclosed in other total income, and they are recognised in profit or loss when the net investment is disposed of.

C) Measurement of items denominated in foreign currencies

1. Functional and presentation currency

Items included in the Group's financial statements are measured in the currency of the primary economic environment in which a significant part of the Group operates (functional currency). Polish zloty is the functional currency of the parent entity. It also is the currency of presentation of the Group's financial statements.

2. Transactions and balances

Transactions expressed in foreign currencies are converted into the functional currency according to the exchange rate applicable on the transaction day. Foreign exchange gains and losses due to the settlement of these transactions and to the balance sheet measurement of monetary assets and liabilities expressed in foreign currencies are recognised in the financial statements accordingly. Exchange rate differences, both positive and negative, concerning investing and financing activities are included in financial expenses.
Exchange rate differences regarding the implementation and balance sheet measurement of trade settlements increase or decrease the revenue or expenses items to which they are operationally related.
The Group uses the average exchange rate of a given currency announced by the National Bank of Poland as at the balance sheet date as the closing rate of a given currency used for the purpose of balance sheet measurement of monetary assets and liabilities expressed in foreign currencies.
Exchange differences arising in monetary items which form part of the net investment in an entity operating abroad, are initially recognised in a separate item of equity and disclosed in other total income, and they are recognised in profit or loss when the net investment is disposed of.

3. Foreign companies

Financial statements of the companies forming the Capital Group for which functional currencies differ from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities are converted in accordance with the closing rate as at the balance sheet date,
b) revenues and costs in the statement of total income are converted separately for each financial month in accordance with the closing rate applicable on the last day of the month,
c) all resulting foreign exchange differences are recognised as a separate component of equity and disclosed in other total income.

4. Exchange rates and inflation

	Average PLN exchange rates published by the NBP				Change in the CPI published by the Central Statistical Office for 12 months
	UAH (hryvnia – Ukraine)	RON (leu – Romania)	KZT (tenge – Kazakhstan)	EUR (euro)	
31 December 2018	0.1357	0.9229	0.010124	4.3000	1.6%
31 December 2017	0.1236	0.8953	0.010633	4.1709	2.0%

D) Significant estimates and judgements made

While preparing financial statements in line with International Financial Reporting Standards, the Management Board makes certain accounting estimates, considering their own knowledge and estimates in relation to the expected changes in the analysed values. Actual values may differ from the estimates.

- The balance sheet value of tangible fixed assets is defined using the estimates of the useful lives of individual groups of assets. The adopted useful lives of fixed tangible assets are verified from time to time on the basis of analyses carried out by the Group.
  Disposal of fixed assets from the group formwork systems (sales, scrapping, use for the needs of the contract implementation) is measured according to the net book value of the oldest items of the given assortment. This is because of the fact that elements of this group of fixed assets are defined by type and there is no identification by identity.

- In the case of receivables in the group NORM, the Group estimates the level of expected credit loss in accordance with IFRS 9. Other receivables are verified for impairment if there are any premises that they cannot be recovered. In such a situation, the value of write-offs of receivables is defined on the basis of estimates prepared by the Group.

- Changes taking place on the construction market can have a significant impact on the assessment of the recoverable amount of assets of the individual entities being part of the Group. If there are any premises of impairment, the Group estimates the recoverable amount of its tangible fixed assets.
  The analysis of impairment of tangible fixed assets is carried out by estimation of the recoverable amount of cash-generating units. Such an analysis is based on a set of significant assumptions, some of which are out of the Group's control. Significant changes of these assumptions affect the results of impairment tests and, consequently, they may lead to significant changes in the Group's financial situation and financial results.

- Provisions for employee benefits (retirement and pension benefits) were estimated by actuarial methods. The assumptions adopted for this purpose are presented in note 18.

- Legal regulations regarding tax on goods and services, corporate income tax and social security charges are amended frequently, which in turn is the reason for the lack of appropriate reference points, inconsistent official interpretations and a low number of established precedents, on which the taxpayer could rely.
  Applicable legal regulations also contain ambiguities that lead to differences in opinions as to the legal interpretation of tax regulations, both between the state authorities themselves and in contacts between the state authorities and taxpayers.
  Tax settlements and other fields of taxpayers' activity (for instance, customs or currency issues) may be controlled by state authorities that are entitled to impose high fines and penalties, any

additional tax liabilities arising as a result of the control have to be paid by the taxpayer with high interest on delay.
As a consequence, the amounts presented in financial statements may change in future under the final decision of the tax control authority.
In the opinion of the Management Board, there are no circumstances indicating that significant liabilities may arise in this respect.
From 15 July 2016, changes were introduced to the Tax Code to include in Polish tax regulations the provisions of the General Anti-Avoidance Clause (GAAR) which is supposed to counteract the establishing and use of artificial legal structures created to avoid payment of tax in Poland.
In accordance with the introduced provisions of the Tax Code, tax evasion means taking such steps that (although are formally consistent with applicable law) are characterised by:
- first of all, artificial character and non-compliance with the economic realities in which the taxpayer operates;
- second of all, they are performed primarily to achieve a tax advantage, contradictory in the given circumstances to the subject and purpose of the provision of the Tax Act.

Therefore, the new regulations will require much greater judgement when assessing the tax consequences of individual transactions.
Implementation of the above-mentioned provisions will allow Polish tax control authorities for questioning the tax consequences of legal arrangements and agreements concerning, among others, capital group restructuring or reorganisation.
The Company recognises and measures assets and/or liabilities on current and deferred income tax in line with the requirements of IAS 12 *Income tax* , preparing its calculation based on profit (tax loss), tax base and tax rates, and taking into account the uncertainty assessment related to tax settlements.
The Group intensely seeks to limit the level of uncertainty of tax settlements through regular participation in training, the use of tax counselling and through applying to tax authorities for individual interpretation.

2. Financial risk management

The Group's activity is exposed to various types of financial risk: currency risk, risk of changes in cash flows and in fair value as a result of interest rate changes, credit risk and liquidity risk.
The Group attempts to minimise the effects of financial risk having a negative impact on the Group's financial results by implementing a risk management programme. The Group uses futures contracts to protect itself against certain risks.

Risk of exchange rate changes

The Group conducts international activities and is exposed to the risk of exchange rate changes of various currencies, most of all euro. The risk of exchange rate change concerns future trade transactions (sale of products and goods, and purchase of goods and services) and recognised assets and liabilities. The risk of exchange rate change arises when future trade transactions, recognised assets and liabilities are expressed in a different currency than the functional currency of companies being part of the Group.
The Group secures the net currency item using mainly cash resources (conversion of PLN into the currency) and then forward contracts.
The analyses conducted do not indicate that the Group is significantly exposed to the risk of exchange rate changes in relation to financial instruments. This is mainly due to the fact that the Group's currency exposure is highly balanced in this regard.

Moreover, the parent company granted long-term loans to its subsidiaries within the Capital Group with the total value as of the balance sheet day amounts to EUR 2,250 thousand and USD 1,300 thousand. These loans form part of the net investment of the parent entity in the entity operating abroad and are expressed in currencies other than the functional currency of the parent entity (that is Polish zloty) or the subsidiary operating abroad (that is Ukrainian hryvnia). Under IAS 21, exchange differences arising as a result of the conversion of this loan in the separate financial statements of the parent entity (due to loan conversion from EUR or USD to Polish zloty), as well as foreign exchange differences resulting from the conversion of this loan arising in the separate financial statements of the subsidiary operating abroad (due to loan conversion from USD to Ukrainian hryvnia) in the consolidated financial statements of the Group are transferred to a separate item of equity and showed in other total income.

If Polish zloty depreciates/appreciates by 10% against EUR and USD, with other parameters unchanged, foreign exchange differences recognised in a separate equity item in relation to the above-mentioned loan would increase/decrease the consolidated equity by PLN 1,180 thousand (in 2017, by PLN 1 043 thousand) .

Risk of changes in cash flows and fair value as a result of interest rate changes

Revenues and cash flows from the Group's operating and financial activities are not significantly exposed to the risk of interest rate changes.
The Group does not have any significant debt with the cost that depends on the interest rate.
The Group's revenue calculated on the basis of interest rate (WIBOR 3M) includes interest revenue on the loan granted to the parent company – ULMA C y E S. Coop. Considering that the risk of interest rates decrease in comparison to the current level, the lowest one in history, is negligible, the Group is not afraid of the risk of decreased cash flows implying from this.

Credit risk

Credit risk is related to a potential credit event that may take the form of contractor's insolvency, partial repayment of debt, significant delay in repayment of debt or other deviation from contractual terms and conditions.

Trade receivables and other receivables are the items most exposed to credit risk (Note no. 10).

The Group is not exposed to significant concentration of the risk of credit sales. Owing to a relatively high number of recipients of the Group's services and goods, there is no concentration of credit sales. Moreover, the Group applies a policy that significantly limits the sale of services and goods to customers with inadequate debt repayment history. The introduced internal control procedures, consisting in, among other, setting of credit limits for individual clients depending on the assessment of their financial condition, and acceptance procedures for new clients let the Group significantly reduce the level of credit risk.

Trade receivables in relation to which no impairment was found constitute 56.7% of the gross value of this group of financial assets, including 54.0% of the group's value attributable to trade receivables that are not overdue (in 2017, these values were at the level of 61.9% and 42.2%, respectively).

Trade receivables ageing analysis is as follows: (in PLN thousand)

31 December 2018	Overdue <0	Overdue to 30 days	Overdue from 31 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days	Overdue over 360 days	Total
Gross trade receivables	28 724	8 447	5 501	4 059	6 619	36 134	**89 484**
Write-downs	(1 243)	(43)	(197)	(662)	(5 062)	(31 392)	**(38 599)**
Net trade receivables	**27 481**	**8 404**	**5 304**	**3 397**	**1 556**	**4 742**	**50 885**

31 December 2017	Overdue <0	Overdue to 30 days	Overdue from 31 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days	Overdue over 360 days	Total
Gross trade receivables	22 461	17 236	3 824	1 849	3 005	37 588	**85 963**
Write-downs				(137)	(875)	(31 705)	**(32 717)**
Net trade receivables	**22 461**	**17 236**	**3 824**	**1 712**	**2 130**	**5 883**	**53 246**

Impairment was found in the case of financial assets in the group of trade receivables and other receivables worth PLN 38,599 thousand, covering them with a write-down. When stating impairment of individual components of financial assets, the Group is guided by individual assessment of each customer, including mainly the assessment of its financial condition and any collateral held. The Group uses mainly blank promissory notes and insurance of foreign accounts receivable relating to eastern markets as the basic means securing debt recovery.

With regard to the trade receivables presented in the table below which are overdue for over 150 days, the Capital Group recovered date PLN 3,620 thousand of VAT as at the balance sheet, using the so-called relief from VAT on bad debts, which was presented in trade liabilities and other liabilities.

There is concentration of credit risk in the Capital Group related to receivables from loans granted. The amount of PLN 21,000 thousand refers to the loan granted to the parent company Ulma CyE S. Coop. Receivables are secured by a registered pledge established by the borrower on its own formwork and scaffolding up to the value of PLN 44 773 thousand. In relation to the collateral held and the financial situation of the borrower, the Management Board of the Group considers the risk of non-repayment of debts to be low.
The loan for the parent entity was granted on arm's length terms – the interest rate on the loan depends on the level of WIBOR 3M. The repayment date of the tranche in the amount of PLN 21 000 thousand was set as follows in accordance with the annex of 15 January 2019: PLN 11 000 thousand on 30 April 2019 and PLN 10 000 thousand on 30 April 2020.

Liquidity risk

Liquidity risk management assumes keeping an adequate level of cash, availability of financing owing to a sufficient amount of granted credit instruments, and the ability of closing market positions. The Group keeps sufficient cash resources to pay maturing liabilities and provides the possibility of financing owing to granted lines of credit.
All trade liabilities of the Group are due within 3 months from the balance sheet date.

Working capital management

Management of working capital of individual companies of the Capital Group ULMA Construccion Polska S.A. takes place at the level of the Capital Group. The main objective of capital management is to ensure an adequate level of operational liquidity and the ability to implement the investment plans of individual

companies in the Group in accordance with the approved budgets to let the Group's operational activity contribute to increasing the value for its shareholders.
The Group manages the capital structure and takes actions enabling its modification in response to changes of economic conditions.
In order to maintain or adjust the capital structure, the Group (with the consent of shareholders of the parent company) can change the dividend payment, return capital to the shareholders or carry out a new issue of shares.

Dividend policy

The dividend policy adopted in the Group is also subjected to the above-mentioned objectives. Each decision on dividend payment is preceded each time by the analysis of current and development needs of each of the companies and of the Capital Group as a whole.

3. New accounting standards and interpretations of the IFRS Interpretations Committee (IFRIC)

The following standards, changes in existing standards and interpretations have not been accepted by the European Union and are not valid as at 1 January 2018:

Standard	Description of changes	Effective date
IFRS 14 *Regulatory deferral accounts*	Accounting and disclosure policies for regulatory deferred items	The standard in the current version will not be applicable in the EU
Improvements to IFRS 10 and IAS 28	Provides guidelines for the sale or transfer of assets by the investor to an associated company or joint venture	Not specified
IFRS 16 Leasing	The standard terminated the distinction between operating lease and finance lease at lessees. All contracts that meet the new definition of leasing will be recognised, as a rule, like in the case of current finance lease.	1 January 2019
IFRS 17 Insurance contracts	Supersedes IFRS 4 and introduces improvements regarding methods of measurement of insurance liabilities, recognition of profit or loss over time, recognition of reinsurance and separation of investment component.	Not approved by the EU until the date of approval of these statements – 1 January 2021
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Improvements to	Early repayments with negative compensation	1 January 2019
Improvements to IFRS 28	Long-term interests in associates and joint ventures	1 January 2019
	Improvements resulting from review of IFRS 2015-2017	Not approved by the EU until the date of approval of these statements – 1 January 2019
Improvements to IAS 19	Change, reduction or settlement of scheme	Not approved by the EU until the date of approval of these statements – 1 January 2019
	Improvements to References to the Conceptual Framework contained in the International Financial Reporting Standards	Not approved by the EU until the date of approval of these statements – 1 January 2020
Improvement to IFRS 3	Business combinations	Not approvedby the EU until the date of approval of these statements – 1 January 2020
Improvements to IAS 1 and IAS 8	Definition of significance	Not approvedby the EU until the date of approval of these statements – 1 January 2020

The Group intends to adopt the above-mentioned new standards and improvements to standards and interpretations of IFRS published by the International Accounting Standards Board but not applicable on the reporting day according to the date of their entry into force.

Impact of new regulations on future statements of the Group

IFRS 16

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 *Leases* ("IFRS 16"), which superseded IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC 15 *Operating leases – incentives* and SIC 27 *Evaluating the substance of transactions involving the legal form of a lease*. IFRS 16 specifies the accounting principles concerning leasing in terms of measurement, presentation and recognition.
IFRS 16 introduces a single model of lessee's accounting and requires the lessee to recognise the assets and liabilities resulting from each lease lasting longer than 12 months unless the underlying asset is of low value. On the commencement date, the lessee recognises an assets from the right of use of the underlying asset and a liability under lease which reflects its obligation to make lease payments.
The lessee recognises separately depreciation of the asset under the right to use and interest on the lease liability.
The lessee revaluates the lease liability after the occurrence of certain events (e.g. changes in the lease period, changes in future lease payments due to changes in the index or rate used to determine these fees). As a rule, the lessee recognises the revaluation of lease liability as an adjustment to the value of asset from the right of use.
The lessee has the right to select the full or modified retrospective approach, and transitional provisions provide for some practical solutions.
IFRS 16 is valid for annual periods starting on 1 January 2019 and later. Earlier implementation is allowed in the case of entities which apply IFRS 15 from the date or before the date of first application of IFRS 16. The Company did not decide to apply IFRS 16 earlier.

Preliminary analysis of the impact of IFRS 16 arrangements on the Company's accounting principles indicates that in the case of contracts previously treated as operating lease contracts, in which the Company appears as a lessee, will have to be recognised in the financial statements of the asset and the lease liability.
The Company is a lessee in lease contracts concerning warehouse space, Logistics Centres (including the right of perpetual usufruct of land), cars and forklifts.
Consequently, the following will take place at initial application:

- increase in the value of assets and liabilities in the Company's statement of financial position,
- increase in the cost of depreciation and financial expenses (interest), and decrease in the cost of rental and lease in the profit and loss account

When considering the above-mentioned effect of implementation of IFRS 16 on the Company's financial statements, it should be noted that rental and lease payments are recognised on a straight-line basis now. Due to the implementation of IFRS 16, rental assets will still be settled on a straight-line basis (depreciation), while the settlement of interest on liabilities will be carried out on the basis of the effective interest rate, which will increase the interest charges in the initial periods and decrease such charges in the subsequent terms of the lease contract.
The Company decided to apply the modified retrospective approach regarding the initial recognition of lease as at 1 January 2019.
Lease liability was measured at the current value of other lease fees, discounted by the use of lease rate.
The asset from the right of use on the day of its first application was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments or calculated lease payments relating to this lease, recognised in the financial statements immediately before the day of first application.

The expected influence of IFRS 16 on the financial statements on the day of first application, i.e. 1 January 2019:

Item	31 December 2018 (data reported)	Influence of IFRS 16 application	1 January 2019
Other fixed assets*)	3 902	(3 902)	-
Right-of-use assets	-	15 123	15 123
Total assets	**368 225**	**11 221**	**379 446**
Long-term lease liabilities	-	7 581	3 526
Long-term lease liabilities	-	3 640	7 539
Total equity and liabilities	**368 225**	**11 221**	**379 446**

*) Other fixed assets – the value (cost of purchase) of the right of perpetual usufruct of land subject to settlement over time.

Other standards and their improvements should not have a significant impact on future financial statements of the Company. Improvements of standards and interpretations of IFRS, which entered into force from 1 January 2018 to the day of approval of this separate financial statement for publication, did not have a significant impact on this separate financial statement.

4. Information on business segments

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

- construction site services – the segment of rental of formwork and scaffolding systems together with widely understood logistic services and construction settlement at the end of a contract,
- sales of construction materials – the segment of sales of formwork systems being fixed assets and current assets (products and goods) of the Group, and of other building materials.

The accounting principles applied in the operating segments are consistent with the Group's accounting policy described in note 1. Organisation and management of ULMA Group is broken down into segments that take the type of offered products and services into account. As a rule, ULMA Group settles transactions between segments as if they concerned unrelated entities – on market terms. When analysing the results of individual operating segments, the management of ULMA Group primarily considers the achieved EBITDA (net profit for the financial period and depreciation).

The construction industry, in which the Capital Group operates, is characterised by seasonality. One can notice lowered activity of construction companies in the winter months and intensified activity in summer and autumn. Also weather conditions in the particular year play a big role.

The results of segments are as follows:

Year ended on 31 December 2018

Item	Construction site services	Sale of construction materials	Capital Group
Total sale revenues	198 977	43 707	242 684
Internal sale	4 724	(14 239)	(18 963)
Sale revenues	**194 253**	**29 468**	**223 721**
Operating expenses without depreciation	(112 135)	(31 024)	(143 159)
Internal turnover expenses	727	9 842	10 569
Consolidated operating expenses without depreciation	**(111 408)**	**(21 182)**	**(132 590)**
EBITDA	**82 845**	**8 286**	**91 131**

Year ended on 31 December 2017

Item	Construction site services	Sale of construction materials	Capital Group
Total sale revenues	175 254	40 878	216 132
Internal sale	(868)	(13970)	(14 838)
Sale revenues	**174 386**	**26 908**	**201 294**
Operating expenses without depreciation	(102 928)	(34 982)	(137 910)
Internal turnover expenses	253	11 739	11 992
Consolidated operating expenses without	**(102 675)**	**(23 243)**	**(125 918)**
EBITDA	**71 711**	**3 665**	**75 376**

The reconciliation of operating profit compared to the Group's net financial result is presented below.

	12 months of 2018	12 months of 2017
Profit of segments at EBITDA level	**91 131**	**75 376**
Depreciation	(35 314)	(44 396)
Interest revenues	1 175	1 126
Other financial revenues	623	-
Interest costs	(128)	(120)
Other financial expenses	-	(1 133)
Share in results of affiliates	677	101
Profit before tax	**58 164**	**30 954**
Income tax	(11 167)	(6 729)
Net profit	**46 997**	**24 225**

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

Item	Construction site services	Sales of construction materials	Items not allocated	Capital Group
As at 31 December 2018	190 137	9 968	168 120	368 225
As at 31 December 2017	169 248	10 452	156 496	336 196

Reconciliation of segment assets to total assets of the Group is presented below.

Item	31 December 2018	31 December 2017
Segment assets	200 105	179 700
Unallocated tangible fixed assets	86 735	89 328
Unallocated intangible assets	226	400
Investments in the affiliate	1 786	1 155
Deferred tax assets	2 933	1 347
Other fixed assets	3 902	3 957
Tax receivables and other receivables	22 151	34 507
Cash and cash equivalents	50 387	25 802
Total assets	**368 225**	**336 196**

Other receivables not allocated to segments mainly include receivables from loans granted to related entities in the amount of PLN 21 000 thousand (PLN 32 000 thousand as at 31 December 2017)

Geographical distribution of the Group's revenues and fixed assets is as follows:

Item	2018	2017
Domestic sales revenues	169 455	161 328
Foreign sales revenues	54 266	39 966
Total sales revenues	**223 721**	**201 294**
Domestic fixed assets	221 148	203 593
Foreign fixed assets	12 603	10 837
Total fixed assets	**233 751**	**214 430**

5. Tangible fixed assets

Tangible fixed assets, that is buildings, machinery and equipment used to manufacture, provide products and services or for the purposes of management, were measured as at the balance sheet date by the purchase price or manufacturing cost, reduced by accumulated depreciation and impairment write-downs.

Subsequent expenditures are included in the balance sheet value of the fixed asset or recognised as a separate fixed asset (where appropriate) only when it is probable that this will imply influence of economic benefits for the Group, and the cost of a given item can be measured reliably. Subsequent expenditures, not increasing the initial value in use of a given fixed asset, are recognised as an expense in the period in which they are incurred.

Land owned by the Group is recognised at the purchase price and is non-depreciating. Other fixed assets are depreciated on a straight-line basis in order to distribute their initial value reduced by the possible final value during their use for individual type groups.

Applied periods of use for individual type groups of fixed assets are as follows (in years):

• buildings and constructions	25 – 40
• leasehold	10
• machines and technical equipment	3 – 20
• formwork systems	2 – 14
• equipment and other fixed assets	5

Verification of the final value and useful lives of tangible assets is carried out at each balance sheet date and, if necessary, adjusted.

In the case when the balance sheet value of tangible asset it exceeds its estimated recoverable amount, its balance sheet amount is reduced to the recoverable amount (Note 1H).

Profit and loss on disposal of tangible assets is determined by comparison of proceeds from sales with their balance sheet value and are recognised in the financial result.

Inventory of tangible assets classified in the group of formwork systems is carried out annually. In the case of other tangible assets - once every 4 years.

In Q4 2017 (since 1 October 2017), the parent company verified – based on current estimates – the adopted periods of economic usefulness of fixed assets included in the group of formwork systems and thus reduced depreciation rates. The changes caused a decrease in depreciation costs for this group of fixed assets by PLN 11,802 thousand compared to the no-change scenario.

Impairment of non-financial fixed assets

Fixed assets subject to depreciation are analysed for impairment in the case of premises indicating a possibility of not realising the balance sheet value of tangible fixed assets and intangible assets held. The amounts of write-downs determined by analysis (impairment test) decrease the balance sheet value of the asset to which they relate and are recognised in the period's expenses. An impairment loss is recognised in the amount by which the balance sheet value of the asset exceeds its recoverable value. The recoverable value is the higher of the following: fair value less cost of sales preparation and the use value (reflected in the present value of cash flows related to the asset). For the purpose of analysis for impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).
With regard to assets other than goodwill, impairment write-downs recognised in previous periods are evaluated at the end of each reporting period if there are any indications of impairment or its total reversal. Impairment write-downs are reversible if, among others, the estimates used to determine the recoverable amount had changed. An impairment write-down is reversed only to the amount of the initial value of the asset less depreciation write-offs that would be recognised if the impairment write-down had not been recognised.

Table of movements in tangible fixed assets in 2018

	Land, buildings and structures	Technical equipment, machinery and means of transport	Formwork systems	Other tangible assets	Tangible assets under construction	Total tangible fixed assets
GROSS VALUE						
As at 1 January 2018	**106 242**	**11 672**	**528 036**	**3 062**	**203**	**649 215**
Increases due to purchase	484	1 081	51 124	267	191	53 147
Increases – surplus inventory, reclassification	-	-	9 200	-	(203)	8 997
Decreases – sale	-	(90)	(20 217)	(29)	-	(20 336)
Decreases – liquidation, deficits and reclassification	(107)	(515)	(25 146)	(111)	-	(25 879)
Exchange rate differences	6	43	2 096	23	2	2 170
As at 31 December 2018	**106 625**	**12 191**	**545 093**	**3 212**	**193**	**667 314**
ACCUMULATED DEPRECIATION						
As at 1 January 2018	**21 671**	**7 413**	**407 291**	**2 767**	**-**	**439 142**
Depreciation for the period	2 883	1 271	30 747	200	-	35 101
Decreases – sale	-	(50)	(18 419)	(24)	-	(18 493)
Decreases – liquidation, reclassification	(52)	(492)	(18 410)	(112)	-	(19 066)
Exchange rate differences	3	15	836	17	-	871
As at 31 December 2018	**24 505**	**8 157**	**402 045**	**2 848**	**-**	**437 555**
WRITE-DOWN					**-**	
As at 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Increases	**-**	**-**	**136**	**-**	**-**	**136**
Decreases	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2018	**-**	**-**	**136**	**-**	**-**	**136**
NET VALUE:						
As at 1 January 2018	**84 571**	**4 259**	**120 745**	**295**	**203**	**210 073**
As at 31 December 2018	**82 120**	**4 034**	**142 912**	**364**	**193**	**229 623**

Table of movements in tangible fixed assets in 2017

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

The depreciation write-off of tangible fixed assets increased:

Item	12 months of 2018	12 months of 2017
Costs of products, goods and materials sold	31 880	41 247
Sale and marketing costs	2	4
Overheads	3 219	3 025
Total	**35 101**	**44 276**

The analysis showed occurrence of indications of impairment in tangible fixed assets in the group of formworks, and a decision was made to open a revaluation write-off in the amount of PLN 136 thousand.

6. Intangible assets

Software

The purchased computer software licences are activated in the amount of expenses incurred for their purchase and preparation of specific software for use. The activated costs are written off over the estimated period of software usage, that is 2-5 years.

Table of movements in intangible assets in 2018.

	Licenses and software	Other	Total intangible assets
GROSS VALUE			
As at 1 January 2018	**4 915**	**37**	**4 952**
Increases	16	-	16
Decreases – liquidation	-	-	-
Exchange rate differences	24	-	24
As at 31 December 2018	**4 955**	**37**	**4 992**
ACCUMULATED DEPRECIATION			
As at 1 January 2018	**4 515**	**37**	**4 552**
Depreciation for the period	213	-	213
Decreases – liquidation	-	-	-
Exchange rate differences	1	-	1
As at 31 December 2018	**4 729**	**37**	**4 766**
NET VALUE:			
As at 1 January 2018	**400**	**0**	**400**
As at 31 December 2018	**226**	**0**	**226**

Table of movements in intangible assets in 2017.

	Licenses and software	Other	Total intangible assets
GROSS VALUE			
As at 1 January 2017	**4 708**	**40**	**4 748**
Increases	322	-	322
Decreases – disposal	(108)	-	(108)
Exchange rate differences	(7)	(3)	(10)
As at 31 December 2017	**4 915**	**37**	**4 952**
ACCUMULATED DEPRECIATION			
As at 1 January 2017	**4 508**	**39**	**4 547**
Depreciation for the period	120	-	120
Decreases – disposal	(108)	-	(108)
Exchange rate differences	(5)	(2)	(7)
As at 31 December 2017	**4 515**	**37**	**4 552**
NET VALUE:			
As at 1 January 2017	**200**	**1**	**201**
As at 31 December 2017	**400**	**0**	**400**

The depreciation write-off of intangible assets increased:

Item		12 months of 2018		12 months of 2017
Costs of products, goods and materials sold		3		4
Sales and marketing costs		-		-
Overheads		210		116
Total		**213**		**120**

7. Financial instruments - accounting policy applied from 1 January 2018

Classification of financial assets

Financial assets are classifies in the following measurement categories:

- measured at amortised cost,
- measured at fair value by financial result,
- measured at fair value by other total income.

The entity classifies a financial asset based on the entity's business model in financial asset management and characteristics of the cash flows resulting from the contract for the financial asset (the so-called "SPPI criterion"). The entity reclassifies investment in debt instruments if and only if the model of managing these assets changes.

Measurement at the initial recognition

With the exception of some trade receivables, at initial recognition, the entity measures the financial asset at its fair value, which in the case of financial assets not measured at their fair value through profit or loss, are increased by transaction costs, which can be attributed to the acquisition of these financial assets directly.

Discontinuation of recognition

Financial assets are excluded from accounting books in the following situation:

- The rights to obtain cash flows from financial assets have expired, or
- The rights to obtain cash flows from financial assets have been transferred and the Company has basically transferred all risk and all benefits of their ownership.

Measurement after initial recognition

For the purposes of measurement after initial recognition, financial assets are classified in one of four categories:

- Debt instruments measured at amortised cost,
- Debt instruments measured at fair value by other total income,
- Equity instruments measured at fair value by other total income,
- Financial assets measured at fair value through financial result.

Debt instruments– financial assets measured at amortised cost

A financial asset is measured at its amortised cost if both of the following conditions are met:

a) the financial asset is maintained in line with the business model whose purpose is to maintain financial assets for obtaining cash flows under the contract, and

b) the terms and conditions of the contract concerning the financial asset cause generation of cash flows on specific dates which are only repayment of the principal amount and interest on the outstanding principal amount.

The Company classifies the following in the category of financial assets measured at amortised cost:

- trade receivables,
- loans that pass the SPPI test which, according to the business model, are recognised as maintained in order to obtain cash flows,
- cash and cash equivalents.

Interest revenues are calculated by the effective interest rate method and are recognised in the profit and loss account/ statement of total income in item "Financial revenues"

Debt instruments – financial assets measured at fair value by other total income

A financial asset is measured at fair value by other total income if both of the following conditions are met:

a) the financial asset is maintained in line with the business model whose purpose is to obtain financial assets under the contract, as well as sales of financial assets; and

b) the terms and conditions of the contract concerning the financial asset cause generation of cash flows on specific dates which are only repayment of the principal amount and interest on the outstanding principal amount.

Interest revenue, exchange rate differences and impairment profits and losses are recognised in the financial result and calculated in the same way as in the case of financial assets measured at amortised cost. Other changes in the fair value are recognised by other total income. At discontinuation of recognition of the financial asset, the total the profit or loss previously recognised in other total income is reclassified from equity to the financial result.

Interest revenues are calculated by the effective interest rate method and are recognised in the profit and loss account/ statement of total income in item "Interest revenues".

The Group has no category of debt instruments measured to fair value by other total income.

Equity instruments – financial assets measured at fair value by other total income

At the initial recognition, the Company can make an irrevocable choice regarding the recognition of subsequent changes at fair value of investments in an equity instrument under other total income which is not intended for trading or is a conditional payment recognised by the acquiring entity as part of merger of entities to which IFRS 3 applies. The selection is made separately for each equity instrument. Accumulated profits or losses, previously recognised in other total income, are not subject to reclassification to the financial result. Dividends are recognised in the profit and loss account/ statement of total income at emergence of the entity's right to receive the dividend unless these dividends clearly constitute recovery of part of the investment costs.

The Group has no category of equity instruments measured to fair value by other total income.

Financial assets measured at fair value through financial result

A financial asset which does not meet the criteria for measurement at amortised cost or at fair value against other total income is measured at fair value against financial result.

Profit or loss from measurement of debt investments to fair value is recognised in the financial result.

Dividends are recognised in the profit and loss account/ statement of total income at emergence of the entity's right to receive the dividend.

The Company classifies unquoted equity instruments in the category of equity instruments measured at fair value by profit or loss.

When the Group:

- has a valid legal title to compensate for the amounts recognised and
- intends to make settlements in the net amount and simultaneously realise the asset and satisfy the liability

a financial asset and financial liability is compensated and recognised in the financial statements in the net amount.

The framework agreement described in IAS 32.50 does not constitute grounds for compensation unless both criteria described above are met.

Impairment of financial instruments – the accounting policy applied from 1 January 2018

The Group evaluates the *expected credit losses, "ECL"* related to the equity instruments measured at amortised cost and fair value by other total income, regardless of whether or not there are any premises of impairment.

In the case of trade receivables from NORMA group, the Group applies a simplified approach and measures a write-off for expected credit losses in the amount equal to the expected credit losses over the entire lifetime using a provision matrix. The Group uses its historical data on credit losses, adjusted, where appropriate, with information on the future impact.

In the case of trade receivables from other groups of receivables (debt collection, court, bankruptcy, debt enforcement) when the Management Board finds it probable that the Group will not be able to collect the amounts due in the original amount, an individual impairment write-down is made. The amount of impairment write-down corresponds to the difference between the book value and the current value of expected future cash flows, discounted with the original effective interest rate. Changes in values of impairment write-downs of trade receivables are recognised in financial result, charged to other operating expenses, in the period in which the change occurs.

In the case of other financial assets, the Group measures the write-off for expected credit losses in the amount equal to the 12-month expected credit losses. If the credit risk related to the given financial instrument had significantly increased since the initial recognition, the Company measures the write-off for expected credit losses for the financial instrument in an amount equal to expected credit losses over the whole lifetime.

The Company assumes that the credit risk associated with the given financial instrument has increased significantly since the day of its initial recognition in a case when the delay in repayment exceeds 30 days.

At the same time, the Group assumes that the debtor's *default* occurs when the delay in repayment exceeds 90 days.

Financial assets – the accountancy policy applied to 31 December 2017

Financial instruments recognised in the financial statements include cash at hand and cash at bank, trade receivables and other receivables (with the exception of tax receivables), financial assets at fair value recognised by financial result, financial assets available for sale, trade liabilities and other liabilities (with the exception of tax receivables), liabilities from factoring, and credits and loans.
The adopted methods of presentation and measurement of individual financial instruments are included in the points below describing the adopted accounting principles.
Derivative financial instruments are initially recognised at fair value at the moment of the contract conclusion. Later, they are revaluated to the fair value. Derivatives held by the Group do not qualify for hedge accounting. Therefore, the result of their measurement against the fair value is recognised in the financial result.
At the end of each reporting period, the Group evaluates whether there are objective indications of impairment of financial assets other than those measured at fair value by financial result. It is assumed that the financial asset is impaired when, after its initial recognition, there are objective indications of an event that could have a negative, reliably estimated impact on the value of future cash flows related to the given asset.
Objective indications of impairment of financial assets (including equity instruments) include a debtor's failure to pay or default in debt repayment, restructuring of the debtor's debt for which the Group gave consent for economic or legal reasons resulting from the debtor's financial difficulties and which otherwise would not be given by the Group, circumstances indicating a high level of probability of the debtor's bankruptcy, adverse changes in the balance of payments from debtors, economic conditions conducive to breach of the contract terms and conditions, disappearance of the active market for the given financial asset. Moreover, in the case of investments in equity instruments, a significant or prolonged decrease in the fair value of such investment below the purchase price is considered to be an objective evidence of impairment of financial assets.

Loans granted, and receivables and held-to-maturity investments

The Group evaluates the indications of impairment of loans granted, receivables or held-to-maturity investments both at the level of an individual asset as well as for groups of assets. An impairment test is performed for an individual asset in the case of receivables that are individually significant and held-to-maturity investments. All granted loans that are individually significant, receivables and held-to-maturity investments for which no impairment indications were identified based on an individual assessment, undergo then a group assessment to determine whether there has been impairment not reported otherwise. Granted loans, receivables and held-to-maturity investments of individually negligible values are assessed collectively for impairment in groups of similar risk characteristics.
While assessing impairment of groups of assets, the Group uses historical trends for estimating the probability of occurrence of arrears as well as the moment of payment and the value of incurred losses, adjusted by the Management Board's estimates assessing whether current economic and credit conditions indicate that the actual level of losses could be significantly different from the level of losses resulting from the assessment of historical trends.
Impairment of financial assets measured by the amortised cost is estimated as the difference between their book value and the present value of estimated future cash flows discounted using the original effective interest rate. Any losses are recognised in the profit or loss of the current period and constitute a write-down of the value of loans granted, and receivables and held-to-maturity investments, while the Group continues to charge interest on revaluated assets. If subsequent circumstances (e.g. payment by the debtor) indicate that the premises leading to the impairment have ceased, then the reversal of the write-down is recognised in the profit or loss of the current period.

Available-for-sale financial assets

Impairment of available-for-sale financial assets is recognised by transfer of the cumulative loss recognised in the capital from the revaluation to fair value to the profit or loss of the current period. The value of cumulative loss referred to is calculated as the difference between the purchase price, less received repayments of principal instalments and changes in the balance sheet value resulting from the application of the effective interest rate method, and the fair value. Additionally, the difference is less impairment losses recognised previously in the profit or loss of the current period. Changes in the impairment write-down related to the application of effective interest rate method are recognised as interest revenues.
If the fair value of written-down debt securities classified as available for sale increases in the following periods, and its increase may be objectively assigned to an event that occurs after the impairment was recognised, then the previously recognised impairment loss is reversed, while the effects of this reversal are recognised as profit or loss of the current period. In the case of available-for-sale equity instruments, reversal of impairment write-off is recognised in other total income.

The table below presents a comparison of balance sheet values and fair values of all financial instruments of the Group, broken down into individual classes and categories of assets and liabilities.

	31 December 2018			
	Balance sheet value		Fair value	Fair value hierarchy
Debt instruments measured at amortised cost				
Cash	50 387		50 387	Item 1
Trade receivables	51 654		51 654	Item 3
Loans granted	21 000		21 000	Item 3
Financial liabilities measured at amortised cost				
Interest bearing credits with a variable interest rate	1 692		1 692	Item 2
Liabilities due to factoring of trade liabilities	1 257		1 257	Item 3
Trade liabilities and other liabilities	28 972		28 972	Item 3

	31 December 2017			
	Balance sheet value		Fair value	Fair value hierarchy
Cash	25 802		25 802	Level 1
Receivables and loans granted				
Trade receivables	54 532		54 532	Level 3
Loans granted	32 000		32 000	Level 3
Financial liabilities				
Interest bearing credits with a variable interest rate	-		-	Level 2
Liabilities due to factoring of trade liabilities	2 936		2 936	Level 3
Trade liabilities and other liabilities	27 313		27 314	Level 3
Derivatives				
Financial instruments measured at fair value by financial result	64		64	Level 2

As assessed by the Company, the fair value of cash, receivables and loans granted, financial liabilities and other liabilities does not differ significantly from the balance sheet values, mainly due to short maturity.
In the period ended on 31 December 2018, or in the period ended on 31 December 2017, there were no transfers between level 1 and level 2 of the fair value hierarchy, nor was any of the instruments moved from/to level 3 of the fair value hierarchy.

8. Shares in affiliates

Name (company name) of the entity, with specification of the legal form	Registered office	Scope of operations	Balance sheet value of shares	% owned share capital
ULMA Cofraje S.R.L.	Bucharest Romania	sales and rental of formworks, sales of construction materials	1 786	30.00

Basic data concerning the affiliate.

	31 December 2018	31 December 2017
Fixed assets	7 187	5 050
Current assets	8 855	5 788
Equity	6 568	4 166
Long-term liabilities	905	3 150
Short-term liabilities	8 570	3 522
Sales revenues	14 479	12 623
Net financial result	2 256	337

In 2017, the share capital was increased in ULMA Cofraje S.R.L Romania by the amount of RON 3,850 thousand. Shares in the increased share capital were taken up by the existing shareholders, keeping the existing % proportions of the owned capital and votes.
The share of ULMA Construccion Polska S.A. in the positive financial result of the affiliate for 2018 amounted to PLN 677 thousand.

9. Other fixed assets

Other fixed assets include the balance sheet value of the right of perpetual usufruct of land in the amount of PLN 3,902 thousand. The right of perpetual usufruct of land expires on 5 December 2089.
The Group recognises the above-mentioned right of perpetual usufruct of land as operating lease.

10. Trade receivables and other receivables

Trade receivables are recognised initially at the fair value corresponding to the nominal value, and then are measured according to the amortised cost method, using the effective interest rate, and decrease them by impairment losses.
Receivables of the group NORMA are covered by the procedure for estimating the expected credit loss in accordance with IFRS 9.
In the case of trade receivables from other groups of receivables (debt collection, court, bankruptcy, debt enforcement) when the Management Board finds it probable that the Company will not be able to collect the

amounts due in the original amount, an individual impairment write-down is made. The amount of impairment write-down corresponds to the difference between the book value and the current value of expected future cash flows, discounted with the original effective interest rate. Changes in values of impairment write-downs of trade receivables are recognised in financial result, charged to other operating expenses, in the period in which the change occurs.

The Company has adopted the rule according to which the amount of VAT recovered for lack of repayment of receivables within 150 days from the date of payment are showed in the balance sheet item "Tax liabilities and other encumbrances".

	As at:	
	31 December 2018	31 December 2017
Trade receivables from unrelated entities	86 266	84 897
Impairment write-down of trade receivables	(38 599)	(32 717)
Trade receivables – net	*47 667*	*52 180*
Other receivables	254	898
Prepayments	515	388
Trade receivables from related entities	3 218	1 066
Receivables from loan	21 000	32 000
Total trade receivables and other receivables	**72 654**	**86 532**
including:		
Long-term part	-	-
Short-term part	72 654	86 532

Based on the analyses carried out, the Group assessed that the balance sheet value of individual receivables presented in these consolidated financial statements is close to the fair value of these receivables.

There is no concentration of credit risk from trade receivables because the Group has a large number of customers.

The net value of write-downs revaluating the receivable increased by the amounts of receivables written down in the total amount of PLN 7,413 thousand (PLN 3,867 thousand in 2017) was recognised in other revenues/operating expenses in the consolidated profit and loss account.

The change in impairment write-downs on trade receivables and other receivables is as follows:

	12 months of 2018	12 months of 2017
Opening balance	**32 717**	**37 846**
Impact of IFRS 9 application	1 437	-
Opening balance (data restated)	**34 154**	**37 846**
Increases – write-downs of trade receivables	8 240	4 141
Use	(3 167)	(8 847)
Adjustment of a previously made write-down	(644)	(33)
Exchange rate differences	16	(390)
Closing balance	**38 599**	**32 717**

All write-downs on receivables relate to short-term receivables.

11. Inventories

Inventories of raw materials, resources and purchased goods are measured as at the balance sheet date according to the lower of the two values: the purchase price or net realisable value.

The net sales price is the price of sales conducted in the ordinary course of business, less the estimated costs of completion of production and variable costs necessary to bring the sales into effect.

Measurement of inventory depletion is carried out in accordance with the "first in, first out" (FIFO) principle. In necessary, write-downs on outdated, non-transferable and defective inventories are made.

	As at:	
	31 December 2018	31 December 2017
Materials	2 613	2 208
Goods	4 059	3 842
Gross value of inventories	**6 672**	**6 050**
Write-down of inventories	(340)	(340)
Net value of inventories	**6 332**	**5 710**

12. Cash and cash equivalents

Cash and cash equivalents are recognised in the financial statements at the fair value corresponding to the nominal value. They are composed of cash in hand and at bank, other highly liquid short-term investments with the initial maturity of no more than three months.
The balance of cash showed in the cash flow statement consists of the above-mentioned cash and cash equivalents decreased by amounts of outstanding overdrafts.
Overdrafts are recognised in the financial statements as liabilities – short-term credits and loans.

	As at:	
	31 December 2018	31 December 2017
Cash in hand and at bank	50 387	25 802
Total cash, including:	**50 387**	**25 802**
Restricted access funds	201	111

For the needs of the cash flow statement, cash and current account overdraft facilities include:

	As at:	
	31 December 2018	31 December 2017
Cash and cash equivalents	50 387	25 802
Current account overdraft (note 15)	-	-
Cash and cash equivalents showed in the cash flow statement	**50 387**	**25 802**

13. Basic capital and supplementary capital

Ordinary shares are classified as equity. Basic capital is recognised at the nominal value of shares.

Supplementary capital was created from the surplus of the issue value of the Company's shares over their nominal value in the amount of PLN 116 473 thousand which was reduced by the share issue expenses in the amount of PLN 1 483 thousand.

The financial statement item "Retained profit" includes statutory write-offs from profits generated in previous years in the amount of one third of the share capital of the parent entity amounting to PLN 3 504 thousand, as well as surplus from profit distribution over the statutory write-off in the amount of PLN 149 484 thousand and the financial result of the current financial year.

Foreign exchange differences from the restatement of foreign subsidiaries and from net investments

Exchange rate differences resulting from the conversion of financial statements of foreign entities into the presentation currency and exchange rate differences arising from net investment in a foreign entity are recognised in a separate item of equity.

	Number of shares	Nominal value of shares	Share premium	Total
As at 1 January 2017	**5 255 632**	**10 511**	**114 990**	**125 501**
- increases	-	-	-	-
- decreases	-	-	-	-
As at 31 December 2017	**5 255 632**	**10 511**	**114 990**	**125 501**
- increases	-	-	-	-
- decreases	-	-	-	-
As at 31 December 2018	**5 255 632**	**10 511**	**114 990**	**125 501**

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

As at 31 December 2018, the Company's shareholding structure is as follows:

	Share capital		Votes at the General Meeting of Shareholders	
	Number of shares	**%**	**Number of votes**	**%**
ULMA CyE, S. Coop	3 967 290	75.49	3 967 290	75.49
TFI Quercus S.A.	264 893	5.04	264 893	5.04
OFE Aviva Santander (former name BZ WBK)	263 404	5.01	263 404	5.01
Extensive shareholdings	760 045	14.46	760 045	14.46
Total	**5 255 632**	100.00	**5 255 632**	100.00

In connection with the transactions of sale of the Company's shares, Aviva Otwarty Fundusz Emerytalny Aviva Santander ("Aviva OFE") decreased the share in the total number of votes in the Company below 5% and, as at 20 February 2019, held 254,703 shares of the Company, which constitutes 4.85% of the Company's share capital (number of shares issued) entitling to 254,703 votes at the General Meeting, which constituted 4.85% of the total number of votes.

14. Trade liabilities and other liabilities

In the item of financial statements "Trade liabilities and other liabilities", the Group recognises:

- estimated, in a reliable manner, value of costs incurred in the given reporting period, not invoiced by suppliers until the balance sheet date.
- deferred income including, in particular, the equivalent of funds received or due from contractors for services that will be performed in the following reporting periods.

	As at:	
	31 December 2018	31 December 2017
Trade liabilities towards unrelated entities	18 586	21 085
Trade liabilities towards related entities	5 833	3 350
Tax liabilities and other encumbrances	6 736	6 611
Accrued expenses	4 453	2 405
Deferred income	51	-
Other liabilities	621	473
Total trade liabilities and other liabilities	**36 280**	**33 924**
Including:		
Long-term part	-	-
Short-term part	36 280	33 924

In 2015, the Group concluded a factoring agreement with mBank under which the Group's trade liabilities towards selected suppliers are paid by the bank in 14 days from the day on which the invoice is issued by the supplier. The deadline for payment of the Group to the bank is 75 days from the day of the bank's payment of the liability towards the supplier. As at 31 December 2018, the Group's liabilities to the bank in this respect amounted to PLN 1 257 thousand. This amount has been recognised in the consolidated financial statements under liabilities in the item Factoring trade liabilities.

15. Credits and loans

Credits and loans are initially recognised at fair value less transaction costs incurred. In the following periods, these loans and credits are measured at the adjusted purchase price (amortised cost), using the effective interest rate.
Credits and loans are included in short-term liabilities unless the Group has an unconditional right to defer repayment of the liability by at least 12 months from the balance sheet date.

As at 31 December 2018, the Group has a liability for the short-term loan contracted by the subsidiary in Ukraine in the amount of PLN 1,693 thousand (UAH 12 472 thousand)

The Group has the following granted unused credit limits:

	As at:	
	31 December 2018	31 December 2017
With variable interest rate:		
- expiring in one year	1 693	410
- expiring after one year	-	-
Total unused credit limits	**1 693**	**410**

16. Lease

Lease of assets under which significant part of the risk and benefits of ownership is effectively retained by the lessor is operating lease. Lease fees charged to the Group under operating lease are charged to the financial result on a straight line basis over the term of the lease contract.

Lease of tangible fixed assets in which the Group takes over a significant part of the risk and benefits of ownership is financial lease. The financial lease object is recognised as an asset on the date of commencement of the lease at the lower of the two amounts: the fair value of the leased object or the current value of the minimum lease payments. Lease payments incurred in the reporting period in the part concerning capital instalments reduce the principal part of the liability due to finance lease. The remaining part, being the interest part, is charged to the financial expenses of the period. Separation of lease fees into the capital part and the interest part is made in such a way as to obtain fixed interest rate for each period in relation to the outstanding amount of the liability.
Tangible fixed assets subject to financial lease were showed in the financial statements on par with other items of tangible fixed assets and are subject to depreciation according to the same principles. If there is no reliable certainty that the Group will obtain the ownership right after the end of the lease contract, assets are depreciated in a shorter period than the period of lease and the period of economic usefulness.

a) Financial lease

As at 31 December 2018 and as at 31 December 2017, the Group did not have any tangible assets used under financial lease contracts.

b) Operating lease

Operating lease contracts include lease of the fleet of passenger cars and forklifts, lease of the Logistics Centre in Gdańsk and the site in Warsaw at Klasyków street, perpetual usufruct of land in Jaworzno

The total amount of future minimum payments is as follows:

	As at:	
	31 December 2018	31 December 2017
Up to one year	3 639	4 724
From 1 year to 5 years	6 455	12 152
Over 5 years	1 127	4 961
Total	**11 221**	**21 837**

The right of perpetual usufruct of land expires under the contract on 5 December 2089.

17. Deferred income tax

Assets and provisions for deferred income tax arising from temporary differences between the tax value of assets and liabilities and their balance sheet value in the consolidated financial statements are recognised by balance sheet method. However, if the deferred income tax had arisen from the initial recognition of an asset or liability in a transaction other than merger of business units which influences neither the financial result nor tax income (loss), the deferred tax income is not recognised. Deferred income tax is determined using tax rates (and regulations) legally or actually in force at the balance sheet date which, as expected, will be applicable at the time of realisation of the relevant deferred tax assets or at settlement of the deferred income tax liability.

Deferred income tax assets are recognised if it is probable that a taxable income will be generated in future that will allow for using temporary differences.
Assets and provisions for deferred income tax are mutually offset when there is a legally enforceable right to offset current assets and tax liabilities.

The Capital Group is able to control the dates of reversal of all temporary differences regarding investments in subsidiaries, branches and affiliates, as well as investments in joint ventures for which deferred tax was not recognised, and it is probable that these temporary differences will not be reversed in the foreseeable future.

	As at:	
	31 December 2018	31 December 2017
Deferred income tax assets:	5 692	3 473
Deferred income tax provision	(6 524)	(4 574)
Compensation	2 759	2 126
Balance sheet value of the deferred income tax asset	2 933	1 347
Balance sheet value of deferred income tax provision	(3 765)	(2 448)

Assets and provisions for deferred tax in the consolidated financial statements as at 31 December 2018 were recognised in the amounts resulting from offsetting assets and liabilities at the level of each of the companies being part of the Capital Group.

Changes in the balance of assets and deferred tax provision during the year (before considering their offset within one legal jurisdiction) are as follows:

	Financial statements		Profit and loss account		Equity	
	2018	2017	2018	2017	2018	2017
Deferred tax provision						
Tax depreciation	6 517	4 533	(1 983)	661	-	-
Unrealised exchange rate differences	7	26	19	10	-	447
Other	-	15	15	16	-	-
Total	**6 524**	**4 574**	**(1 949)**	**687**	**-**	**447**
Deferred tax assets						
Measurement of tangible fixed assets	2 141	1 126	1 015	58	-	-
Allowances for receivables	2 409	1 579*)	830	(658)	-	-
Provisions charged to expenses	1 142	973	169	235	-	-
Unrealised exchange rate differences	-	17	(17)	12	-	-
Total	**5 692**	**3 695*)**	**1 997**	**(353)**	**-**	**-**
(Charge)/credit from deferred income tax			**28**	**334**	**-**	**447**

*) The presented amounts of deferred tax assets are higher than those reported in the statements for 2017 by the amount of PLN 222 thousand resulting from the additional deferred tax asset due to the recognition of additional write-down of receivables in accordance with IFRS 9 *Financial instruments*.

18. Retirement pension liabilities

Retirement packages

Retirement packages are payable when the employee acquires the right to a retirement benefit pursuant to the Labour Code. The amount of retirement package due to an employee who acquires retirement rights amounts to an additional one-month salary.
The Group creates a provision for future liabilities related to benefits after the period of employment to assign expenses to the periods to which they relate. The provision is charged to operating expenses in amounts corresponding to the acquisition of such rights in future by present employees. The current value of these liabilities is calculated by an independent actuary.
Actuarial gains and losses resulting from a change in the actuarial assumptions (including those due to changes in discount rate) and actuarial adjustments ex post are recognised in other total income.
Calculation of the provision of the employee is based on the expected amount of retirement or disability package which the Company undertakes to pay under the Regulations.
The expected amount of package is calculated as the product of multiplication of the following factors:

- The expected amount of the basis of the retirement or disability package,

- The expected increase in the basis until retirement age,
- Percent ratio depending on job seniority.

The amount calculated as mentioned above is discounted actuarially as at the balance sheet date. Actuarial discount means the product of multiplication of financial discount and the likelihood that the person will reach the retirement age as an employee of the Company.

	As at:	
	31 December 2018	31 December 2017
Liabilities recognised in the financial statements due to:		
Retirement benefits	246	224
Total	**246**	**224**

The Group performs the actuarial measurement of the provision for retirement benefits at the end of each financial year.

	12 months 2018	12 months of 2017
Current service cost	16	13
Interest expense	8	8
Actuarial gains and losses, net	3	26
Benefits paid out	(5)	(8)
Included together in expenses of employee benefits	**22**	**39**

Change in balance sheet liability:

	12 months of 2018	12 months of 2017
Provision for pension benefits at the end of the period	224	185
Current service cost	16	13
Interest expense	8	8
Actuarial gains and losses, net	3	26
Benefits paid out	(5)	(8)
Provision for pension benefits at the end of the period	**246**	**224**

19. Sales revenues

Principles applied from 1 January 2018

According to IFRS 15, revenues are recognised in the amount of remuneration to which, as expected by the entity, it is entitled in exchange for handing over the promised goods or services to the customer.

The Company applies IFRS 15 taking into account the 5-step model:

- **Identification of contract with the customer**

The contract with the client fulfils its definition when all of the following criteria are met:

- The parties have entered into the contract and are obliged to perform their duties,
- The Company is able to identify the rights of each party concerning the goods or services to be transferred,
- The Company is able to identify the conditions of payment for goods or services to be transferred,
- The contract has economic content and it is likely that the Company will receive remuneration to which it will be entitled in exchange for goods or services that will be transferred to the customer.

- **Identification of obligations to be fulfilled in order to perform the service**

At concluding the contract, the Company evaluates the goods or services promised in the contract with the customer and identifies as an obligation to perform the service each promise to transfer to the customer a good or service that can be separated or groups of separate goods or services which basically are the same and in the case of which transfer to the customer is of the same nature.

- **Specification of transaction price**

In order to set the transaction price, the Company takes into account the terms of and conditions the contract and the customary commercial practices applied by the Company. Transaction price is the amount of remuneration which, as expected by the Company, will be due to the Company in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for instance VAT). Remuneration agreed in the contract with the customer may include fixed amounts, variable amounts or both types of such amounts.

- **Allocation of the transaction price to individual obligations to perform the service**

The Company allocates the transaction price to each obligation to perform a service (or for a separate good or separate service) in the amount reflecting the amount of remuneration to which – as expected by the Company – it is entitled in exchange for transfer of the promised goods or services to the customer.

- **Recognition of revenues at the moment of fulfilment of obligations to perform the service**

The Company recognises revenues at the time of fulfilment (or during fulfilment) of the obligation to perform the service by transferring the promised good or service (that is an asset) to the customer that obtains control over this asset. Revenues are recognised as amounts equal to the transaction price that has been assigned to the given obligation to perform the service. The Company transfers control over a good or service over time and thus fulfils the obligation to perform a service and recognises revenues over time if either of the following conditions is met:

- The customer simultaneously receives and derives benefits from the service, as its implementation progresses,
- As a result of the service performance, an asset is created or improved and this asset – as it is created or improved – is controlled by the customer,
- As a result of the service provision, no asset of alternative application is created for the Company and the Company has an enforceable right to payment for the service provided so far.

Revenues from the sale of services relate mainly to services of lease of formwork systems settled on the basis of daily rates. Revenues on this account as revenues from services provided over time are recognised on a monthly basis.
Revenues from the provision of other services – assembly, transportation, repair – are recognised at one moment.

Principles applied to 31 December 2017

Revenues include the fair value of revenues from the sale of products and services less tax on goods and services, rebates and discounts.
The Group recognises sales revenues when the amount of revenues can be reliably measured, it is probable that the entity will gain economic benefits in the future, and the specific criteria described below for each type of the Group's operations are met.

1. Revenues from sales of goods and building materials

Revenues from sales of goods and materials are recognised if the significant risks and benefits of ownership of the goods and materials have been transferred to the purchaser, and when the amount of revenues can be measured in a reliable way and the collectability of amounts due is sufficiently certain.
This category also comprises revenues from formwork systems that are components of tangible fixed assets. The result of sales of other tangible fixed assets is showed in other revenues or other operating expenses.
In the case of domestic sales, the moment of release of materials or goods to the purchaser from the Group's warehouse is considered to be the moment of recognising the revenue from the sale of materials or goods. In the case of export sales and intra-Community supply of goods, the moment of revenues recognition depends on the delivery conditions determined in accordance with Incoterms 2010 set forth in the performed contract.

2. Revenues from sales of services

Revenues from the sale of services relate mainly to services of lease of formwork systems settled on the basis of daily rates. Revenues on this account as revenues from services provided over time are recognised on a monthly basis.
Revenues from the provision of other services – assembly, transportation, repair – are recognised at one moment.

	12 months of 2018	12 months of 2017
Sales revenues from construction sites service	194 253	174 386
Revenues from sales of goods and building materials	29 468	26 908
Total sales revenues	**223 721**	**201 294**

- construction site services – the segment of rental of formwork and scaffolding systems together with widely understood logistic services and construction settlement at the end of a contract,
- sales of construction materials – the segment of sales of formwork systems being fixed assets and current assets (products and goods) of the Group, and of other building materials.

Geographic distribution of sales revenues is as follows:

Item	12 months of 2018	12 months of 2017
Domestic sales revenues	169 455	161 328
Foreign sales revenues	54 266	39 966
Total sales revenues	**223 721**	**201 294**

Revenues from sales to the entity controlling the Capital Group ULMA Construccion Polska S.A. in the 12-month period ended on 31 December 2018 amounted to PLN 7,039 thousand (in 2017, PLN – 3 066 thousand).

20. Expenses by type

	12 months of 2018	12 months 2017
Depreciation of tangible fixed assets and intangible assets	35 314	44 396
Costs of employee benefits (note 20 a)	38 485	32 469
Consumption of raw materials, auxiliary consumables and energy	11 795	12 232
Transportation services	14 403	14 394
Lease and rental services	12 481	13 229
Repairs and maintenance	7 734	8 668
Assembly and construction services	3 556	4 403
Other external services	12 984	14 076
Other expenses	6 318	5 968
Value of goods and materials sold	18 491	16 984
Total expenses by type	**161 561**	**166 819**
Variation in stock of products and production in progress, and costs of services for own needs	(185)	(26)
Sales and marketing costs	(2 577)	(2 601)
Administration costs	(17 157)	(15 236)
Costs of products, goods and materials sold	**141 642**	**148 956**

20 a) Costs of employee benefits		
Costs of remuneration and costs of benefits due to termination of employment	31 565	26 797
Costs of social security and employee benefits	6 920	5 672
Total costs of employee benefits	**38 485**	**32 469**

21. Other operating revenues and expenses

21 a) Other operating revenues	12 months of 2018	12 months of 2017
Surplus inventory	473	231
Profit due to change in the fair value of forward contracts	64	-
Damages received – lost components of tangible fixed assets and current	44	-
Sales and recovery of tangible fixed assets	66	18
Re-invoicing	346	248
Other revenues	28	-
Total other operating revenues	**1 021**	**497**

21 b) Other operating expenses	12 months of 2018	12 months of 2017
Inventory deficits	-	-
Change in provisions for receivables and written off receivables	(7 413)	(3 867)
Losses due to changes in the fair value of forward contracts		(11)
Write-down of tangible fixed assets	(136)	-
Other expenses	-	(140)
Total other operating expenses	**(7 549)**	**(4 018)**

22. Financial revenues and expenses

Financial revenues and expenses

Financial revenues include interest revenues related to the funds invested by the Group, dividends due, profits from changes in the fair value of financial instruments measured by the financial result, profits related to hedging instruments that are recognised in profit or loss of the current period. Interest revenues are recognised in profit or loss of the current period on accrual basis, using the effective interest rate method.

Dividend is recognised in profit or loss of the current period as at the day when the Group acquires the right to receive it.

Financial expenses include interest expenses related to external financing, losses from changes in the fair value of financial instruments measured at fair value by the financial result, impairment write-offs of financial assets (other than trade receivables) and losses from hedging instruments that are recognised in profit or loss of the current period.

Borrowing costs not directly attributable to acquisition, production or construction of certain assets are recognised in profit or loss of the current period using the effective interest method.

Profits and losses due to exchange differences are showed on a net basis as financial revenues or financial expenses, depending on their total net position.

22 a) Financial revenues	12 months of 2018	12 months of 2017
Interest on cash at bank	213	319
Interest on loan granted	962	807
Exchange rate differences	616	-
Other financial revenues	7	
Total financial revenues	**1 798**	**1 126**

22 b) Financial expenses		
Interest expenses:		
- bank credits	(45)	-
- other – due to delay in payment of liabilities	(83)	(120)
Total interest expenses	**(128)**	**(120)**
Exchange rate differences	-	(1 120)
Costs of bank financial products	-	(13)
Total financial expenses	**(128)**	**(1 253)**

22 c) Exchange rate gains/losses

The effects of exchange rate differences on the financial result of ULMA Construccion Polska S.A. Group are presented below:

	12 months of 2018	12 months of 2017
Sales revenues	239	(226)
Costs of products, goods and materials sold	(392)	294
Financial revenues	607	-
Financial expenses	-	(1 120)
Total exchange rate profits (losses)	**454**	**(1 052)**

23. Income tax

	12 months of 2018	12 months of 2017
Current tax	(11 195)	(7 063)
Deferred tax (note 17)	28	334
Total income tax	**(11 167)**	**(6 729)**

Income tax on the Group's profit before tax differs from the theoretical amount that would be obtained by applying the weighted average tax rate applicable to profits of consolidated companies, in the following way:

	12 months of 2018	12 months of 2017
Profit (loss) before tax	**58 164**	**30 954**
Non-tax revenue, including:	**(1 219)**	**-**
Unrealised exchange rate differences	(639)	-
Unpaid damages	(524)	-
Other	(56)	-
Expenses that permanently do not constitute tax deductible costs,	**2 872**	**2 631**
Representation costs	1 834	1 419
Expenses from prior years	-	431
Payments to the State Fund for Rehabilitation of Disabled Persons	202	163
Allowances for receivables	33	-
Other	561	313
Interest	106	305
Creation of write-down revaluating fixed assets	136	-
Non-tax losses in a subsidiary	**-**	**1 071**
Deduction of tax losses from past years	**(421)**	
Other	**-**	819
		-
Tax base	**59 396**	**35 475**
Income tax burden on the financial result	**11 167**	**6 729**

Tax authorities can inspect the accounting books and tax settlements within 5 year from the end of the year in which tax declarations were submitted (in 3 years in Ukraine) and charge the Companies in the Group with additional tax along with penal interest. In the opinion of the Management Board, there are no circumstances indicating that significant liabilities may arise in this respect.

24. Dividend per share

In accordance with Resolution No. 7 WZA ULMA Construccion Polska S.A. of 27 April 2018, a net profit of PLN 18 350 994.77 for the financial year of 2017 and some part of an undistributed profit of PLN 1 672 963.15 from the previous years, in total: PLN 20 023 957.92, were intended for payment to shareholders as a dividend, i.e. PLN 3.81 gross per share.

The date of determining rights to the dividend was set at 10 May 2018 and the date of paying the dividend – at 17 May 2018.

25. Contingent items/guarantees

At the request of ULMA Construccion Polska S.A., mBANK granted a bank guarantee to perform the lease contract to one of the Company's customers. The bank guarantee expires on 30 September 2019 and its amount will change during the term. The guarantee is related to the lease of the Logistics Centre in Gdańsk. The Company uses the Logistics Centre in Gdańsk based on a long-term lease contract.
As at the balance sheet date, the amount of the bank guarantee granted is PLN 3 303 thousand.

26. Investment liabilities (off-balance sheet)

There are no future contractual investment liabilities incurred as at the balance sheet date in the Capital Group ULMA Construccion Polska S.A.
Future liabilities due to operational lease (in which the Group is the lessee) are presented in Note 16b.

27. Measurement of financial instruments at fair value

Based on the analyses carried out, the Group assessed that the balance sheet value of financial instruments presented in these consolidated financial statements is close to the fair values of these instruments.

28. Significant events and events after the balance sheet date

After the balance sheet date, there were no events that could have a material impact on the presented consolidated financial statements, with the exception of the annex of 15 January 2019 to the agreement on loan for ULMA C y E S. Coop., under which terms of repayment are set as follows: PLN 11 000 thousand by 30 April 2019 and PLN 10 000 thousand by 30 April 2020.

29. Transactions with related entities

The Company is controlled by ULMA C y E, S. Coop. with its registered office in Spain, holding 75.49% of shares of the Company. The remaining 24.51% of shares are held by numerous shareholders.

In the presented financial years, the composition of the Capital Group did not change.

The Capital Group of ULMA Construccion Polska S.A. includes:

Parent company:

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

Subsidiaries:

- ULMA Opalubka Ukraina sp. z o.o. with its registered office in Kiev at Gnata Juri 9, established on 18 July 2001. It was registered in the Sviatoshin Branch of the State Administration for the City of Kiev under No. 5878/01 and ID code: 31563803. The company's objects are sales and rental of formworks, sales of construction materials. The issuer's share in capital and in the total number of votes is 100%.

- ULMA Opalubka Kazakhstan sp. z o.o. with its registered office in Astana, Tashenov 25 street, was established on 27 August 2010. Its strategic goal is to develop the core business of the Capital Group, i.e. renting formwork and scaffolding systems, and knowledge-sharing in the area of application of formwork technology in the construction process in Kazakhstan. The issuer's share in capital and in the total number of votes is 100%.

- ULMA Construccion BALTIC with its registered office in Vilnius, 41-12 Pylimo street, was established on 27 April 2012. The company's objects include rental of construction scaffoldings and formworks, wholesale and retail sale of construction scaffoldings and formworks, sales and lease of other construction equipment, and other commercial activity. The issuer's share in capital and in the total number of votes is 100%.

The Group also holds shares in the following affiliate:

ULMA Cofraje SRL with its registered office in Bragadiru at Soseaua de Centura No. 2-8 Corp C20 (Romania), established on 9 October 2007. It is registered in the National Office of the Commercial Register in Bucharest under No. 22679140. The company's objects consist in rental and sales of construction scaffoldings and formworks, including on lease terms and conditions. The issuer's share in capital and in the total number of votes is 30%. The remaining 70% of share in the Company's capital belongs to the entity exercising control over the group - ULMA C y E, S. Coop. with its registered office in Spain.

Subsidiaries are consolidated in full, while the affiliate is consolidated by using the equity method.

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

Figures regarding transactions of entities of the Capital Group Construccion Polska S.A. with entities of the Group ULMA C y E, S. Coop. (ES Group):

Balances of accounts on the balance sheet date	As at 31 December 2018	As at 31 December 2017
Trade receivables	**3 218**	**1 066**
Including:		
- from the parent entity	1 354	577
- from the affiliated entity	174	13
- from other related entities	1 690	476
Trade liabilities	**5 833**	**3 350**
Including:		
- to the parent entity	5 654	3 204
- to the affiliated entity	-	28
- to other related entities	179	118

Sales and purchases from the Group entities	12 months of 2018	12 months of 2017
Sales	**10 950**	**5 486**
Including:		
- to the parent entity	7 039	3 066
- to the affiliated entity	317	100
- to other related entities	3 594	2 320
Purchases	**40 694**	**37 160**
Including:		
- from the parent entity	40 039	35 608
- from the affiliated entity	87	109
- from other related entities	568	1 443

Loans, interest, dividends	12 months of 2018	12 months of 2017
Loans repaid – in EUR thousand – ULMA Cofraje Romania		221
Loans repaid in PLN thousand – ULMA CyE S. Coop.	11 000	-
Revenues from interest on loans – in EUR thousand	-	2
Revenues from interest on loans – in PLN thousand	962	800

ULMA Construccion Polska S.A. granted a short-term loan of PLN 32 000 thousand to the parent company ULMA CyE, S. Coop. The loan for the parent entity was granted on arm's length terms – the interest rate on the loan depends on the level of WIBOR 3M. The tranche in the amount of PLN 11 000 thousand was repaid on 21 May 2018. The terms of repayment of the remaining part of the loan are set as follows in accordance with the annex of 15 January 2019: PLN 11 000 thousand on 30 April 2019 and PLN 10 000 thousand on 30 April 2020.

Transactions with members of the Management Board and the Supervisory Board of the Parent Entity, their spouses, siblings, ascendants, descendants or other relatives, and with the key management personnel of the Parent Entity and companies of ULMA Group with related entities.

Members of the Management Board and Supervisory Board of the Company, as well as members of the Management Board and Supervisory Board of subsidiaries and proxies of the issuer are considered to be the key management personnel of the Company and companies of ULMA Group. In 2018 and in 2017, the Group companies have not granted any advances, loans, credits, guarantees and sureties to the managing and supervising persons and their relatives, and no other agreements were concluded with them to provide benefits to the Parent Entity and its affiliates.
As at 31 December 2018 and as at 31 December 2017, no loans were granted by the Group companies to the managing and supervising persons or their relatives.

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

In 2018, Members of the Management Board and of the Supervisory Board received remuneration together with bonuses in the following amounts:

	12 months of 2018		12 months of 2017
Management Board of ULMA Construccion Polska S.A.			
Rodolfo Carlos Muñiz Urdampilleta	1 303		1 213
Andrzej Kozłowski	261		447
Including: post-employment benefits	*261*		*447*
Andrzej Sterczyński	526		441
Krzysztof Orzełowski	466		383
ULMA Opalubka Ukraina			
Dmitriv Lyakhovetskiy	335		262
ULMA Opalubka Kazakhstan			
Ewgenij Chuchałow	119		109
ULMA Construccion BALTIC			
Vykintas Kuzmickas	236		197
Supervisory Board of ULMA Construccion Polska S.A.			
Michał Markowski	36		36
Andrzej Kozłowski	72		72

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

31. Profit per share

The basic profit per share is calculated as the quotient of profit attributable to the Company's shareholders and the weighted average number of ordinary shares during the year.

	12 months of 2018	12 months of 2017
Profit (loss) attributable to shareholders of the parent company	46 997	24 225
Number of shares as at the balance sheet date (pcs)	5 255 632	5 255 632
Weighted average number of ordinary shares (pcs)	5 255 632	5 255 632
Basic profit/(loss) per share (in PLN per share)	8.94	4.61
Diluted profit/(loss) per share (in PLN per share)	8.94	4.61

For the Management Board of ULMA Construccion Polska S.A.

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

Signature of the person entrusted with keeping accounting books

Full name	Position	Signature
Henryka Padzik	Chief Accountant	

Koszajec, 27 March 2019