



**MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF  
ULMA Construcción Polska S.A.  
and  
OF THE ULMA  
ULMA Construcción Polska S.A. CAPITAL  
GROUP**

**FOR THE YEAR ENDING ON 31 DECEMBER 2019**



From the beginning of your projects

Pursuant to Article 55.2a of the Accounting Act and § 70.4, § 71.4 and § 71.8 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent, the Company has prepared a report of the Management Board on the activities of ULMA Construcción S.A. and the Capital Group in a single document.

Other required elements of the report on the Company's activities not included in this part of the report are the same as the Management Board's report on the activities of ULMA Construcción S.A. Capital Group.

## Description of the Capital Group's organisation

As of 31.12.2019, ULMA Construcción Polska S.A. Capital Group.

("Capital Group") consisted of the following entities:

ULMA Construcción Polska S.A. - **the parent company** of the Capital Group performing the management and administrative role for the entire Capital Group and responsible for commercial activities with respect 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 company** responsible for commercial activities with regard 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 in the field of 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 with respect to products and services offered by the Capital Group in the Baltic States (Lithuania and Latvia).

In addition, the Capital Group holds shares in the associated entity ULMA Cofraje S.R.L. - an **affiliated company** responsible for commercial activities with respect to products and services offered by the Capital Group on the Romanian market.

## Subject of the Capital Group's activities

Capital Group ULMA Construcción Polska S.A. acts in the construction sector. The scope of activity of the Capital Group companies includes lease and sale of formwork systems (shuttering systems) and scaffolding for the purposes of cubature and engineering construction, performance of maintenance works and application designs for these systems, as well as repairs of formwork systems and other accessories used in the assembly of formwork systems.

## Seats, dates of establishment and registration of activities of the entities comprising the Capital Group.



- ULMA Construcción Polska S.A., based in Koszajec 50, 05-840 Brwinów, has been operating since 01.07.1995 on the basis of a resolution of the Extraordinary Meeting of Shareholders, transforming the limited liability company into a joint stock company (Notarial Act of 15.09.1995, Rep. A No. 5500/95), registered in the National Court Register in the Register of Entrepreneurs under the number KRS 0000055818 by the District Court for the capital city of Warsaw in Warsaw, XII Economic Division of National Court Register. From 14.02.1989 until its transformation into a joint stock company, the company operated under the name Bauma Sp. z o.o,
- ULMA Opałubka Ukraina with its seat in Kiev at ul. Gnata Yuri 9, registered on 18.07.2001 in the State Register of the Republic of Ukraine under number 5878/01 (identification code 31563803),
- ULMA Cofraje S.R.L., based in Bragadir at ul. Soseaua de Centura nr 2-8 Corp C20 (Romania), registered after the change of address in the Commercial Register of Romania under number 22679140
- ULMA Opałubka Kazachstan, based in Astana at ul. Tashenova 25, registered on 27.08.2010 in the Register of the Ministry of Justice by the Department of Justice of the City of Astana under number 37635-1901-TOO/NU/,
- ULMA Construcción BALTIC" company based in Vilnius, ul. Pylimo 41-12, registered on 27 April 2012 in the Register of Legal Persons of the Republic of Lithuania under number 302770757.



**Discussion of basic economic and financial figures disclosed in the annual financial statements, in particular a description of factors and events, including those of an untypical nature, having a significant impact on the issuer's operations and its profits or losses in the financial year, as well as a discussion of the development prospects for the issuer's operations at least in the next financial year**

**Selected financial data and ratios - ULMA Construcción Polska S.A. Capital Group.**

<b>SELECTED FINANCIAL DATA</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net revenues from sales of products, goods and materials	182,411	180,487	201,294	223,721	229,366
Profit at the operational level	9,023	16,608	30,980	55,817	59,049
Gross profit (loss)	7,290	16,830	30,954	58,164	59,086
Net profit (loss)	5,508	12,892	24,225	46,997	46,201
Total assets	328,893	335,932	336,196	368,225	393,172
Liabilities and provisions for liabilities	39,730	33,467	40,371	45,375	49,040
Long-term liabilities	3,752	3,080	2,621	3,950	12,161
Short-term liabilities	35,978	30,387	37,750	41,425	36,879
Equity	289,163	302,465	295,825	322,850	344,132
Share capital	10,511	10,511	10,511	10,511	10,511
Number of shares	5,255,632	5,255,632	5,255,632	5,255,632	5,255,632
Declared or paid dividend per share		5.4	3.81	5.71	
Net assets	289,163	302,465	295,824	322,851	344,132
<b>SELECTED FINANCIAL RATIOS</b>					
<b>Sales profitability</b>	<b>3,02%</b>	<b>7,14%</b>	<b>12,03%</b>	<b>21,01%</b>	<b>20,14%</b>
Net profit	5,508	12,892	24,225	46,997	46,201
Sales revenues	182,411	180,487	201,294	223,721	229,366
<b>Current ratio</b>	<b>3.39</b>	<b>4.08</b>	<b>3.16</b>	<b>3.13</b>	<b>3.19</b>
current assets	121,896	123,921	119,264	129,755	117,808
current liabilities	35,978	30,387	37,750	41,425	36,879
<b>Overall debt ratio</b>	<b>12,08%</b>	<b>9,96%</b>	<b>12,01%</b>	<b>12,32%</b>	<b>12,47%</b>
total liabilities	39,730	33,467	40,371	45,375	49,040
total assets	328,893	335,932	336,196	368,225	393,172
<b>Return on assets</b>	<b>1,67%</b>	<b>3,84%</b>	<b>7,21%</b>	<b>12,76%</b>	<b>11,75%</b>
Net profit	5,508	12,892	24,225	46,997	46,201
total assets	328,893	335,932	336,196	368,225	393,172

**Selected financial data and indicators -ULMA Construcción Polska S.A.**

All amounts expressed in thousands of PLN, unless indicated otherwise



<b>SELECTED FINANCIAL DATA</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net revenues from sales of products, goods and materials	161,772	166,208	181,208	199,797	197,371
Profit at the operational level	-4,651	11,516	22,016	50,086	50,716
Gross profit (loss)	-130	14,136	23,093	52,752	54,745
Net profit (loss)	32	10,711	18,351	42,409	43,499
Total assets	336,167	338,317	334,127	357,345	374,689
Liabilities and provisions for liabilities	40,009	31,448	37,287	39,335	43,189
Long-term liabilities	4,940	3,080	2,620	3,950	12,161
Short-term liabilities	35,069	28,368	34,667	35,385	31,028
Equity	296,158	306,869	296,840	318,010	331,500
Share capital	10,511	10,511	10,511	10,511	10,511
Number of shares	5,255,632	5,255,632	5,255,632	5,255,632	5,255,632
Declared or paid dividend per share		5.4	3.81	5.71	
Net assets	296,158	306,868	296,840	318,010	331,500
<b>SELECTED FINANCIAL RATIOS</b>					
<b>Sales profitability</b>	<b>0,02%</b>	<b>6,44%</b>	<b>10,13%</b>	<b>21,23%</b>	<b>22,04%</b>
Net profit	32	10,711	18,351	42,409	43,499
Sales revenues	161,772	166,208	181,208	199,797	197,371
<b>Current liquidity ratio</b>	<b>3.18</b>	<b>4.00</b>	<b>3.12</b>	<b>3.23</b>	<b>3.41</b>
current assets	111,384	113,424	108,044	114,177	105,936
current liabilities	35,069	28,368	34,667	35,385	31,028
<b>Overall debt ratio</b>	<b>11,90%</b>	<b>9,30%</b>	<b>11,16%</b>	<b>11,01%</b>	<b>11,53%</b>
total liabilities	40,009	31,448	37,287	39,335	43,189
total assets	336,167	338,317	334,127	357,345	374,689
<b>Return on assets</b>	<b>0,01%</b>	<b>3,17%</b>	<b>5,49%</b>	<b>11,87%</b>	<b>11,61%</b>
Net profit	32	10,711	18,351	42,409	43,499
total assets	336,167	338,317	334,127	357,345	374,689

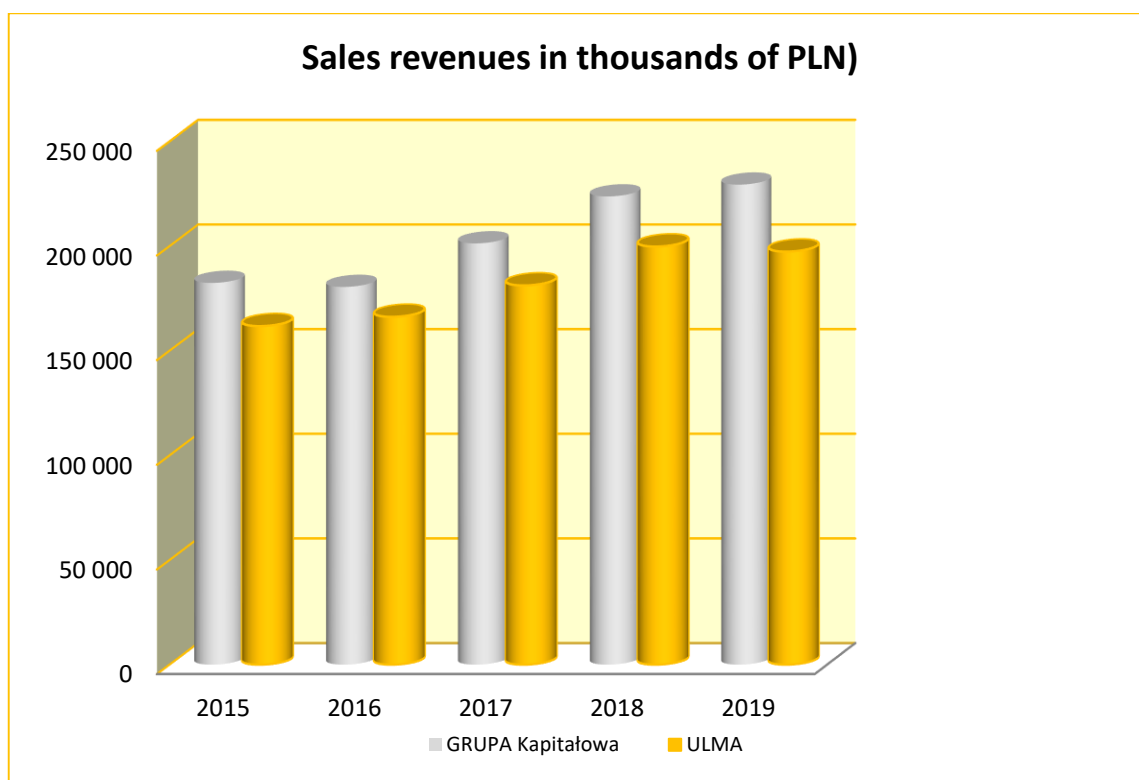
## **Sales revenues**

In 2019, the Capital Group reached PLN 229,366 thousand of total sales revenues to PLN 143 331 thousand in relation to previous year (increase by 2.5%).

The increase in revenue from sales concerned the vast majority of the Capital Group's business segment, i.e. "Sales of building materials".

In 2019, the revenues of this segment of activity amounted in total to PLN 46,057,000 compared to PLN 29,468,000 in the previous year (an increase by PLN 16,589,000 or 56.3%).

In 2019, ULMA Construcción Polska S.A. reached PLN 197,371,000 of total sales revenue compared with PLN 199,797,000 in the previous year (decrease by PLN 2,426,000 or 1.2%).



## Operating profitability

In 2019, the Capital Group achieved a positive result on operating activities, which amounted to PLN 59,049 thousand compared to PLN 55,817 thousand in the previous year (increase by PLN 3,232 thousand).

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

	for the first quarter of 2019	for the second quarter of 2019	for the third quarter of 2019	for the fourth quarter of 2019	in 2019.	in 2018.
Sales	51,567	56,366	56,365	65,068	229,366	223,721
<b>EBIT</b>	<b>9,611</b>	<b>15,398</b>	<b>13,640</b>	<b>20,400</b>	<b>59,049</b>	<b>55,817</b>
% for sale	18.64	27.32	24.20	31.35	25.74	24.95
Depreciation	10,513	10,529	10,950	11,123	43,115	35,314
<b>EBITDA</b>	<b>20,124</b>	<b>25,927</b>	<b>24,590</b>	<b>31,523</b>	<b>102,164</b>	<b>91,131</b>
% for sale	39.03	46.00	43.63	48.45	44.54	40.74

In 2019, total depreciation write-offs amounted to PLN 43,115 thousand compared to PLN 36 468 in the previous year. In the total amount of depreciation write-offs indicated above, the largest item is depreciation write-offs for the existing formwork and scaffolding park. Their amount depends primarily on the estimated period of economic usefulness of the equipment.

The increase in depreciation charges recorded in 2019 results, among other things, from the implementation of IFRS 16 Leasing and the inclusion in this item of the cost of depreciation charges for assets under the right of use in the amount of 4 093 thousand PLN and from new investment purchases of formwork and scaffolding as part of the process of renewing the equipment range.



In 2019, the Capital Group created net write-downs of receivables (the sum of created and dissolved write-downs) and wrote off the lost receivables in the total amount of 4 963 thousand PLN against 7 413 thousand PLN in the analogous period of the previous year (they are included in "Other operating costs"). This phenomenon results from the estimation of the risk related to the recovery of receivables in connection with court proceedings that the Capital Group is conducting against its debtors.

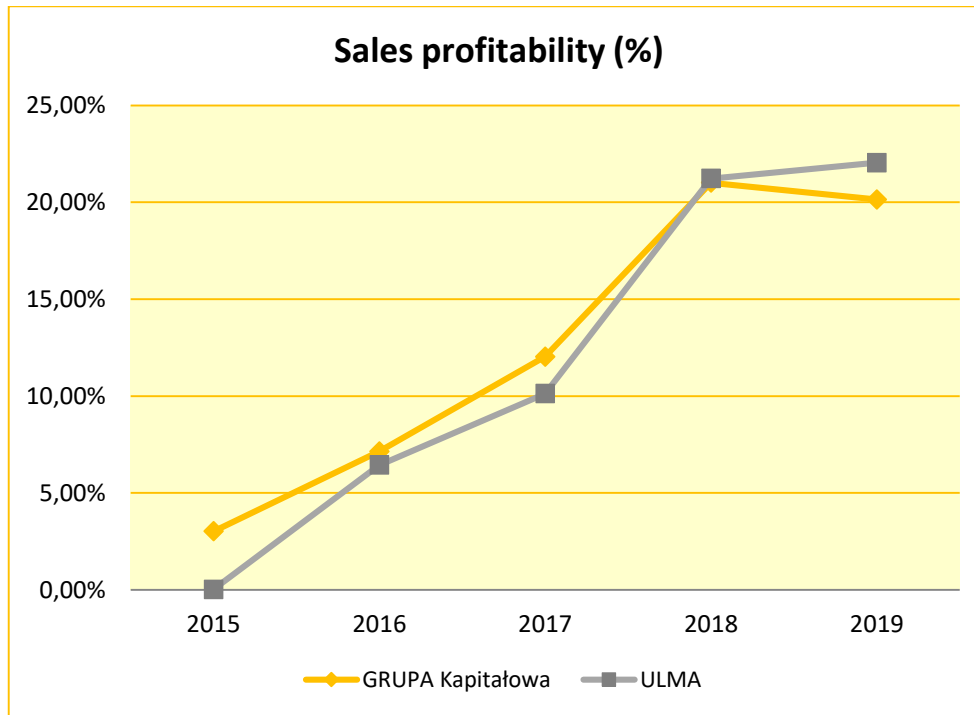
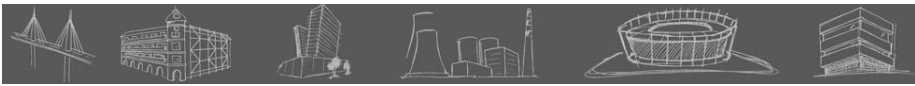
Apart from write-offs for receivables, other net operating costs include, among others, received compensation for lost components of tangible fixed assets and current assets, as well as general effects of property management (negative and positive inventory differences and provisions for permanent loss of value of tangible fixed assets and inventories).

In 2019, the effect of these phenomena was positive and amounted in total to 499 thousand PLN (in 2018 447 thousand PLN).

The item "General administration costs" includes the actual costs of the Management Board, but also all cost items related to general administrative services of the Capital Group (accounting, IT, legal services, etc.). These costs amounted to PLN 19,609,000 in 2019 compared to PLN 17,157,000 in the previous year (i.e. an increase of 14.3%), and this increase is a consequence of salary regulations that took place during 2019 for administrative employees as well as personnel changes with the Management Board of ULMA Construcción Polska S.A., which was joined by a new member of the Management Board as of 30 May 2019.

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

	for the first quarter of 2019	for the second quarter of 2019	for the third quarter of 2019	for the fourth quarter of 2019	in 2019.	2018
Sales	44,473	49,301	47,077	56,520	197,371	199,797
<b>EBIT</b>	<b>8,087</b>	<b>12,757</b>	<b>10,914</b>	<b>18,958</b>	<b>50,716</b>	<b>50,086</b>
% for sale	18.18	25.88	23.18	33.54	25.70	25.07
Depreciation	9,349	9,668	9,913	10,123	39,053	30,953
<b>EBITDA</b>	<b>17,436</b>	<b>22,425</b>	<b>20,827</b>	<b>29,081</b>	<b>89,769</b>	<b>81,039</b>
% for sale	39.20	45.49	44.24	51.45	45.48	40.56



## Transactions hedging against foreign exchange risk

The companies of the Capital Group purchase products (shuttering systems and their accessories and scaffolding) which are the subject of trade and service activities from the parent company in Spain, other companies of the Capital Group and other third parties.

As part of its commercial activities, the Capital Group is active on export markets, especially in Ukraine, Lithuania and Kazakhstan, where business activities are conducted through subsidiaries Ulma Opałubka Ukraina sp. z o.o., Ulma Construcción BALTIC sp. z o.o. and Ulma Opałubka Kazakhstan sp. z o.o. As a result, the companies of the Capital Group are exposed to foreign exchange risk, which the Capital Group tries to reduce by

- participation in the currency and forward market with the use of Non Delivery Forward (NDF) contracts, or
- through an adjustment process for the prices of services and materials offered, which is however not fully effective.

All NDFs held by the Capital Group are concluded only for the purpose of hedging against currency risk and do not have the signs of asymmetry.

The Capital Group does not apply the so-called "Hedge accounting", as a result of which the results from the realization and valuation of hedging transactions (positive and negative) are recognized in the period's result.

## Financial costs and other comprehensive income

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





In 2019 ULMA Construcción Polska S.A. did not use bank loans, and the only company of the Capital Group that used bank financing in 2019 was ULMA Opatubka Ukraina. Liabilities under the credit facility as at 31 December 2018 amounted to PLN 1,693 thousand (PLN 12,472 thousand). UAH 12 472 thousand) and were fully repaid in 2019.

The parent company ULMA Construcción Polska S.A. grants long-term loans to its subsidiaries to finance their activities in export markets.

As at 31 December 2019, the value of long-term loans granted amounted to EUR 2,100 thousand and USD 290 thousand. In accordance with the principles of the International Accounting Standards (IAS 21), these loans are treated as a "net investment in a foreign entity" and therefore any foreign exchange differences associated with them are disclosed in the "statement of changes in consolidated equity" and "other comprehensive income".

In 2019, the total value of exchange rate differences recognized in the above statements was positive and amounted to -5 091 thousand PLN, of which:

- 1 697 thousand PLN are positive exchange rate differences related to the aforementioned "net investment". (loans granted) in a foreign operation. Exchange rate differences from the valuation of settlements as at the balance sheet date are recognised under "equity", and only in later periods following the repayments of the loan taken by the subsidiary, realised exchange rate differences are recognised in the consolidated profit and loss account,
- PLN 3,394 thousand are positive exchange rate differences resulting from changes in local currency exchange rates against PLN influencing the translation of financial statements of subsidiaries operating abroad.

In 2018 these amounts were respectively:

- 426 thousand PLN due to exchange rate differences related to "net investment in a foreign entity" and,
- PLN 841 thousand are positive exchange rate differences resulting from changes in local currency exchange rates against PLN influencing the translation of financial statements of subsidiaries operating abroad.

The table below presents the exchange rates against PLN as at 31 December for 3 currency pairs, whose change affected the valuation of the financial statements of the subsidiaries in the consolidated statement of the Capital Group.

	31 December 2017	31 December 2018	Change year on year %	31 December 2019	Change year on year %
UAH/PLN	8.09	7.37	-8,9%	6.24	-15,3%
KZT/PLN	106.33	101.24	-4,8%	99.16	-2,1%
PLN/EUR	4.17	4.3	3,1%	4.26	-0,9%

During 2019, the local currency in Ukraine (UAH) was gradually strengthened by a total of approx. 15.3%, the local currency in Kazakhstan (KZT) by approx. 2.1%, as well as the EUR by approx. 0.9% against PLN,



which contributed to the achievement of positive exchange rate differences resulting from the conversion of financial statements of subsidiaries operating abroad.

The Capital Group tries to hedge the foreign exchange risk related to the above mentioned internal borrowings with respect to EUR - UAH and USD - UAH exposure in Ukraine in a natural way, i.e. through the process of adjusting the price lists of services and materials offered in this market to the current exchange rate of UAH to USD. However, the effectiveness of these measures is difficult to estimate due to the size and unpredictability of UAH volatility, in particular in view of the complex geopolitical situation of Ukraine and the ongoing armed conflict in the East.

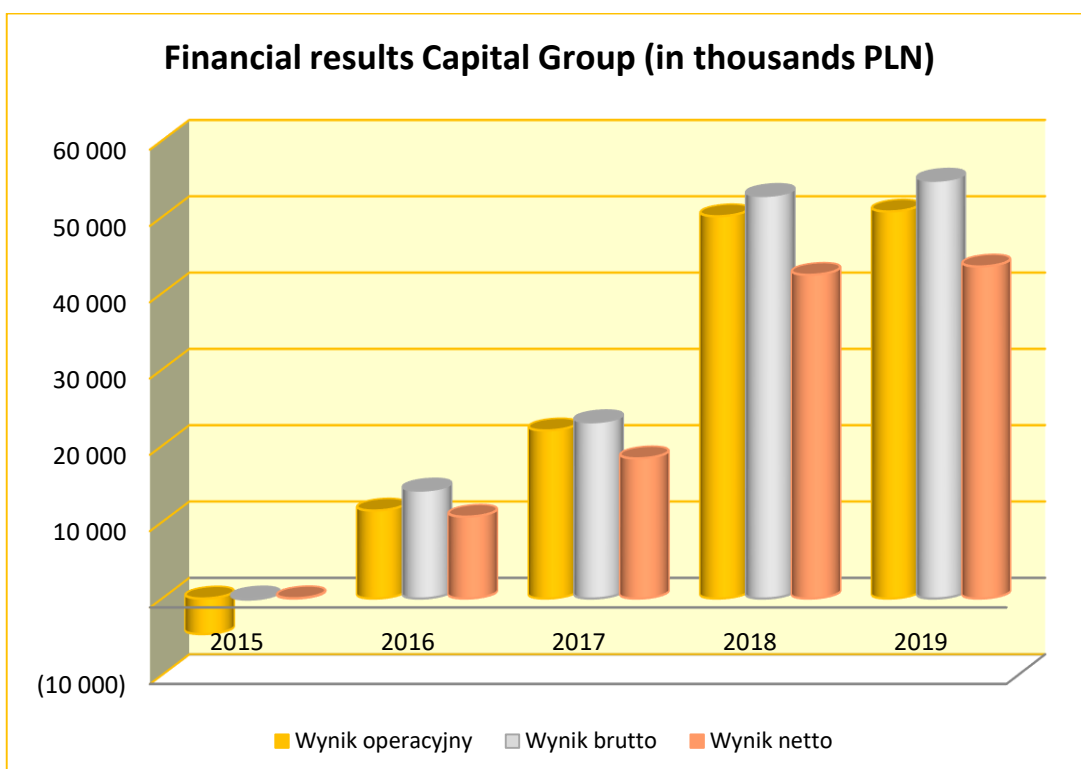
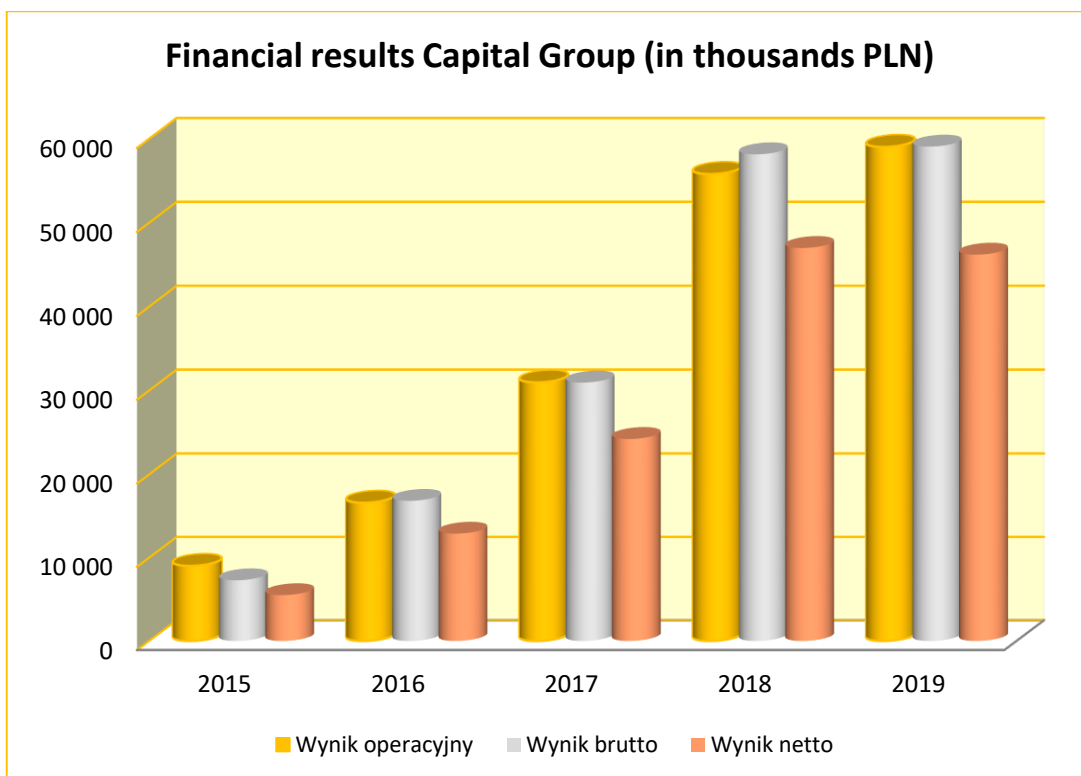
In addition to the above-mentioned long-term loans used to finance the operations of its subsidiaries, ULMA Construcción Polska S.A. granted ULMA CyE, S. Coop, its parent company, a short-term loan totalling PLN 32 000 thousand. The loan for the parent company was granted on market conditions - the loan interest rate depended on WIBOR 3M. The first tranche of PLN 11 000 thousand was repaid on 21.05.2018, the second tranche of PLN 11 000 thousand was repaid on 29 April 2019. The payment dates for the remaining part of the loan in the amount of PLN 10,000 thousand, in accordance with the annex of 15 January 2019, were set for 30 April 2020.

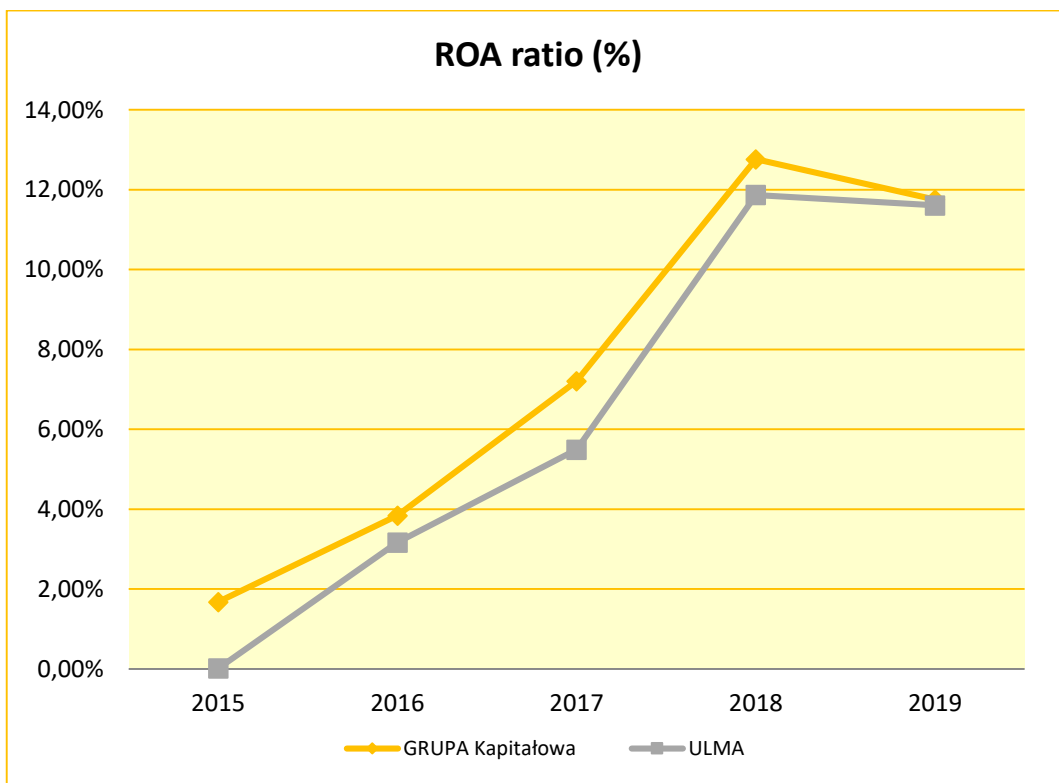
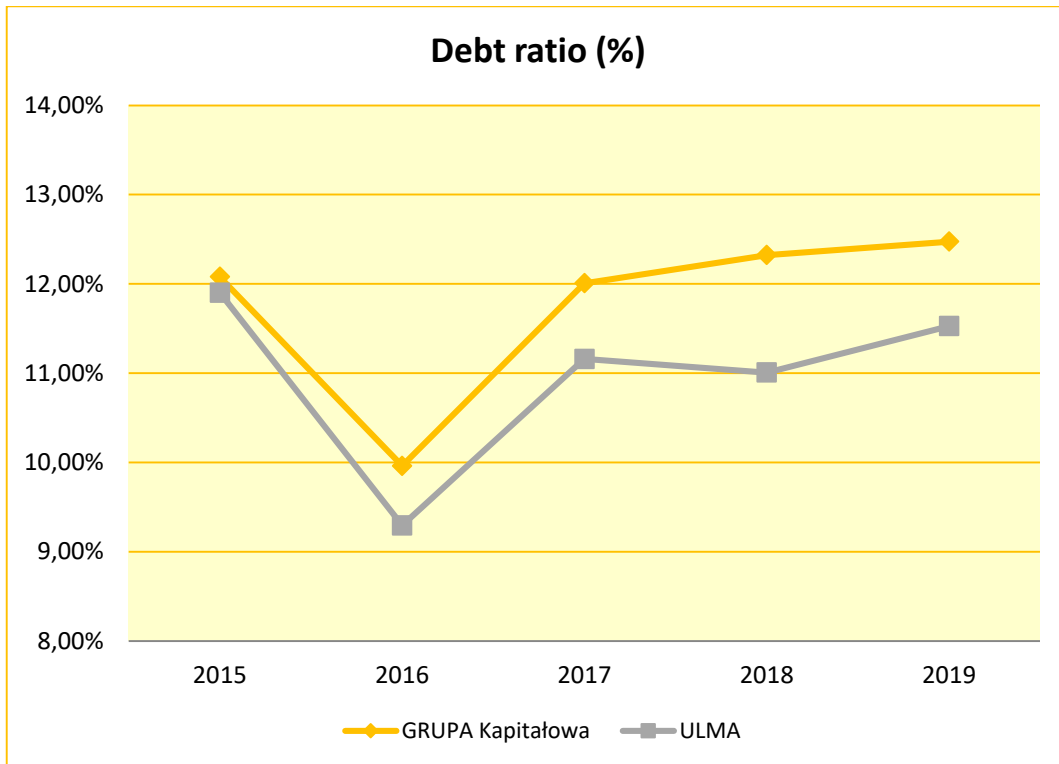
In 2019, ULMA Construcción Polska S.A. achieved PLN 1,059,000 of interest income from the above-mentioned loans, including PLN 532,000 from a loan granted to the parent company (in 2018 the above-mentioned interest amounted to PLN 1,596,000, including PLN 962,000 from the parent company).

## **I Net profit (loss)**

After taking into account the income tax, in 2019 the Capital Group achieved a positive net financial result of PLN 46,201 thousand compared to a positive net result in the previous year of PLN 46,997 thousand.

The positive net financial result achieved in 2019 by ULMA Construcción Polska S.A. amounted to PLN 43,499,000 compared to PLN 42,409,000 of net profit achieved in the previous year.







## Cash flow

The Group's shortened cash flow statement in the analysed periods is presented in the table below:

	12 months of 2019	12 months of 2018	Dynamics
Net profit	46,201	46,997	0.98
Depreciation	43,115	35,314	1.22
<b>Total financial surplus</b>	<b>89,316</b>	<b>82,311</b>	<b>1.08</b>
Other elements of net flows from operating activities	(61,551)	(48,293)	1.27
<b>Net cash flow from operating activities</b>	<b>27,765</b>	<b>34,018</b>	<b>0.82</b>
Net cash flow from investment activities	9,159	10,153	0.90
Net cash flow from financial activities	(36,350)	(18,869)	1.93
<b>Net cash flow</b>	<b>574</b>	<b>25,302</b>	<b>0.02</b>
Foreign exchange loss/gains on the valuation of cash and overdraft in the current account	(1,991)	(717)	2.78
<b>The change in net cash and overdraft in the current account</b>	<b>(1,417)</b>	<b>24,585</b>	<b>-</b>

The Group's shortened cash flow statement of ULMA Construcción Polska S.A in the analysed periods is presented in the table below:

	12 months of 2019	12 months of 2018	Dynamics
Net profit	43,499	42,409	1.03
Depreciation	39,054	30,953	1.26
<b>Total financial surplus</b>	<b>82,553</b>	<b>73,362</b>	<b>1.12</b>
Other elements of net flows from operating activities	(64,622)	(42,288)	1.52
<b>Net cash flow from operating activities</b>	<b>17,931</b>	<b>31,074</b>	<b>0.58</b>
Net cash flow from investment activities	16,919	12,069	1.40
Net cash flow from financial activities	(34,580)	(20,107)	1.72
<b>Net cash flow</b>	<b>270</b>	<b>23,036</b>	<b>0.01</b>
Foreign exchange loss/gains on the valuation of cash and overdraft in the current account	116	270	0.43
<b>The change in net cash and overdraft in the current account</b>	<b>386</b>	<b>23,306</b>	<b>0.02</b>

## Cash flow from operating activities

In 2019, the Capital Group recorded a decrease in net cash from operating activities, which amounted to 27 765 thousand PLN compared to 34 018 thousand PLN in the previous year. . This result was mostly influenced by the increase in other (negative) elements of net flows from operating activities, including mainly the increase in expenses related to the purchase of shuttering elements - 12,754 thousand PLN (in 2019 the value of purchases was 73,078 thousand PLN compared to 60,324 thousand PLN in 2018) and the difference in the balance of liabilities - 6,934 thousand PLN.

In 2019 ULMA Construcción Polska S.A. recorded a significant decrease in net cash from operating activities, which amounted to 17,931 thousand PLN compared to 31,074 thousand PLN in 2018. This result



was mostly influenced by the increase in other (negative) elements of net flows from operating activities, including mainly the increase in expenses related to the purchase of shuttering elements - 16,223 thousand PLN (in 2019 the value of purchases was 64,792 thousand PLN compared to 48,569 thousand PLN in 2018) and the difference in the balance of liabilities - 7,587 thousand PLN.

In 2019, the Capital Group managed to slightly improve the receivables turnover ratio compared to the level achieved in 2018 (which is presented in the table below).

		31 December 2019	31 December 2018
1	Net trade receivables (after updating write-offs) as at the balance sheet date	49,592	50,885
2	Grossed-up sales revenue for the 12 months to the balance sheet date	279,826	275,177
3	Number of days	365	365
4	Rotation ratio (1*3/2)	65	67

The Capital Group tries to reduce the risk of receivables collection by effectively implementing internal procedures and principles for identifying, measuring and monitoring the financial and liquidity situation of the Capital Group's customers at the time of commencement of cooperation and during its implementation.

## ■ Cash flow from investment activities

The cash flow statement shows mainly:

- amounts spent on other investment purchases, excluding purchases related to supplementing the portfolio of offered products (shuttering systems and scaffolding), which are shown in cash flows from operating activities,
- amounts spent on taking up shares in the increased share capital of the associated company,
- amounts received (spent) on repayment (granting) of loans to Group entities,

The main item of proceeds from investment activities is the repayment of a loan granted to the parent company in previous periods. In 2019, this repayment amounted to 11,000 thousand PLN and in 2018 also 11,000 thousand PLN.

## ■ Cash flow from financial activities

In 2019, the main item of cash flows from financial activities was the payment of dividends by ULMA Construcción Polska S.A. in the amount of PLN 30,009 thousand (in 2018 PLN 20,024 thousand).

As a result of the phenomena described above, in 2019 the Capital Group recorded an increase in cash by 574 thousand PLN to 48 970 thousand PLN as at 31 December 2019.



In 2019, ULMA Construcción Polska S.A. recorded an increase by PLN 270 thousand in cash and overdraft facilities, to the level of PLN 45,997 thousand as at 31 December 2019.

## Market environment in 2019 and major events having a significant impact on the activity and financial results of the Issuer's Capital Group in the financial year or whose impact is possible in subsequent years

### Market environment in Poland

According to the estimates of the Central Statistical Office (GUS), in 2019 the gross domestic product (GDP) of our country (in constant prices) increased by 4.0%, which represents a slight decrease in positive macroeconomic trends compared to the same period of the previous year (in 2018 GDP growth was 5.1%). In the fourth quarter of 2019 alone, the GDP growth rate was 3.6% (compared to 4.9% the year before), which may mean in practice that this lower growth rate than the year before should be expected in the following periods.

The main factor of economic growth in Poland in 2019 was still the domestic demand, which increased by 3.8%, compared to 5.3% in 2018. This result was particularly influenced by total consumption, which in 2019 grew by 4.0%, including consumption in the household sector by 3.9% (in 2018 these increases amounted to 4.1% and 4.3% respectively). The increased consumption of households is undoubtedly a result of a good situation on the labour market and low unemployment, which amounted to 5.2% at the end of December 2019, but also of the growing dynamics of salaries and the continuation of benefits received from the Family 500+ programme.

In 2019, construction and assembly production in entities with more than 9 employees recorded a significant drop in positive dynamics, mainly due to the high base effect. During 2019 it amounted to 2.6% in relation to the same period of 2018, when an increase of 17.9% was recorded.

Throughout 2019, increases were recorded in all segments of the construction industry, although their dynamics were lower than in 2018. Good results were recorded in **engineering construction** (an increase of 5% y/y), especially in the segment including the construction of bridges, viaducts, flyovers and tunnels (the most significant from the point of view of the Capital Group), where the increase in construction and assembly production amounted to 13.7% y/y, compared to 5.1% in 2018.

The year 2019 was also particularly successful for **housing construction**, where further production records were recorded. Experts estimate that in the whole of 2019, the growth of construction and assembly production in this segment was 8.9% y/y.

According to estimates, in 2019, the construction and assembly output in the **non-residential construction** segment increased by 5.7% y/y, with the biggest increases in the segments comprising the construction of retail and service facilities (up 19.5% y/y) and hotels and tourist accommodation buildings (up 5.7% y/y). The weakest segment in non-residential construction was transport and communication facilities, for which the decline in construction and assembly output was -20.8% y/y.



Last year, **industrial construction** also saw growth of almost 10.7% y/y.

As mentioned above, 2019 was a year of growth in virtually every construction segment. Nevertheless, some symptoms of a slowdown can be observed when analysing market data from the last months of 2019. In December 2019 alone, compared to the same period of the previous year, a decrease in the value of construction and assembly production was observed in particular in entities involved in the construction of buildings (down 8.5% y/y) and performing specialist construction work (down 4.1% y/y). On the other hand, a slight increase in the value of construction and assembly production was recorded in entities engaged in the construction of civil engineering facilities (up by only 0.4% y/y). Analysing the data after eliminating the impact of seasonal factors, we can also see a slowdown - construction and assembly production in December 2019 was 3.5% lower than in November 2019.

#### Analysis of market data in the field of ULMA (PLN m) - CSO / Spectis

Sector	2019 *)	2018 **)	% year on year
Housing sector	18,744	17,209	8,9%
Non-residential sector	24,016	22,722	5,7%
Engineering sector (bridges, viaducts, flyovers, tunnels)	3,201	2,815	13,7%
Industrial sector	21,145	19,597	10,7%
<b>Sectors operated by ULMA CONSTRUCCION POLSKA S. A. in total</b>	<b>67,106</b>	<b>62,343</b>	<b>7,6%</b>

(\*) estimates

\*\*) final data for 2018 published by GUS

## Market environment abroad

### Ukraine

According to International Monetary Fund forecasts, Ukraine's economy grew by 3.6% in 2019, with the prospect of growth of 3.8% and even 4.1% in the following years. In the analysed period of the previous year, there was a clear slowdown in inflation rates (overall inflation fell to 4.1%), which is a good forecast of stabilising the country's economic situation.

Another positive symptom on the way to normalizing Ukraine's economic situation was the strengthening of the value of the local currency, i.e. the Hryvnia to the Euro and the US dollar, which in the whole of 2019 amounted to around 15%. Additionally, salaries increased significantly in 2019. Unfortunately, both of these factors weakened the profitability of Ukrainian exporters, and thus limited their investments and tax revenues to the state budget. The increase in Hryvnia's exchange rate also led to a reduction in demand for new apartments. This resulted in a decrease in public interest in exchanging savings held in hard currencies such as the Euro or the US dollar for the Hryvnia at ever lower rates.

As a result, in 2019 the **residential** segment achieved a much lower growth rate than the year before.





However, the year 2019 brought a significant increase in the number of **non-residential** construction projects, including in particular large shopping centres. In view of the above, an important element was the acquisition by the subsidiary, operating on the Ukrainian market, of significant contracts for the lease of shuttering systems for the construction of large shopping centres in Kiev, signed as early as in 2018, which culminated in the summer season of 2019. Last year, the Ukrainian market also saw a demand tendency on the part of the subsidiary's main customers to purchase a certain number of shuttering systems for their own needs. These transactions were covered by current information and made public in July 2019.

The Management Board of the Capital Group continues to observe a continuing tendency for the main customers of the subsidiary in Ukraine to purchase formwork systems for their own needs, which is a good forecast for sales activities for the coming year.

### **Kazakhstan**

In 2019, the Gross Domestic Product recorded a 4.5% growth, and the market situation was relatively stable - cubature residential and non-residential investments continued, and the oil sector, where the largest investments are currently underway, developed relatively successfully.

Against this background, however, the most significant impediment to the Capital Group's ability to boost its commercial activities was and is very strong competition from Russian producers. These products, despite their poor quality, are willingly purchased by general contractors mainly due to their price attractiveness, while the range of formwork or scaffolding exported to the Kazakh market by the Capital Group is subject to high customs duties, which practically prevents effective competition and price competitiveness.

### **Lithuania**

Lithuania's GDP grew by 4.0% in 2019, exceeding analysts' forecasts, which indicated economic growth of 2.8%. At the same time, the construction market showed positive dynamics, mainly in the cubature segment, which grew by 4.7%. This was due to the favourable market prospects of the Lithuanian market and a significant improvement in demographic indicators. On the other hand, the construction market, similar to the Polish market, was under great pressure from rising labour costs and other costs of construction services. These factors, together with the growing price pressure on the construction services offered, in the face of growing market competition, have caused many construction companies to feel problems of a mental nature.

## **Description of the structure of main capital deposits or main capital investments made within the Issuer's Capital Group in a given financial year**

In the financial year 2019 the Capital Group did not make any deposits or capital investments.

## **Description of significant off-balance sheet items in terms of subject matter, subject matter and value**

At the request of ULMA Construccjon Polska S.A. mBANK granted one of the Company's suppliers a bank guarantee of performance of the lease agreement. The bank guarantee expires on 30 September 2022 and



its amount will change during the period of validity. The guarantee is related to the lease of the Logistics Centre in Gdańsk. The Company uses the Logistics Centre in Gdańsk under a long-term lease agreement.

As at the balance sheet date, the amount of the bank guarantee granted is PLN 3,593 thousand.

## Description of significant risks and hazards, specifying the extent to which the issuer is exposed to them

### **I Risk of competition and construction boom in Poland**

The year 2019 was marked by a moderate cooling of the domestic construction market, mainly due to a smaller number of projects in the engineering segment and a decrease in the number of local government investments. A smaller number of investments brought the long-awaited stabilisation of prices of construction materials or services. Nevertheless, the moods and assessment of the construction market by the entities operating on it are moderately optimistic, as the growth dynamics in the industry is getting smaller and the macroeconomic data for specific market segments are increasingly more pronounced in the slowdown announced by experts.

The weakest results are still recorded by large construction companies, which are slowly completing road contracts signed as early as in 2015-2017, i.e. those signed in a period of strong market competition resulting from a decrease in the number of public contracts co-financed by EU funds, and significant cost pressure. In many cases, these contracts have led to viability difficulties.

Only their gradual finalization and successive replacement with new profitable contracts obtained on better economic terms will allow to forecast an improvement of financial results among general contractors strongly involved in this segment of the construction market.

Definitely better financial results are achieved by companies implementing railway projects. On the other hand, entities with a highly diversified order portfolio are in the best position, which mainly includes orders from private investors, especially in the area of cubature construction.

Shorter lead times for residential and commercial projects allow us to adjust margins to rapidly changing prices in the construction market. The relatively best results can be boasted by small and medium sized sub-contractor companies, which managed to use the limited capacity of large contractors in the period of accumulation of work and obtain higher unit prices for their services.

In 2019, the number of bankruptcies in the construction industry remained at a relatively safe level, which proved to be the lowest since 2010. In addition, an increase in the number of small and medium sized start-ups was recorded. According to data from the REGON register, at the end of the fourth quarter of 2019, there were 493 thousand construction companies operating in Poland, 6.6% more than a year before. The impressive increase in the number of construction companies is mainly due to micro-businesses (1-9 employees), which in the past year in Poland increased by nearly 31 thousand. It is estimated that after the first quarter of 2020 the number of construction companies in the REGON register may exceed 500 thousand entities for the first time in history.



Most construction groups are now focusing on improving their margins by selectively selecting potentially most profitable orders from public and private investors. In recent months, price competition between contractors has become increasingly visible. Many road and rail investments financed from the EU budget for 2014-2020, which is now coming to an end, have not been completed. However, due to underestimated investor cost estimates, they remain unresolved. Moreover, everything indicates that the next EU budget for 2021-2027 will be much less favourable for Poland. Therefore, it is important to consistently increase the role of projects implemented under public-private partnerships, whose share in the total number of investments is currently far too low.

In the nearest future, a revival is expected in the power and hydraulic engineering segment. It will be very important to develop appropriate practices for the functioning of the new Public Procurement Law, which is to be effective from 2021.

In the area of residential and commercial real estate, high demand for construction services is expected to continue in the coming quarters.

A smaller number of investments under construction in the first half of 2019 has slightly reduced the problem of a shortage of construction workers and slowed down the wage pressure in the entire construction sector. However, due to the lack of solutions concerning the issue of employing foreigners and the state's migration policy, these problems will recur with every accumulation of construction works. Moreover, an important problem is still the lack of qualified staff due to many years of neglect in the area of vocational education and the continuing strong demand for Polish professionals abroad.

Another potential problem is the planned opening of the German market in 2021 for workers from abroad. Construction companies in Poland, apart from Ukrainians and Belarusians, also employ citizens of e.g. Nepal, Bangladesh or Philippines. Large companies are able to offer attractive employment conditions, small construction companies usually rely on temporary workers.

Despite the fact that so far forecasts for the development of the construction market in Poland have indicated positive trends, recently a new negative factor has appeared in the world, which will undoubtedly affect the economies of individual countries, including Poland. The rapidly spreading coronavirus COVID-19 epidemic, which has recently taken its negative toll on the financial markets, may soon change the current positive face of the industry. Among the greatest threats one can mention:

- the downturn in the construction industry in individual countries,
- delays in the implementation of investments due to the financial difficulties of investors and the lack of construction workers who either return to their homes (this applies to workers from other countries, e.g. Ukraine) or take health or childcare-related redundancies
- problems with the free transport of building materials
- border closures and increased controls restricting access to new materials purchased to supplement scaffolding and formwork equipment



- even greater staffing shortages due to mandatory quarantine

Each of the threats negatively affects the Capital Group's ability to service its construction contracts. The Management Board of the Capital Group tries to limit this risk by scrupulously preparing contingency plans for all groups of employees, starting with trade and project teams and ending with employees of logistics departments.

In the opinion of the Management Board, these actions allow the Capital Group to maintain and continue its business activities under the conditions of the development of the epidemic and to minimise the negative consequences of the threats referred to above, although the economic consequences cannot be completely excluded.

## **I Trade risk in export markets**

The trade policy characterizing the Capital Group's operations is determined by the development prospects of particular export markets on which the Capital Group operates. Among the factors that may affect the economic situation in the nearest future, and thus the Capital Group's revenues, one should mention:

### **Ukraine**

- While during 2019 the local currency, i.e. the Hryvnia, recorded a gradual appreciation against major currencies such as the US dollar and the euro, this trend is expected to reverse rapidly in the following periods with the market turbulence currently visible. Such a situation would lead to a decrease in the value of revenues and results realized by the subsidiary operating on that market, converted into PLN.
- The reduction in demand for apartments recorded in 2019 and restrictions on investments in the export sector may lead to a situation where developers and construction companies will experience liquidity problems.

This risk may lead to significant payment congestion and the necessity to cover with write-downs certain receivables in subsequent periods, which will undoubtedly negatively affect the results of the Capital Group.

- Construction in Ukraine is quite a young and immature market in comparison to the European or Polish market. As general contractors, there operate mainly medium or small companies, often without much experience or production capacity and, in particular, with a strong financial background. They often operate on the basis of equity only. Therefore, these companies are exposed to market perturbations, which also have a negative impact on all participants of the supply chain. To date, the Management Board of the Capital Group has not recorded an increased number of cases in which the liquidity problems of the subsidiary's customers would be significant, although the level of allowances for receivables created by the subsidiary in Ukraine is definitely higher than the level of such allowances on the Polish market. Nevertheless, in the face of exceptionally negative market turbulence, liquidity risk may intensify, which in turn would translate into the results achieved by the Capital Group.

### **Kazakhstan**



- The risk of increasing price competition from Russian producers of shuttering products and products may lead to a reduction in demand for products offered by the subsidiary operating in that market.
- Although the economic situation of Kazakhstan appears to be relatively stable, the launch of many large engineering projects, planned for 2020, has been delayed. If this situation continues, the delay in the implementation of the sales plans assumed by the Capital Group for 2020 in Kazakhstan may intensify.

### **Lithuania**

Following the forecasts of market analysts, the Capital Group anticipates a slowdown in the Lithuanian market, mainly due to the general economic downturn in the global economy and lower forecasts for investments underway. This is accompanied by additional negative developments, such as

- reduction of financing by banks for the construction sector due to worsening results of construction companies
- increasing acquisition competition and price pressure, and
- further deterioration of profitability due to continued cost pressures

Nevertheless, the subsidiary operating on the Lithuanian market has obtained contracts with favourable financial values in 2019, which allow to look with optimism at the realization of commercial tasks for 2020. In addition, the Management Board of the Capital Group, together with the management of the subsidiary, makes a lot of acquisition, technological and design efforts to ensure that the barn of new construction contracts for the order portfolio is optimal and guarantees that the economy of the subsidiary is maintained at the level achieved in 2019.

### **Exchange rate risk**

The companies of the Capital Group purchase products (formwork systems and their accessories) from the parent company in Spain or other entities located outside Poland. On the other hand, the Capital Group companies are active on export markets. As a result, the Capital Group is exposed to the exchange rate risk, which it tries to limit by activity on the currency market or by activity on the forward market and concluding currency futures contracts of Non-Delivery Forward (NDF) type.

The subsidiary Ulma Opałubka Ukraina sp. z o.o. still has intra-group loans denominated in USD. Due to the inability to effectively hedge against foreign exchange risk relating to this transaction, the Company remains exposed to USD - Hryvnia currency exposure (there are still no derivatives available on the capital market in Ukraine whose underlying currency would be the Ukrainian Hryvnia). As noted, Management is committed to minimize this risk by updating the prices of its products and services as a result of changes in exchange rates for the Hryvnia. However, these measures do not fully offset the effects of the devaluation of the local currency in a situation of economic downturn.

The risk related to financial instruments is described in Note 2 to the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2019.



**Indication of significant proceedings pending before a court, arbitration body or public administration authority, concerning liabilities and receivables of the issuer or its subsidiary, including the subject of the proceedings, the value of the subject of the dispute, the date on which the proceedings were initiated, the parties to the proceedings and the issuer's position.**

Neither ULMA Construcción Polska S.A. Nor any of its subsidiaries is a party to the proceedings regarding liabilities or receivables of the Company, the value of which would be at least 10% of the Issuer's equity.

There are also no two or more proceedings regarding liabilities, the total value of which would be at least 10% of the Company's equity.

**Proceedings regarding receivables of ULMA Construcción Polska S.A as at 31.12.2019:**

ULMA Construcción Polska S.A. conducts 51 court proceedings, which include receivables (according to the balance as at 31 December 2019) in the total amount of PLN 20,705 thousand. These cases include court proceedings that have not yet ended with the court issuing a final enforcement order in the case and claims against debtors in relation to which the court issued a decision on the declaration of bankruptcy, arrangement or restructuring.

The table showing individual groups of court proceedings is presented in the table below:

Detailed list	Number of cases	Balance as at 31 -12 - 2019	Date of the commencement of proceedings	Status of the case
<b>Court proceedings</b>	<b>3</b>	<b>621</b>		
Including major cases:				
Firma H.P.U. "ROTOS" Ryszard Dominik		545	June 2018	The District Court in Białystok awarded the Debtor and the Guarantor (the Debtor's spouse) the entire amount due. Despite the fact that the order for payment is not yet final and binding, the Company, as part of the bailiff's proceedings, secured the Debtors' movable property (construction machines). In September 2019, as part of the bailiff's proceedings, the Company managed to auction off part of the seized movables, in the course of which PLN 310 thousand was recovered. Additionally, at the request of the Company, criminal proceedings are being conducted in connection with the fact that the Debtors, being already debtors of the Company, have assigned their movable and immovable property of significant value to their children.
Aussie Development sp. z o.o.		58	May 2019	The Company filed 2 suits against the Debtor and guarantor (natural person). In one of the proceedings, the Company has already received a warrant for payment and is awaiting its validation, while in the other, the Company is awaiting the issuance of a warrant for payment, which will probably take place in the first half of 2020.
Construct sp. z o.o.		18	July 2019	The payment order issued on 25 July 2019 became final in January 2020 and the Company submitted an enforcement petition to the bailiff.
<b>Total listed</b>		<b>621</b>		<b>100% of the total</b>
Detailed list	Number of	Balance as at		Status of the case
<b>Bankruptcy proceedings</b>	<b>48</b>	<b>20,084</b>		
<i>including the 5 largest items:</i>				
HYDROBUDOWA POLSKA SA		6,602	September 2012	The receivable has been filed to the bankruptcy receiver.

All amounts expressed in thousands of PLN, unless indicated otherwise





RADKO Sp. z o.o.		4,104	August 2012	<p>On 20 January 2016, the Court transformed the hitherto existing systemic bankruptcy into bankruptcy involving the liquidation of the bankrupt's assets.</p> <p>Regardless of the receivables filed in the bankruptcy proceedings, the Company conducts several different proceedings in parallel. In particular, it is the enforcement proceedings against one of the guarantors (a former member of the Debtor's board). In relation to this guarantor, both the enforcement proceedings are conducted against the land property and the enforcement proceedings against its shares in another company. The bailiff has so far managed to cash in and transfer to the Company the amount for one of the real properties. In October 2019, the judicial officer sold another two properties for a total of PLN 202 thousand. The Company is waiting for a plan to distribute the recovered amount. Enforcement proceedings are in progress (the company owns properties with an estimated value of approximately PLN 500 thousand).</p>
HENPOL Sp. z o.o.		1,010	January 2014	The receivable has been filed to the bankruptcy receiver.
Firma Gotowski – Budownictwo Komunikacyjne i Przemysłowe sp. z o. o		873	June 2018	<p>On 22 June 2018, the District Court in Bydgoszcz issued a decision on opening the Debtor's recovery proceedings. Despite questioning a significant amount of receivables, finally, through the court, the Company managed to effectively challenge the list of receivables prepared by the Debtor.</p> <p>Taking into account that the Company cooperated with the Debtor on three public contracts (contracts submitted to investors under the Public Procurement Law), the Company tries to recover its receivables directly from them. The effect of these efforts was, among others, the payment in July 2019 of 197 thousand PLN from one of the Investors.</p> <p>The other Investor paid to the court deposit the amount of PLN 273 thousand due to the Company, due to an earlier dispute about this amount. After the contested amount was finally recognised, the Company applied for payment from the deposit. As the third Investor refused to pay directly, the Company filed a lawsuit for payment of PLN 362 thousand.</p>
KROKBUD Sp. z o.o.		864	April 2016	On 16 November 2017, the District Court in Nowy Sącz changed the existing decision on declaring the Debtor's bankruptcy with the possibility to enter into an arrangement into a decision on declaring bankruptcy involving liquidation of the Debtor's assets. The Company reported its receivables to the trustee. So far the Company has not received any payments during the pending bankruptcy proceedings.
<b>Total listed</b>		<b>13,453</b>		<b>67% of the total</b>
Total number of the proceedings conducted	<b>51</b>	<b>20,705</b>		





Apart from the court cases described above, the Company conducts a number of debt collection proceedings. These are in particular pre-judicial proceedings and at the bailiff enforcement stage. Currently, the Company is conducting 89 proceedings from these categories with a total value of PLN 9,153 thousand.

The total value of receivables covered by debt collection or court proceedings as at the balance sheet date of 31 December 2019 included 140 cases and amounted to PLN 29,858 thousand. It should be pointed out that starting from the third quarter of 2018, and in particular in 2019, the total balance of receivables in both processes in the Company indicates a downward trend (without taking into account the reduction of the balance due to writing off receivables into costs). This trend followed the increasing effectiveness of debt collection processes in the Company, which is presented in the table below.

	in 2019.	in 2018.	in 2017.
<b>Receivables in collection at the beginning of the period</b>	<b>35 963*</b>	<b>38,251</b>	<b>45,582</b>
written down over the period	(5,520)	(2,866)	(8,087)
payments over the period	(1,358)	(2,639)	(2,991)
New collections over the period	771	3,624	3,746
<b>Receivables in collection at the end of the period</b>	<b>29,856</b>	<b>36,369</b>	<b>38,251</b>
<i>new collection - payment per balance</i>	<i>(587)</i>	<i>985</i>	<i>756</i>

\*The opening balance as at 2019 was reduced by PLN 406 thousand resulting from the reclassification of receivables recognised as debtors in 2018 to normal receivables (signed agreements and further cooperation with customers).

The above phenomenon is an effect of, on the one hand, a careful process of verification of new clients / construction sites and, on the other hand, the application of effective security measures against credit risk included in agreements with clients.

### **Proceedings concerning receivables in Subsidiaries as of 31 December 2019:**

As at the balance sheet date, the Company's subsidiaries recorded a total of 12 court cases with a joint value of PLN 3,494,000 including:

- a) 6 cases for the amount of PLN 1,034 thousand are at the stage of court proceedings,
- b) 6 cases for the amount of PLN 2,460 thousand are restructuring and bankruptcy proceedings.

Invariably for 2 years, the largest of the court cases in the Subsidiaries (the equivalent of debt as at the reporting date is PLN 1,998 thousand) is the bankruptcy proceedings of one of the debtors in ULMA Construcción BALTIC.

Similarly to the Company, in the balance sheets of the Subsidiaries, in addition to the court receivables described above, there are also balances of 20 debtors (mainly at the pre-judicial stage), whose total value amounts to PLN 7,470 thousand (translated at the exchange rates as at the balance sheet date). The vast majority of the above amount comes from ULMA Opatubka Ukraina sp. z o.o., where, despite a very good market situation, credit risk remains high. In 2019, ULMA Opatubka Ukraina sp. z o.o. was forced to create write-offs for receivables in the total amount of PLN 4,412 thousand. In response to such a high risk, the Management Board of the Capital Group implemented a new, more restrictive, debt collection procedure and customer verification process (similar to the process effectively functioning in ULMA Construcción Polska S.A.). As a result, the Management Board of the Capital Group expects a significant improvement in this field in 2020.

All amounts expressed in thousands of PLN, unless indicated otherwise



The Capital Group creates write-offs updating the level of receivables for all doubtful debts and receivables covered by court proceedings. The amounts of such write-offs are included in the item "Other operating costs", and their amount corresponds to the estimates as to the possibility of recovering debts as part of the court and debt collection process.

The Capital Group does not conduct any significant proceedings concerning liabilities of the issuer or its subsidiaries.

### **Information on basic products, goods or services with their value and quantity determination and the share of particular products, goods and services (if significant) or their groups in total sales of the issuer, as well as changes in this respect in a given financial year**

The main source of the Capital Group's income is the rental and sale of formwork and scaffolding systems. This activity is complemented by the sale of shuttering plywood, release fluids for formwork and other reinforced concrete accessories.

The volume of orders is controlled and adjusted to the growth of the construction market and the possibility of cooperation with numerous entities from the construction industry. The Capital Group also adjusts its current products (formwork systems and scaffolding) to the changing needs of the construction market.

In 2019, as in previous years, the Capital Group conducted trade and service activities in the following scope:

- sale and lease of system formwork and scaffolding,
- Pre-assembly of shuttering elements for engineering structures,
- the sale of commercial goods,
- accessories for reinforced concrete works,
- of shuttering plywood.

Data concerning the sales segmentation of the Capital Group are presented in the consolidated financial statements of the Capital Group in the note on business segments.

### **Information on major achievements in the field of research and development**

In the financial year 2019, neither the Company nor the Capital Group carried out any important work in the field of research and development that was significant from the point of view of operating activity.



**Information on sales markets, including a division into domestic and foreign markets, and information on sources of supply of production materials, goods and services, specifying dependence on one or more customers and suppliers, and if the share of one customer or supplier reaches at least 10% of total sales revenue, the name of the supplier or customer, its share of sales or supply and its formal links with the issuer**

The Group's sales are focused on the domestic market. Total sales on this market constitute 64.2% of the Capital Group's revenues. In 2019 significant changes in the diversification of domestic customers were observed. Thus, in 2018, over 50% of revenues were concentrated in the group of the largest 15 construction companies operating in Poland and being part of international construction concerns from Western Europe, while in 2019, 50% of the value of revenues from sales of the parent company (43% of the Capital Group's sales revenues) consists of revenues of up to 48 largest construction companies.

In accordance with the adopted criteria for classification as significant agreements concluded with the clients of the Capital Group, it should be noted that no agreement executed in 2019 met these criteria except for the loan agreement with the parent company ULMA CyE, S. Coop, which is described below.

Export sales are carried out mainly through the Group's own sales network in the markets of Eastern Europe and Asia. In 2019, the share of export in the total sales revenue of the Capital Group was nearly 35.8% compared to over 24.3% in 2018. The main foreign sales markets are Ukraine, Lithuania, Spain and Italy

Significant volume of supply of formwork offered on various markets comes from the main shareholder from Spain - in 2019 purchases from Spain (mainly purchases of formwork and scaffolding, formwork rental services and IT services) accounted for 20.8% of the total sales of the Capital Group.

The remaining purchases of formwork systems are made from independent suppliers from Germany, Austria, Czech Republic, Latvia, and Poland.

**Information on concluded agreements significant for the issuer's operations, including agreements concluded between shareholders, insurance agreements, cooperation agreements or cooperation agreements known to the issuer**

In the period covered by the report, the entities comprising the Capital Group did not conclude any agreements with shareholders other than those described in this report. Other transactions and agreements were of typical and routine nature, were concluded on market terms and their nature and terms resulted from the current operating activities conducted by the companies comprising the Capital Group.

**Description of transactions with related entities if a one-time or total value of transactions concluded by a given related entity in the period from the beginning of the year exceeds the PLN equivalent of EUR 500,000**



Transactions concluded in 2019 by ULMA Construcción Polska S.A. and its subsidiaries with related parties were of typical and routine nature, were concluded at arm's length, and their nature and terms resulted from current operating activities.

The most significant transactions were those with the parent company ULMA C y E, S. Coop. (Spain), in particular:

- purchase of shuttering and scaffolding and rental services of shuttering and scaffolding of the total value of PLN 45 622 thousand (PLN 38 346 thousand in 2018),
- other purchases in the total amount of 1 983 thousand PLN (1 693 thousand PLN in 2018).

ULMA Construcción Polska S.A. granted the parent company ULMA CyE, S. Coop a short-term loan of PLN 32,000 thousand in total. The loan for the parent company was granted on market terms - the interest rate on the loan depended on WIBOR 3M. The tranche of PLN 11 000 thousand was repaid on 21.05.2018, the second tranche of PLN 11 000 thousand was repaid on 29 April 2019. The payment dates for the remaining part of the loan in the amount of PLN 10,000 thousand, in accordance with the annex of 15 January 2019, were set for 30 April 2020.

### **Information on loans and borrowings taken and terminated in a given financial year, including at least their amount, type and amount of interest rate, currency and maturity date.**

In the financial year 2019 ULMA Construcción Polska S.A. did not make any changes in loan agreements with banks.

On 3 November 2014 ULMA Opałubka Ukraina Sp. z o.o. concluded a short-term credit agreement with UkrSibbank in Hryvny in the amount equivalent to PLN 1,000 thousand. (increase of the limit under the annex to the credit agreement). The maturity date of this agreement is 31 December 2020. As at the balance sheet date of 31 December 2019, there is no debt under this agreement (as at 31 December 2018, the debt amounted to 1,693 thousand PLN, converted at the exchange rate of the balance sheet date).

On 19 October 2016, ULMA Construcción Polska S.A. concluded an agreement with mBank S.A. "on electronic payment of liabilities" to some of its suppliers financed by a credit line of 5 500 thousand PLN valid until 26 June 2020.

The credit line is intended to optimize financing of working capital.

### **Information on the organizational or capital relations of the issuer with other entities and specification of its main domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including capital investments made outside its group of affiliated entities and description of the methods of their financing.**

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

- separate statements - Notes 4, 7 and 26



- consolidated financial statements of the Capital Group - Notes 5, 8 and 29

### **Information on loans granted in a given financial year, with particular emphasis on loans granted to the issuer's related entities, including at least their amount, type and amount of interest rate, currency and maturity date.**

ULMA Construcción Polska S.A. granted an investment loan of USD 1,500 thousand to its subsidiary ULMA Opałubka Ukraina sp. z o.o. at a fixed market interest rate until 8 January 2021. As at 31.12.2019, the balance of the loan is USD \$290 thousand. The Management Board's intention is to extend the repayment date of the loan.

ULMA Construcción Polska S.A. granted a long-term loan of EUR 2,500 thousand to its subsidiary ULMA Construcción thousand. The loan was granted on market terms until 3 January 2023. (Annex of 12 September 2019). As at 31 December 2019, the receivable under the loan was EUR 2,100 thousand.

ULMA Construcción Polska S.A. granted the parent company ULMA CyE, S. Coop a short-term loan of PLN 32,000 thousand in total. The loan for the parent company was granted on market terms - the interest rate on the loan depended on WIBOR 3M. . The tranche of PLN 11 000 thousand was repaid on 21.05.2018, the second tranche of PLN 11 000 thousand was repaid on 29 April 2019. The payment dates for the remaining part of the loan in the amount of PLN 10,000 thousand, in accordance with the annex of 15 January 2019, were set for 30 April 2020.

### **Information on sureties and guarantees granted and received in a given financial year, with particular emphasis on sureties and guarantees granted to the issuer's related entities**

ULMA Construcción Polska S.A. granted a surety to Bank UKRSIBBANK for its subsidiary - ULMA Opałubka Ukraina Sp. z o.o. as a security for the repayment of a bank loan. The surety is granted for the duration of the credit agreement and its amount is EUR1,000 thousand. As at the balance sheet date of 31 December 2019, there is no debt under this agreement (as at 31 December 2018, the debt amounted to 1,693 thousand PLN, converted at the exchange rate of the balance sheet date).

### **In the case of an issue of securities in the period covered by the report - a description of the use by the issuer of the proceeds from the issue until the report on operations is prepared**

In the reporting period ULMA Construcción Polska S.A. did not issue any securities.

### **Explanation of differences between the financial results disclosed in the consolidated annual report and the previously published forecasts for a given year.**

On 3 February 2020, the Issuer's Management Board, in report no. 2/2020, published preliminary estimates of selected financial and operational data of ULMA Construcción Polska S.A. Capital Group concerning total sales revenues and revenues from sales in particular segments of the Capital Group's operations. The table



below presents a comparison of the published preliminary estimates and actual data achieved in the analysed period of 12 months of 2019 and the fourth quarter of 2019.

#### 12 months of 2019

	Forecast	Execution	Difference
Sales revenues including:	229,366	229,366	-
- construction site services	183,309	183,309	-
- sales of building materials	46,057	46,057	-
EBITDA (net profit + depreciation)	102,164	102,164	-
Net profit	46,201	46,201	-
Net cash position (cash + loans granted)	58,970	58,970	-

#### The fourth quarter of 2019

	Forecast	Execution	Difference
Sales revenues including:	65,068	65,068	-
- construction site services	57,237	57,237	-
- sales of building materials	7,831	7,831	-
EBITDA (net profit + depreciation)	31,523	31,523	-
Net profit	16,282	16,282	-

### **An assessment, including its rationale, of the management of financial resources, with particular reference to the ability to meet commitments entered into and an identification of the risks, if any, and the actions the issuer has taken or intends to take to address those risks**

All the companies of the Capital Group fulfil their trade and credit obligations on an ongoing basis.

In 2019 the Capital Group continued to supplement its asset needs (formwork and scaffolding systems) by making investment purchases and transferring assets from the parent company's countries of operation (ULMA C y E S, Coop.), where their use is low. As part of this process, the transferred assets are leased from subsidiaries on market terms, which allows the Capital Group to optimise its financial resources management.

As mentioned at the beginning, the Capital Group's subsidiaries are exposed to the risk of changes in exchange rates. The Capital Group tries to mitigate this risk by active participation in the currency and forward market or by acting in search of natural hedging methods. This risk refers in particular to the intra-group loan granted by the mother company ULMA Construcción Polska S.A. to Ulma Opalubka Ukraina sp. z o.o., which is denominated in USD. The current unstable geopolitical and economic situation of Ukraine poses a real threat to the stability of the exchange rate of the domestic currency Hryvnia (UAH).



## Evaluation of the possibility of realization of investment plans, including capital investments, as compared to the amount of funds held, taking into account possible changes in the structure of financing this activity

The main investment activities carried out by the Capital Group in 2019 were related to purchases of shuttering systems and scaffolding in order to renew and supplement the assortment potential of the Capital Group and in connection with the intensified sale campaign which took place during the analysed period. These actions were very important for maintaining the Capital Group's competitive advantage on the domestic market in Poland in the segment of renting shuttering and scaffolding systems in 2020.

Thanks to the financial surplus generated in the course of its operating activities (in particular following the sale campaign), the Capital Group will be able to continue to make the necessary investment purchases in subsequent periods, which should be financed from its own funds.

As at the date of preparation of this report, the Management Board does not expect any changes in the policy of financing the Capital Group's investment activities to date.

## Assessment of factors and atypical events influencing the result on operations for the financial year, specifying the degree of influence of these factors or atypical events on the result achieved.

In 2019, there were no unusual events which materially affected the Group's financial result or whose impact is possible in future periods.

However, at present we are dealing with further economic turbulence for the global economy as a result of the COVID-19 coronavirus outbreak.

On 17 March 2020, the Management Board of the Capital Group published current report no. 3/2020, which was issued in connection with ESMA's recommendation, and which describes the Capital Group's actions in the face of the epidemic and contains the opinion of the Management Board of the Capital Group on the impact of the coronavirus epidemic on the Capital Group's economic activity in subsequent periods.

The Management Board of the Capital Group anticipates that the short-term impact of the epidemic on business activity will be negative, but at present it is difficult to estimate, as the condition of individual segments of the construction market in Poland and abroad is to a different extent exposed to the risk of slowdown:

### **Activity in Poland**

The condition of the engineering segment in Poland, which usually accounts for about 25% of total revenues from its core business of construction services, depends on the condition of public finances and





the State Treasury's ability to finance construction projects. Thus, if the current situation related to the coronavirus epidemic results in the transfer of domestic funds from this part of the market to other short-term social needs, e.g. health care or support for small or medium-sized enterprises, then such a situation will translate into a slowdown in the pace of launching new construction projects or delays in the construction projects already underway, and this in turn will translate into the financial results of the Capital Group. Nevertheless, the Management Board estimates the risk of such a scenario occurring in the medium term to be moderate, especially in view of the fact that Poland received financial support from the European Union as an emergency aid in combating the effects of the coronavirus epidemic.

A separate issue, however, remains the ability of construction companies to continue construction work in this segment of the market, in the face of difficulties in mobilising construction workers who either leave our country for their homes (this applies to groups of workers from Ukraine or Belarus) or go on health leaves or child care leaves up to 8 years of age to which they are entitled under the so-called "spec law". Lack of construction workers, therefore, may result in a significant decrease in the production capacity of contractors, which may lead to a delay in the execution of signed contracts and translate into a decrease in the Capital Group's revenues in the short term, i.e. up to 6 months. By the same token, the Management Board of the Capital Group would like to express the opinion that these short-term perturbations should be neutralised in the long term and the economic situation in the engineering segment should return if the development of the coronavirus epidemic and the size of new infections starts to stabilise, similarly as it is currently the case in China.

On the other hand, revenues in the **industrial segment**, from which the Capital Group usually obtains about **15%** of total revenues from its core business, i.e. construction services, are so marginal that the Management Board does not see any significant negative consequences for its operations if construction works in this market segment slow down.

On the other hand, the Management Board of the Capital Group sees a significant element of risk coming from the **cubature segment**, which usually generates about **60%** of the total revenue from its core business, i.e. construction services. The condition of this segment of the construction market depends largely on the condition of private finances and the willingness of private investors to invest. Negative effects of the outbreak of the coronavirus epidemic, which will affect the condition of this sector, may to the greatest extent contribute to the decrease in demand for the Capital Group's services, already in the medium term. The Management Board estimates that each 10% decrease in this segment in Poland could result in a decrease in the Capital Group's revenues by about PLN 5,000 - 8,000 thousand per year.

### **Activity on export markets**

Ukraine is the largest export market of the Capital Group. Currently, in Ukraine, the government makes decisions similar to those in Poland, i.e. restricting the freedom of movement of people and introducing a state of emergency. Similar ad hoc solutions are also introduced in Lithuania. Therefore, the Management Board of the Capital Group expects negative consequences in the short term, which are difficult to estimate as at the date of publication of this report. It is worth noting, however, that the operations of the subsidiaries in both Ukraine and Lithuania are to a large extent focused on the cubature segment, where, similarly to Poland, the foundation for its condition and development is the ability and willingness of private investors to carry out construction projects. Against this background, it is possible to limit the





supply of new orders in the medium term, and this may contribute to the decrease in the Capital Group's revenues in subsequent periods.

Taking into account the fact that under normal market conditions, the total revenues obtained on export markets account for 20% to 25% of the Capital Group's revenues, the Management Board estimates that every 10% drop in the construction segment on export markets may translate into a decrease in the Capital Group's revenues by about PLN 3,500 - 4,500 thousand annually.

Regardless of the above risks, there is also a systemic risk of competition, which the Management Board assesses as relatively high. They are related to the risk of a decrease in unit prices of services and goods offered by shuttering and scaffolding companies in the face of a smaller number of new constructions being launched, particularly in the cubature segment. Such a phenomenon may translate very acutely into a decreasing level of profitability of the entire industry and, consequently, also the profitability of the Capital Group's operations. However, the scale of this phenomenon is currently impossible to estimate. The Management Board of the Capital Group will react on an ongoing basis to any negative economic phenomena resulting from the current epidemic situation and will adjust the scope of its activities on an ongoing basis.

**Description of the development policy of the issuer's Capital Group and information about the adopted development strategy of the issuer and its Capital Group and activities undertaken as part of its implementation in the period covered by the report, together with a description of the development prospects for the issuer's operations at least in the nearest financial year.**

For many years the Management Board of the Capital Group has been trying to build a competitive advantage through consistent implementation of a development strategy identical for all subsidiaries. This strategy concerns in particular maintaining a strong market position on the domestic market in Poland and developing activities in selected eastern directions. However, these activities are focused in particular on:

- enabling the subsidiaries to access the commodity facilities (building shuttering, scaffolding and their accessories), which are offered by the Mother company Ulma Construcción Polska S.A. or by the parent company ULMA CyE, S. Coop from Spain as part of internal procedures for the free movement of goods,
- providing subsidiaries with access to specialist design facilities, which is the basis for subsidiaries to increase their competitive advantage,
- providing intra-group financing,
- creating added value by standardizing control and asset management systems, thanks to which the Capital Group is able to achieve synergies,
- creating added value by standardising control and risk management systems.

All these factors are and will continue to be the basis of the Capital Group's operating strategy as part of its efforts to continue growth and increase shareholder value.



## Changes in the basic principles of managing the issuer's enterprise and its Capital Group

In 2019 there were no changes in the basic principles of management of the parent company and the ULMA Construcción Polska S.A. Capital Group

## Changes in the composition of the issuer's management and supervisory bodies during the last financial year, rules for appointing and dismissing management staff and rights of management staff, in particular the right to make decisions on the issue or redemption of shares

According to the Articles of Association, the Management Board of ULMA Construcción Polska S.A. consists of one to five members. Members of the Board are appointed and dismissed by the Supervisory Board. The term of office of a member of the management board (term of office) shall be determined by the supervisory board, but it may not exceed three years. The board of supervisory directors shall determine the number of management board members and elect a chairperson from among them.

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

- convening the general meeting of shareholders,
- establishing the detailed organizational structure of the Company and internal regulations,
- granting and revoking proxies and powers of attorney,
- taking out loans,
- making investments,
- adopting rules of remuneration of the Company's employees,
- determining the rules and manner of accounting,
- establishing detailed principles of financial management of the Company,
- developing annual financial plans for the Company,
- developing long-term development plans for the Company,
- setting and announcing the date of payment of the dividend to be paid by the general meeting of shareholders,
- any matter brought to a Management Board meeting by a member of the Management Board.

During 2019 the following changes were made to the composition of the Management Board of ULMA Construcción Polska S.A:

- As of 30 May 2019 Mr Giordano Marcel Weschenfelder was appointed to the Management Board of ULMA Construcción Polska S.A.



According to the Articles of Association, the Supervisory Board of ULMA Construcción Polska S.A., the Parent Company, consists of five to nine members appointed by the General Meeting. The term of the Supervisory Board is three years.

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

- audit of the balance sheet,
- examination of the Company's Management Board's report and the Management Board's conclusions on the distribution of profits or coverage of losses,
- submitting to the general meeting of shareholders a written report on the results of the activities referred to in points above,
- suspension of a member of the Management Board or the entire Management Board for important reasons,
- delegating a member or members to temporarily perform the activities of the Management Board of the Company in the event of suspension or dismissal of the entire Management Board or when the Management Board cannot act for other reasons,
- approval of the Regulations of the Management Board of the Company,
- Establishing the rules and specifying the manner of remuneration of the Management Board members,
- authorisation of investments and purchases exceeding 4/5 (four fifths) of the share capital and borrowing of more than that nominal value, unless such investments or purchases are reflected in the adopted annual budgetary targets
- the appointment of an auditor,
- granting consent to the acquisition or disposal by the management of real estate or a share in real estate.

Members of the Supervisory Board exercise their rights and obligations personally.

During 2019 the following changes were made to the Supervisory Board of ULMA Construcción Polska S.A.:

- As of 30 May 2019, Mr Andrzej Kozłowski was dismissed from the Supervisory Board.
- As of May 30th 2019, Mr José Joaquin Ugarte Azpiri was appointed to the Supervisory Board.

**Any agreements concluded between the issuer and Management Board members providing for a compensation in case of their resignation or dismissal from their function without an important reason or if their dismissal results from the issuer's merger via acquisition**

In the Companies of the Capital Group, there are no agreements concluded between the companies in the ULMA Construcción Polska S.A. Capital Group and the managing persons providing for compensation in the event of their resignation or dismissal without an important reason or if their dismissal or dismissal is due to the merger of the Parent Company ULMA Construcción Polska S.A. or by acquisition.

**Value of remuneration, rewards or benefits, including those resulting from motivation or bonus schemes based on the issuer's capital, in particular those based on bonds with pre-emptive right, convertible bonds, subscription warrants, in cash, in kind or in any other form, paid, due or potentially due, separately for**



## each member of the issuer's managing, supervisory or administrative bodies in the issuer's enterprise

The above information is included in Note 30 to the consolidated financial statement.

## Total number and nominal value of all shares of the issuer and shares in the issuer's affiliated entities held by managing and supervising persons (for each person separately)

To the best of our knowledge, as at the date of publication of this report, no proxy, member of the Management Board or Supervisory Board holds shares of the Parent Company ULMA Construcción Polska S.A. or shares of its subsidiaries.

## Indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting, together with an indication of the number of shares held by these entities, their percentage share in the share capital, the number of votes resulting therefrom and their percentage share in the total number of votes at the General Meeting

As at the date of 31 December 2019, shareholders holding more than 5% of the total number of votes are:

	Basic capital		Votes at GSM	
	Number of shares	%	Number of votes	%
ULMA C y E, S. Coop.	3,967,290	75.49	3,967,290	75.49
TFI Quercus S.A.	264,893	5.04	264,893	5.04
Dispersed shareholders	1,023 449	19.47	1,023 449	19.47
<b>Total</b>	<b>5,255,632</b>	<b>100.00</b>	<b>5,255,632</b>	<b>100.00</b>

## Information on agreements known to the issuer (including those concluded after the balance sheet date) which may result in future changes in the proportions of shares held by existing shareholders and bondholders.

To the best of our knowledge, there are no agreements that may result in future changes in the proportions of shares held by existing shareholders.

## Indication of holders of any securities that give special control rights in relation to the issuer, together with a description of those rights

As at the date of submitting this report there are no securities giving special control rights in relation to the Parent Company ULMA Construcción Polska S.A.

## Information on the system of control of employee share programs



There is no employee share program in the companies belonging to ULMA Construcción Polska S.A. Capital Group.

### Indication of the body which has selected the audit firm

On 26 April 2017 the Supervisory Board of ULMA Construcción Polska S.A. adopted a resolution on the selection of the audit firm Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. to be conducted:

- Review of the interim financial statements of the Company and the interim consolidated financial statements of ULMA Construcción Polska S.A. Capital Group as at 30 June 2017, as at 30 June 2018 and as at 30 June 2019.

- Audit of the annual financial statements of the Company and the annual consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group as at 31 December 2017, as at 31 December 2018 and as at 31 December 2019.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, Rondo ONZ 1, is entered in the list of entities authorised to audit financial statements under number 130.

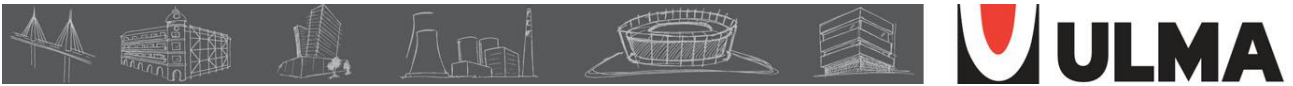
### Information on:

// the date on which the issuer concluded an agreement with an entity authorised to audit financial statements to audit or review the financial statements or consolidated financial statements and the period for which the agreement was concluded,

// remuneration of the entity authorized to audit financial statements, paid or due for the financial year separately for:

- Audit of the annual financial statement
- Other assurance services, including the review of financial statement
- Tax consultancy services
- Other services

The review of the interim financial statements of ULMA Construcción Polska S.A. and the audit of the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for 2019 were carried out by Ernst & Young Audyt Polska Sp. z ograniczoną odpowiedzialnością s.k. under an agreement concluded on 26 July 2017. The aforementioned agreement was concluded for a three-year period and concerns the audit and review of the Company's financial statements and the consolidated financial statements of the Capital Group for 2017-2019. The total remuneration for 2019 according to the above agreement amounts to 170 thousand PLN, including for the review of interim statements 64 thousand PLN.



The review of the interim financial statements of ULMA Construcción Polska S.A. and the audit of the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for 2018 were carried out by Ernst & Young Audyt Polska Sp. z ograniczoną odpowiedzialnością s.k. under an agreement concluded on 26 July 2017. The total remuneration under the aforementioned agreement amounts to PLN 165 thousand, including PLN 64 thousand for the review of interim statements.



## Conversion of selected financial data into the Euro

The conversion of selected consolidated financial data into Euro is presented in the table below:

DETAILED LIST	In thousands PLN		In thousands EUR	
	12 months of 2019	12 months of 2018	12 months of 2019	12 months of 2018
Net revenues from sales of products, goods and materials	229,366	223,721	53,319	52,488
Profit (loss) from the operating activities	59,049	55,817	13,727	13,096
Gross profit (loss)	59,086	58,164	13,735	13,646
Net profit (loss)	46,201	46,997	10,740	11,026
Net cash flow from operating activities	27,765	34,018	6,454	7,981
Net cash flow from investment activities	9,159	10,153	2,129	2,382
Net cash flow from financial activities	(36,350)	(18,869)	(8,450)	(4,427)
Net cash flow	574	25,302	133	5,936
Diluted profit per one share	8.79	8.94	2.04	2.10
Profit per ordinary share (in PLN / EUR)	8.79	8.94	2.04	2.10
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Total assets	393,172	368,225	92,327	85,634
Liabilities	49,040	45,375	11,516	10,552
Long-term liabilities	12,161	3,950	2,856	918
Short-term liabilities	36,879	41,425	8,660	9,634
Equity	344,132	322,850	80,811	75,081
Basic capital	10,511	10,511	2,468	2,444
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 ordinary share (in PLN / EUR)	65.49	61.43	15.38	14.29



The conversion of selected one-time financial data into Euro is presented in the table below:

DETAILED LIST	In thousands PLN		In thousands EUR	
	12 months of 2019	12 months of 2018	12 months of 2019	12 months of 2018
Net revenues from sales of products, goods and materials	197,371	199,797	45,881	46,875
Profit from operating activities	50,716	50,086	11,790	11,751
Gross profit (loss)	54,745	52,752	12,726	12,376
Net profit (loss)	43,499	42,409	10,112	9,950
Net cash flow from operating activities	17,931	31,074	4,168	7,290
Net cash flow from investment activities	16,919	12,069	3,933	2,832
Net cash flow from financial activities	(34,580)	(20,107)	(8,039)	(4,717)
Net cash flow	270	23,036	63	5,405
Diluted earnings per ordinary share (in PLN / EUR)	8.28	8.07	1.92	1.90
Basic earnings per ordinary share (in PLN / EUR)	8.28	8.07	1.92	1.90
	In thousands PLN		In thousands EUR	
	31 December 2019	31 December 2018	31 months of 2019	31 months of 2018
Total assets	374,689	357,345	87,986	83,104
Liabilities	43,189	39,335	10,142	9,148
Long-term liabilities	12,161	3,950	2,856	919
Short-term liabilities	31,028	35,385	7,286	8,229
Equity	331,500	318,010	77,844	73,956
Basic capital	10,511	10,511	2,468	2,444
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 ordinary share (in PLN / EUR)	63.08	60.51	14.81	14.07

Individual items of assets and equity and liabilities have been converted into EUR using average exchange rates published by the President of the National Bank of Poland, effective as at the balance sheet date. The average EUR exchange rate as at 31 December 2019 amounted to PLN/EUR 4.2585, and as at 31 December 2018 to PLN/EUR 4,300.

When converting the items of the statement of comprehensive income and cash flow statement items, a rate being the arithmetic mean of the exchange rates in force in the given period was applied, i.e. data for the period 1.01. 31/12/2019 were converted according to the exchange rate = 4.3018 PLN / EUR, data for the analogous period of 2018 were converted according to the exchange rate = 4.2623 PLN / EUR.

## Investor relations





As part of its efforts to build proper investor relations, the Capital Group has appointed a person responsible for contact with the WSE, the Polish Financial Supervision Authority and shareholders.

Aneta Szymańska

[aneta.szymanska@ulmaconstruction.pl](mailto:aneta.szymanska@ulmaconstruction.pl)

(22) 506-70-00

### Statement on the application of Corporate Governance principles

The statement of the Management Board on the application of Corporate Governance rules in 2019 will be published together with this report of the Management Board on the activities of ULMA Construcccion Polska S.A. and ULMA Construcccion Polska S.A. Capital Group for the year ended 31 December 2019.

### Declaration on the application of the Diversity Policy

Diversity and openness are values that are an integral part of both business activities and employment policy at ULMA.

When recruiting employees, ULMA applies the principles of Diversity and Equal Treatment, providing clear and fair criteria. The company uses various panels for job interviews. Managers have adequate knowledge of conducting interviews, including knowledge of the catalogue of questions which should not be asked to candidates, e.g. concerning their religious faith, political beliefs, personal life, etc. When recruiting, we look for people who are guided by values valuable to the organization.

An important element of personnel policy is the employment structure that ensures that people of different ages, genders and nationalities can work, as well as equal access to benefits and promotions, while maintaining the established principles of diversity.

In 2019, 53% of the newly hired white-collar workers were women, which is a confirmation of the Company's efforts to provide representatives of both genders in both key and specialist positions.

#### Age structure of employees in 2019

Age	Share in the total number of employees
20 to 29 years	41%
30 to 39 years	29%
40 to 49 years	20%
More than 49 years	10%

Every ULMA employee has the opportunity to be promoted to a managerial position if he or she demonstrates adequate professional achievements. An example is the personnel structure for managerial positions in the trade and technology division, where Directors / Managers were promoted from specialist positions.



ULMA puts emphasis on the development of its employees, providing them with equal opportunities to participate in training and professional development. Training is organized for all professional groups according to a training plan.

In order to counteract negative phenomena and promote diversity and openness, in 2019 ULMA conducted a series of trainings on the subject:

- Diversity and Equal Treatment,
- Code of Ethics,
- Anti-mobbing procedures.

The trainings were attended by three groups of employees: senior and middle management and employees in specialist positions. In the fourth quarter of 2019, trainings conducted in the form of e-learning were started. As at 31 December 2019, 76% of the group of reported persons completed the training.

ULMA conducts remuneration monitoring in order to check whether there is no inequality of treatment in the organization and assesses the amount of salaries for individual positions taking into account the differences between them:

- remuneration of persons working in equivalent positions,
- the pay of men and women,
- remuneration of persons working full-time or part-time,
- remuneration of persons with comparable seniority and competence.

As a result of the monitoring, 54% of those who received increases determined according to the evaluation criteria and salary grid in 2019 were women.



## Statement by the Management Board of the Parent Company

The financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2019 were approved by the Management Board of ULMA Construcción Polska S.A. on 23 March 2020.

The financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements for the year ended 31 December 2019 have been prepared to present the property and financial situation and results of operations of ULMA Construcción Polska S.A. and ULMA Construcción Polska S.A. Capital Group.

The financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with the "International Financial Reporting Standards" IFRS and related interpretations published in the form of European Commission regulations.

The consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2019 include:

- consolidated statement of financial situation
- Consolidated profit and loss account and other comprehensive income
- Report on changes in consolidated equity
- Statement of Cash Flows
- Additional information

The financial statement of the ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2018 includes:

- Statement of financial situation
- Profit and loss account and other comprehensive income
- Report on changes in equity
- Statement of Cash Flows
- Additional information

To the best of our knowledge, the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2019 and the comparable data have been prepared in accordance with the accounting principles in force and reflect in a true, fair and clear manner the assets and financial situation and financial result of ULMA Construcción Polska S.A. and ULMA Construcción Polska S.A. Capital Group, and the Management Board's report on the activities of ULMA Construcción Polska S.A. and ULMA Construcción Polska S.A. Capital Group in 2019 gives a true picture of the development, achievements and situation of the Company and the Capital Group, including a description of the basic risks and threats.



The entity authorised to audit financial statements auditing the financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group for the year ended 31 December 2019 was selected in accordance with legal regulations. This entity and the certified auditors auditing the financial statements meet the conditions to issue an impartial and independent opinion on the audited financial statements for the year ended 31 December 2019, in accordance with the applicable regulations and professional standards.

### For the Management Board of ULMA Construcción Polska S.A.

Name and Surname:	Position	Signature
Rodolfo Carlos Muñiz Urdampilleta	President of the Board	
Giordano Marcel Weschenfelder	Member oif the Board	
Andrzej Sterczyński	Member oif the Board	
Krzysztof Orzełowski	Member oif the Board	
Ander Ollo Odriozola	Member oif the Board	

Koszajec, date 23 March 2020