

**EXTENDED CONSOLIDATED REPORT OF**

**THE CAPITAL GROUP OF**

**ULMA Construcción Polska S.A.**

**FOR THE 1ST QUARTER ENDED 31 MARCH 2018**





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

## **GENERAL INFORMATION**



## Objects

Objects of the Capital Group of ULMA Construcción 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 Construcción 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 Dorem at the Notary's Office in Warsaw, Reg. No. A 5500/95. On 29 October 2001, the District Court in Warsaw, 14th Commercial 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 Construcción 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 Construcción Polska S.A.**

(parent company of the Capital Group of ULMA Construcción Polska S.A.)

Koszajec 50

05-840 Brwinów

## Parent company and the Group's companies

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

- ULMA Construcción 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 Opałubka 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 Opałubka Kazachstan 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 Construcción 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 and Latvia).

All the amounts expressed in PLN '000, unless indicated otherwise



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 March 2018 and as at the date of approving the report for publication

### Supervisory Board

**Members of the Supervisory Board of the Company as at 31 March 2018 and as at the date of approving the report for publication:**

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 OF ULMA Construcción Polska S.A.**

# **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018**



## Consolidated financial statements

As at:

	31 March 2018 (not audited)	31 December 2017 (audited)	31 March 2017 (not audited)
<b>ASSETS</b>			
<b>I. Fixed assets (long-term)</b>			
1. Tangible fixed assets	215 767	210 073	202 712
2. Intangible assets	347	400	176
3. Shares in affiliates	1 188	1 155	-
4. Other fixed assets	3 943	3 957	3 999
5. Long-term receivables	-	-	935
6. Deferred tax assets	1 541	1 347	1 091
<b>Total fixed assets (long-term)</b>	<b>222 786</b>	<b>216 932</b>	<b>208 913</b>
<b>II. Current assets (short-term)</b>			
1. Inventories	4 602	5 710	4 725
2. Trade receivables and other receivables	82 697	86 532	82 046
3. Income tax receivables	576	1 220	651
4. Derivatives	7	-	4
5. Cash and cash equivalents	38 228	25 802	47 456
<b>Total current assets (short-term)</b>	<b>126 110</b>	<b>119 264</b>	<b>134 882</b>
<b>Total assets</b>	<b>348 896</b>	<b>336 196</b>	<b>343 795</b>

All the amounts expressed in PLN '000, unless indicated otherwise



As at:

	31 March 2018 (not audited)	31 December 2017 (audited)	31 March 2017 (not audited)
<b>EQUITY AND LIABILITIES</b>			
<b>I. Equity</b>			
1. Share capital	10 511	10 511	10 511
2. Supplementary capital – share premium	114 990	114 990	114 990
3. Foreign exchange gains/losses on consolidation	(15 873)	(16 456)	(14 034)
4. Retained earnings, including:	194 879	186 780	191 423
a) Net profit (loss) for the financial period	9 314	24 225	488
<b>Total equity</b>	<b>304 507</b>	<b>295 825</b>	<b>302 890</b>
<b>II. Liabilities</b>			
<b>1. Long-term liabilities</b>			
a. Deferred income tax liabilities	2 305	2 448	1 624
b. Long-term pension liabilities	173	173	144
<b>Total long-term liabilities</b>	<b>2 478</b>	<b>2 621</b>	<b>1 768</b>
<b>2. Short-term liabilities</b>			
a. Bank credits	-	410	-
b. Short-term pension liabilities	51	51	41
c. Short-term liabilities due to factoring of trade liabilities	3 301	2 936	3 546
d. Current income tax liabilities	552	365	757
e. Derivatives	-	64	-
f. Trade liabilities and other liabilities	38 007	33 924	34 793
<b>Total short-term liabilities</b>	<b>41 911</b>	<b>37 750</b>	<b>39 137</b>
<b>Total liabilities</b>	<b>44 389</b>	<b>40 371</b>	<b>40 905</b>
<b>Total equity and liabilities</b>	<b>348 896</b>	<b>336 196</b>	<b>343 795</b>

All the amounts expressed in PLN '000, unless indicated otherwise





## Consolidated profit and loss account and other total income

	1st quarter of 2018	1st quarter of 2017 (data restated)
Sales revenues	49 746	40 486
Costs of products, goods and materials sold	(32 506)	(34 731)
<b>I. Gross profit on sales</b>	<b>17 240</b>	<b>5 755</b>
Sales and marketing costs	(670)	(945)
Overheads	(4 069)	(3 644)
Other operating revenues	255	744
Other operating costs	(1 505)	(809)
<b>II. Operating profit (loss)</b>	<b>11 251</b>	<b>1 101</b>
Financial revenues	463	338
Financial costs	(66)	(506)
<i>Net financial costs</i>	397	(168)
Share in profits (losses) of affiliates	33	-
<b>III. Profit (loss) before tax</b>	<b>11 681</b>	<b>933</b>
Current income tax	(2 438)	(1 587)
Deferred income tax	71	1 142
<b>IV. Net profit (loss) for the financial period</b>	<b>9 314</b>	<b>488</b>
<b>Other total net income subject to reclassification to profit (loss) in subsequent reporting periods</b>		
Foreign exchange differences from the restatement of financial	583	(260)
Income tax related to other total income items	-	197
<b>V. Total income for the financial period</b>	<b>9 897</b>	<b>425</b>
Net profit attributable to shareholders of the parent company	9 314	488
Net profit attributable to minority shareholders	-	-
Total income attributable to shareholders of the parent company for the financial period	9 897	425
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 profit (loss) per share in the financial period (in PLN per share)	1.77	0.09

All the amounts expressed in PLN '000, unless indicated otherwise



## Statement of changes in consolidated equity

Item	Share capital at nominal value	Share premium	Foreign exchange gains/losses on consolidation	Retained earnings	Total equity
<b>As at 1 January 2017</b>	<b>10 511</b>	<b>114 990</b>	<b>(13 971)</b>	<b>190 935</b>	<b>302 465</b>
Total income in 2017	-	-	(2 485)	24 225	21 740
Dividend paid	-	-	-	(28 380)	(28 380)
<b>As at 31 December 2017 (data reported)</b>	<b>10 511</b>	<b>114 990</b>	<b>(16 456)</b>	<b>186 780</b>	<b>295 825</b>
Adjustment for IFRS 9	-	-	-	(1 215)	(1 215)
<b>As at 1 January 2018 (data restated)</b>	<b>10 511</b>	<b>114 990</b>	<b>(16 456)</b>	<b>185 565</b>	<b>294 610</b>
Total income in the 1st quarter of 2018	-	-	583	9 314	9 897
<b>As at 31 March 2018</b>	<b>10 511</b>	<b>114 990</b>	<b>(15 873)</b>	<b>194 879</b>	<b>304 507</b>

Item	Share capital at nominal value	Share premium	Foreign exchange gains/losses on consolidation	Retained earnings	Total equity
<b>As at 1 January 2017</b>	<b>10 511</b>	<b>114 990</b>	<b>(13 971)</b>	<b>190 935</b>	<b>302 465</b>
Total income in the 1st quarter of 2017	-	-	(63)	488	425
<b>As at 31 March 2017</b>	<b>10 511</b>	<b>114 990</b>	<b>(14 034)</b>	<b>191 423</b>	<b>302 890</b>

All the amounts expressed in PLN '000, unless indicated otherwise



## Consolidated cash flow statement

	1st quarter 2018	1st quarter 2017
<b>Operating cash flows</b>		
<b>Net profit for the financial period</b>	<b>9 314</b>	<b>488</b>
Adjustments:		
- Income tax	2 368	445
- Depreciation of fixed assets	7 908	11 798
- Depreciation of intangible assets	59	25
- Net value of sold formworks – fixed assets	127	903
- (Profits) losses on changes in the fair value of financial instruments	(71)	(16)
- Change in the value of shares in affiliates	(33)	-
- Interest received	(337)	(338)
- Interest expense	27	-
- Foreign exchange (profits) losses	(205)	(144)
Changes in current assets:		
- Inventories	1 108	(1 095)
- Trade receivables and other receivables	2 398	567
- Trade liabilities and other liabilities	4 448	8 115
	<b>27 111</b>	<b>20 748</b>
Purchase of formworks	(12 773)	(9 338)
Income tax paid	(1 607)	(860)
<b>Net operating cash</b>	<b>12 731</b>	<b>10 550</b>
<b>Investing cash flows</b>		
Acquisition of tangible fixed assets	(496)	(214)
Inflows from the sale of tangible fixed assets	6	12
Acquisition of intangible assets	(5)	-
Interest received	337	338
<b>Net investing cash</b>	<b>(158)</b>	<b>136</b>
<b>Financing cash flows</b>		
Repayment of credits and loans	(410)	-
Interest paid	(27)	-
<b>Net financing cash</b>	<b>(437)</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>	<b>12 136</b>	<b>10 686</b>
Opening cash	25 802	36 948
Foreign exchange (losses) profits on the valuation of cash	290	(178)
<b>Closing cash</b>	<b>38 228</b>	<b>47 456</b>

All the amounts expressed in PLN '000, unless indicated otherwise



**CAPITAL GROUP OF  
ULMA Construcción Polska S.A.**  
**ADDITIONAL INFORMATION  
TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**



## Notes to the consolidated financial statements

### **Statement of compliance and general principles of preparation**

These condensed consolidated financial statements for the period of 3 months ended 31 March 2018 was prepared as required by IAS 34 "Interim Financial Reporting" and the Regulation of the Minister of Finance of 19 February 2009 on current and periodic disclosures to be made by issuers of securities and the conditions for recognising information whose disclosure is required under the laws of a non-member state as equivalent (consolidated text: Journal of Laws 2014 item 133 as amended) and present the financial standing of the Capital Group of ULMA Construcccion Polska S.A. as at 31 March 2018, its performance and cash flows for the period of 3 months ended 31 March 2018.

These interim condensed 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 condensed financial statements for publication, there are no circumstances indicating any threat to the Group's companies to continue as going concerns.

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

All the amounts in these interim condensed consolidated financial statements are expressed in PLN '000, unless indicated otherwise.

The Group prepared the interim condensed consolidated financial statements based on the same accounting principles as described in the audited consolidated financial statements as at 31 December 2017. The interim financial statements as at 31 March 2018 should be read together with the audited consolidated financial statements as at 31 December 2017.

These consolidated financial statements were approved for publication by the Management Board on 16 May 2018.

### Restatement of comparative data

The Group restated comparative data for the 1st quarter of 2017. The adjustment covers:

- reclassification of revaluation write-offs of receivables (creation and reversal) and written-off trade receivables of PLN 642 thousand in total from "Sales and marketing costs" to "Other operating costs",
- set-off of amounts of certain closely related movements of fixed assets in the formwork group previously separately recognised as "Other operating revenues" and "Other operating costs" to present the total effect of managing the Group's fixed assets. The set-off amount is PLN 115 thousand.

The above adjustments did not affect the Group's result on operations for the 1st quarter of 2017.



Moreover, given the implementation of the provisions of IFRS 9, the Group recognised – as "Retained earnings" under the date of 1 January 2018 – an additional revaluation write-off of trade receivables of PLN 1 437 thousand adjusted by deferred tax assets of PLN 222 thousand.

"Retained earnings" were reduced by PLN 1 215 thousand – at the same time, it is the difference between the Group's equity reported in the consolidated financial statements as at 31 December 2017 and the Group's equity as at 1 January 2018.

## Exchange rates and inflation

	Average PLN exchange rates published by the NBP				Change in the CPI published by the Central Statistical Office
	UAH (hryvnia – Ukraine)	RON (leu – Romania)	KZT (tenge – Kazakhstan)	EUR (euro)	
31 March 2018	0.1298	0.9034	0.010631	4.2085	1.5%
31 December 2017	0.1236	0.8953	0.010633	4.1709	2.0%
31 March 2017	0.1460	0.9277	0.012464	4.2198	2.0%



## Additional information to the quarterly report

### Amount and type of items influencing assets, liabilities, equity, net result or cash flows which are unusual due to their type, value or frequency

No such operations in the 1st quarter of 2018 occurred.

### A concise description of the issuer's significant achievements or failures in the report period together with a list of the most important events related to them and a description of factors and events, in particular of unusual nature, having a significant impact on the condensed financial statements

#### Market environment in Poland

Macroeconomic data for the industry and construction published for the 1st quarter of 2018 indicate that last year's positive trends in the economy continue.

In March 2018, **the industry's marketed production** was 1.8% higher than in March 2017, and **construction and assembly production** was 16.2% higher. In January-March this year, the industry's marketed production was 5.6% higher than in the corresponding period of the previous year when 7.3% growth was recorded, while construction and assembly production was 26.1% higher than last year when 3.9% growth was recorded. These positive trends in the economy of Poland influenced **GDP** which increased in the 1st quarter of 2018 by 5.1% on a year-to-year basis(*source: CSO estimates*).

Increases are particularly evident in **non-residential construction** (28.8% higher than in the 1st quarter last year), specifically in the segment of transport and communications buildings (94.3% growth on a quarter-to-quarter basis), office buildings (40% growth on a quarter-to-quarter basis) and cultural, educational and healthcare facilities (41% growth on a quarter-to-quarter basis).

A large number of investments made in **the infrastructural sector** resulted in 33.5% growth in this construction segment compared to the 1st quarter last year. These increases are particularly evident in railway construction (109.3% growth on a quarter-to-quarter basis) and road construction (41.5% growth on a quarter-to-quarter basis). In the bridge, flyover and viaduct construction sector, which is of the greatest interest to the Group, 33.6% growth on a quarter-to-quarter basis was recorded.

The situation in **residential construction** is very good as well. The number of new investments and apartments put in use is still growing. In the 1st quarter of 2018, 18.1% growth compared to the 1st quarter of 2017 was recorded.

The situation in **industrial construction** is good as well. 30.4% growth on a quarter-to-quarter basis was recorded in the segment of industrial and warehouse buildings, while 11.6% growth on a quarter-to-quarter basis was recorded for complex buildings in industrial areas, and 15.7% growth on a quarter-to-quarter basis was recorded for water structures.

All the amounts expressed in PLN '000, unless indicated otherwise



Production in sectors, which are considered by the Company as important, is presented in the table below:

Analysis of ULMA market data (PLN '000 000) – CSO/PMR			
Sector	1st quarter of 2018	1st quarter of 2017	% on a quarter-to-quarter basis.
Residential sector	3 193	2 704	18.1%
Non-residential sector	3 800	2 966	28.1%
Engineering sector (bridges, viaducts, flyovers, tunnels)	401	300	33.6%
Industrial sector	3 981	3 206	24.2%
<b>Sectors supported by ULMA CONSTRUCCION POLSKA S.A. in total</b>	<b>11 375</b>	<b>9 176</b>	<b>24.0%</b>

The above data indicate that upward trends in construction continue.

## Market environment abroad

In Ukraine, GDP dynamics in the 1st quarter of 2018 was positive and reached 2.3% on a quarter-to-quarter basis compared to 1.3% recorded in the corresponding period of the previous year. Industrial production growth dynamics in the analysed period increased to 2.4% on a quarter-to-quarter basis and the growth rate of construction and assembly production decreased slightly (-0.3% on a quarter-to-quarter basis). This phenomenon was mainly due to the prolonged winter which meant delay in launching certain projects.

In the analysed period, there were increases in the **non-residential** sector where 4.4% growth on a quarter-to-quarter basis was recorded in this period. **Engineering** and **residential** sectors saw decreases by respectively 0.5% and 3.5% on a quarter-to-quarter basis.

Already in 2016 and 2017, the economic situation of Ukraine was stabilising which was reflected in positive values of almost all significant macroeconomic indicators. The 1st quarter this year is quite difficult for construction due to the phenomenon of seasonality, however, the number of new projects launched in Ukraine, especially in the non-residential sector, allow us to think positively about the formwork and scaffolding market in the months to come.

### KAZAKHSTAN

In Kazakhstan, GDP dynamics in the 1st quarter of 2018 reached 4.1% on a quarter-to-quarter basis, while industrial production dynamics – 5.3% on a quarter-to-quarter basis, thus indicating positive trends. However, construction and assembly production dynamics in the analysed period reached 5.9% on a quarter-to-quarter basis. The highest increase was recorded in the **residential** sector (34.2% on a quarter-to-quarter basis) and in the **engineering** sector (12.4% on a quarter-to-quarter basis). However, there were practically no changes in the **non-residential** sector compared to the corresponding period of the previous year.





The above data indicate that 2018 will be better for the economy of Kazakhstan than the previous two years. At the same time, it can be seen that construction and assembly production caught up and even surpassed industrial production dynamics which was expected and which occurred in the past. It gives positive prospects for the development of construction in the next quarters. There is still a large share of Russian companies among formwork suppliers. These companies are exempt from import duty and also the price of their products expressed in the local currency – Tenge, has only slightly changed over the last 3 years, while the price of European products has increased considerably due to the devaluation of Tenge.

## LITHUANIA

In Lithuania, GDP dynamics throughout 2017 reached 3.8% on a year-to-year basis, industrial production dynamics – 6.9% on a year-to-year basis, and construction and assembly dynamics throughout 2017 – 9.2% on a year-to-year basis (including the **engineering sector** – 15.5% on a year-to-year basis, the **non-residential sector** – 11.9% on a year-to-year basis, while the **residential sector** – 8.3% on a year-to-year basis). Industrial production dynamics in the 1st quarter reached 5.9% on a quarter-to-quarter basis.

(source: PMR data, own observations)

## Operating profitability

In the 1st quarter of 2018, the Capital Group's operating profit was PLN 11 251 thousand compared to PLN 1 101 thousand achieved in the corresponding period of the previous year.

Basic figures related to EBIT (operating profit) and EBITDA (operating profit + depreciation) in the analysed periods were as follows:

	1st quarter of 2018	2017	1st quarter of 2017
Sales	49 746	201 294	40 486
<b>EBIT</b>	<b>11 251</b>	<b>30 980</b>	<b>1 101</b>
% of sales	22.62	15.39	2.72
Depreciation	7 967	44 396	11 823
<b>EBITDA</b>	<b>19 218</b>	<b>75 376</b>	<b>12 924</b>
% of sales	38.64	37.45	31.92

In the 1st quarter of 2018, the Capital Group recorded an increase in EBITDA in absolute terms by PLN 6 294 thousand compared to the level achieved in the 1st quarter of 2017, resulting in an increase in EBITDA expressed as a sales percentage by 6.72 percentage points. This was due to the favourable market environment in Poland referred to at the outset, the dynamisation of economic activity in Ukraine and the consistent policy of the Management Board on controlling operating costs of the parent company and subsidiaries of the Capital Group.

In the 1st quarter of 2018, the Capital Group created write-offs of receivables and write-downs of trade receivables of PLN 1 505 thousand compared to PLN 642 thousand in the corresponding period of the previous year (recognised as "Other operating costs"). The increase in this item is due to a write-off of certain receivables from the foreign market (Latvia) – *as discussed in more detail on page 28*.



In the 1st quarter of 2018, the Capital Group did not make revaluation write-offs of inventories or impairment losses on tangible fixed assets or intangible assets. There were also no reversals of such write-offs.

In the 4th quarter of 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. In the 1st quarter of 2018, the changes caused a decrease in depreciation costs for this group of fixed assets by PLN 4 771 thousand compared to the no-change scenario.

## **Foreign exchange risk hedging transactions**

The Capital Group's companies purchase the products (formwork and scaffolding systems and accessories) being the subject matter of commercial and service activity from the parent company in Spain, other companies of the ULMA Group and from other third companies.

As part of commercial activities, the Capital Group operates on export markets, primarily in Ukraine, Lithuania and Kazakhstan where its business activity is carried out by its subsidiaries: Ulma Opałubka Ukraina sp. z o.o., Ulma Construcción BALTIC sp. z o.o. and Ulma Opałubka Kazachstan Sp. z o.o. In effect, the Capital Group's companies are exposed to foreign exchange risk which the Capital Group attempts to mitigate by:

- activity on the currency and forward market by using non-delivery forwards (NDFs), or
- adjusting the offered prices of services and materials which, however, is not fully effective.

All the Capital Group's futures (NDFs) are concluded only for the purpose of hedging against the foreign exchange risk and do not reveal any features of asymmetry.

The Capital Group does not apply the so-called "hedge accounting", thus results and valuations of hedging transactions (positive and negative) are recognised in its periodic result.

## **Financial costs and other total income**

Foreign exchange changes increased the Group's equity in the 1st quarter of 2018 by PLN 583 thousand. The amount above recognised as "Other total income" includes:

- positive foreign exchange differences from the restatement of financial statements of foreign entities – PLN 463 thousand,
- positive foreign exchange differences from the valuation of intra-Group loans recognised in accordance with IAS 21 as net investments in foreign entities – PLN 120 thousand.

In the 1st quarter of 2018, the Capital Group neither created any impairment losses on financial assets nor did it reverse them.

In the separate financial statements of ULMA Construcción Polska S.A. for the 1st quarter of 2017, a revaluation write-off of shares in the affiliate (ULMA Cofraje Romania) was made in the amount of PLN 450 thousand. As at 31 March 2017, the write-off totalled PLN 1 212 thousand (as at 31 December 2017 and as at 31 March 2018 – PLN 2 562 thousand).



## Net financial result

After taking into account income tax, the Capital Group's net profit in the 1st quarter of 2018 was PLN 9 314 thousand compared to PLN 488 thousand achieved in the corresponding period of the previous year.

## Cash flows

The condensed cash flow statement of the Group in the analysed periods is presented in the table below:

	1st quarter of 2018	1st quarter of 2017
Net profit (loss)	9 314	488
Depreciation	7 967	11 823
<b>Total financial surplus</b>	<b>17 281</b>	<b>12 311</b>
Other elements of net operating flows	(4 550)	(1 761)
<b>Net operating cash</b>	<b>12 731</b>	<b>10 550</b>
Net investing cash	(158)	136
Net financing cash	(437)	-
<b>Net cash</b>	<b>12 136</b>	<b>10 686</b>

## Operating flows

In the 1st quarter of 2018, the Capital Group achieved a positive financial surplus (net profit + depreciation) of PLN 17 281 thousand.

In the same period, operating cash amounted to PLN 12 731 thousand compared to PLN 10 550 thousand in the corresponding period of the previous year.

In the 1st quarter of 2018, the Capital Group made investment purchases in the formwork and scaffolding group mainly to supplement the portfolio of the offered products necessary to provide services on the construction market, which has been growing since 2017, in particular in the bridge segment. As a result, investment expenses in the 1st quarter of 2018 related to the acquisition of tangible fixed assets in the group of formwork and scaffolding systems amounted to PLN 12 773 thousand compared to PLN 9 338 thousand in the corresponding period of 2017.

## Investing flows

Investing flows include primarily inflows from interest on the loan granted to the parent company and expenses related to purchases of other fixed assets (tent halls for the needs of logistics centres, formwork cleaning and repairing machines and devices, and hardware).

## Financing flows

In the 1st quarter of 2018, the Group incurred expenses related to the repayment of a short-term credit by its subsidiary in Ukraine and related to the payment of interest on the credit above.

As a result of the above, the Group's cash in the 1st quarter of 2018 increased by PLN 12 136 thousand and reached PLN 38 228 thousand as at 31 March 2018.

All the amounts expressed in PLN '000, unless indicated otherwise



## Employment information

Basic information on the Capital Group's and the parent company's average employment is presented in the table below.

	1st quarter of 2018	2017	1st quarter of 2017
ULMA Construcccion Polska S.A.	275	250	240
Capital Group of ULMA Construcccion Polska S.A.	342	327	317

## Explanations on the seasonality or cyclicity of the issuer's activity in the presented period

Construction works are characterised by significant seasonality which translates directly into the Capital Group's revenues from sales of products and services. Particularly unfavourable weather conditions and frequent delays in budgetary investments usually occur in the 1st quarter of a year. These factors improve usually in the following quarters and the peak of the construction season is usually the 3rd quarter of a calendar year.

These phenomena also cause the seasonality effect in renovations of the Capital Group's products (formwork and scaffolding systems). Most of these works fall within the construction season, i.e. the 2nd and 3rd quarter of a year.

## Information on the issue, redemption and repayment of non-share and equity securities

No such operations in the 1st quarter of 2018 occurred.

## Information on the paid (or declared) dividend, in total and per share, broken down into ordinary and preference shares.

In accordance with Resolution No. 7 WZA ULMA Construcccion 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.

## Indication of events, which followed the date of the condensed quarterly financial statements, not covered by this report, but which might have a significant impact on future financial results of the Capital Group of ULMA Construcccion Polska S.A.



No such events occurred.

### Information on changes in contingent liabilities or contingent assets which have taken place since the end of the last financial year

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

### Information on revenues and results for individual business or geographical segments specified in line with the IASs, depending on which division of segments is the basic one

The Capital Group of ULMA Construcción 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 Capital Group, and of other construction materials.

Results in the segments were as follows:

#### 1st quarter of 2018 – period of 3 months ended 31 March 2018

Item	Construction site services	Sales of construction materials	Capital Group
Total sales revenues	45 256	7 629	52 885
Internal sales	(78)	(3 061)	(3 139)
<b>Sales revenues</b>	<b>45 178</b>	<b>4 568</b>	<b>49 746</b>
Operating costs without depreciation	(26 528)	(6 207)	(32 735)
Internal turnover costs	18	2 189	2 207
<b>Consolidated operating costs without depreciation</b>	<b>(26 510)</b>	<b>(4 018)</b>	<b>(30 528)</b>
<b>EBITDA</b>	<b>18 668</b>	<b>550</b>	<b>19 218</b>

#### 1st quarter of 2017 – period of 3 months ended 31 March 2017

Item	Construction site services	Sales of construction materials	Capital Group
Total sales revenues	36 666	7 399	44 065
Internal sales	(95)	(3 484)	(3 579)
<b>Sales revenues</b>	<b>36 571</b>	<b>3 915</b>	<b>40 486</b>

All the amounts expressed in PLN '000, unless indicated otherwise



Operating costs without depreciation	(24 442)	(5 395)	(29 837)
Internal turnover costs	13	2 262	2 275
<b>Consolidated operating costs without depreciation</b>	<b>(24 429)</b>	<b>(3 133)</b>	<b>(27 562)</b>
<b>EBITDA</b>	<b>12 142</b>	<b>782</b>	<b>12 924</b>

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

	1st quarter of 2018	1st quarter of 2017
<b>EBITDA</b>	<b>19 218</b>	<b>12 924</b>
Depreciation	(7 967)	(11 823)
Interest revenues	337	338
Other financial revenues	126	-
Interest costs	(27)	-
Other financial costs	(39)	(506)
Share in results of affiliates	33	-
<b>Profit (loss) before tax</b>	<b>11 681</b>	<b>933</b>
Income tax	(2 367)	(445)
<b>Net profit (loss)</b>	<b>9 314</b>	<b>488</b>



## Conversion of selected financial data into euro

ITEM	in PLN '000		in EUR '000	
	1st quarter of 2018	1st quarter of 2017	1st quarter of 2018	1st quarter of 2017
Net revenues from sales of products, goods and materials	49 746	40 486	11 898	9 362
Operating result	11 251	1 101	2 691	254
Result before tax	11 681	933	2 794	216
Net result	9 314	488	2 228	113
Net operating cash flows	12 731	10 550	3 045	2 439
Net investing cash flows	(158)	136	(38)	32
Net financing cash flows	(437)	-	(104)	-
Net cash flows	12 136	10 686	2 903	2 471
Diluted profit per ordinary share (in PLN/EUR)	1.77	0.09	0.43	0.02
Basic profit per ordinary share (in PLN/EUR)	1.77	0.09	0.43	0.02
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
Total assets	348 896	336 196	82 902	80 605
Liabilities	44 389	40 371	10 547	9 679
Long-term liabilities	2 478	2 621	589	628
Short-term liabilities	41 911	37 750	9 958	9 051
Equity	304 507	295 825	72 355	70 926
Share capital	10 511	10 511	2 498	2 520
Weighted average number of shares	5 255 632	5 255 632	5 255 632	5 255 632
Number of shares as at the balance sheet date	5 255 632	5 255 632	5 255 632	5 255 632
Book value per share (in PLN/EUR)	57.94	56.29	13.77	13.50

The individual items of assets as well as equity and liabilities were converted into EUR at the average exchange rates published by the President of the NBP, valid as at the balance sheet date. The average exchange rate of EUR as at 31 March 2018 was PLN 4.2085 and as at 31 December 2017 – PLN 4.1709.

The items of the statement of total income and the items of the cash flow statement were converted at a rate being the arithmetic mean of exchange rates valid in a specific period, i.e. data for 1 January to 31 March 2018 converted at an exchange rate of PLN 4.1811/EUR, data for the corresponding period of 2017 converted at an exchange rate of PLN 4.3246/EUR.

## Description of the structure of the Capital Group of ULMA Construcción Polska S.A. with indication of the entities subject to consolidation

The Group is controlled by ULMA C y E, S. Coop. with its registered office in Spain, holding 75.49% of shares of the Company as at 31 March 2018. The remaining 24.51% of shares are held by numerous shareholders.





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

### Parent company

- **ULMA Construcción Polska S.A.** – a commercial law company with its registered office in Koszajec 50, gm. Brwinów. On 15 September 1995, it was transformed from a limited liability company to a joint-stock company by virtue of a Resolution of the Extraordinary General Meeting of Shareholders (Notary Deed of 15 September 1995, Reg. A No. 5500/95). It was entered in the Register of Entrepreneurs by the District Court for the Capital City of Warsaw, 20th Commercial Division of the National Court Register, under KRS No. 0000055818.

### Subsidiaries:

- **ULMA Opałubka 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 Opałubka Kazachstan sp. z o.o.** with its registered office in Astana at 101, Sector 55, Office 201-202. 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 Construcción BALTIC sp. z o.o.** with its registered office in Vilnius at Justiniskiu 126. The company's objects are 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 are rental and sales of construction scaffoldings and formworks, including on leasing terms and conditions. The issuer's share in capital and in the total number of votes is 30%.

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

### Indication of effects of changes in the business entity structure, including changes resulting from merger of business entities, takeover or sale of the Capital Group's entities, long-term investments, division, restructuring and cessation of activity

No changes in the structure of the Capital Group of ULMA Construcción Polska S.A. occurred in the report period.

### Position of the Management Board on the possibility of delivering the previously published result forecasts for this year, with a view to the results presented in the quarterly report compared to forecast results

All the amounts expressed in PLN '000, unless indicated otherwise





The Capital Group of ULMA Construcción Polska S.A. does not publish forecasts of results.

**Indication of shareholders holding – either directly or indirectly via subsidiaries – at least 5% of the total number of votes at the General Meeting of ULMA Construcción Polska S.A. as at the date of submitting the quarterly report together with indication of the number of shares held by these entities, their percentage share in share capital, the number of votes at the General Meeting of Shareholders and indication of changes in the ownership structure of major shareholdings in ULMA Construcción Polska S.A. since the submission of the previous quarterly report.**

As at the date of submitting this quarterly report, the following shareholders hold over 5% of the total number of votes:

- **ULMA C y E S, Coop.** (Spain) holding directly 3 967 290 shares in ULMA Construcción Polska S.A., accounting for 75.49% of share in the Company's share capital and giving the right to 3 967 290 votes at the General Meeting, accounting for 75.49% of the total number of votes,
- **Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK** holding directly 263 000 shares in ULMA Construcción Polska S.A., accounting for 5.00% of share in the Company's share capital and giving the right to 263 000 votes at the General Meeting, accounting for 5.00% of the total number of votes.
- **Quercus TFI S.A.** holding 264 893 shares in ULMA Construcción Polska S.A., accounting for 5.04% of share in the Company's share capital and giving the right to 264 893 votes at the General Meeting, accounting for 5.04% of the total number of votes.

Since the submission of the previous quarterly report, there have been no changes in the ownership structure of major shareholdings in ULMA Construcción Polska S.A.

**List of changes in the ownership of shares in ULMA Construcción Polska S.A. or rights to them (options) by managers and supervisors of the issuer, according to information held by ULMA Construcción Polska S.A., since the submission of the previous report**

According to information held by ULMA Construcción Polska S.A., there have been no changes in the ownership of shares in ULMA Construcción Polska S.A. or rights to them (options) by these persons since the submission of the previous report. No manager and supervisor of ULMA Construcción Polska S.A. holds the issuer's shares.

**Indication of proceedings pending before a court, an authority competent for arbitration proceedings or a public administration authority, including information on:**

- proceedings concerning liabilities or claims of ULMA Construcción Polska S.A. or its subsidiary, the value of which is at least 10% of the equity of ULMA Construcción Polska S.A., specifying: subject matter of the proceedings, value at dispute, institution date of the proceedings, parties to the instituted proceedings and the Company's position;



- two or more proceedings concerning liabilities or claims, the total value of which is respectively at least 10% of the equity of ULMA Construcción Polska S.A., specifying the total value of the proceedings separately in the group of liabilities and claims, together with the Company's position in this respect and, with reference to the largest proceedings in the group of liabilities and claims, indication of their subject matter, value at dispute, institution date of the proceedings and parties to the instituted proceedings.

#### **Proceedings concerning claims of ULMA Construcción Polska S.A. as at 31 March 2018:**

ULMA Construcción Polska S.A. conducts 49 court proceedings concerning claims (as at 31 March 2018), the total value of which is PLN 21 670 thousand. These are court proceedings which have not yet been completed by issuing a final and non-appealable writ of execution by the court, and claims against debtors, against whom the court issued a bankruptcy order (arrangement, liquidation) or a reorganisation order.

No court proceedings conducted by ULMA Construcción Polska S.A. exceed 10% of the equity of ULMA Construcción Polska S.A.



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

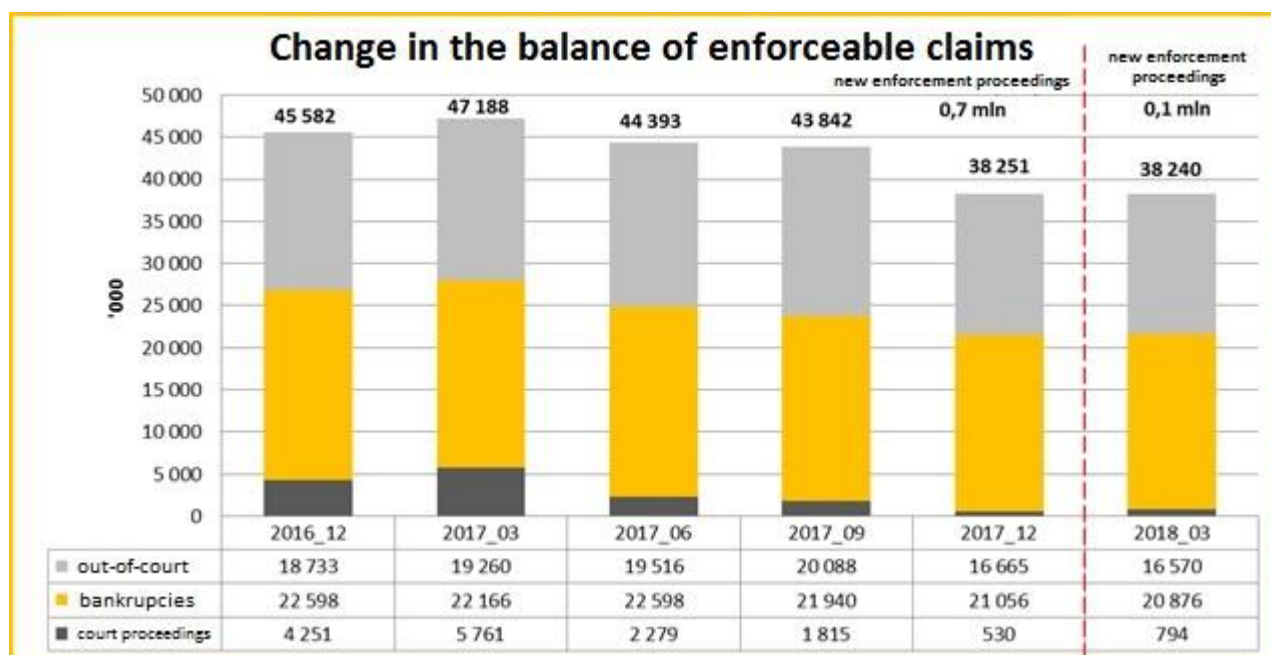
Item	Number of proceedings	Balance as at	Current status of the case
<b>Court proceedings</b>	<b>3</b>	<b>794</b>	
<i>including the largest cases:</i>			
MAXON Sp. z o.o.		462	The company is awaiting the issued payment orders to become final and non-appealable. The company's debtors are both the company and sureties (2 natural persons and 2 legal persons).
PB ARS SP. Z O.O.		258	The company is awaiting the issued payment order to become final and non-appealable.
PPHU STAL-BUD DOROTA MICHALAK		74	The company is awaiting the issued payment order to become final and non-appealable.
<b>Total</b>	<b>3</b>	<b>794</b>	<b>100% of all the claims</b>
Item	Number of proceedings	Balance as at	Current status of the case
<b>Bankruptcy proceedings</b>	<b>46</b>	<b>20 876</b>	
<i>including the 5 largest cases:</i>			
HYDROBUDOWA POLSKA SA		6 602	The claim notified to a liquidator.
RADKO Sp. z o.o.		4 104	On 20 January 2016, the court changed the initially declared arrangement bankruptcy into liquidation bankruptcy. Regardless of the claim notified in the bankruptcy proceedings, the Company conducts several different proceedings in parallel, including: enforcement proceedings against sureties (former members of the debtor's Management Board). Land property enforcement proceedings are pending against one surety. At present, the Company is awaiting the date of an auction for the sale of one of the properties, the Company is also a party to the criminal proceedings against the debtor's former Management Board in connection with Article 300 of the Criminal Code (the debtor's Management Board deliberately divests itself of the company's assets). The Company also requested the District Court in Kraków to prohibit former members of the debtor's Management Board from running business activity and being members of bodies of commercial law companies.

All the amounts expressed in PLN '000, unless indicated otherwise



AEDES S.A.		1 155	On 11 February 2016, the District Court in Kraków issued an arrangement order against the debtor. The claim notified to the reorganisation advisor's office designated by the court. On 22 February 2017, creditors outvoted the following arrangement proposals with respect to the Company's claims: 50% reduction and payment in 17 quarterly instalments. The arrangement order became final and non-appealable. On 15 March 2018, the court issued an order to discontinue the arrangement proceedings (the order not yet final)
HENPOL Sp. z o.o.		1 010	The claim notified to a liquidator.
Krokbud Sp. z o.o.		864	On 21 April 2016, the District Court in Nowy Sącz issued an arrangement bankruptcy order. The claim notified to the court. On 16 November 2017, the court issued an order to change arrangement bankruptcy into liquidation bankruptcy.
<b>Total</b>		<b>13 735</b>	<b>66% of all the claims</b>
<b>Pending proceedings in total</b>	<b>49</b>	<b>21 670</b>	

In addition to the court cases described above, the Company conducts a number of debt enforcement proceedings. These are primarily pre-litigation proceedings and at the stage of enforcement by a court enforcement officer. At present, the Company conducts 158 such proceedings the value of which is PLN 16 570 thousand.



The graph shows that the total balance of receivables under enforcement did not change significantly compared to the balance as at the end of last year. It is also worth noting that the 1st quarter this year brought significantly less difficult receivables compared to the corresponding period of the previous year.

#### Proceedings concerning claims of subsidiaries as at 31 March 2018:

As at the balance sheet date, there were 14 court cases in total in the Company's subsidiaries the value of which was PLN 2 757 thousand, including:

- a) 5 cases, the value of which is PLN 285 thousand, are at the court stage,
- b) 9 cases, the value of which is PLN 2 472 thousand, concern reorganisation and bankruptcy proceedings.

Compared to the situation at the end of 2017, the Capital Group written off provisions for receivables in March 2018 from a Latvian client that filed for starting the debt restructuring procedure (debt in PLN as at the date of the statements is PLN 1 974 thousand)

Apart from court receivables in subsidiaries' balance sheets described above, there are also balances of 16 receivables under enforcement the total value of which is PLN 1 271 thousand.

The above amounts are presented after conversion into PLN at the average NBP exchange rates as at the balance sheet date.

The Group writes off all doubtful receivables and receivables under court proceedings. They are recognised as "Other operating costs" and their amount corresponds to estimates of the possibility of recovering receivables as part of court and debt enforcement proceedings.

**Information on concluding one or more transactions by ULMA Construcción Polska S.A. or its subsidiary with its affiliates, provided that they were concluded under terms and conditions different from the market ones, and indication of their value and the following:**

All the amounts expressed in PLN '000, unless indicated otherwise



- a) information on the entity with which the transaction was concluded,
- b) information on relations between ULMA Construcción Polska S.A. or its subsidiary with the entity being a party to the transaction,
- c) information on the subject matter of the transaction,
- d) essential terms and conditions of the transaction, with particular focus on financial terms and conditions, and indication of specific terms and conditions of this agreement laid down by the parties, in particular terms and conditions deviating from those commonly applicable to this type of agreements,
- e) other information on these transactions if it is necessary for understanding the issuer's economic standing, financial standing and financial result,
- f) all changes in transactions with affiliates described in the recent annual statements which might have a significant impact on the issuer's economic standing, financial standing and financial result.

Transactions concluded in the 1st quarter of 2018 by ULMA Construcción Polska S.A. and its subsidiaries with 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.

The most important transactions were mainly purchases of formworks and rental services related to formwork systems made by ULMA Construcción Polska S.A. from ULMA C y E, S. Coop. amounting to PLN 8 090 thousand.

In the last 12 months (from 1 April 2017 to 31 March 2018), the above transactions amounted to PLN 37 834 thousand.

In addition to commercial transactions, ULMA Construcción Polska S.A. granted long-term and short-term loans to its affiliates in the previous periods. The loans by indebtedness as at the balance sheet date and as at 31 December 2017 are listed in the table below.

Affiliate – long-term loans	Value of the loan 31 March 2018	Value of the loan 31 December 2017
ULMA Opatówka Ukraina (USD '000)	1 300	1 300
ULMA Construcción BALTIC (EUR '000)	2 500	2 500
Affiliate – short-term loans	Value of the loan 31 March 2018	Value of the loan 31 December 2017
ULMA CyE S.Coop. (PLN '000)	32 000	32 000

The above loans granted to subsidiaries are perceived as net investments in a subsidiary.

Unrealised foreign exchange differences resulting from the valuation of the above loans are recognised directly in the Group's equity.

**Information on granting credit or loan suretyships or granting a guarantee by ULMA Construcción Polska S.A. or its subsidiary – jointly to one entity or its subsidiary, provided that the total value of the existing suretyships or guarantees equals at least 10% of the equity of ULMA Construcción Polska S.A., specifying:**

- a) name (corporate name) of the entity to which the suretyships or guarantees were granted,



- b) total amount of credits or loans which was respectively secured or guaranteed in full or in part,
- c) term of the suretyships or guarantees,
- d) financial terms and conditions of the suretyships or guarantees, specifying the remuneration of ULMA Construcccion Polska S.A. or its subsidiary for granting such suretyships or guarantees,
- e) nature of relations between ULMA Construcccion Polska S.A. and the entity which incurred the credits or loans.

In the report period, ULMA Construcccion Polska S.A. did not grant loans or guarantees amounting to at least 10% of the Company's equity.

**Other information which the Group of ULMA Construcccion Polska S.A. believes is important for assessing its HR, economic, financial standing and financial result and their changes, and information important for assessing the capability of the Group of ULMA Construcccion Polska S.A. to discharge its liabilities**

In the 1st quarter of 2015, no other, than those described above, significant events occurred. The Management Board of ULMA Construcccion Polska S.A. is unaware of any other information, which would be important for assessing its HR, economic, financial standing and financial result and their changes, and for assessing the capability of the Capital Group's companies to discharge their liabilities.

**Indication of factors which ULMA Construcccion Polska S.A. believes will influence results achieved by the Capital Group of ULMA Construcccion Polska S.A. over at least the upcoming quarter**

## **Market in Poland**

As analysts predicted, 2018 brings further increases in the industry. It is estimated that the construction market in Poland will exceed PLN 200 billion for the first time which will correspond to about 10% of GDP. However, concerns will remain about growing costs of both materials and labour. It is estimated that about 100 thousand employees are needed at present, while most road and rail contracts will enter the phase of construction works only this year after design works. On the other hand, a sharp increase in demand for construction materials pushes up their prices, while ongoing modernisations reduce the capacity of railway routes which, in turn, makes it difficult to transport materials to construction sites. Furthermore, recent turmoil in the oil price market puts transport companies under price pressure. In the face of these difficulties, profitability ratios drop and the problem is particularly noticeable for subcontractors financing most purchase costs of materials and equipment, and exposing themselves to the risk of losing financial liquidity in connection with VAT reverse charge provisions. All these externalities make concluding long-term construction contracts, i.e. the term of which is over nine months, more and more difficult. Experts say that the coming months will be decisive, because they will show where the entire construction market is heading and whether this scale of investment will continue to make the costs grow.

**Building construction**, in particular **the residential sector**, is still booming. In the 1st quarter, more apartments were put in use than last year. The number of apartments, for which construction permits were issued or a construction project was notified, and the number of apartments under construction increased. According to preliminary data, 44 908 apartments were put in use in January-March 2018, i.e. 10.6% more than last year (8.5% more). In the first three months of 2018, a permit was issued or a construction project





was notified for the construction of 66 766 apartments, i.e. 10.8% more than in the corresponding period of the previous year.

There are also increases in **infrastructure construction**. For 2018-2020, the General Directorate for National Roads and Motorways and PKP Polskie Linie Kolejowe plan enormous investment expenditures. In the 1st quarter of 2018, PKP Polskie Linie Kolejowe signed agreements totalling PLN 4.5 billion (of PLN 14 billion planned for the entire 2018). In the 1st quarter of 2018, PKP PLK announced proceedings the value of which was estimated at about PLN 2.1 billion, i.e. more or less the same as in the corresponding period of 2017 when the value of tenders launched in the 1st quarter amounted to PLN 2.3 billion. The implementation of the National Railway Programme covers over 50% at present (total value of the NRP by 2023 is about PLN 66 billion).

In the 1st quarter of 2018, the Ministry of Infrastructure approved twelve road investment programmes amounting to about PLN 300 million in total. The General Directorate for National Roads and Motorways announces that 450 km of new roads will be completed in 2018, including 410 km of express roads. If this plan is implemented, their length will break the record (which is over 330 km of express roads commissioned in 2012). Particularly intensive construction works are carried out on road S8 between Warsaw and Białystok, S3 from Zielona Góra to Bolków, S7 from Elbląg to Gdańsk and from Warsaw to Kraków, as well as on the "Zakopianka" road (Lubień-Rabka Zdrój section).

In **industrial construction**, a successful tenderer for the construction of a new coal unit in the Ostrołęka Power Plant was selected at the beginning of 2018. In accordance with previous recommendations, the bid of the GE Power and Alstom Power System consortium worth PLN 6.02 billion gross was selected. Moreover, no such large investments are planned in the near future, except for implementations related to the adaptation (by 2021) of operating power plants to European Union requirements for exhaust emissions. They are estimated at PLN 3.5-4.5 billion in total.

## Foreign markets

Factors, which may have an impact on the economic situation and foreign market revenues of the Capital Group in the near future, include the following:

### Ukraine:

- There is still the risk of escalating the conflict with Russia, but we believe the situation has stabilised.
- The risk of internal unrest increases due to unsatisfactory – to most Ukrainians – progress in reforming the economy.
- The risk related to the instability of the local currency exchange rate will be high, although there is some calm in this regard when observing falling interest rates of credits in local banks,

### Kazakhstan:

- The risk of continuously weakening competitiveness of entrepreneurs from outside the Eurasian Economic Union (EAEU) is still high. We observe a significant increase in the presence of competitors from Russia on the Kazakh market, whose products are offered at very competitive prices, although are still technically weaker.
- The risk of instability of the local currency exchange rate (Tenge).





Given the threats above, the Capital Group continues to reorganise its activity to date on this market based mainly on building construction and to intensify its activities to more accurately penetrate the industrial and engineering construction sector.

#### Baltic States:

- There is a strong increase in the number of tenders and constructions launched in the Baltic States. However, this positive trend entails the risk of increasing payment bottlenecks, delays in the implementation of construction plans and the general lack of means of production.

## **Foreign exchange risk**

The Capital Group's companies purchase products (formwork systems and accessories) from the parent company in Spain or other entities located outside Poland. On the other hand, the Capital Group's companies operate on export markets. The Capital Group is thus exposed to the foreign exchange risk which it seeks to mitigate by its activity on the currency market or on the forward market and by concluding non-delivery forwards (NDFs).

Ulma Opałubka Ukraina sp. z o.o. (subsidiary) incurred USD-denominated intra-group loans. Due to the inability to effectively hedge this transaction against the exchange rate risk, the Company remains exposed to currency exposure (USD-hryvnia), although this risk seems to be moderate given the visible stabilisation of the situation in Ukraine. Moreover, the Management Board attempts to minimise this risk by updating prices of the offered products and services following changes in exchange rates.



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

# **SEPARATE CONDENSED FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018**



## Financial statements

As at:

	31 March 2018 (not audited)	31 December 2017	31 March 2017 (not audited)
<b>ASSETS</b>			
I. Fixed assets (long-term)			
1. Tangible fixed assets	204 262	199 268	190 935
2. Intangible assets	315	368	130
3. Shares in affiliates	7 458	7 458	7 748
4. Other fixed assets	3 944	3 957	3 999
5. Long-term receivables	15 036	15 032	17 139
<b>Total fixed assets (long-term)</b>	<b>231 015</b>	<b>226 083</b>	<b>219 951</b>
II. Current assets (short-term)			
1. Inventories	3 270	4 496	3 618
2. Trade receivables and other receivables	76 251	80 432	74 873
3. Income tax receivables	166	811	-
4. Derivatives	7	-	4
5. Cash and cash equivalents	34 197	22 305	45 993
<b>Total current assets (short-term)</b>	<b>113 891</b>	<b>108 044</b>	<b>124 488</b>
<b>Total assets</b>	<b>344 906</b>	<b>334 127</b>	<b>344 439</b>

All the amounts expressed in PLN '000, unless indicated otherwise



	31 March 2018 (not audited)	31 December 2017 (audited)	31 March 2017 (not audited)
<b>EQUITY AND LIABILITIES</b>			
<b>I. Equity</b>			
1. Share capital	10 511	10 511	10 511
2. Supplementary capital – share premium	114 990	114 990	114 990
3. Retained earnings, including:	178 703	171 339	180 234
a) Net profit (loss) for the financial period	8 579	18 351	(1 134)
<b>Total equity</b>	<b>304 204</b>	<b>296 840</b>	<b>305 735</b>
<b>II. Liabilities</b>			
<b>1. Long-term liabilities</b>			
a. Deferred income tax liabilities	2 305	2 447	1 623
b. Long-term pension liabilities	173	173	145
<b>Total long-term liabilities</b>	<b>2 478</b>	<b>2 620</b>	<b>1 768</b>
<b>2. Short-term liabilities</b>			
a. Short-term pension liabilities	51	51	41
b. Current income tax liabilities	-	-	466
c. Short-term liabilities due to factoring of trade liabilities	3 301	2 936	3 546
d. Derivatives	-	64	-
e. Trade liabilities and other liabilities	34 872	31 616	32 883
<b>Total short-term liabilities</b>	<b>38 224</b>	<b>34 667</b>	<b>36 936</b>
<b>Total liabilities</b>	<b>40 702</b>	<b>37 287</b>	<b>38 704</b>
<b>Total equity and liabilities</b>	<b>344 906</b>	<b>334 127</b>	<b>344 439</b>

All the amounts expressed in PLN '000, unless indicated otherwise



## Profit and loss account and other total income

	1st quarter of 2018	1st quarter of 2017 (data restated)
Sales revenues	44 493	37 407
Costs of products, goods and materials sold	(30 323)	(33 667)
<b>I. Gross profit on sales</b>	<b>14 170</b>	<b>3 740</b>
Sales and marketing costs	(653)	(624)
Overheads	(3 475)	(3 113)
Other operating revenues	286	710
Other operating costs	(175)	(762)
<b>II. Operating profit (loss)</b>	<b>10 153</b>	<b>(49)</b>
Financial revenues	488	443
Financial costs	(16)	(1 553)
<i>Net financial costs</i>	472	(1 110)
<b>III. Profit (loss) before tax</b>	<b>10 625</b>	<b>(1 159)</b>
Current income tax	(1 967)	(1 287)
Deferred income tax	(79)	1 312
<b>IV. Net profit (loss) for the financial period</b>	<b>8 579</b>	<b>(1 134)</b>
<b>Other total income which may be settled in the future with profit (loss)</b>	<b>-</b>	<b>-</b>
<b>V. Total income for the financial period</b>	<b>8 579</b>	<b>(1 134)</b>
Net profit (loss) for the financial period	<b>8 579</b>	<b>(1 134)</b>
Weighted average number of ordinary shares	5 255 632	5 255 632
Basic and diluted profit (loss) per share in the financial period (in PLN per share)	1.63	(0.22)



## Account of changes in equity

Item	Share capital at nominal value	Share premium	Retained earnings	Total equity
<b>As at 31 December 2016</b>	<b>10 511</b>	<b>114 990</b>	<b>181 368</b>	<b>306 869</b>
Total net income in 2017	-	-	18 351	<b>18 351</b>
Dividend paid	-	-	(28 380)	<b>(28 380)</b>
<b>As at 31 December 2017 (data reported)</b>	<b>10 511</b>	<b>114 990</b>	<b>171 339</b>	<b>296 840</b>
Adjustment for IFRS 9	-	-	(1 215)	<b>(1 215)</b>
<b>As at 1 January 2018 (data restated)</b>	<b>10 511</b>	<b>114 990</b>	<b>170 124</b>	<b>295 625</b>
Total net income in the 1st quarter of 2018	-	-	8 579	<b>8 579</b>
<b>As at 31 March 2018</b>	<b>10 511</b>	<b>114 990</b>	<b>178 703</b>	<b>304 204</b>

Item	Share capital at nominal value	Share premium	Retained earnings	Total equity
<b>As at 31 December 2016</b>	<b>10 511</b>	<b>114 990</b>	<b>181 368</b>	<b>306 869</b>
Total net income in the 1st quarter of 2017	-	-	(1 134)	<b>(1 134)</b>
<b>As at 31 March 2017</b>	<b>10 511</b>	<b>114 990</b>	<b>180 234</b>	<b>305 735</b>



## Cash flow statement

	1st quarter of 2018	1st quarter of 2017
<b>Operating cash flows</b>		
<b>Net profit for the financial period</b>	<b>8 579</b>	<b>(1 134)</b>
Adjustments:		
- Income tax	2 046	(25)
- Depreciation of fixed assets	6 871	11 160
- Depreciation of intangible assets	57	21
- Net value of sold formworks – fixed assets	201	274
- (Profits) losses on changes in the fair value of financial instruments	(71)	433
- Interest received	(488)	(443)
- Interest expense	27	-
- Foreign exchange (profits) losses	(11)	1 257
Changes in current assets:		
- Inventories	1 226	(1 244)
- Trade receivables and other receivables	2 745	2 739
- Trade liabilities and other liabilities	3 621	8 116
	<b>24 803</b>	<b>21 154</b>
Purchase of formworks	(11 577)	(8 212)
Income tax paid	(1 321)	(728)
<b>Net operating cash</b>	<b>11 905</b>	<b>12 214</b>
<b>Investing cash flows</b>		
Acquisition of tangible fixed assets	(482)	(91)
Inflows from the sale of tangible fixed assets	6	12
Acquisition of intangible assets	(5)	-
Loans granted	-	-
Repayment of loans granted	-	746
Interest received	490	531
<b>Net investing cash</b>	<b>9</b>	<b>1 197</b>
<b>Financing cash flows</b>		
Proceeds from issue of shares		-
Loans and credits received		-
Repayment of credits and loans		-
Interest paid	(27)	-
Dividend paid		-
<b>Net financing cash</b>	<b>(27)</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>	<b>11 887</b>	<b>13 411</b>
Opening cash	22 305	32 717
Foreign exchange (losses) profits on valuation of cash and overdraft facility	5	(135)
<b>Closing cash and overdraft facility</b>	<b>34 197</b>	<b>45 993</b>

All the amounts expressed in PLN '000, unless indicated otherwise



## Description of the major accounting principles applied

The Company prepared the interim condensed financial statements based on the same accounting principles as described in the audited financial statements as at 31 December 2017. The interim financial statements as at 31 March 2018 should be read together with the audited consolidated financial statements as at 31 December 2017.

## Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are recognised at historical cost adjusted for revaluation write-offs. Effects of changes in the revaluation write-offs of investments in subsidiaries are recognised as financial revenues or costs of the reporting period in which a change occurred.

## Conversion of selected financial data into euro

Conversion of selected financial data into euro is presented in the table below:

ITEM	in PLN '000		in EUR '000	
	1st quarter of 2018	1st quarter of 2017	1st quarter of 2018	1st quarter of 2017
Net revenues from sales of products, goods and materials	44 493	37 407	10 641	8 650
Operating result	10 153	(49)	2 428	(11)
Gross result	10 625	(1 159)	2 541	(268)
Net result	8 579	(1 134)	2 052	(262)
Net operating cash flows	11 905	12 214	2 847	2 824
Net investing cash flows	9	1 197	2	277
Net financing cash flows	(27)	-	(6)	-
Net cash flows	11 887	13 411	2 843	3 101
Basic profit per ordinary share (in PLN/EUR)	1.63	(0.22)	0.39	(0.06)
Diluted profit per ordinary share (in PLN/EUR)	1.63	(0.22)	0.39	(0.06)
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
Total assets	344 906	334 127	81 954	80 109
Liabilities	40 702	37 287	9 671	8 940
Long-term liabilities	2 478	2 620	589	628
Short-term liabilities	38 224	34 667	9 082	8 312
Equity	304 204	296 840	72 283	71 169
Share capital	10 511	10 511	2 498	2 520
Weighted average number of shares	5 255 632	5 255 632	5 255 632	5 255 632
Number of shares as at the balance sheet date	5 255 632	5 255 632	5 255 632	5 255 632
Book value per share (in PLN/EUR)	57.88	56.48	13.76	13.54

Individual items of assets as well as equity and liabilities were converted into EUR at the average exchange rates published by the President of the NBP, valid as at the balance sheet date. The average exchange rate of EUR as at 31 March 2018 was PLN 4.2085 and as at 31 December 2017 – PLN 4.1709.





The items of the statement of total income and the items of the cash flow statement were converted at a rate being the arithmetic mean of exchange rates valid in a specific period, i.e. data for 1 January to 31 March 2018 converted at an exchange rate of PLN 4.1811/EUR, data for the corresponding period of 2017 converted at an exchange rate of PLN 4.3246/EUR.