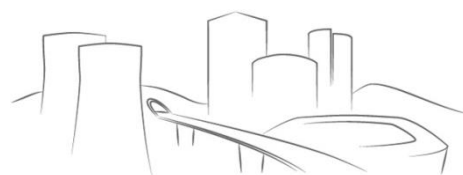


**MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF  
ULMA Construcción Polska S.A.  
and  
OF THE ULMA  
ULMA Construcción Polska S.A.**

**FOR THE YEAR ENDING ON 31 December 2020**



**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 30.06.2019, ULMA Construcción Polska S.A. Capital Group. ("Capital Group") consisted of the following entities:

ULMA Construcción Polska S.A. ("ULMA")- **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>	<b>2020</b>
Net revenues from sales of products, goods and materials	182,411	180,487	201,294	223,721	229,366	190,643
Profit at the operational level	9,023	16,608	30,980	55,817	59,049	25,559
Gross profit (loss)	7,290	16,830	30,954	58,164	59,086	24,910
Net profit (loss)	5,508	12,892	24,225	46,997	46,201	20,189
Total assets	328,893	335,932	336,196	368,225	393,172	390,692
Liabilities and provisions for liabilities	39,730	33,467	40,371	45,375	49,040	44,215
Long-term liabilities	3,752	3,080	2,621	3,950	12,161	13,057
Short-term liabilities	35,978	30,387	37,750	41,425	36,879	31,158
Equity	289,163	302,465	295,825	322,850	344,132	346,477
Share capital	10,511	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	5 255 632
Declared or paid dividend per share		5.4	3.81	5.71	2.60	
Net assets	289,163	302,465	295,824	322,851	344,132	346,477
<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>	<b>10,59%</b>
Net profit	5,508	12,892	24,225	46,997	46,201	20,189
Sales revenues	182,411	180,487	201,294	223,721	229,366	190,643
<b>EBITDA to sales ratio %</b>	<b>33,99%</b>	<b>36,33%</b>	<b>37,45%</b>	<b>40,73%</b>	<b>44,54%</b>	<b>36,87%</b>
EBITDA	61,992	65,567	75,376	91,131	102,164	70,282
Sales revenues	182,411	180,487	201,294	223,721	229,366	190,643
<b>Current ratio</b>	<b>3.39</b>	<b>4.08</b>	<b>3.16</b>	<b>3.13</b>	<b>3.19</b>	<b>3.44</b>
current assets	121,896	123,921	119,264	129,755	117,808	107,061
current liabilities	35,978	30,387	37,750	41,425	36,879	31,158
<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>	<b>11,32%</b>
total liabilities	39,730	33,467	40,371	45,375	49,040	44,215
total assets	328,893	335,932	336,196	368,225	393,172	390,692
<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>	<b>5,17%</b>
Net profit	5,508	12,892	24,225	46,997	46,201	20,189
total assets	328,893	335,932	336,196	368,225	393,172	390,692

All amounts expressed in thousands of PLN, unless indicated otherwise



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

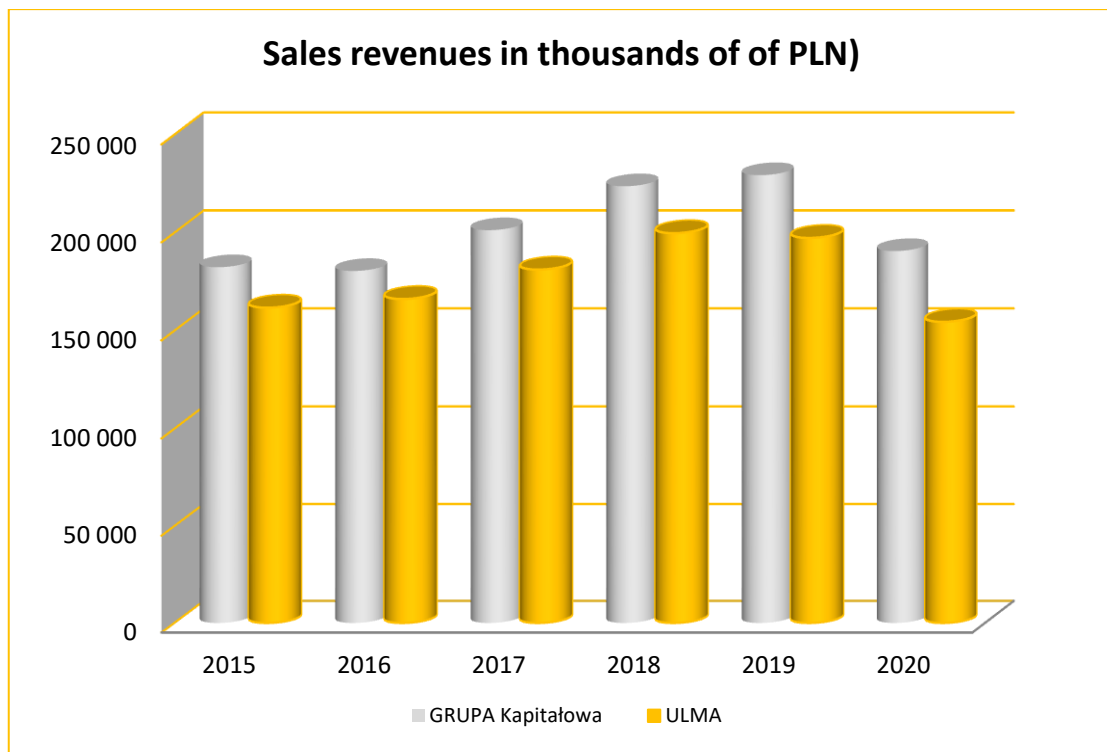
SELECTED FINANCIAL DATA	2015	2016	2017	2018	2019	2020
Net revenues from sales of products, goods and materials	161,772	166,208	181,208	199,797	197,371	154,551
Profit at the operational level	-4,651	11,516	22,016	50,086	50,716	12,995
Gross profit (loss)	-130	14,136	23,093	52,752	54,745	13,880
Net profit (loss)	32	10,711	18,351	42,409	43,499	11,205
Total assets	336,167	338,317	334,127	357,345	374,689	364,951
Liabilities and provisions for liabilities	40,009	31,448	37,287	39,335	43,189	35,910
Long-term liabilities	4,940	3,080	2,620	3,950	12,161	13,057
Short-term liabilities	35,069	28,368	34,667	35,385	31,028	22,853
Equity	296,158	306,869	296,840	318,010	331,500	329,041
Share capital	10,511	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	5 255 632
Declared or paid dividend per share		5.4	3.81	5.71	2.60	
Net assets	296,158	306,868	296,840	318,010	331,500	329,041
<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>	<b>7,25%</b>
Net profit	32	10,711	18,351	42,409	43,499	11,205
Sales revenues	161,772	166,208	181,208	199,797	197,371	154,551
<b>EBITDA to sales ratio %</b>	<b>29,61%</b>	<b>35,06%</b>	<b>34,68%</b>	<b>40,56%</b>	<b>45,48%</b>	<b>34,56%</b>
EBITDA	47,900	58,268	62,838	81,039	89,769	53,406
Sales revenues	161,772	166,208	181,208	199,797	197,371	154,551
<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>	<b>3.84</b>
current assets	111,384	113,424	108,044	114,177	105,936	87,752
current liabilities	35,069	28,368	34,667	35,385	31,028	22,853
<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>	<b>9,84%</b>
total liabilities	40,009	31,448	37,287	39,335	43,189	35,910
total assets	336,167	338,317	334,127	357,345	374,689	364,951
<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>	<b>3,07%</b>
Net profit	32	10,711	18,351	42,409	43,499	11,205
total assets	336,167	338,317	334,127	357,345	374,689	364,951

### Sales revenues

In 2020, the Capital Group reached PLN 190,643 thousand of total sales revenues to PLN 229 366 thousand in relation to previous year (increase by 16.9%).

The decrease in revenue from sales concerned the vast majority of the Capital Group's business segment, i.e. "Construction sites serice". In 2020, the revenues of this segment of activity amounted in total to PLN 144,841,000 compared to PLN 183,306,000 in the previous year (a decrease by PLN 38,468,000 or 21.0%).

In 2020, ULMA Construcción Polska S.A. reached PLN 154,551,000 of total sales revenue compared with PLN 197,371,000 in the previous year (decrease by PLN 42,820,000 or – 21.7%)..



## Operating profitability

In 2020, the Capital Group achieved a positive result on operating activities, which amounted to PLN 25,559 thousand compared to PLN 59,049 thousand in the previous year (decrease by PLN 33,490 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:

	first quarter of 2020	for the second quarter of 2020	for the third quarter of 2020	for the fourth quarter of 2020	in 2020.	in 2019.
Sales	48,733	45,089	50,975	45,845	190,643	229,366
<b>EBIT</b>	<b>4,962</b>	<b>5,371</b>	<b>9,041</b>	<b>6,185</b>	<b>25,559</b>	<b>59,049</b>
% for sale	10.18	11.91	17.74	13.49	13.41	25.74
Depreciation	10,980	11,262	11,451	11,031	44,723	43,115
<b>EBITDA</b>	<b>15,942</b>	<b>16,633</b>	<b>20,492</b>	<b>17,216</b>	<b>70,282</b>	<b>102,164</b>
% for sale	32.71	36.89	40.20	37.55	36.87	44.54

In 2020, total depreciation write-offs amounted to PLN 44,723 thousand compared to PLN 43 115 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.

In 2020, 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 1 450 thousand PLN against 4 963 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. The net



impairment charges included in the results in 2019 related in significant part to the Group's operations in Ukraine, where large construction contracts for shopping malls in Kiev and other large-scale construction projects were subject to settlement. The year 2020 was free of such significant and difficult final settlements, which also contributed to the necessity to create significantly lower write-downs.

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 2020, the effect of these phenomena was positive and amounted in total to 893 thousand PLN (in 2019 499 thousand PLN).

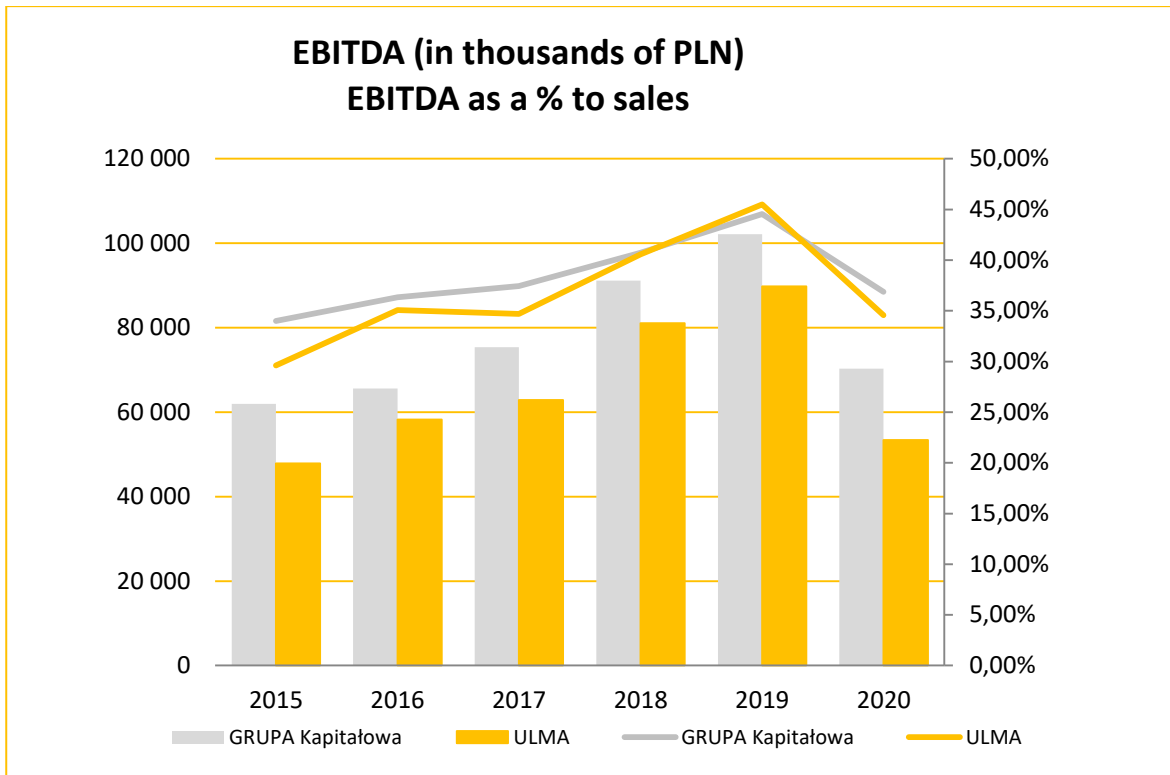
The item "General administration costs" includes the actual costs of the Management Board, but also all cost items related to general administrative services of the Capital Group (accounting, IT, legal services, etc.). These costs amounted to PLN 18 079 thousand in 2020 compared to PLN 19 609 thousand in the previous year (i.e. a decrease of 7.8%), which was influenced by the decisions of the Capital Group's Management Board concerning the reduction of salaries of the Management Board and the reduction of working hours for administrative staff within the framework, as well as the additional payments received by the Capital Group from state funds in connection with the so-called anti-crisis shield.

The Capital Group's operations are characterised by high operating leverage, within which a significant portion of cost items are fixed in nature. Among these, salaries are the most characteristic item. Despite a multitude of measures of a cost-saving nature with regard to both the payroll fund and other operating costs related to the operations in Poland and abroad, the Capital Group's Management Board was not able to influence their reduction to an extent that would allow it to maintain the % EBIT or % EBITDA operating profitability ratios recorded in 2019.

The Management Board of the Capital Group informed about any saving measures in current information during 2020.

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 first quarter of 2020	for the second quarter of 2020	for the third quarter of 2020	for the fourth quarter of 2020	in 2020.	2019
Sales	38,322	38,734	40,464	37,031	154,551	197,371
<b>EBIT</b>	<b>1,108</b>	<b>3,592</b>	<b>6,370</b>	<b>1,925</b>	<b>12,995</b>	<b>50,716</b>
% for sale	2.89	9.27	15.74	5.20	8.41	25.70
Depreciation	9,906	10,225	10,236	10,044	40,411	39,053
<b>EBITDA</b>	<b>11,014</b>	<b>13,816</b>	<b>16,606</b>	<b>11,970</b>	<b>53,406</b>	<b>89,769</b>
% for sale	28.74	35.67	41.04	32.32	34.56	45.48



## 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 2020, ULMA Construcción Polska S.A. and its subsidiaries did not use bank loans. 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 2020, the value of long-term loans granted amounted to EUR 1,800 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 2020, the total value of exchange rate differences recognized in the above statements was positive and amounted to -4 179 thousand PLN, of which:

- 933 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 5,112 thousand are negative exchange rate differences resulting from changes in local currency exchange rates against PLN influencing the translations of financial statements of subsidiaries operating abroad.

In 2019 these amounts were respectively:

- 1,697 thousand PLN due to exchange rate differences related to "net investment in a foreign entity" and,
- 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.

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 2020	31 December 2019	Difference 2020/2019 %	31 December	Difference 2019/2018 %
UAH/PLN	7.54	6.24	20,9%	7.37	-15,3%
KZT/PLN	87.67	99.16	-11,6%	101.24	-2,1%
PLN/EUR	4.61	4.26	8,2%	4.3	-0,9%

The changes in the exchange rates of the various currencies presented in the table above contributed to the negative exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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 long-term loan totalling PLN 32 thousand.

As at the balance sheet date the amount of the loan granted to the parent company Ulma CyE S. Coop was PLN 20,000 thousand (in January 2021 the amount of the loan was increased to PLN 40,000 thousand).

The loan is secured by:

- 1) a promissory note with a promissory note declaration issued by the borrower,
- 2) an agreement on irrevocable purchase of the borrower's assets (shuttering and scaffolding) at an attractive discount, which is currently held by the lender on a lease basis. The offer to purchase the assets will only materialise if the borrower fails to repay the loan by the agreed date.



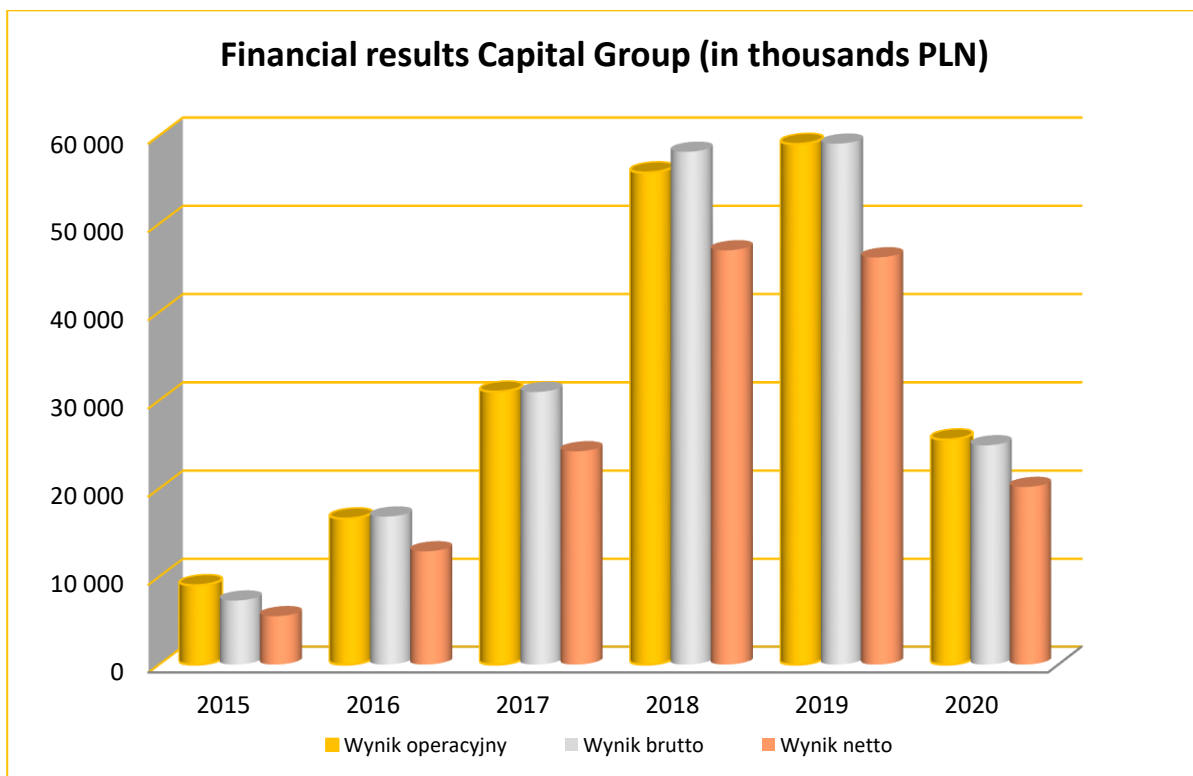
The loan was granted on market terms (fixed margin + WIBOR 1M) and its final repayment date was agreed by the parties as 31 July 2022.

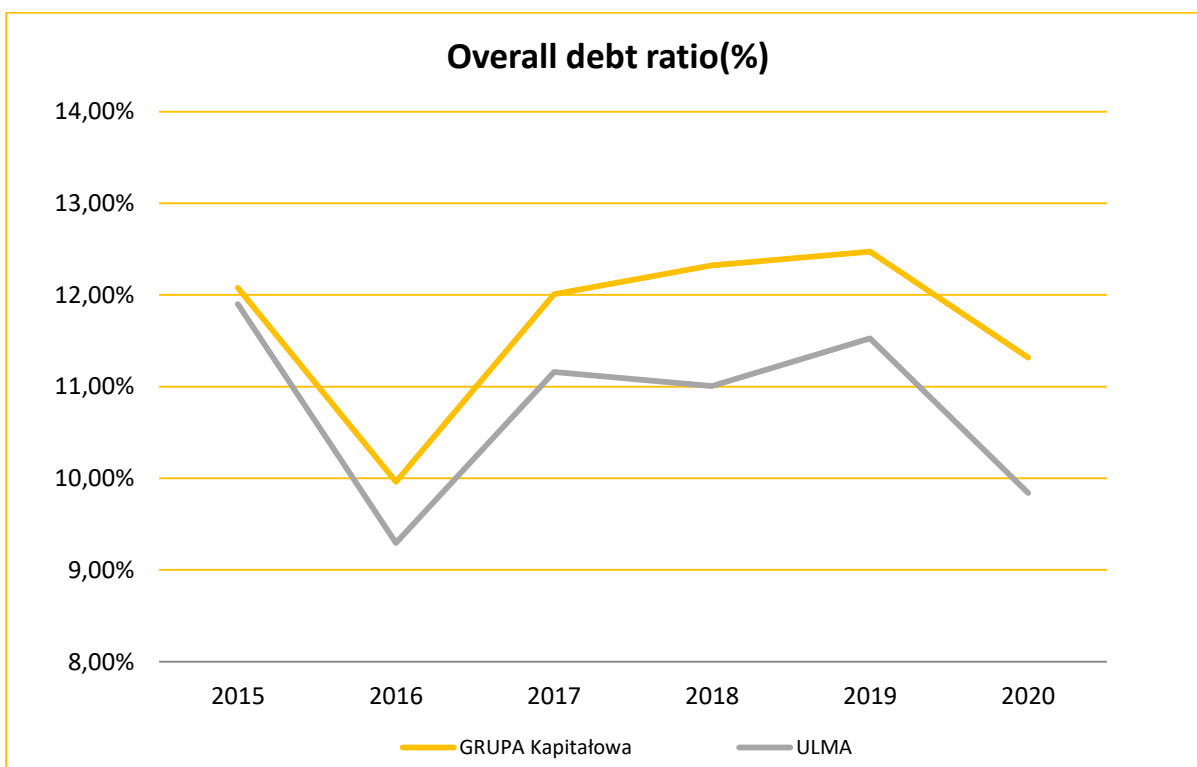
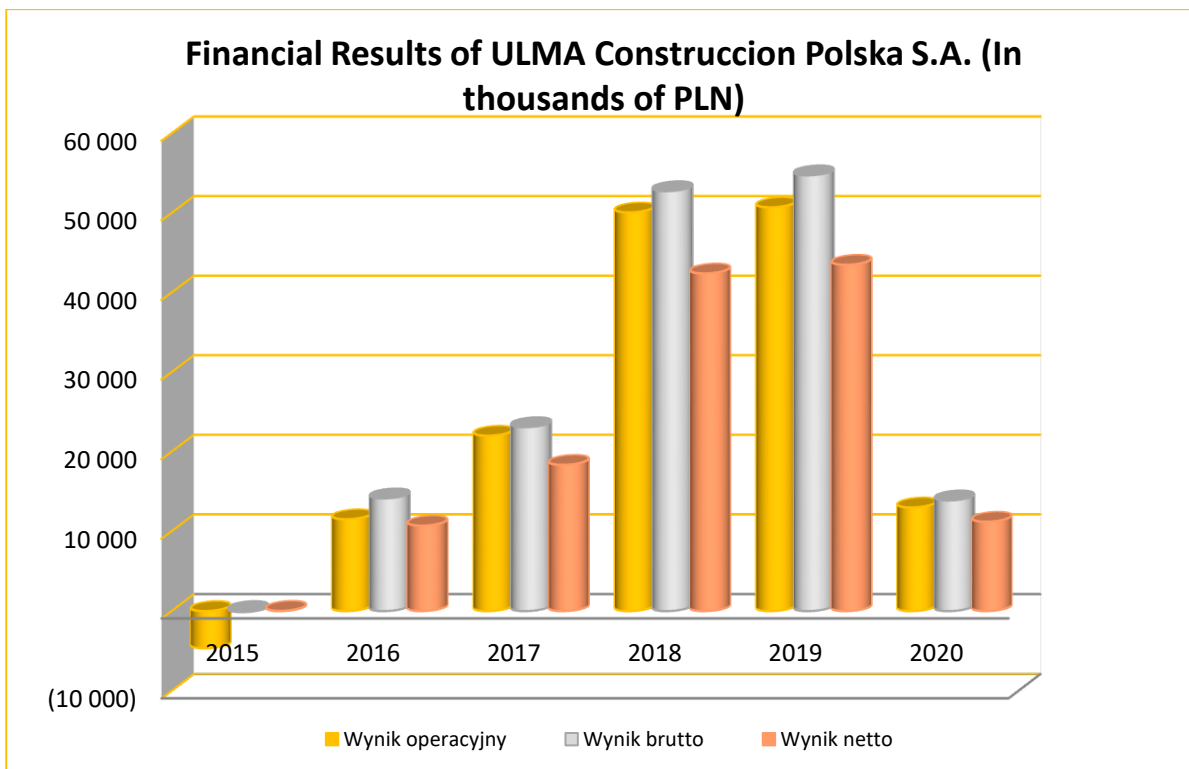
Due to the collateral and the borrower's good financial standing, the Group's Management Board assesses the risk of non-repayment of the debt as low.

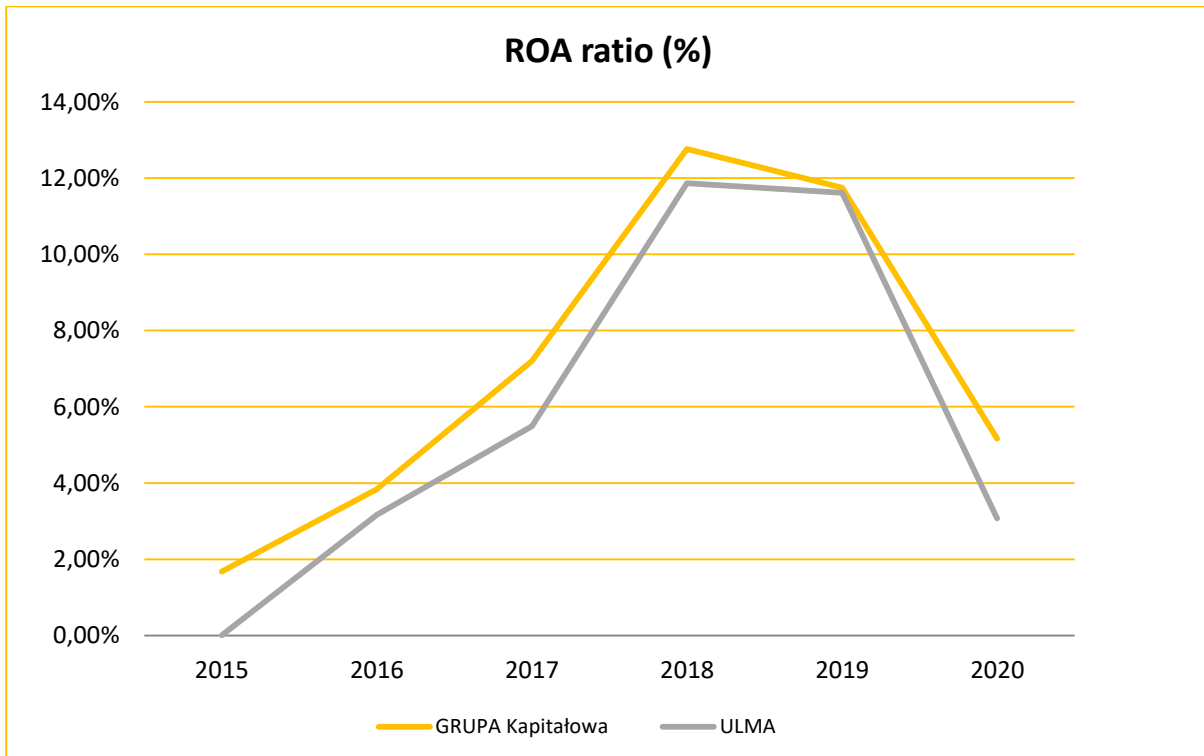
In 2020, ULMA Construcción Polska S.A. achieved PLN 691,000 of interest income from the above-mentioned loans, including PLN 324,000 from a loan granted to the parent company (in 2019 the above-mentioned interest amounted to PLN 1,596,000, including PLN 532,000 from the parent company).

## Net profit (loss)

After taking into account the income tax, in 2020 the Capital Group achieved a positive net financial result of PLN 20,189 thousand compared to a positive net result in the previous year of PLN 46,201 thousand. The positive net financial result achieved in 2020 by ULMA Construcción Polska S.A. amounted to PLN 11,205,000 compared to PLN 43,499,000 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 2020	12 months of 2019	Dynamics
Net profit	20,189	46,201	0.44
Depreciation	44,723	43,115	1.04
<b>Total financial surplus</b>	<b>64,912</b>	<b>89,316</b>	<b>0.73</b>
Other elements of net flows from operating activities	26,779	61,551	0.44
<b>Net cash flow from operating activities</b>	<b>38,133</b>	<b>27,765</b>	<b>1.37</b>
Net cash flow from investment activities	10,156	9,159	-
Net cash flow from financial activities	18,143	36,350	0.50
<b>Net cash flow</b>	<b>9,834</b>	<b>574</b>	<b>17.13</b>
Net exchange differences on cash and cash equivalents	1,039	1,991	0.52
<b>The change in net cash and overdraft in the current account</b>	<b>8,795</b>	<b>1,417</b>	<b>-</b>

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



	12 months of 2020	12 months of 2019	Dynamics
Net profit	11,205	43,499	0.26
Depreciation	40,411	39,054	1.03
<b>Total financial surplus</b>	<b>51,616</b>	<b>82,553</b>	<b>0.63</b>
Other elements of net flows from operating activities	23,453	64,622	0.36
<b>Net cash flow from operating activities</b>	<b>28,163</b>	<b>17,931</b>	<b>1.57</b>
Net cash flow from investment activities	7,822	16,919	-
Net cash flow from financial activities	18,142	34,580	0.52
<b>Net cash flow</b>	<b>2,199</b>	<b>270</b>	<b>8.14</b>
Net exchange differences on cash and cash equivalents	102	116	-
<b>The change in net cash and overdraft in the current account</b>	<b>2,097</b>	<b>386</b>	<b>5.44</b>

## Cash flow from operating activities

In 2020, the Group recorded an increase in net cash from operating activities, which amounted to PLN 38,133 thousand compared to PLN 27,765 thousand in the previous year. This result was mainly influenced by a decrease in other (negative) elements of net cash flows from operating activities, including mainly a decrease in expenses related to the purchase of shuttering elements by PLN 21,954 thousand (in 2020 the value of purchases amounted to PLN 51,124 thousand against PLN 73,078 thousand in 2019).

In 2020, ULMA Construcción Polska S.A. recorded a strong increase in net cash from operating activities, which amounted to PLN 28,163 thousand against PLN 17,931 thousand in 2019. This result was mainly influenced by the decrease in other (negative) elements of net cash flows from operating activities, including mainly the decrease in expenses related to the acquisition of shuttering elements by PLN 21,719 thousand (in 2020, the value of purchases amounted to PLN 43,073 thousand against PLN 64,792 thousand in 2019).

In 2020, the Group managed to significantly improve its receivables turnover ratio compared to the level achieved in 2019 (as shown in the table below).

		31 December 2020	31 December 2019
1	Net trade receivables (after updating write-offs) as at the balance sheet date	29,829	49,592
2	Grossed-up sales revenue for the 12 months to the balance sheet date	234,491	279,826
3	Number of days	365	365
4	Rotation ratio (1*3/2)	46	65

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 received (spent) on repayment (granting) of loans to Group entities,

The main item of expenditure from investing activities is the loan granted to the parent company. Expenses on this account in 2020 amounted to PLN 10,000 thousand. In 2019, repayment of the loan granted in previous periods amounted to PLN 11,000 thousand.

## **Cash flow from financial activities**

In 2020, 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 13,665 thousand (in 2019 PLN 30,010 thousand).

As a result of the phenomena described above, in 2020 the Capital Group recorded an increase in cash by 9,834 thousand PLN to 57 765 thousand PLN as at 31 December 2020.

In 2020, ULMA Construcción Polska S.A. recorded an increase by PLN 2,199 thousand in cash and overdraft facilities, to the level of PLN 48,094 thousand as at 31 December 2020.

## **Market environment in 2020 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 a preliminary estimate by the Central Statistical Office, gross domestic product (GDP) in 2020 was 2.8% lower in real terms compared to a 4.5% increase in 2019). This is the first decline in GDP in Poland since 1991. The CSO data shows that in 2020, domestic demand fell by 3.7%, investment fell by 8.4% and private consumption fell by 3.0%. The outbreak of the COVID-19 pandemic in the first quarter of 2020 and the resulting uncertainty for private investors as well as the two lockdowns introduced by the government in April and November have influenced the declines we can observe in some sectors of the economy and in reduced household consumption.

It should be remembered that the restrictions introduced hit the services sector the hardest, but also the manufacturing industry. According to the Central Statistical Office (CSO), in December 2020 industrial output sold was higher by as much as 11.2% compared to December 2019.

Construction is also the branch of the economy that has suffered less as most construction sites have not been interrupted due to the pandemic. However, in the 2020 period, declines also affected this branch of the economy, although not as large as in the services sector mentioned earlier. It is estimated that the decline in output in the construction industry for the whole of 2020 was -2.6% y/y. Nevertheless, many experts point out that Poland is among those European Union countries that have suffered relatively least as a result of the COVID-19 pandemic and its aftermath. The Polish economy benefited from such elements as its favourable economic structure, a large share of consumer goods in exports and a lower share of tourism in GDP than in other countries. According to economists and analysts, an improvement in economic performance may occur as early as 2021, but this will depend on the timing of the easing of restrictions and the pace of vaccination.



During the first lockdown of the economy, household consumption fell significantly, but it increased visibly when restrictions were loosened.

Hence the very good result in Q3 2020, when it grew by 0.4% q/q.

Experts estimate that it will be similar in 2021.

In the case of investments, the recovery will be much slower but, with the increase in vaccinations and the improvement in the epidemiological situation, the situation should improve. This will be most evident in public investment, while private investment will grow more slowly.

### **Polish market**

As mentioned earlier, construction output in Poland is estimated to decline by 2.6% (y/y) in 2020. Throughout 2020, the weakest performance is forecast for non-residential construction, driven primarily by a difficult-to-predict epidemic and the resulting uncertainty among private investors who, in the face of uncertainty, prefer to hold back on new investments.

The best results are forecast for civil engineering construction, mainly due to the large number of new public investments and the continuation of projects already started uninterrupted by the COVID-19 pandemic.

### **Non-residential construction**

According to preliminary forecasts, construction output in non-residential construction fell by 2.9% (y/y). The best performing segments were transport and communication buildings (up 46% y/y) and hotels and tourist accommodation (up 3.9% y/y).

The weakest performance is forecast for office buildings (down 17.4%) and sports buildings (down 13.6%).

### **Residential construction**

Residential construction saw an increase in output of 4.7% y/y.

Throughout 2020, more dwellings were completed than in the previous year. The number of dwellings for which permits were issued or notifications with a construction project were made also increased, while the number of dwellings whose construction had begun fell.

According to preliminary data from the Central Statistical Office (GUS), 221,401 dwellings were completed between January and December 2020, i.e. by 6.7% more than a year ago. Developers commissioned 143,770 dwellings, up 9.4% on 2019, while private investors commissioned 74,140 dwellings, up 7.1%. These two groups of investors account for 98.2% of the total dwellings handed over (64.6% and 33.5% respectively).

The number of building permits issued allows forecasting the size of the residential construction market in the coming months and years. In 2020, 276,149 dwellings were permitted or notified for construction.

This is 2.7% more than in 2019. Developers received planning permission for 171,591 dwellings (an increase of 2.5%), and for individual investors this figure is 101,591 (an increase of 5%). A factor that may have influenced the high number of permits and notifications issued, especially in December 2020, is the fact that higher energy standards for residential construction apply from 2021.

In 2020, construction started on 223,800 dwellings, 5.7% less than a year ago. Developers started the construction of 130.2 thousand dwellings (8.3% less), and individual investors 90.3 thousand, maintaining last year's level. In total, the share of these forms of construction amounted to 98.5% of the total number of dwellings.



## Engineering construction

Engineering construction is expected to grow by 1.4% y/y. The highest increase in construction and assembly production took place in the segment that is the most important from the Company's point of view, i.e. bridges, viaducts, flyovers and tunnels, and it amounted to as much as 31.9% y/y. A very good result was also recorded in the railway construction industry, where the production growth amounted to 11.8%. This is undoubtedly the result of high activity of public investors.

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

Sector	2020 *)	2019 **)	% year on year
Housing sector	20,459	19,541	4,7%
Non-residential sector	22,136	22,799	-2,9%
Engineering sector (bridges, viaducts, flyovers, tunnels)	3,959	3,002	31,9%
Industrial sector	19,771	21,411	-7,7%
<b>Sectors operated by ULMA CONSTRUCCION POLSKA S. A. in total</b>	<b>66,325</b>	<b>66,753</b>	<b>-0,6%</b>

(\*) estimates

\*\*) final data for 2019 published by GUS

## Market environment abroad

### Ukraine

For 2020 as a whole, Ukraine's GDP fell by around 5% compared to 2019. The main reason for this decline was macroeconomic perturbations having their genesis in the outbreak of the COVID-19 pandemic, which forced the Ukrainian government to shut down a significant part of the economy, which happened especially in Q2 2020. These decisions clearly also negatively affected the condition of the construction sector of Ukraine, which in April 2020 (i.e. during the outbreak of the first wave of the pandemic) recorded a cumulative decline of about 10% compared to the same period of 2019.

In the second half of 2020, Ukraine's economy managed to partially recover from the negative macroeconomic trends initiated in the first four months of the year. The macroeconomic balance was better than expected. International foreign exchange reserves increased to USD 28.5 billion at the end of 2020, reaching the highest level since 2011.

This increase was made possible in the wake of the creation of a huge foreign trade surplus, as prices of basic export commodities such as agricultural products, iron ore, steel, etc. rose in foreign markets, while prices of energy imports fell. This made it possible to achieve a current account surplus of about 4% of GDP, against a deficit of about 3% of GDP. This phenomenon was significant but one-off. It is difficult to forecast whether the prices of exported raw materials will continue to rise as they have done. Nevertheless, this phenomenon was a key factor in stabilising Ukraine's difficult economic situation in 2020, affected by the consequences of successive restrictions taking their toll especially on the services sector.

The potential of individual economic sectors in 2020 was characterised by different trend. Smelting declined by nearly 7% y/y, transport by almost 16% y/y and agriculture by 14% y/y. On the other hand, the





construction industry, after a very weak Q2 2020 burdened by the consequences of construction site blockages, started to catch up in the summer season, which gave an additional impetus to growth and allowed for very good dynamics reaching 4% y/y growth for the whole year. The main driver here was the engineering construction industry, which grew by 14% y/y, while the worst performer was the residential construction industry, which showed a decline of 18%.

Against the background of the above macroeconomic data, the Group's sales position in Ukraine is encouraging. After the declines recorded in the second quarter of 2020, as a result of the reopening of the economy in the summer season, the Group's subsidiary operating in the Ukrainian market managed to win new orders, including orders for the sale of formwork systems, which contributed to the achievement of exceptionally good sales results throughout 2020, at a level comparable to 2019.

### **Kazakhstan**

In 2020, Kazakhstan's GDP recorded a decline of 2.6% and inflation stabilized at 7.5%, while the local currency "Tenge" experienced a devaluation of about 18%.

After the turbulent period associated with the outbreak of the CPVOD-19 pandemic, the unemployment rate stood at 4.9% in the fourth quarter of 2020, stabilising around the level recorded in 2019.

Analysing Kazakhstan's macroeconomic sectoral data, it can be noted that only construction was the branch of the economy that recorded increases alongside declines in industry (-4.1%) and trade (-8.1%).

For the whole of 2020, the volume of construction works amounted to 4,919.9 billion tenge compared to 4,416.8 billion tenge recorded a year earlier (an increase of 11.4%). This increase was driven by a large increase in funds directed to residential construction, which accounted for 1,968 billion tenge, 33.6% more than in 2019.

The health of Kazakhstan's economy continues to be strongly correlated with oil and gas export revenues and the prices of these raw materials quoted on world markets. As a result of the outbreak of the COVID-19 pandemic and the fall in the prices of these commodities in 2020, Kazakhstan's budget revenues decreased significantly, with subsequent government restrictions further complicating the ability and speed of the country's economy to recover from the recession. The start of the global grafting process and the conservative policy of OPEC countries to control oil production boosted oil prices on world markets in the second half of 2020, which helped stabilise the country's macroeconomic situation.

Currently, in order to further stimulate the country's economy after the period of economic recession caused by the pandemic, the Government of Kazakhstan plans to enact a number of laws that will allow to use part of the funds accumulated by residents in pension funds to improve housing conditions, by obtaining an additional impetus for obtaining creditworthiness for financing the purchase of new housing. As a result, the average price per square metre of a flat is recording strong increases especially in large urban agglomerations.

In Q4 2020, it was decided to start (and already from the beginning of 2021) the construction of several important engineering structures in the capital Nursultan and several flyovers in Almaty which gives a good perspective for the Group subsidiary's activities in this market.

### **Lithuania**

In 2020, as a result of the pandemic and related perturbations, Lithuania's economy contracted by about -0.9%, with uneven changes across quarters (Q1: 0.0%, Q2: -5.9%, Q3: -3.8% and Q4: -1.2%). At the same time, annual inflation calculated on the basis of the harmonized consumer price index was 1.1% and unemployment was 8.4%, i.e. 2.1 percentage points higher than in 2019. However, the index of average monthly net earnings (after tax), which amounted to 908.9 euros, an increase of 10.6%, attracts attention.



In the course of last year, the country's construction output amounted to 3.3 billion euros, registering a decrease of 3% y/y compared to 2019. The dynamics of the various construction segments are very interesting: construction output in the volume segment recorded a significant decline of -8.4% y/y, which was partially offset by positive dynamics in the engineering segment (+3.5% y/y). Engineering construction accounted for a significant portion of the overall construction sector, as much as 47% of all construction work performed in the country, while residential and non-residential construction accounted for 34% and 19%, respectively.

The second and third quarter of 2020 was a very difficult period for the construction market, and consequently for the subsidiary ULMA Construcción BALTIC sp. z o.o. Some projects were stopped or frozen, new projects were postponed until the end of the year or even the following year. Due to restrictions on foreign workers (from outside the EU), some construction companies had difficulties in continuing the execution of signed contracts. This difficult market situation contributed to many price wars between market participants offering services in the field of shuttering systems and scaffolding. They resulted in a real decrease in offer prices by as much as 20% - 30%.

The last quarter of 2020 became a period of change of the previously visible negative market tendencies. In this period there was a definite increase in the sale of real estate compared to the data recorded in the earlier quarters of 2020, which is a very good prognosis for the subsequent periods. The large number of new tenders currently being recorded indicates that the market is poised to quickly gain new upward momentum, although bid price levels remain low and it will take longer to return to levels previously recorded by the COVID-19 pandemic.

In 2021, ULMA Construcción BALTIC sp. z o.o., which operates in this environment, was able to come out on top thanks to large contracts signed for the sale of equipment (formwork systems and scaffolding). was able to come out on top. In addition, in the last part of the year we also managed to obtain a few large orders for rental equipment, which in view of the positive forecasts for GDP growth in 2021 (+1.8%) and the construction industry allows us to look into the future with optimism.

### **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 2020 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 Construcción 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 outbreak of the global COVID-19 pandemic in early 2020 and the lockdown of the economies of many countries around the world caused production declines in many industries, especially in the service sector. The situation in the construction industry was moderately good from the start, as most construction sites were operating normally, but a difficult-to-predict future, unclear regulations and high volatility of the situation (two lockdowns and two pandemic waves) resulted in a year-end decline in construction output of 2.6% y/y. In December, the level of the deseasonalized construction business climate index was -17 points. The uncertainty about the general economic situation remains a major market barrier, but it is felt more among construction companies than material producers. In y/y terms, the importance of barriers related to the situation on the labour market, i.e. high employment costs and shortage of employees clearly decreased.

According to data from the REGON register, at the end of Q4 2020, there were 523 thousand construction companies operating in Poland, i.e. 6% more than in the previous year. The impressive growth in the number of companies is mainly attributable to microenterprises (1-9 employees), which increased by 30 thousand over the past year. On the other hand, over 200 medium-sized and large companies (with 10 or more employees), with which the Company primarily cooperates, disappeared from the market during the year.

The market situation, which depends on the course of the pandemic and the duration of introduced restrictions, is currently difficult to predict. Moreover, there is strong competition in the formwork industry and a tendency to lower prices of services. Despite this, the Company does not expect the situation to deteriorate drastically in early 2021. In addition, the fact that market analysts predict that after declines in the first months of 2021, there will be a rebound and improvement in the construction industry adds to the optimism.

## **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.

### **Ukraine**

As mentioned above 2020 was a period of moderate growth in Ukraine. Against the background of phenomena of macroeconomic nature in the economy of Ukraine there are many promising areas, but also a number of risks.

In general, in the current situation there are no serious macroeconomic and political risks to the further development of Ukraine's economy. The government continues to cooperate with the IMF and international organizations, raw material and food markets show favorable trends, and pandemic developments continue to stabilize. The only, though unlikely, risk factor may become a possible escalation of the conflict with Russia.

In terms of GDP, in the perspective of a few months, it is expected that the Ukrainian economy, after a difficult 2020, will grow - experts predict even 4.4% growth in real GDP. This also means further projected growth in the construction segment. An additional driving force here should be the planned implementation of contracts that have been "frozen" as a result of restrictions. The Management Board of the Capital Group places its hopes primarily on the development of the infrastructural construction segment, which has been successfully obtaining financing for new projects both from the State under the "Big Construction" programme and from international financial institutions.

The Group is already involved in a number of road infrastructure projects, but new ones, such as the bridges over the Dnieper River in Kremenchug and Zaporizhzhya, are already in prospect.



In connection with new regulations concerning alternative energy sources, the Management Board of the Capital Group also plans to reach for construction contracts in this area. Moreover, we should also expect the unfreezing of modernization programs for industrial enterprises, which were suspended due to restrictions related to the COVID-19 pandemic. This is positively influenced by rising prices in the raw material markets, especially in metal processing.

In residential construction, the positive trends initiated just a few years ago are expected to continue. On the other hand, the price potential of this market segment in the area of shuttering systems and scaffolding is limited by strong competition from other international shuttering companies as well as from Russian producers with very cheap product solutions. The severity of these threats is exacerbated by the fact that we are currently witnessing a growing desire to consolidate key players in the formwork and scaffolding segment characterized by low bid prices. They are already able to offer a full range of products for both horizontal formwork, including timber beams, and vertical formwork. On the other hand, the quality requirements of contractors are constantly increasing.

In this difficult market environment, the Group will continue to deepen its market penetration and try to adapt its product offering to new requirements.

### **Kazakhstan**

The currently recorded investment impulse in the field of housing construction and the plans for the construction of civil engineering structures, mentioned above, provide a positive outlook for the development of the construction market in Kazakhstan for the nearest future. Besides, the Capital Group continues to record interest in its offer of materials and services from its regular and loyal clients. Nevertheless, there is a real danger that due to the purchases of a large part of the potential assets in the past periods by the Capital Group's customers, the demand for new shuttering in this group of customers becomes saturated. Especially that the shuttering works of the Capital Group are characterized by durability and flexibility of use in various types of construction works.

Regardless of the above, the competition from Russian manufacturers, who more and more often push out Western European manufacturers, burdened with high transport costs and customs duties, from the Kazakhstan market, is clearly intensifying. In addition, recently, one of the largest construction companies in Kazakhstan announced its plans to build a formwork production plant, which may further increase price pressure in the future and adversely affect the achieved sales prices.

These negative symptoms pose a significant challenge for the Group's operations on the market in Kazakhstan. Addressing them requires deeper penetration of the market, which is the primary objective for 2021.

### **Lithuania**

One of the biggest challenges facing general construction companies in Lithuania is still the ability to attract cost-optimized foreign (non-EU) workers.

Indeed, the COVID-19 pandemic caused restrictions in the movement of people especially from Ukraine or Belarus. As a result, some construction companies have difficulties in executing contracts that have simply become unprofitable. This leads to delays in the implementation of construction schedules, which in turn slows down cash flow and can put construction companies in a difficult situation in terms of results and liquidity. Additionally, due to the shortage of foreign workers, the cost of local workers is increasing.



In addition to the increase in construction material prices, proprietary costs can have a direct impact on the financial condition and ability to pay of companies in the industry, especially those that signed contracts in the difficult year 2020, which were characterized by low margins. In this situation, a deterioration in payment morality may become apparent in the market in the near future, which, with still low bid prices, poses a significant threat to the operations of subcontracting companies, including the Group operating in the Lithuanian market through a subsidiary.

## **I 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 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 2020.

**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 31.12.2020:**

ULMA Construcción Polska S.A. conducts 48 court proceedings, which include receivables (according to the balance as at 31 December 2020) in the total amount of PLN 20,139 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.

None of the court cases conducted by ULMA Construcción Polska S.A. exceeds 10% of the equity capital of ULMA Construcción Polska



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

Detailed list	Number of cases	Balance as at 31 -12 - 2020	Date of the commencement of proceedings	Status of the case
<b>Court proceedings</b>	<b>2</b>	<b>986</b>		
Including major cases:				
ANBUD Anna i Andrzej Swulińscy Spółka cywilna		598	October 2020	<p>On 7 August 2020, based on the provisions of the Act of 19.06.2020 on interest subsidies for bank loans granted to entrepreneurs affected by Covid 19, simplified restructuring proceedings of ANBUD shareholders were opened. On 15 December 2020. SR in Poznań rejected the debtors' request for approval of the arrangement. Parallel to the ongoing restructuring proceedings, ULMA filed a bill of exchange suit with the Poznań District Court, and obtained a final order for payment, against one of the partners of ANBUD.</p> <p>In the course of the bailiff proceedings:</p> <ol style="list-style-type: none"> <li>1) a compulsory mortgage was established on one of the debtor's properties (in the second place),</li> <li>2) bank accounts and receivables of the debtor were seized.</li> </ol> <p>The Company cooperated with the Debtor on public contracts, hence the claims were directed directly to the Investors. As a result of these actions, in February 2021 the Company received PLN 140 thousand from one of them.</p> <p>Regardless of the above actions, ULMA filed a notice to the District Prosecutor's Office in Pruszków on the possibility of committing a crime by the partners of ANBUD. The case is pending.</p>
Company "ROTOS" Ryszard Dominik		388	June 2018	<p>The District Court in Białystok awarded the Debtor and the Guarantor (the Debtor's spouse) the entire amount due. As part of the bailiff proceedings (based on a non-final title), it secured the Debtors' movable assets (construction machinery). In September 2019, as part of the bailiff proceedings, it succeeded in auctioning some of the seized movable property, from which the Company received PLN 310 thousand. In February 2020, the amount of PLN 156 thousand was also recovered from the bank account attachment.</p> <p>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.</p>
<b>Total listed</b>		<b>986</b>		<b>100% of the total</b>
Detailed list	Number of cases	Balance as at 31 -12 - 2020		Status of the case

All amounts expressed in thousands of PLN, unless indicated otherwise



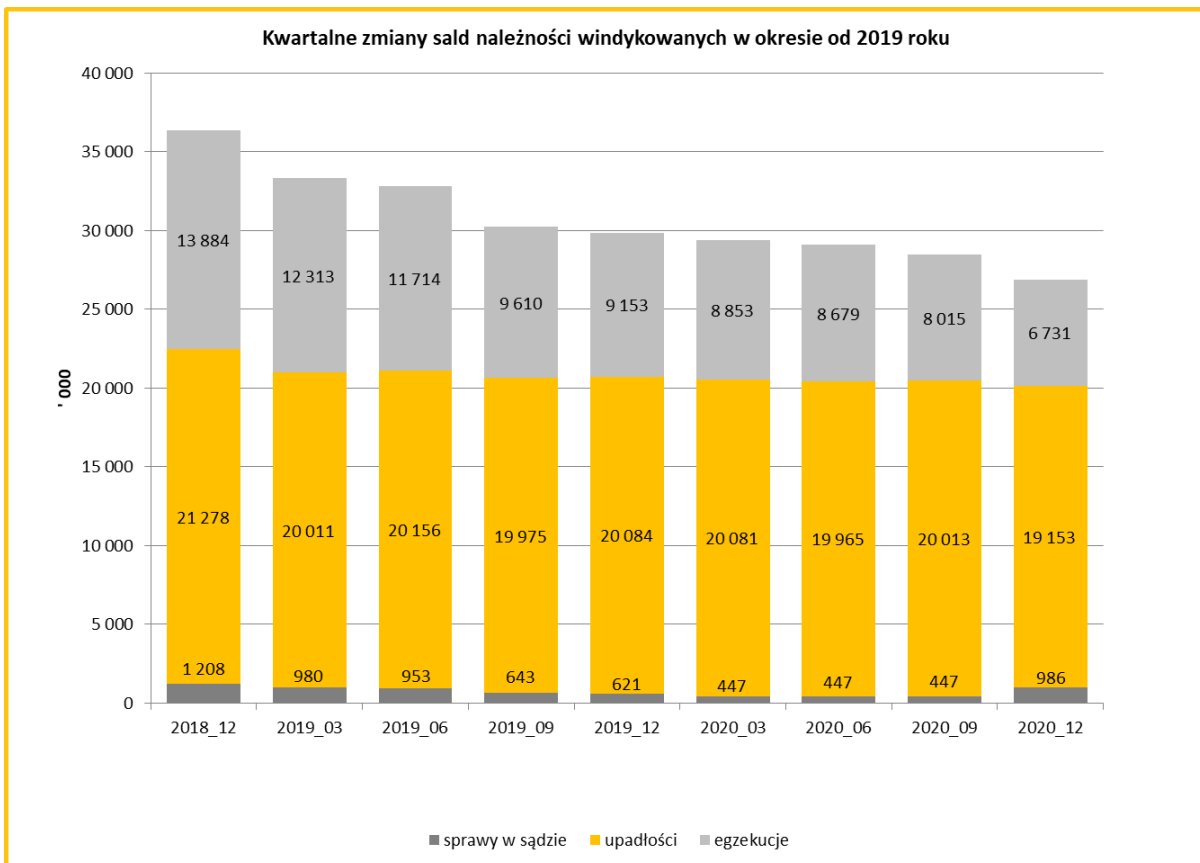
<b>Bankruptcy proceedings</b>	<b>48</b>	<b>19,153</b>		
<i>including the 5 largest items:</i>				
HYDROBUDOWA POLSKA SA		6,602	September 2012	The receivable has been filed to the bankruptcy receiver. The Company is awaiting the completion of bankruptcy proceedings.
RADKO Sp. z o.o.		3,965	August 2012	On 20 January 2016, the Court transformed the hitherto existing systemic bankruptcy into bankruptcy involving the liquidation of the bankrupt's assets. 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). As part of the proceedings, several executions were carried out against landed properties (the funds from the last one in the amount of PLN 140 thousand were received by the Company in X'2020) and execution against the debtor's shares in another company (currently pending).
HENPOL Sp. z o.o.		1,010	January 2014	The receivable has been filed to the bankruptcy receiver. The Company is awaiting the completion of bankruptcy proceedings.
Firma Gotowski – Budownictwo Komunikacyjne i Przemysłowe sp. z o. o		873	June 2018	On 22 June 2018, the District Court in Bydgoszcz issued a decision on opening the Debtor's recovery proceedings. 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 investors. The first investor paid the amount due (PLN 197 thousand) in July 2019. The second investor paid the amount due to the Company to the court deposit (the amount of PLN 273 thousand), which the Company is trying to recover through court proceedings (the Debtor filed a complaint against the court's decision on payment from the deposit). The third investor was sued by the Company for payment (PLN 362 thousand) and the case is pending.
KROKBUD Sp. z o.o.		758	April 2016	On 16/11/2017, the Court transformed the hitherto existing systemic bankruptcy into bankruptcy involving the liquidation of the bankrupt's assets. The Company reported its receivables to the trustee. So far the Company has not received any payments during the pending bankruptcy proceedings. In X'2020. The Company received the amount of PLN 105 thousand, after a concluded court trial, as compensation for the failure to notify the public investor of the lease agreement between the Company and the Debtor. The amount received is part of the total debt. The Company is considering the possibility of filing a lawsuit for the remaining amount of debt by analysing the chances of success of such application.
<b>Total listed</b>		<b>13,208</b>		<b>69% of the total</b>
Total number of the proceedings conducted	<b>50</b>	<b>20,139</b>		



Apart from the court cases described above, the Company conducts other debt collection proceedings. These are in particular pre-judicial proceedings and those at the stage of bailiff enforcement. Currently, the Company has 69 proceedings from these categories in its balance sheet for the total value of PLN 6,731 thousand.

As at 30th December 2020, the total balance of receivables to be recovered (at the judicial and extra-judicial stage) in the balance sheet included 117 cases with a total of PLN 26,870 thousand..

The change in the value of receivables in debt collection in the period from the end of 2019 to the report drafting date is presented in the chart below:



It should be noted that 2020, like the prior year, was a year in which the Company recorded a higher amount of repayments compared to the increase in new receivables to be collected (excluding the reduction in the balance due to the write-off of receivables), indicating continued good performance in difficult or doubtful receivables cases.

Details concerning the balances of the items discussed above are presented in the table below.

	in 2020.	in 2019.	in 2018.
<b>Receivables in collection at the beginning of the period</b>	<b>29,856</b>	<b>35 963*</b>	<b>38,251</b>
written down over the period	(2 399)	(5 520)	(2 866)
payments over the period	1,738	1,358	(2,639)
New collections over the period	1,151	771	3,624
<b>Receivables in collection at the end of the period</b>	<b>26,870</b>	<b>29,856</b>	<b>36,369</b>
<i>new collection - payments per account balance</i>	<b>588</b>	<b>587</b>	<b>985</b>

\*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).

All amounts expressed in thousands of PLN, unless indicated otherwise





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 in trade agreements. The fact that the increasing value of sales is placed in public contracts, where commercial contracts are protected by law by provisions of the Public Procurement Law, also helps to avoid debt collection difficulties.

#### **Proceedings regarding receivables of the Subsidiaries as at 31/12/2020:**

As at the balance sheet date, subsidiaries recorded a total of 15 court cases with a joint value of PLN 3,391 thousand including:

- a) 11 cases for the amount of PLN 895 thousand are at the stage of court proceedings,
- b) 4 cases for the amount of PLN 2,496 thousand are restructuring and bankruptcy proceedings.

Invariably, the largest of the court cases in the Subsidiaries, whose debt equivalent as at the balance sheet date is PLN 2,165 thousand, is the bankruptcy proceedings of one of the debtors in the Subsidiary ULMA Construcción BALTIC sp. z o.o.

In addition to the court receivables described above, in the balance sheet of ULMA Opałubka Ukraina sp. z o.o.

(in other Subsidiaries such items do not occur), there are also 25 balances of other receivables collected mainly at the pre-court stage, for a total value of PLN 5,760 thousand (after conversion according to the exchange rates as at the balance sheet date). It is also worth noting that in the second half of 2020, in contrast to the first half of 2020, the situation with difficult receivables in the subsidiary ULMA Opałubka Ukraina sp. z o.o. significantly improved. As a result of this improvement, the balance of allowances for receivables created in H1 2020 was reduced by the amount of PLN 248 thousand (a total of PLN 2,307 thousand was created in 2020).

The 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.

#### **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 2020, 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 2020, 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 68.8% of the Capital Group's revenues. In 2019 significant changes in the diversification of domestic customers were observed.

In 2020, almost 50% of the total revenue of the parent company of the Group, i.e. ULMA Construcción Polska S. A., was concentrated among 18 general contracting construction companies that are parts of large construction concerns originating from Western Europe operating nationwide or large construction entities operating regionally. In 2019, the aforementioned concentration ratio was very similar.

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 2020 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 2020, the share of export in the total sales revenue of the Capital Group was nearly 31.2% compared to over 35.8% in 2019. The main foreign sales markets are Ukraine, Lithuania, Spain and Canada.

Significant volume of supply of formwork offered on various markets comes from the main shareholder from Spain - in 2020 purchases from Spain (mainly purchases of formwork and scaffolding, formwork rental services and IT services) accounted for 17.8% 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 2020 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:

- purchases of shuttering and scaffolding as well as shuttering and scaffolding rental services with a total value of PLN 30,739 thousand (PLN 45,622 thousand in 2019),
- other purchases in the total amount of PLN 2 430 thousand (PLN 1 983 thousand in 2019).

ULMA Construcción Polska S.A. granted a long-term loan to the parent company ULMA C y E S. Coop. of Spain. As at the balance sheet date the amount of the loan was PLN 20,000 thousand (in January 2021 the amount of the loan was increased to PLN 40,000 thousand).

The loan is secured by:

- 1) a promissory note with a promissory note declaration issued by the borrower,
- 2) an agreement on irrevocable purchase of the borrower's assets (shuttering and scaffolding) at an attractive discount, which is currently held by the lender on a lease basis. The offer to purchase the assets will only materialise if the borrower fails to repay the loan by the agreed date.

The loan was granted on market terms (fixed margin + WIBOR 1M) and its final repayment date was agreed by the parties as 31 July 2022.

Due to the collateral and the borrower's good financial standing, the Group's Management Board assesses the risk of non-repayment of the debt as low.

### **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 2020 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.

### **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 was USD \$290 thousand and were fully repaid in 2020.

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 2020, the receivable under the loan was EUR 1,800 thousand.

ULMA Construcción Poland S.A. granted to the dominant entity ULMA C y E S. Coop. with the registered office in Spain a long-term loan in the amount of 20,000 thousand PLN (in January 2021 the loan amount was increased to 40,000 thousand PLN).

The loan is secured by:

- 1) a promissory note with a promissory note declaration issued by the borrower,
- 2) an agreement on irrevocable purchase of the borrower's assets (shuttering and scaffolding) at an attractive discount, which is currently held by the lender on a lease basis. The offer to purchase the assets will only materialise if the borrower fails to repay the loan by the agreed date.

The loan was granted on market terms (fixed margin + WIBOR 1M) and its final repayment date was agreed by the parties as 31 July 2022.

### **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 thousand. As of the balance sheet date of December 31, 2020 and as of December 31, 2019, there is no debt under this agreement

### **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 02 February 2021, the Issuer's Management Board, in report no. 4/2021, 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 2020.



12 months of 2020

	Forecast	Execution	Difference
Sales revenues including:	190,643	190,643	-
- construction site services	144,850	144,850	-
- sales of building materials	45,793	45,793	-
EBITDA (net profit + depreciation)	70,282	70,282	-
Net profit	20,189	20,189	-
Net cash position (cash + loans granted)	77,765	77,765	-

**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 2020 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 2020 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 2021.

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 2020, 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 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 Group anticipates that the short-term impact of the epidemic on economic activity had a negative effect, but the situation is currently stabilising, and the coming months should bring an answer to the question about the condition and prospects of the development of the construction industry in Poland in the prospect of at least the next few quarters. Particularly noteworthy is Poland's ability and speed with which it has benefited from the EU aid funds granted to our country to counteract the economic and business effects of the COVID-19 pandemic.

#### **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 and its new stages 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 low, 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.

However, a separate issue is the ability of construction companies to continue construction work in this segment of the market, in the face of further difficulties in recruiting construction workers from outside the EU to work on construction sites (this applies in particular to groups of workers from Ukraine or Belarus). 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. The Management Board of the Group thus wishes to express its opinion that at present it estimates the risk of such scenario occurring to be moderate and short-term at the most, while in the long run the adjustment issues should neutralize the negative impact of this phenomenon and the economic situation in the engineering segment should continue to be high.

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. The negative effects of the coronavirus outbreak on the health of this sector may continue to contribute to a decline in demand for the Group's services. On the other hand, the year 2021 may be a year of recovery for this segment of the construction market, and a low base effect may lead to positive trends throughout the year.

Nevertheless, answers to the following questions are very important for the condition of the entire segment:

1. Will the residential segment continue to be characterized by a high demand for housing? Rising unemployment or problems of enterprises, especially in the service sector, may cause potential buyers not to decide to buy property.

Moreover, it may be more difficult for them to obtain a mortgage (in January an 11% decrease in the number of granted loans was noted). It is likely that after several years of uninterrupted growth, the residential segment will face weakening or possibly stabilization.

2. Will the non-residential segment start to recover from the slump recorded last year? Will private investors decide to start new investments The lockdown of the economy has taught consumers new habits, e-commerce has grown, and this is reflected in the poor performance of commercial construction. The prolonged problems of the travel industry may affect the number of hotels being built, and the shift to remote work has shown that large office spaces are no longer as necessary. The segment that can still grow, mainly as a result of public investments, are public and health care buildings, but they will not be able to keep the whole sector in profit.

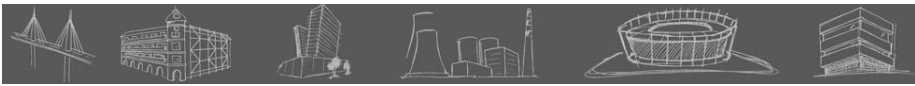
Although precise calculations as to the impact of the above-mentioned phenomena on the condition of this market segment are not possible, the Management Board does not estimate any further deterioration in the trends recorded by the Capital Group in 2020. Nevertheless, the Management Board would like to point out that, according to the conducted statistics, each 10% increase or decrease in this market segment in Poland could result in an improvement or deterioration in the Capital Group's revenue by approximately PLN 5,000 - 8,000 thousand annually.

### **Activity on export markets**

Ukraine is the largest export market of the Capital Group.

As mentioned at the beginning of this paper, currently the Government of Ukraine continues to cooperate with the IMF and international organizations, and the raw materials and food markets show favorable trends, which positively affects the balance of trade of Ukraine and effectively neutralizes the negatives associated with the development of the COVID-19 pandemic.

Besides, as of today the pandemic situation is subject to further stabilization. Regardless of the above, the Government and the President of Ukraine decide on public programs aimed at stimulating the economy damaged by COVID-19. For example, the program "Big Construction" aimed at improvement and expansion of engineering infrastructure, or the plan to expand glue and prepare the railroad infrastructure for the introduction of high-speed rail.



In connection with the emerging dynamic development of the engineering segment on the Ukrainian market, the Management Board of the Capital Group decided to strengthen the position of the subsidiary company ULMA Opatubka Ukraina sp. z o.o. by supplementing the shuttering equipment necessary to obtain the relevant references in this market segment. As a result, the Capital Group already participates in many road infrastructure projects, and there are already new projects in prospect, such as bridges over the Dnieper River in Kremenchug and Zaporozhye.

The development of this segment of the Capital Group's operations in Ukraine in the coming year will be a good counterbalance to the weak economic situation in the cubature segment, which is struggling with low offer prices for shuttering and scaffolding services resulting from strong competition and price wars between market participants.

Against this background, the Management Board of the Capital Group expects that the market position of the subsidiary in Ukraine will be maintained at a level comparable with 2020, although precise calculations are difficult to estimate. However, it is worth noting that the operations of the subsidiaries both in Ukraine and Lithuania are currently focused on the cubage segment where, as in Poland, the foundation for its condition and development is the ability and willingness of private investors to carry out construction investments.

Against this background, it is possible that the supply of new orders will be limited in the medium term, which, together with the still uneven demand for shuttering services from the engineering segment, may contribute to a decrease in the Capital Group's income in the nearest months.

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, there is also a systemic risk of competition, which the Management Board assesses as relatively high. It is related to the sustained decrease in unit prices of services and goods offered by shuttering companies, in the face of a lower number of newly started construction sites, in particular in the cubage 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. While very clearly the scale of this phenomenon became apparent in 2020 in the Lithuanian market, subsequent unveilings are currently impossible to estimate.

### **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 through standardization of control and asset management systems, particularly with the use of corporate MRP system solutions, so that the 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 2020 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 2020 the following changes were made to the composition of the Management Board of ULMA Construcción Polska S.A:

- Mr Giordano Marcel Weschenfelder has been dismissed from the Management Board of ULMA Construcción Polska S.A. as of 31 December 2020.

On 1 February 2021, Mr. Marek Czuprynski was appointed to the Management Board of ULMA



Construccion 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,
- giving its opinion on all matters submitted by the Management Board for consideration by the General Meeting,
- 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,
- detailing the rules for determining fixed remuneration, variable remuneration and additional benefits with respect to Management Board members, as set out in the Remuneration Policy for Members of the Management Board and Supervisory Board adopted by the Company's General Meeting, and reviewing that Policy
- preparation of the annual remuneration report referred to in Article 90g of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws. 2005 No. 184, item 1539, i.e. Journal of Laws 2019, item 623),
- setting the rules of granting remuneration for members of the Management Board,
- authorisation of investments and purchases exceeding 4/5 (four fifths) of the share capital and borrowing of more than that 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 2020 there were no changes in the Supervisory Board of ULMA Construcción Polska S.A:

**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 2020, shareholders holding more than 5% of the total number of votes are:

	Share 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.	323,726	6.16	323,726	6.16
Dispersed shareholders	964,616	18.35	964,616	18.35
<b>In 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 31 March 2020 the Supervisory Board of ULMA Construcción Polska S.A. adopted a resolution on the selection of the audit firm Ernst & Young Audył 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 and as at 30 June 2021.
- 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 2020 and as at 31 December 2021.

Ernst & Young Audył 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 2020 were carried out by Ernst & Young Audył Polska Sp. z ograniczoną odpowiedzialnością s.k. under an agreement concluded on 27 July 2020. The aforementioned agreement was concluded for a two-year period and concerns the audit and review of the Company's financial statements and the consolidated financial statements of the Capital Group for 2020-2021. The total remuneration for 2020 according to the above agreement amounts to 213 thousand PLN, including for the review of interim statements 46 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 2019 were carried out by Ernst & Young Audył 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 170 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 2020	12 months of 2019	12 months of 2020	12 months of 2019
Net revenues from sales of products, goods and materials	190,643	229,366	42,609	53,319
Profit (loss) from the operating activities	25,559	59,049	5,713	13,727
Gross profit (loss)	24,910	59,086	5,567	13,735
Net profit (loss)	20,189	46,201	4,512	10,740
Net cash flow from operating activities	38,133	27,765	8,523	6,454
Net cash flow from investment activities	10,156	9,159	2,270	2,129
Net cash flow from financial activities	18,143	36,350	4,055	8,450
Net cash flow	9,834	574	2,198	133
Diluted profit per one share	3.84	8.79	0.86	2.04
Profit per ordinary share (in PLN / EUR)	3.84	8.79	0.86	2.04
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Total assets	390,692	393,172	84,661	92,327
Liabilities	44,215	49,040	9,581	11,516
Long-term liabilities	13,057	12,161	2,829	2,856
Short-term liabilities	31,158	36,879	6,752	8,660
Equity	346,477	344,132	75,080	80,811
	10,511	10,511	2,278	2,468
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)	65.92	65.49	14.28	15.38



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 2020	12 months of 2019	12 months of 2020	12 months of 2019
Net revenues from sales of products, goods and materials	154,551	197,371	34,543	45,881
Profit from operating activities	12,995	50,716	2,904	11,790
Gross profit (loss)	13,880	54,745	3,102	12,726
Net profit (loss)	11,205	43,499	2,504	10,112
Net cash flow from operating activities	28,163	17,931	6,295	4,168
Net cash flow from investment activities	7,822	16,919	1,748	3,933
Net cash flow from financial activities	18,142	34,580	4,055	8,039
Net cash flow	2,199	270	492	63
Diluted earnings per ordinary share (in PLN / EUR)	2.13	8.28	0.48	1.92
Basic earnings per ordinary share (in PLN / EUR)	2.13	8.28	0.48	1.92
	In thousands PLN		In thousands EUR	
	31 December 2020	31 December 2019	31 months of 2020	31 months of 2019
Total assets	364,951	374,689	79,083	87,986
Liabilities	35,910	43,189	7,781	10,142
Long-term liabilities	13,057	12,161	2,829	2,856
Short-term liabilities	22,853	31,028	4,952	7,286
Equity	329,041	331,500	71,301	77,844
Share capital	10,511	10,511	2,278	2,468
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)	62.61	63.08	13.57	14.81

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 2020 amounted to PLN/EUR 4.6148, and as at 31 December 2019 to PLN/EUR 4,2585.

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. 31/12/2020 were converted according to the exchange rate = 4.4742 PLN / EUR, data for the analogous period of 2019 were converted according to the exchange rate = 4.3018 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.



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## Statement on the application of Corporate Governance principles

The statement of the Management Board on the application of Corporate Governance rules in 2020 will be published as a separate document 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 2020.

## 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.

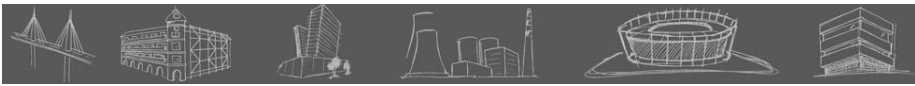
An example is the Age Structure of the workforce as of December 31, 2020:

Age	Share in the total number of employees
20 to 29 years	18%
30 to 39 years	34%
40 to 49 years	29%
More than 49 years	19%

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, logistics and technology division, where Directors / Managers were promoted from specialist positions.

Based on a competency model that includes company-wide, leadership and specific competencies, an employee evaluation is conducted each year. As part of the periodic evaluation system, each employee establishes an individual development plan together with his or her supervisor during a periodic interview.

ULMA puts emphasis on the development of its employees, providing them with equal opportunities to participate in training and professional development. Training in 2020 due to the coronavirus pandemic was limited to those relevant to the organization and work safety and was mostly organized online.



ULMA provides opportunities for students, undergraduates and graduates from high schools and universities of various profiles.

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.





## 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 2020 were approved by the Management Board of ULMA Construcción Polska S.A. on 31 March 2021.

The financial statements of ULMA Construcción Polska S.A. and the consolidated financial statements for the year ended 31 December 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020, 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	
Marek Czapryński	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 31 March 2021