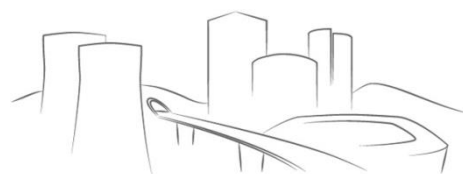


DIRECTORS' REPORT

ON THE OPERATIONS OF
the ULMA Construcccion Polska Group

IN THE SIX MONTHS ENDED 30 JUNE 2019



From the beginning of your projects



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A. Financial highlights

Translation of selected consolidated financial data into euro is detailed in the table below:

ITEM	PLN thousand		EUR thousand	
	First six months of 2019	First six months of 2018	First six months of 2019	First six months of 2018
Net revenue from the sale of products, goods and materials	107,933	107,217	25,171	25,399
Operating profit/(loss)	25,009	24,777	5,832	5,870
Profit/(loss) before tax	25,327	26,106	5,907	6,184
Net profit/(loss)	19,624	21,072	4,576	4,992
Net cash from/(used in) operating activities	8,095	14,995	1,888	3,552
Net cash from/(used in) investing activities	10,385	10,537	2,422	2,496
Net cash from/(used in) financing activities	(34,221)	(20,477)	(7,981)	(4,851)
Net cash flows	(15,741)	5,055	(3,671)	1,197
Diluted earnings per share	3.73	4.01	0.87	0.95
Earnings per ordinary share (PLN/EUR)	3.73	4.01	0.87	0.95
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Total assets	361,814	368,225	85,093	85,634
Liabilities	48,524	45,375	11,412	10,552
Non-current liabilities	11,817	3,950	2,779	918
Current liabilities	36,707	41,425	8,633	9,634
Equity	313,290	322,850	73,681	75,081
Share capital	10,511	10,511	2,472	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 reporting date	5,255,632	5,255,632	5,255,632	5,255,632
Carrying amount per share (PLN/EUR)	59.61	61.43	14.02	14.29

All the amounts expressed in PLN thousand, unless indicated otherwise



Translation of selected separate financial data into euro is detailed in the table below:

ITEM	PLN thousand		EUR thousand	
	First six months of 2019	First six months of 2018	First six months of 2019	First six months of 2018
Net revenue from the sale of products, goods and materials	93,774	97,911	21,869	23,194
Operating profit	20,844	24,310	4,861	5,759
Profit/(loss) before tax	23,030	26,379	5,371	6,249
Net profit/(loss)	18,145	21,331	4,231	5,053
Net cash from/(used in) operating activities	4,693	13,775	1,094	3,264
Net cash from/(used in) investing activities	13,656	12,011	3,185	2,845
Net cash from/(used in) financing activities	(32,471)	(20,067)	(7,572)	(4,754)
Net cash flows	(14,122)	5,719	(3,293)	1,355
Diluted earnings per ordinary share (PLN/EUR)	3.45	4.06	0.81	0.96
Basic earnings per ordinary share (PLN/EUR)	3.45	4.06	0.81	0.96
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Total assets	347,810	357,345	81,799	83,104
Liabilities	41,665	39,335	9,799	9,148
Non-current liabilities	11,817	3,950	2,779	919
Current liabilities	29,848	35,385	7,020	8,229
Equity	306,145	318,010	72,000	73,956
Share capital	10,511	10,511	2,472	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 reporting date	5,255,632	5,255,632	5,255,632	5,255,632
Carrying amount per share (PLN/EUR)	58.25	60.51	13.70	14.07

The individual items of assets as well as equity and liabilities were translated into EUR at the mid rates quoted by the National Bank of Poland for the reporting date. The EUR mid rate as at 30 June 2019 was PLN 4.2520 / EUR 1 and as at 31 December 2018 – PLN 4.3000 / EUR 1.

The items of the statement of comprehensive income and the items of the statement of cash flows were translated at the rate calculated as the arithmetic mean of exchange rates effective as at the last day of each month in a given period, i.e. data from 1 January to 30 June 2019 was translated using the exchange rate of PLN 4.2880 / EUR 1, data for the corresponding period in 2018 was translated using the exchange rate of PLN 4.2213 / EUR 1.

All the amounts expressed in PLN thousand, unless indicated otherwise



B. Achievements and factors affecting the financial performance

The Company's significant achievements or failures in the period covered by the report together with a list of key events related to them; factors and events, in particular of unusual nature, having a significant impact on the financial performance

■ Market environment in Poland

Macroeconomic data for the industry and construction sector for the first half of 2019 indicates continued upward trend in most segments of the construction industry, although the growth rate in individual segments is falling, which indicates market stabilisation and saturation.

This trend is confirmed by the data on construction and assembly production published by the Central Statistical Office of Poland (GUS), according to which its cumulative growth rate was 6.6%, relative to 23.7% in 2018. The strongest increase in construction and assembly production (8.5%) occurred in entities whose principal business was the performance of specialist works. Growth was also recorded in the case of civil engineering companies (7.5%) and companies specialising in the construction of buildings (4.2%)

The first half of 2019 was a good period for the **non-residential construction segment**. In the second quarter of 2019, it grew by 4.9% year on year, driven in particular by the growth of the retail and service facility construction segment (up 23.6% year on year) and transport and communications building construction segment (up 23.6% year on year). A negative growth rate of construction and assembly production was recorded in sports and recreational facilities (down 22.1% year on year), cultural and educational facilities (down 7% year on year) and hotels and tourist accommodation (down 2.2% year on year) construction segments.

In the case of **engineering construction**, the year-on-year increase in construction and assembly production in the first half of the year was 5.8% in the whole segment. In the segment which is the most important for the Group's revenue, covering the construction of overpasses, flyovers and tunnels, the year-on-year growth rate was 10%. The largest increase (22.2% year on year) was recorded in the case of railway construction. As at the end of June 2019, further progress was made in the implementation of the National Railway Programme. Projects worth PLN 10bn have already been completed, and the implementation of projects worth nearly PLN 38bn is underway. Projects still the planning or design stage amount to slightly more than PLN 12bn.

In residential construction growth is still observed, although at a slightly slower pace. In the first half of 2019, the growth rate of construction and assembly production was 4.4% year on year, compared to 25.2% in the corresponding period of the previous year.

The largest rise was recorded in the **industrial sector** (growth of the whole sector by 22.4% year on year), in particular in the case of industrial and warehouse buildings (up 30.5% year on year). In the case of complex structures in industrial areas, the growth rate is only slightly positive, at 2.4% year on year.

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

All the amounts expressed in PLN thousand, unless indicated otherwise



Analysis of ULMA market data (PLNm) – GUS/PMR

Sector	H1 2019	H1 2018	% YoY
Residential sector	4,441	4,255	4.4%
Non-residential sector	5,282	5,035	4.9%
Engineering sector (bridges, overpasses, flyovers, tunnels)	638	580	10%
Industrial sector	5,020	4,102	22.4%
Total sectors in which ULMA CONSTRUCCION POLSKA S.A. is present	15,381	13,971	10.1%

Market environment abroad

Ukraine

The expectations of the Group's Management Board as to the growth of the Ukrainian construction market in the current year have been confirmed. Large non-residential projects (shopping centres) are continued, but also large residential buildings are erected. A strong upward trend is observed especially in the western part of the country.

Kazakhstan

In the first half of 2019, the situation in the Kazakh market did not change significantly. The exchange rate of the local currency stabilised and inflation and production costs increased in the first half of 2019, which de facto narrowed the gap between prices offered by suppliers from western Europe and those offered by suppliers from Russia and Kazakhstan (i.e. the Eurasian Customs Union). In the period under review, the construction of the Almaty ring road (BAKAD) together with the planned bridges and flyovers was launched, although due to changes in technology the potential demand for formwork and scaffolding as part of this project has been significantly reduced.

Lithuania

The Lithuanian market has continued its stable growth, although as predicted in the second quarter of 2019 the Group's subsidiary operating in this market recorded a lower number of new requests for proposals, which in particular was recorded in April, May and June. This will result in a higher number of offers made in the third quarter of 2019, which will certainly lead to a build-up of services offered by the Group's subsidiary in the second half of 2019. This will be a specific challenge for the Group in terms of logistics, but at the same time it will enable it to close the revenue gap from the first half of 2019.

Revenue

In the first six months of 2019, the Group's total revenue was PLN 107,933 thousand, relative to PLN 107,217 thousand in the same period a year before (up 0.7%).

All the amounts expressed in PLN thousand, unless indicated otherwise



A significant rise in revenue was recorded in the “sale of building materials” segment, which totalled PLN 21,533 thousand in the first half of 2019, compared to PLN 11,494 thousand in the corresponding period of the previous year (up PLN 10,039 thousand, or 87.3%).

In the first half of 2019, the Group’s revenue from trade and sale of services abroad (i.e. activities carried out mainly through subsidiaries in Kazakhstan, Ukraine and Lithuania or through a group of dealers and end customers in other countries) totalled PLN 30,623 thousand, having increased by 24.0% over the corresponding period of the previous year.

The market environment faced by the Group in the first half of 2019 involved delays in the completion of construction contracts, in particular in the “construction of bridges and overpasses” segment in Poland. Due to the long time needed to prepare designs and delays in contract award procedures for new construction projects, it is expected that many engineering contracts will not enter the implementation stage until the subsequent periods. Compared to the corresponding period of 2018, this constitutes a significant deviation, which adversely affected revenue in the Group's key business segment, i.e. “construction site services”, and caused the aforementioned decline relative to the corresponding period of the previous year.

Nonetheless, in the first half of 2019 the Group recorded a growing market demand in the “sale of building materials” segment both in Poland and in export markets. This offset the lower revenue in the “construction site services” segment and fully filled the segment’s EBITDA gap, as compared to the levels recorded in the corresponding period of the previous year.

The Management Board of the Group reports that the above results are consistent with the Group’s general objectives for 2019, as part of which it is assumed that this year the seasonality of sales in the key business segment of “construction site services” may be particularly strong, driven by the slowdown in the engineering segment referred to above. At the same time, the Group’s Management Board forecasts that the second half of 2019 may show growing demand in this segment of the construction market, in which case it will be possible to reverse the trend seen in the first half of 2019, thus helping to make up the underperformance compared to the corresponding periods of the previous year.

As a result of the above, the share of foreign trade in total revenue rose in the first half of 2019 to 28.4% against 23.0% in the same period last year.

Operating margin

In the first half of 2019, the Group posted net operating profit of PLN 25,009 thousand, compared to PLN 24,777 thousand in the corresponding period of the preceding year. The basic amounts related to EBIT (operating profit) and EBITDA (operating profit + depreciation/amortisation) in the analysed periods were as follows:

	Q1 2019	Q2 2019	First six months of 2019	First six months of 2018
Revenue	51,567	56,366	107,933	107,217
EBIT	9,612	15,397	25,009	24,777
% of revenue	18.64	27.32	23.17	23.11
Depreciation and amortisation	10,513	10,530	21,043	16,523

All the amounts expressed in PLN thousand, unless indicated otherwise



EBITDA	20,125	25,927	46,052	41,300
% of revenue	39.03	46.00	42.67	38.52

In the first half of 2019, the Group recorded an absolute increase in EBITDA by PLN 4,752 thousand (11.5%) compared to the corresponding period of the previous year. The EBITDA margin (calculated as the ratio of EBITDA to revenue) stood at 42.67%, relative to 38.52% earned in the first half of the previous year.

One of the factors which contributed to the year-on-year EBITDA growth in the first half of 2019 was the adoption of IFRS 16 *Leases* as of 1 January 2019, as a result of which lease and rental costs fell by PLN 2,434 thousand.

The rapid growth of the Group's revenue recorded in the "sale of building materials" segment, both in Poland and in export markets, significantly improved the EBITDA margin, despite weaker performance in the "construction site services" segment and continuous significant cost pressure, which in 2019 has had a particularly strong impact on the profitability ratios of the entire sector.

In the first six months of 2019, administrative expenses stood at PLN 9,492 thousand, relative to PLN 8,243 thousand in the same period a year before. The increase was attributable to changes in the organisational structure and centralisation of certain administrative functions.

In the first half of 2019, the Group recognised impairment losses on receivables of PLN 3,146 thousand, compared to PLN 5,024 thousand in the corresponding period of the previous year (disclosed under "Other expenses"). This resulted from the estimation of the risk related to the recovery of debt as part of court or enforcement proceedings that the Group instigated against debtors.

The net carrying amount of impairment losses on receivables increased by receivables written-off totalling PLN 2,312 thousand (PLN 7,413 thousand in 2018, PLN 3,981 thousand in the first six months of 2018) was recognised under other expenses in the consolidated statement of profit or loss.

Foreign exchange risk hedging transactions

The Group companies purchase products (formwork systems and accessories and scaffolding) used in its trade and service activity from its Spanish parent, other companies of the ULMA Group and from other third parties.

As part of its trade activities, the Group operates on export markets, primarily in Ukraine, Lithuania and Kazakhstan where its business activity is carried out through its subsidiaries: Ulma Opałubka Ukraina Sp. z o.o., Ulma Construcción BALTIC Sp. z o.o. and Ulma Opałubka Kazachstan Sp. z o.o. As a result, the Group companies are exposed to the currency risk, which the Group seeks to mitigate by adjusting the offered prices of services and materials. However, this process is not fully effective.

Other income/expenses

In addition to economic effects related to the settlement and valuation of currency risk hedges (NDF), other operating activities include the effect of asset management (negative and positive stock taking and scrapping variances).

In the first half of 2019, the net income from the above activities was PLN 85 thousand, compared to PLN 148 thousand in the first half of 2018. In the first half of 2019, in addition to the income referred to above, this item of the statement of profit or loss included income from re-invoicing in the amount of PLN 169 thousand. In the first half of 2018, the income from re-invoicing totalled PLN 162 thousand.

All the amounts expressed in PLN thousand, unless indicated otherwise



Finance costs

At present, the Company does not carry any costs of bank financing. However, from time to time the subsidiaries use short-term bank financing in the form of overdraft facilities. These transactions occur occasionally, thus the relevant finance costs are negligible and during the first half of 2019 they amounted to PLN 58 thousand.

In connection with the adoption of IFRS 16 *Leases* as of 1 January 2019, the cost of interest on leases became a new item of finance costs. In the first half of 2019, it amounted to PLN 367 thousand.

Net profit

After income tax, in the first half of 2019 the Group recorded a net profit of PLN 19,624 thousand compared to the net profit of PLN 21,072 thousand a year before.

Other comprehensive income

Other comprehensive income increased the Group's equity in the first half of 2019 by a total of PLN 826 thousand. The amount comprises:

- foreign exchange gains on translation of foreign operations of PLN 781 thousand,
- foreign exchange gains on the valuation of intragroup loans recognised in accordance with IAS 21 as net investments in foreign operations of PLN 45 thousand.

In the corresponding period a year before, as a result of a sharp devaluation of the above currencies, the Group's equity increased by a total of PLN 2,277 thousand, including due to:

- foreign exchange gains on translation of foreign operations of PLN 1,606 thousand,
- foreign exchange gains on the valuation of intragroup loans recognised in accordance with IAS 21 as net investments in foreign operations of PLN 671 thousand.

Transactions whose total value in the last 12 months exceeded 10% of equity

The only transactions whose value in the last 12 months exceeded 10% of the Group's equity (i.e. transactions amounting to more than PLN 31,329 thousand) involved the purchase of formwork systems from the parent ULMA CyE S. Coop. for PLN 31,356 thousand.

Apart from them, there were no other trade transactions with any other entity, whose value in the last 12 months would exceed 10% of the Group's equity – the threshold of a significant transaction, and all these transactions were of standard and routine nature, were concluded at an arm's length basis, and their nature and terms resulted from ongoing operations.

Cash flows

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

	First six months of	First six months of	Change

All the amounts expressed in PLN thousand, unless indicated otherwise



	2019	2018	
Net profit/(loss)	19,624	21,072	0.93
Depreciation and amortisation	21,043	16,523	1.27
Total financial surplus	40,667	37,595	1.08
Other items of net cash flows form operating activities	(32,572)	(22,600)	1.44
Net cash from/(used in) operating activities	8,095	14,995	0.54
Net cash from/(used in) investing activities	10,385	10,537	0.99
Net cash from/(used in) financing activities	(34,221)	(20,477)	1.67
Net cash flows	(15,741)	5,055	-

Cash flows from operating activities

In the first half of 2019, the Group recorded positive net cash flows from operating activities of PLN 8,095 thousand, relative to PLN 14,995 thousand in the same period a year before.

The decline mainly resulted from the monthly distribution of purchases of formwork and scaffolding used in the Group's principal business, i.e. "construction site services".

In the first six months of 2019, the these purchases amounted to PLN 28,452 thousand (PLN 32,165 thousand in the corresponding period a year before). Despite the reduced purchases, their distribution in time in the compared periods was different, as a result of which, with unchanged payment dates, the change in the Group's trade payables in the first half of 2019 was PLN -6,069 thousand, while in the first half of 2018 the amount was positive at PLN 8,400 thousand.

In the first half of 2019, the Group managed to slightly improve its average collection period compared to that recorded in the first half of 2018 (as shown in the table below).

		30 June 2019	30 June 2018
1.	Net trade receivables (after taking into account impairment losses)	52,751	53,163
2.	Gross revenue for the 12 months until the reporting date	272,940	266,981
3.	Number of days	365	365
4.	Average collection period (1*3/2)	71	73

The Group seeks to limit the risk related to the collection of receivables through effective implementation of internal procedures and principles of identification, measurement and monitoring of its customers' financial position and liquidity when starting and during co-operation.

Cash flows from investing activities

In the first half of 2019, the Group made only minor purchases of other non-current assets and received interest on loans advanced to related parties.

All the amounts expressed in PLN thousand, unless indicated otherwise



The cash flows from investing activities was also affected by changes in the amounts outstanding under loans advanced to related parties.

On 29 April 2019, the parent ULMA CyE Es. Coop. repaid the first tranche of the loan advanced by the Group in the amount of PLN 11,000 thousand, in accordance with the loan agreement and its annexes.

Cash flows from financing activities

The largest item of cash flows from financing activities is dividend paid in the amount of PLN 30,010 thousand, compared to PLN 20,024 thousand in the corresponding period of the previous year.

In addition, in connection with the adoption of IFRS 16 Leases as of 1 January 2019, in the first half of 2019 “Lease payments” of PLN 2,071 thousand became a new item of cash flows from financing activities.

As a result of the above, in the first half of 2019 the Group recorded a decrease in cash by PLN 15,741 thousand, compared to an increase by PLN 5,055 thousand in the corresponding period of the previous year.

C. Overview of the Group

Organisational changes of the ULMA Construcción Polska Group; consolidated companies

As at 30 June 2019, the ULMA Construcción Polska Group (the “Group”, the “ULMA Group”) was composed of the following entities:

ULMA Construcción Polska S.A. – the **parent** of the ULMA Construcción Polska Group responsible for management and administration of the entire Group, and for trade activities relating to products and services offered by the Group in the domestic market and in selected foreign markets,

ULMA Opatówka Ukraina Sp. z o.o. – a **subsidiary** responsible for trade activities relating to products and services offered by the Group in Ukraine,

ULMA Cofraje S.R.L. – an **associate** responsible for trade activities relating to products and services offered by the Group in Romania,

ULMA Opatówka Kazachstan Sp. z o.o. – a **subsidiary** responsible for trade activities relating to products and services offered by the Group in Kazakhstan,

ULMA Construcción BALTIC Sp. z o.o. – a **subsidiary** responsible for trade activities relating to products and services offered by the Group in Lithuania and other Baltic Sea states.

The Group’s business

The ULMA Construcción Polska Group operates in construction industry. The scope of activities of the Group companies includes the rental and sale of formwork systems and scaffolding for the building and structure, industrial and engineering construction market, carrying out maintenance works, preparation of designs of application of such systems, as well as repairs of formwork systems and other accessories used in the assembly of formwork systems.

All the amounts expressed in PLN thousand, unless indicated otherwise



Registered offices, establishment and registration dates of the Group companies

ULMA Construcción Polska S.A. with its registered office in Koszajec 50, 05-840 Brwinów, has operated since 1 July 1995 under a resolution of the Extraordinary General Meeting on the transformation of the limited-liability company into a joint-stock company (Notarial Deed of 15 September 1995, Rep. A No. 5500/95). It has been entered in the Register of Businesses of the National Court Register under No. KRS 0000055818 by the District Court for the capital city of Warsaw in Warsaw, 16th Commercial Division of the National Court Register. From 14 February 1989 until its transformation into a joint-stock company, it operated under the name Bauma Sp. z o.o.,

ULMA Opałubka Ukraina with its registered office in Kiev, at 9 Gnata Juri street, entered on 18 July 2001 to the State Register of the Republic of Ukraine under number 5878/01 (identification code 31563803),

ULMA Cofraje S.R.L of Bragadiru, 2-8 Soseaua de Centura street, Corp C20 (Romania), entered after the change of registered address to the Commercial Register of Romania under No. J23/289/30.01.2013,

ULMA Opałubka Kazachstan with its registered office in Astana, 25 Tashenov street, entered on 27 August 2010 to the Register of the Ministry of Justice by the Department of Justice of the city of Astana under number 37635-1901-TOO/NU/,

ULMA Construcción BALTIC of Vilnius, 41-12 Pylimo street, registered on 27 April 2012 in the Register of Legal Persons of the Republic of Lithuania, under No. 302770757.

D. Management Board's position regarding forecasts

Management Board's position on the feasibility of meeting any previously published forecasts for the given year in the light of the performance presented in the report relative to forecast results

On 15 July 2019, in Current Report No. 16/2019 the Company's Management Board published preliminary estimates of selected financial and operating data of the ULMA Construcción Polska Group, including total revenue and revenue in the Group's individual operating segments. The table below shows a comparison of the released preliminary estimates and actual data recorded in the first half of 2019 and the second quarter of 2019.

H1 2019

	Forecast	Actual	Difference
Revenue, including:	107,933	107,933	-
- construction site services	86,400	86,400	-
- sale of building materials	21,533	21,533	-
EBITDA (net profit + depreciation/amortisation)	46,052	46,052	-
Net profit	19,624	19,624	-
Net cash position (cash + loans advanced)	44,275	44,275	-

All the amounts expressed in PLN thousand, unless indicated otherwise



Q2 2019

	Forecast	Actual	Difference
Revenue, including:	56,366	56,366	-
- construction site services	45,009	45,009	-
- sale of building materials	11,357	11,357	-
EBITDA (net profit + depreciation/amortisation)	25,927	25,927	-
Net profit	11,828	11,828	-

E. Major shareholders

Shareholders holding, directly or indirectly, 5% or more of total voting rights at the General Meeting of the Company as at the report issue date, and changes in large holdings of Company shares since the issue of the previous interim report

As at the date of issue of this report, the following shareholders held more than 5% of the total vote:

- ULMA C y E S, Coop. (Spain) holding directly 3,967,290 shares in ULMA Construcción Polska S.A., accounting for 75.49% of the Company's share capital and conferring the right to 3,967,290 votes, or 75.49% of the total vote, at the General Meeting,
- TFI Quercus S.A. directly holding 264,893 shares in ULMA Construcción Polska S.A., accounting for 5.04% of the Company's share capital and conferring the right to 264,893 votes, or 5.04% of the total vote, at the General Meeting.

Since the issue of the previous report, there have been no changes in the structure of significant holdings of ULMA Construcción Polska S.A.'s shares.

F. Company shares held by managers and supervisors

Company shares and rights to Company shares held by the Company's management and supervisory personnel as at the date of release of this report and changes in shareholdings in the period from the issue date of the previous interim report separately for each of these persons, in accordance with the information held by ULMA Construcción Polska S.A.

In accordance with the information held by ULMA Construcción Polska S.A., since the issue of the previous report there have been no changes in holdings of ULMA Construcción Polska S.A. shares or rights to the Company shares (options) of the persons referred to above.

In accordance with the information available to the Company, no member of the management or supervisory personnel of ULMA Construcción Polska S.A. holds any Company shares.



G. Significant court proceedings

Material court, arbitration or administrative proceedings related to liabilities and receivables of the Company or its subsidiary, together with an indication of the subject matter of the proceedings, the disputed amount, the date of initiation of the proceedings, parties to the proceedings and the Company's position thereon

Neither ULMA Construcción Polska S.A. nor any of its subsidiaries is a party to any proceedings related to liabilities or receivables of the Company with a value of at least 10% of the Company's equity.

Moreover, there are no two or more proceedings related to liabilities whose aggregate value would be at least 10% of the Company's equity.

Proceedings regarding receivables of ULMA Construcción Polska S.A.:

ULMA Construcción Polska S.A. is a party to 51 court proceedings concerning receivables (as at 30 June 2019) totalling PLN 21,109 thousand. These are court proceedings which have not yet been completed with a final writ of execution issued by the court, and related to receivables from debtors, against whom the court issued a bankruptcy order (liquidation, arrangement) or a reorganisation order.

No court proceedings to which ULMA Construcción Polska S.A. is a party exceed 10% of the Company's equity.

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



Item	Number of proceedings	Balance as at 30 Jun 2019	Date instigated	Current status of the case
Court proceedings	4	953		
<i>including the largest cases:</i>				
H.P.U. "RTOS" Ryszard Dominik		855	June 2018	The District Court in Białystok awarded the entire claim from the Debtor and the Guarantor (the Debtor's spouse) by way of a payment order. The debtors appealed against the payment order. The case was referred to the District Court in Tarnów, which upheld the payment order. The Debtors applied for a statement of reasons for the judgment. For the repayment of its receivables under enforcement proceedings, the Company managed to secure (and partially collect) Debtors' movable assets (construction machinery) whose value is similar to the total amount of debt. The seized movables are subject to proceedings against enforcement instigated by the Debtors' children. Moreover, at the Company's request, criminal proceedings are conducted in connection with the fact that the Debtors transferred their movable and immovable assets of significant value to their children. As a counterclaim, the Debtor submitted a request to the Company to call for a conciliation hearing to enter into a settlement of PLN 500 thousand, which results from the alleged damage suffered due to incomplete and untimely deliveries of formwork. At the conciliation meeting held on 20 August 2019 the Company rejected the call for a conciliation hearing as groundless in its entirety.
Aussie Development Sp. z o.o.		59	May 2019	The Company brought two actions against the Debtor and the guarantor (a natural person).
K & K Sp. z o.o.		22	October 2018	The company is awaiting the issued payment order to become final.
Construct Sp. z o.o.		18	July 2019	The Company brought an action against the Debtor and the guarantor (a natural person).
Total listed		953		100% of all claims
Item	Number of proceedings	Balance as at 30 Jun 2019		Current status of the case
Insolvency proceedings	47	20,156		
<i>including six largest cases:</i>				
HYDROBUDOWA POLSKA S.A.		6,602	September 2012	The claim was notified to the liquidator.

All the amounts expressed in PLN thousand, unless indicated otherwise



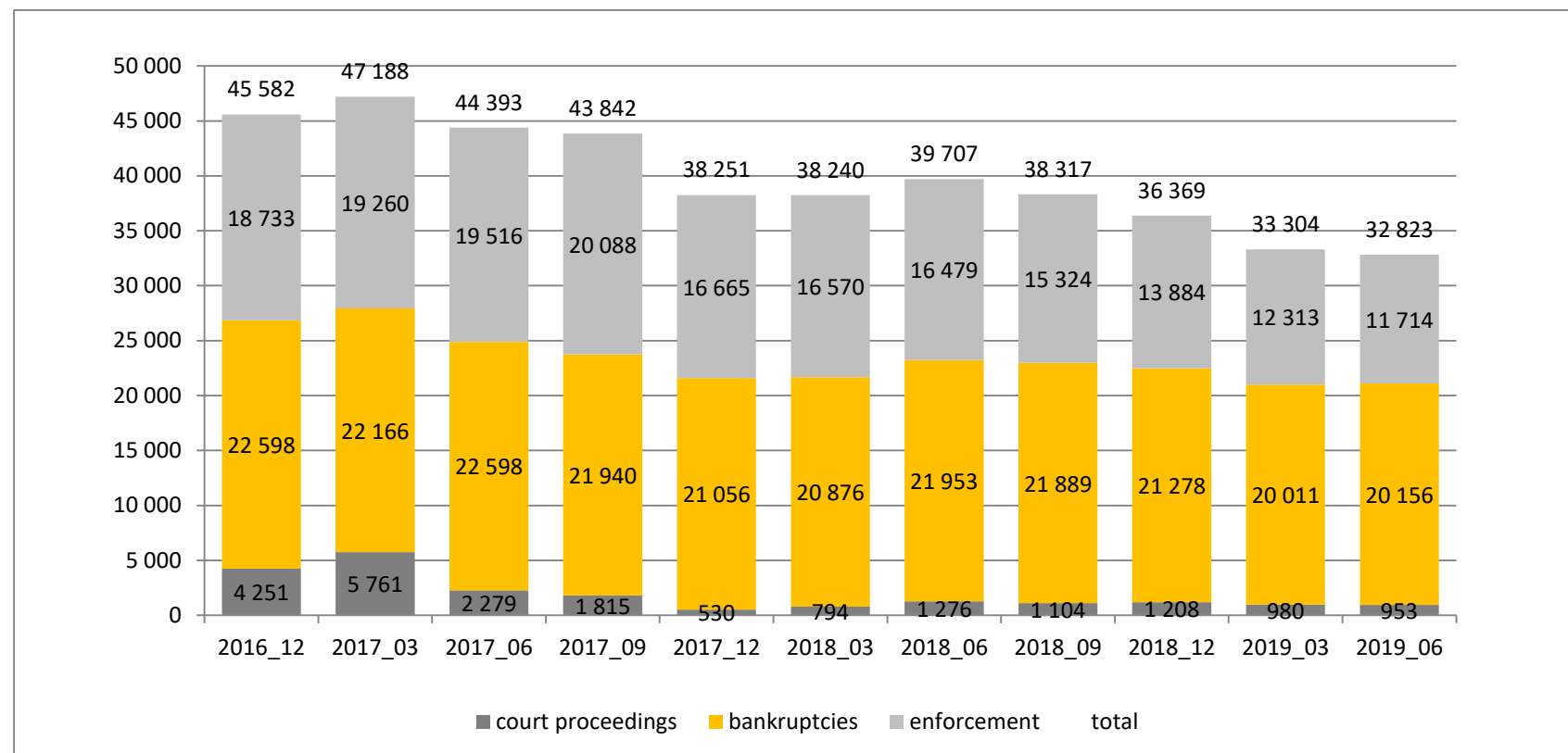
RADKO Sp. z o.o.		4,104	August 2012	On 20 January 2016, the court changed the initially declared arrangement bankruptcy into liquidation bankruptcy. Regardless of the claim notified in the bankruptcy proceedings, the Company is a party to several different proceedings at the same time. In particular, the Company is a party to enforcement proceedings against one of the guarantors (former member of the Debtor's management board). As regards the guarantor, enforcement proceedings are carried out with respect to land properties and shares in another company. At present, we have managed to monetise one property, while the auction date for the other has not yet been set. Enforcement proceedings with respect to company shares are at the stage of estimating their value.
Gotowski – Budownictwo Komunikacyjne i Przemysłowe Sp. z o.o.		1,070	June 2018	On 22 June 2018, the District Court in Bydgoszcz issued a decision on opening recovery proceedings against the Debtor. The Company filed its claims, which were partially questioned by the Court Supervisor. In its letter of 3 January 2019, the Company filed an objection to the entry. By way of its decision of 6 June 2019, the District Court in Bydgoszcz admitted a significant part of the disputed claim (PLN 273,355.07 out of PLN 372,169.31). Both the Company and the Court Supervisor filed complaints against the decision. The Company awaits the decision of the District Court concerning the complaints. It is worth noting that if the Supervisor's complaint is rejected, the PLN 273,355.07 admitted by the Court will be paid from the amount deposited by the Investor. Regardless of the pending recovery proceedings, the Company exchanges correspondence with Investors seeking to receive direct payments (the Company's contracts were notified under the Public Procurement Law). After earlier refusals to make relevant payments, in July 2019 the Company received a payment of PLN 197 thousand from one of the Investors. The received amount satisfies all Company's claims against this Investor. In addition, the Company awaits to receive the statement of the second Investor, which it requested to make a direct payment of PLN 316 thousand.
HENPOL Sp. z o.o.		1,010	January 2014	The claim was notified to the liquidator.
KROKBUD Sp. z o.o.		864	April 2016	On 21 April 2016, the District Court in Nowy Sącz issued a decision declaring the bankruptcy of the Debtor with an option to enter into an arrangement. On 16 November 2017, the same court changed its previous decision to a decision declaring the Debtor's bankruptcy by liquidation. The Company notified its claim to the receiver.
Total listed		13,650		68% of total
Total pending proceedings	51	21,109		

In addition to the court cases described above, the Company is a party to a number of debt collection proceedings. These are primarily pre-litigation proceedings and at the stage of debt collection by a court enforcement officer. At present, the Company is a party to 116 such proceedings with the total value of PLN 11,714 thousand.

All the amounts expressed in PLN thousand, unless indicated otherwise



Change in amounts of receivables subject to the collection process since 2017



Balance at the end of the period:	2016_12	2017_03	2017_06	2017_09	2017_12	2018_03	2018_06	2018_09	2018_12	2019_03	2019_06
court proceedings	4,251	5,761	2,279	1,815	530	794	1,276	1,104	1,208	980	953
bankruptcy	22,598	22,166	22,598	21,940	21,056	20,876	21,953	21,889	21,278	20,011	20,156
enforcement	18,733	19,260	19,516	20,088	16,665	16,570	16,479	15,324	13,884	12,313	11,714

All the amounts expressed in PLN thousand, unless indicated otherwise



Total	45,582	47,188	44,393	43,842	38,251	38,240	39,707	38,317	36,369	33,304	32,823
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All the amounts expressed in PLN thousand, unless indicated otherwise



Proceedings concerning receivables of Subsidiaries:

As at the reporting date, the Group's subsidiaries were parties to a total of 18 court cases with a value of PLN 3,831 thousand, including:

- a) 10 cases with a value of PLN 969 thousand, which were at the court stage,
- b) 8 cases with a value of PLN 2,862 thousand regarding reorganisation and bankruptcy proceedings.

Insolvency proceedings against one of the Latvian debtors of ULMA Baltic continue to be the largest of the court cases at Subsidiaries (the PLN-equivalent of debt as at 30 June 2019 was PLN 1,994 thousand).

As in the case of the Company, apart from receivables subject to court proceedings described above, the Subsidiaries' statements of financial position also include the amounts of receivables under 12 cases of debt collection proceedings, the total value of which is PLN 1,830 thousand.

The abovementioned amounts are presented following their translation into PLN using the exchange rates applicable as at the reporting date.

The Group recognises impairment losses on all doubtful receivables and receivables under court proceedings. These are recognised under "Other expenses" and their amount corresponds to estimates of the possibility of recovering the receivables as part of court and debt collection proceedings.

H. Related party transactions

Related-party transactions, concluded by the Company or any of its subsidiaries, which were concluded on non-arms' length terms, together with an indication of their amount, in particular:

- a) **Information on the counterparty to the transaction,**
- b) **Information on the Company's or any of its subsidiaries' links with the counterparty to the transaction,**
- c) **Information on the subject matter of the transaction,**
- d) **Material terms of the transaction,**
- e) **Any other information concerning the transaction that is relevant to understanding the Company's assets, financial standing and financial performance,**
- f) **Any changes to related-party transactions described in the most recent full-year financial statements which could have had a material effect on the Company's assets, financial standing and financial performance**

All transactions executed in the first half of 2019 by ULMA Construcción Polska S.A. and its subsidiaries with related parties were of standard and routine nature, were concluded at an arm's length basis, and their nature and terms resulted from ongoing operations.

The most important transactions were mainly purchases of formwork, rental services related to formwork systems, and purchases of IT services made by ULMA Construcción Polska S.A. from ULMA C y E, S. Coop. amounting to PLN 14,851 thousand.

In the last 12 months (from 1 July 2018 to 30 June 2019), the above transactions amounted to PLN 34,820 thousand.

In addition to trade transactions, in the previous periods ULMA Construcción Polska S.A. advanced long-term and short-term loans to its related parties. Loans advanced by amount outstanding as at the reporting date and as at 30 June 2019 are listed in the table below.



Related party	30 Jun 2019	31 Dec 2018
ULMA Opatubka Ukraina (USD thousand) – long-term loan	1,300	1,300
ULMA Construcccion BALTIC (EUR thousand) – long-term loan	2,100	2,250
ULMA CyE, S.Coop. (PLN thousand) – short-term loan	10,000	21,000

On 29 April 2019, the parent ULMA CyE Es. Coop. repaid the first tranche of the loan advanced by the Group in the amount of PLN 11,000 thousand, in accordance with the loan agreement and its annexes.

The long-term loans advanced to subsidiaries are treated as net investments in a subsidiary. Unrealised exchange differences arising from the valuation of long-term loans (with the exception of the loan advanced to ULMA Cofraje Romania) are recognised directly in the Group's equity.

I. Sureties and guarantees

Loan sureties or guarantees issued by the Company or its subsidiary – in aggregate to a single entity or its subsidiary, specifying:

- Name of the entity to which the sureties or guarantees were provided,**
- Total amount of loans covered, in whole or in part, with the surety or guarantee,**
- Term of the surety or guarantee,**
- Financial terms of the sureties or guarantees, specifying the remuneration of the Company for providing thereof,**
- Nature of the links between the Company and the entity that contracted the loan**

ULMA Construcccion Polska S.A. provided a surety for the repayment of a EUR 1m bank loan taken out by a subsidiary ULMA Opatubka Ukraine from UKRSIBBANK. As at 30 June 2019, the amount outstanding of the loan was PLN 0.00.

J. Other significant information

Other information which is material for the assessment of the staffing levels, assets, financial standing and financial performance of the Company and information relevant to the assessment of the Company's ability to meet its obligations

In the first half of 2019, no significant events occurred other than those described above.

The Management Board of ULMA Construcccion Polska S.A. is not aware of any other information, which would be material for assessing its staffing levels, assets, financial standing and financial performance and their changes, and for assessing the Group companies' ability to meet their obligations.

Total and per share dividend paid (or declared) on ordinary and preference shares

All the amounts expressed in PLN thousand, unless indicated otherwise



In accordance with Resolution No. 7 of the Annual General Meeting of ULMA Construcción Polska S.A. of 9 May 2019, a portion of the net profit for the financial year 2018 in the amount of 30,009,658.72 was allocated for distribution to shareholders in the form of a dividend, amounting to PLN 5.71 gross per share. The dividend record date was set for 17 May 2019, and the dividend payment date for 24 May 2019.

K. Factors affecting the future performance of the Company

Factors which in the Company's opinion will affect its performance over at least the next half year

■ Risk of competition and situation in the construction market in Poland

The data regarding the condition of the Polish economy remains optimistic, although sentiment in construction companies is often different. There is less optimism in particular with regard to the future financial condition of enterprises. In the area of main market barriers, the most troubling are the difficulties in the labour market. However, it is worth noticing that in June 2019 the shortage of qualified workers was indicated as a significant market barrier by a smaller percentage of construction companies compared to the year before for the first time in 5.5 years. This confirms the beginning of stabilisation of the situation in the labour market. Despite the positive signals resulting from the analysis of performance in the entire first half of 2019, the latest economic data is less optimistic. After more than two years of continued growth, in June 2019 industrial production sold declined by 2.7% year on year, while the growth rate of retail sales slowed to 5.3%.

In June 2019, the construction and assembly production decreased by 0.7% year on year. The decrease also affected the market of basic building materials, as a result of which the industry production sold in the section “other non-metallic mineral products” was down by 7.4% year on year, compared to a year-on-year increase by 4.9% in May 2019.

In terms of growth rate of the construction and assembly production, the first half of 2019 was a good period for **non-residential construction** (nominal growth of nearly 5% year on year, even despite a high comparative base). However, according to experts, the second half of the year will see smaller growth or even a downward trend. The first six months were particularly successful for retail and service facility construction (up by more than 20% year on year). Construction of hotel, office, public and other (mainly agricultural) buildings grew at a single-digit rate. A significant decline (-25%) was recorded only in the smallest non-residential segment, i.e. transport and communications buildings.

In the case of **residential construction**, the first signs of a slowdown can be seen. The number of dwellings completed in the last 12 months was nearly 197 thousand, representing a strong growth of 25%. The number of dwellings under construction has also been growing consistently. This indicator was record-high in June 2019, at 816 thousand apartments and houses. On the other hand, there are negative and



concerning signs of saturation of this market segment. Following an increase in May 2019 (up 23%), data for June 2019 indicated a 4% fall in the number of building permits issued for new apartments and houses. In June 2019, the number of new dwelling starts fell by 15%.

Data on construction output for the first half of 2019 indicates a continued growth in the **engineering sector** (up more than 10% year on year). A significant rebound is observed in the hydro-engineering (up 40% year on year), railway (up 29% year on year) and transmission and distribution network (up 19-23%) construction markets.

However, current indicators for this market segment indicate the beginning of a reversal from this record-high data. In June this year, tenders were announced for the construction of only 36 km of express roads and motorways, with no new project contracted yet. Only 13 km of roads were completed. Moreover, mainly due to insufficient mobilisation of contractors, the General Directorate for National Roads and Motorways (GDDKiA) terminated further contracts for a total length of 96 km. As a result of the low number of contracts signed by GDDKiA, the total length of expressways under construction is currently 1,115 km, less by more than 15% compared to the same period last year.

In the first half of 2019, the situation regarding new public tenders for construction works did not improve – in the period under review the number of such tenders fell by 20–30%.

Commercial risk in export markets

Factors that may have an impact on the economic situation and the Group's revenue earned in foreign markets in the near future include:

UKRAINE

- In our opinion the risk of escalation of the conflict with Russia remains unchanged.
- The risk related to instability of the exchange rate increased after the last seven months, when the local currency (UAH) strengthened.
- In view of the strong economic conditions, the Management Board of the Group expects further rise in the number of investment projects in this country, including in the construction sector, which may have a positive impact on the Company's future revenue.

KAZAKHSTAN

We expect that the risk of significant fluctuations of tenge exchange rate will be reduced due to a stable situation in the country.

LITHUANIA

The risk associated with the seasonality of construction production and the related accumulation of rental orders in the second half of the year compared to the decrease in the number of orders in the first half of the year has been materialising. As a result, the subsidiary required additional support in the form of delivery of materials (formwork and accessories) from Poland.

Currency risk

All the amounts expressed in PLN thousand, unless indicated otherwise



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

The subsidiary ULMA Opałubka Ukraina Sp. z o.o. has taken out a USD-denominated intragroup loan. Due to the inability to effectively hedge this transaction against currency risk, the subsidiary remains exposed to currency risk resulting from its exposure to the USD/UAH exchange rate relating to the valuation of the loan.

The Management Board seeks to minimise this risk by adjusting the prices of the offered products and services to follow the changes in the EUR/UAH exchange rate – the subsidiary operating in Ukraine applies relevant provisions in its agreements with customers to secure its revenue in the event of a devaluation of the hryvnia. However, in the case of an economic slowdown, the measures taken do not guarantee full success.

Despite the achieved high effectiveness of hedging against currency risk, the net result on these transactions is affected by the volatility of foreign exchange rates. In particular this applies to currency risk hedging transactions related to the outstanding amounts of intragroup loans advanced by ULMA Construcccion Polska S.A. to its subsidiaries.

In consequence, the volatility of EUR and USD against PLN, UAH (Ukrainian hryvnia) and KZT (Kazakhstani tenge) continues to affect the Group's comprehensive income.

■ Events subsequent to the date of preparation of the half-year condensed consolidated financial statements, not covered by this report, but which might have a significant impact on future financial performance of the ULMA Construcccion Polska Group

- On 7 August 2019 and 20 August 2019, ULMA Opałubka Ukraina repaid part of the long-term loan in the amount of USD 1,010 thousand. In the consolidated financial statements of the ULMA Construcccion Polska Group, the loan was treated as a net investment in a foreign operation and in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* exchange differences on the valuation of receivables/liabilities under the loan were disclosed in the Group's other comprehensive income and charged to the Group's equity. Repayment of the loan will be treated as a disposal of a part of the net investment, thus a proportional part of the accumulated amount of the exchange differences recognised in other comprehensive income amounting to PLN 1.6m will be transferred to the Group's profit or loss (as calculated based on the exchange rates effective as at 30 June 2019).
- On 5 July 2019, the subsidiary ULMA Opałubka Ukraina received cash as repayment of receivables from a counterparty, which were past due as at the reporting date of 30 June 2019. As a result, as at the reporting date the subsidiary ULMA Opałubka Ukraina did not recognise any impairment losses on these past due receivables.



L. Investor relations

As part of activities aimed at building successful investor relations, the Group appointed a person responsible for contacts with the Warsaw Stock Exchange, the Polish Financial Supervision Authority and the shareholders.

Aneta Szymańska

aneta.szymanska@ulmaconstruction.pl

(22) 506-70-00



M. Statement of the Management Board of the Parent

The interim condensed consolidated financial statements of the ULMA Construcccion Polska Group for the six months ended 30 June 2019 and the interim condensed separate financial statements of ULMA Construcccion Polska S.A. were authorised for issue by the Management Board of ULMA Construcccion Polska S.A. on 16 September 2019.

The interim condensed consolidated and separate financial statements for the six months ended 30 June 2019 were prepared to give a view of the assets, financial standing and performance of the ULMA Construcccion Polska Group and the Group's parent.

The interim condensed consolidated and separate financial statements for the six months ended 30 June 2019 were prepared in accordance with International Financial Reporting Standard "Interim Financial Reporting".

The interim condensed consolidated financial statements of the ULMA Construcccion Polska Group for the six months ended 30 June 2019 comprise:

- interim condensed consolidated statement of profit or loss and other comprehensive income,
- interim condensed consolidated statement of financial position,
- interim condensed consolidated statement of changes in equity,
- interim condensed consolidated statement of cash flows,
- supplementary information to the interim condensed consolidated financial statements.

The interim condensed separate financial statements of ULMA Construcccion Polska S.A. for the six months ended 30 June 2019 comprise:

- interim condensed separate statement of profit or loss and other comprehensive income,
- interim condensed separate statement of financial position,
- interim condensed separate statement of changes in equity,
- interim condensed separate statement of cash flows,
- supplementary information to the interim condensed separate financial statements.

To the best of our knowledge, the interim condensed consolidated financial statements of the ULMA Construcccion Polska Group for the six months ended 30 June 2019 together with the consolidated comparable data, and the interim condensed separate financial statements of ULMA Construcccion Polska S.A. for the six months ended 30 June 2019, together with comparable data, were prepared in accordance with the applicable accounting policies and give a true, fair and clear view of the assets, financial standing and performance of the ULMA Construcccion Polska Group and its parent, and the Directors' Report on Operations of the ULMA Construcccion Polska Group in the first six months of 2019 gives a fair view of the development, achievements and position of the Group, and describes the key risks and threats.

The audit firm which reviewed the consolidated financial statements of the ULMA Construcccion Polska Group and the separate financial statements of the parent for the six months ended 30 June 2019 was



appointed in accordance with the law. The audit firm and the qualified auditors who performed the review meet the conditions necessary to issue an impartial and independent review report in accordance with the applicable provisions of national law.

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

First name and surname	Function	Signature
Rodolfo Carlos Muñiz Urdampilleta	President of the Management Board	
Giordano Marcel Weschenfelder	Member of the Management Board	
Andrzej Sterczyński	Member of the Management Board	
Krzysztof Orzełowski	Member of the Management Board	
Ander Ollo Odriozola	Member of the Management Board	

Koszajec, 16 September 2019