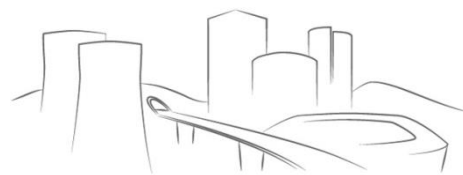


**MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF**

**OF THE ULMA**

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

**FOR THE 6 MONTH PERIOD ENDING ON 30 June 2020**



**From the beginning** of your projects



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All amounts expressed in thousands of PLN, unless indicated otherwise



## A. SELECTED FINANCIAL DATA

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

DETAILED LIST	In thousands PLN		In thousands EUR	
	6 months of 2020	6 months of 2019	6 months of 2020	6 months of 2019
Net revenues from sales of products, goods and materials	93,822	107,933	21,125	25,171
Profit (loss) from the operating activities	10,333	25,009	2,327	5,832
Gross profit (loss)	10,314	25,327	2,322	5,907
Net profit (loss)	8,703	19,624	1,960	4,576
Net cash flow from operating activities	16,896	8,095	3,804	1,888
Net cash flow from investment activities	(1,031)	10,385	(232)	2,422
Net cash flow from financial activities	(15,991)	(34,221)	(3,600)	(7,981)
Net cash flow	(126)	(15,741)	(28)	(3,671)
Diluted profit per one share	1.66	3.73	0.37	0.87
Profit per ordinary share (in PLN / EUR)	1.66	3.73	0.37	0.87
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Total assets	389,849	393,172	87,293	92,327
Liabilities	52,011	49,040	11,646	11,516
Long-term liabilities	12,501	12,161	2,799	2,856
Short-term liabilities	39,510	36,879	8,847	8,660
Equity	337,838	344,132	75,647	80,811
Basic capital	10,511	10,511	2,354	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)	64.28	65.49	14.39	15.38

All amounts expressed in thousands of PLN, unless indicated otherwise



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

DETAILED LIST	In thousands PLN		In thousands EUR	
	6 months of 2020	6 months of 2019	6 months of 2020	6 months of 2019
Net revenues from sales of products, goods and materials	77,056	93,774	17,350	21,869
Profit from operating activities	4,700	20,844	1,058	4,861
Gross profit (loss)	5,456	23,030	1,228	5,371
Net profit (loss)	4,624	18,145	1,041	4,231
Net cash flow from operating activities	12,441	4,693	2,801	1,094
Net cash flow from investment activities	(917)	13,656	(206)	3,185
Net cash flow from financial activities	(15,991)	(32,471)	(3,601)	(7,572)
Net cash flow	(4,467)	(14,122)	(1,006)	(3,293)
Diluted earnings per ordinary share (in PLN / EUR)	0.88	3.45	0.20	0.81
Basic earnings per ordinary share (in PLN / EUR)	0.88	3.45	0.20	0.81
	<b>30 June 2020</b>	<b>31 December</b>	<b>30 June 2020 .</b>	<b>31 December</b>
Total assets	369,405	374,689	82,715	87,986
Liabilities	46,946	43,189	10,512	10,142
Long-term liabilities	12,501	12,161	2,799	2,856
Short-term liabilities	34,445	31,028	7,713	7,286
Equity	322,459	331,500	72,203	77,844
Basic capital	10,511	10,511	2,354	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)	61.35	63.08	13.74	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 30 June 2020 amounted to 4.4660 PLN/ EUR, and as at 31 December 2019 to 4.2585 PLN/EUR

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. 30/06/2020 were converted according to the exchange rate = 4.4413 PLN / EUR, data for the analogous period of 2019 were converted according to the exchange rate = 4.2880 PLN / EUR.

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## **B. Description of achievements and factors influencing financial results**

**A description of the issuer's significant achievements or failures in the period covered by the report, including a list of the most important related events and a description of factors and events, in particular of unusual nature, having a significant impact on the financial results.**

### **I Market environment in Poland**

According to preliminary data of the Central Statistical Office (GUS), the construction and assembly production at fixed prices carried out in our country by construction companies employing more than 9 people in the first half of 2020 was higher by 5.2% y/y compared to the same period last year. However, when analysing the above data according to individual construction segments, a significant differentiation is already visible, indicating the quality of development potential of individual branches of construction.

In the analysed period of H1 2020, the largest increase in construction and assembly production was recorded by the **civil engineering** segment (10% y/y), including in the most significant, from the point of view of the Capital Group's revenue, segment of civil engineering structures construction (bridges, viaducts, flyovers, tunnels, etc.) the increase in construction and assembly production was as much as 38.3% y/y. Railway construction also recorded substantial growth (+23.0% y/y). This was due to a large number of public road and railway investments commenced as early as the previous year and currently underway, as well as the policy of the Polish Government to strengthen public spending, thanks to which, despite the coronavirus pandemic, these investments continue without major turbulence. We can also observe a revival in the announcement of new public tenders (in June 2020, GDDKiA announced tenders for over 80 km of new roads).

In the case of **residential** construction in the analysed period of the first half of 2020, the dynamics of construction and assembly production was 9.4% y/y. After Q1 2020, when the segment recorded a nearly 14% y/y growth, Q2 2020 brought only 6% y/y growth. Although it was only a decrease of positive dynamics, analysts expect that in the second half of 2020 there will be a more noticeable downturn in this construction segment.

The situation is worse in **non-residential** construction, for which construction and assembly production in the analysed period of H1 2020 increased by only 2.6% y/y. In Q2 2020, the dynamics of this segment was 2.9% y/y, with the weakest results recorded for such key segments as: retail and service buildings (down by 15.8 y/y) and office buildings (down by 15.7% y/y). Stronger growths were observed in the less significant segments: hotels and tourist accommodation buildings (up 29.4% y/y) and transport and communication buildings (up 22.8% y/y). These data confirm the economic consequences of the coronavirus pandemic and the effect of changing business models, i.e. working from home or shopping on the Internet, which in subsequent periods, in the face of further uncertainties regarding the second wave of the pandemic, may result in even double-digit drops in the entire segment. The suspension of many private investments in this market segment, which de facto account for as much as 75% - 80% of all investments in the country, especially in the segment of office and

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retail and service buildings, will pose a significant risk to the ability to maintain positive growth rates in subsequent periods.

The weakest result in H1 2020 was recorded in the case of **industrial** construction (down 7.6% y/y), of which the largest drop was recorded in industrial and warehouse construction (down 17.5% y/y). On the other hand, production dynamics in the area of complex buildings in industrial areas was negative and amounted to -5.8% y/y.

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

Sector	first half of 2020	first half of 2019	% year on year
Housing sector	8,827	8,070	9,4%
Non-residential sector	9,854	9,607	2,6%
Engineering sector (bridges, viaducts, flyovers, tunnels)	1,433	1,036	38,3%
Industrial sector	8,408	9,096	-7,6%
<b>Sectors operated by ULMA CONSTRUCCION POLSKA S. A. in total</b>	<b>28,522</b>	<b>27,809</b>	<b>2,6%</b>

## Market environment abroad

In the analysed period of the first half of 2020, all export markets on which the Group is currently active felt the negative impact of the coronavirus pandemic.

### UKRAINE

In the analysed period of the first half of 2020, the Ukrainian economy was under the permanent negative influence of the development of the coronavirus pandemic. During this period, Ukraine's GDP recorded a 2% y/y decrease compared to the same period in 2019. However, analysts predict that this is not yet the end of the falls, as the situation may deteriorate further in subsequent periods, and in the whole of 2020, GDP may fall by up to 6% y/y. Likewise, inflation is historically low. This indicator, which was at double-digit levels in previous periods, was only 2% in the first half of 2020.

While the Hryvnia's exchange rate for the Euro has been steadily strengthening throughout 2019, in 2020, and particularly in view of events linked to the effects of the coronavirus pandemic and its impact on Ukraine's real economy in the first half of 2020, this trend has been completely reversed - the Hryvnia has weakened by around 13%, with a trend towards further depreciation.

The beginning of the second quarter of 2020 was marked by a significant decline in the construction market due to the impact of the coronavirus pandemic and the restrictions imposed on the population (national quarantine). At the end of this period, however, the situation began to stabilise and demand for construction work began to recover. Projects that were suspended in March and April this year were partly 'unfrozen' in the second quarter of 2020. At the same time, construction work started on several new large contracts in the trade and services segment, which were successfully acquired by the Group's subsidiary operating in Ukraine. In the analysed period, the Ukrainian government also continued to finance large

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**infrastructure** projects, especially in the area of road construction and defence. However, in the whole analysed period of the first half of 2020, the value of construction and assembly works decreased by around 5% compared to the same period of the previous year.

There is a trend in the formwork market to change the model associated with managing formwork and scaffolding equipment. Many customers of the Capital Group make decisions about purchasing this stock instead of leasing it. Undoubtedly, this phenomenon is influenced by price pressure from competitors, who have inexpensive heavy vertical formwork systems manufactured in Russia and Ukraine in their portfolio, which means that the Western European technology offered by the Group has to face lower price levels.

## **LITHUANIA**

Lithuania's macroeconomic situation has been subject to significant turbulence throughout the entire analysed period of the first half of 2020. Already in the first quarter of 2020, GDP was down by 0.2% y/y, and in the second quarter of 2020, it fell by as much as 3.8% y/y. At the same time, the macroeconomic outlook deteriorated significantly, followed by forecasts for the whole year, which indicate a possible decline of up to 9.7% y/y.

The inflation rate confirms the weakness of the country's economy, as the expected value of inflation for the whole of 2020 is 0.80% according to the Central Bank.

In the analysed period of the first half of 2020, the weak macroeconomic environment had a negative impact on the condition of the construction industry. After the first quarter of 2020, the value of construction and assembly production already recorded a drop of 7.3% y/y. However, in Q2 2020, this negative trend was further exacerbated, and the drop was already 15.10% y/y. Analysts predict, however, that the bottom of the decline is already behind us, and that the construction industry should remain at an average level of around 10% y/y below the data recorded in the corresponding periods of the previous year.

In Lithuania, as in other European countries, a number of measures have been taken to combat the coronavirus pandemic. Although there has not been a blockade of cities, as happened in Kazakhstan, some of the larger construction sites have been temporarily suspended. In addition, uncertainty about the further development of the market in the face of the second wave of the pandemic has resulted in the suspension of many new investments, resulting in very poor prospects for the development of construction in this country, which is largely based on the cubature segment. In addition, the situation in the construction industry was aggravated by the fact that a large proportion of the workers in the industry were citizens of Ukraine and Belarus, who left Lithuania at the beginning of the pandemic and could not return to work as a result of travel restrictions.

An additional obstacle for the whole economy in the second quarter of 2020 was the restrictive credit policy of commercial banks when opening new credit lines for entities operating in the construction industry, and also when concluding credit agreements to finance people's housing purchases. This situation negatively affects the maintenance of demand in residential and non-residential construction, and this in turn leads to a decreasing number of new construction sites being opened and prices for services offered by subcontractors, including formwork and scaffolding rental services.

## **KAZAKHSTAN**

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Kazakhstan's GDP, which grew by 2.7% y/y in the first quarter of 2020, has already recorded a 1.8% y/y decrease in the second quarter of 2020. Forecasts for the whole of 2020 predict a 1.8% y/y decrease according to Moodys and a 3.2% y/y decrease according to EIU. The inflation rate increased from 6.4% in Q1 2020 to 7.1% in Q2 2020, and by the end of the year, the forecasts predict inflation between 7.4% and 10.4%.

In the analysed period the value of construction and assembly works amounted to 226.7 billion Tenge, while the same ratio for the first half of 2019 was 241.3 billion Tenge (down 6.1%).

In the second quarter of 2020, there were also significant fluctuations of the EUR against Tenge, which devalued by about 7% by the end of June 2020, indicating a weakening of the overall macroeconomic situation.

In the face of the coronavirus pandemic, the market environment was also not favourable. In connection with the Astana and Almaty pandemic, they were completely closed for more than one month, including blockades for the transport of people and goods and the stopping of construction sites.

During the period under consideration, Kazakhstan's domestic economy was also not favourable to the situation on the gas and oil markets, as the country's trade balance deteriorated significantly as a result of falling prices and demand for these raw materials.

## **Sales revenues**

In six months of 2020, the Group generated PLN 93,822 thousand of total sales revenue, compared with PLN 107,933 thousand in the corresponding period of the previous year (down 13.1%).

The downward trend concerns both revenue generated in the "construction services" segment (13.2%) and revenue generated in the "sales of construction materials" segment (12.4%).

In H1 2020, the Capital Group generated PLN 25,788 thousand of total revenue from export trade and service activities (i.e. activities carried out mainly through subsidiaries in Kazakhstan, Ukraine and Lithuania or through a group of dealers and end customers in other countries). The revenue was 15.8% lower than in the corresponding period of the previous year.

In the analysed period of H1 2020, the Group's revenue was under strong pressure due to the weak economic situation and unfavourable market environment both at home and abroad. The macroeconomic data indicated at the beginning of this report show that the most significant factor adversely affecting the Capital Group's revenue was the weakness of the **cubature segment (residential and non-residential)**. The Capital Group usually records about 55% - 65% of total revenues from these two segments of the construction market. Thus, any market turbulence in this part of the market has an immediate and negative effect on the Capital Group's revenue, as even such a positive market situation in the **engineering** segment as we experienced in the analysed period of H1 2020 in Poland is not able to fill the revenue gap resulting from falling orders from the cubature segment in Poland and abroad. This is also due to the fact that construction processes with the use of formwork or scaffolding equipment take place mainly at the initial stage of investment execution, and the number of new cubature investments in the analysed period fell dramatically, which further increased the price pressure on the lease services of formwork and scaffolding systems offered by the Capital Group.

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## Operating profitability

Despite the unfavourable market environment, in H1 2020 the Capital Group achieved a positive operating result of PLN 10,333 thousand compared with PLN 25,009 thousand in the previous year. The key figures related to EBIT (operating profit) and EBITDA (operating profit + depreciation) in the analysed periods were as follows:

	first quarter of 2020	for the second quarter of 2020	6 months of 2020	6 months of 2019
Sales	48,733	45,089	93,822	107,933
<b>EBIT</b>	<b>4,962</b>	<b>5,371</b>	<b>10,333</b>	<b>25,009</b>
% for sale	10.18	11.91	11.01	23.17
Depreciation	10,980	11,261	22,241	21,043
<b>EBITDA</b>	<b>15,942</b>	<b>16,632</b>	<b>32,574</b>	<b>46,052</b>
% for sale	32.71	36.89	34.72	42.67

In H1 2020, the Group recorded a decrease in EBITDA in absolute terms by PLN 13,478 thousand (i.e. by 29.27%) compared with the level achieved in the corresponding period of the previous year. Profitability at the EBITDA level (calculated as the ratio of EBITDA to sales) stood at 34.72%, with 42.67% achieved in H1 of the previous year.

The decrease in EBITDA profitability was mainly due to the total revenue on sales recorded by the Capital Group falling. A significant part of the Capital Group's operating expenses are fixed costs, including in particular remuneration. Despite many actions taken by the Management Board of the Capital Group aimed at adjusting cost items to lower total revenue, while maintaining the ability to service the signed contracts, the Capital Group was not able to maintain the above profitability ratio at the level recorded in the same period of the previous year. Among the most important decisions concerning the adjustment of cost items to the current revenue situation of the Group, one should mention in particular the periodic reduction of working time among administrative staff and the reduction of remuneration of members of the Group's top management, as well as the fact of using aid funds related to the Anti-Crisis Shield in Poland, which was reported by the Management Board in its current reports during the first half of 2020.

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Other measures included a review of many cost items and their optimisation, including renegotiation of many contracts with the Capital Group's contractors. As a result, in the first half of 2020, management costs amounted to PLN 9,107 thousand. As a result, in H1 2020, management costs amounted to PLN 9,107 thousand, compared with PLN 9,492 thousand in the same period of the previous year.

In H1 2020, the Group recognised loan losses of PLN 3,712 thousand as compared with PLN 3,146 thousand in the corresponding period of the previous year (disclosed under "Other operating expenses").

This phenomenon results from the estimation of the risk related to the recovery of receivables in connection with court or enforcement proceedings which the Group conducts with respect to its debtors.

In addition to the value of write-downs for expected loan losses, the item "Other operating expenses" recognises the amounts of reversed write-offs and the amounts of written-off receivables. The net value of allowances for expected credit losses plus the amounts of receivables written off was PLN 1,961 thousand (PLN 4,963 thousand in 2019, PLN 2,312 thousand in six months of 2019).

## **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 ULMA 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 Group companies are exposed to foreign exchange risk, which the Group tries to mitigate through the process of adjusting the prices of services and materials offered, but which is not fully effective.

## **Other income/operational costs**

In addition to the credit losses described above, plus the costs of written-off receivables and economic effects related to the settlement and valuation of hedging contracts against foreign exchange risk (NDF), other operating activities include the effects of asset management (negative and positive inventory differences, scrapping).

In H1 2020, the surplus of revenue over costs related to the above mentioned phenomena was PLN 82 thousand, compared with PLN 85 thousand in H1 2019. In H1 2020, in addition to the revenue referred to above, this item of the profit and loss account includes revenue on account of re-invoices (mainly on account of employee settlements) of PLN 149 thousand. In H1 2019, the total revenue from those titles was PLN 169 thousand.

## **Financial costs**

The company is currently free of bank financing costs. On the other hand, subsidiaries occasionally use short-term bank financing through current accounts. However, these are occasional transactions, which results in the fact that in the first half of 2020, the Capital Group did not incur costs on this account, and during the first half of 2019 they amounted to only PLN 58 thousand.

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In connection with the implementation of the provisions of IFRS 16 Leasing as of January 1st 2019, interest expenses on account of leasing appeared in the finance costs group. In H1 2020, the costs of interest on account of leasing amounted to PLN 260 thousand, and in H1 2019 it was PLN 367 thousand.

## **| Net profit**

After taking into account the income tax, in I half 2020 the Capital Group achieved a positive net financial result of PLN 8,703 thousand compared to a positive net result in the previous year of PLN 19,624 thousand.

## **| Other comprehensive income:**

Other comprehensive income reduced the Group's equity in H1 2020 by a total of PLN 1,332 thousand. The above amount includes:

- foreign exchange losses on translation of the financial statements of foreign entities in the amount of PLN 1,729 thousand, which was affected by the consequences of depreciation of native currencies, including in particular Hryvnia in Ukraine.
- foreign exchange gains on measurement of intragroup loans recognised in accordance with IAS 21 as net investments in foreign undertakings in the amount of PLN 397 thousand.

In the same period of the previous year, as a result of a jumping devaluation of the above mentioned currencies, the Group's equity increased by a total of PLN 826 thousand, of which PLN 826 thousand was spent in the Hryvnia region in Ukraine:

- foreign exchange gains of PLN 781 thousand on translation of financial statements of foreign undertakings,
- foreign exchange gains on measurement of intragroup loans recognised in accordance with IAS 21 as net investments in foreign undertakings in the amount of PLN 45 thousand.

## **| Description of transactions whose total value in the last 12 months exceeded 10% of Equity**

The only transactions whose value in the last 12 months exceeded 10% of the Capital Group's equity (i.e. whose value exceeded PLN 33,784 thousand) were transactions of purchase of shuttering systems from the "mother" ULMA CyE S. Coop. with the value of PLN 53,240 thousand.

Apart from the above mentioned transactions, there were no commercial transactions with any other entity, the value of which for the last 12 months would exceed the significant value of 10% of the Capital Group's equity, and all these transactions were typical and routine, concluded on market terms, and their nature and conditions resulted from current operating activities.

## **| Cash flow**

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

All amounts expressed in thousands of PLN, unless indicated otherwise



	6 months of 2020	6 months of 2019	Dynamics
Net profit (loss)	8,703	19,624	44.4
Depreciation and allowance write-off for the value of fixed assets	22,529	21,043	107.1
<b>Total financial surplus</b>	<b>31,232</b>	<b>40,667</b>	<b>76.8</b>
Other elements of net flows from operating activities	(14,336)	(32,572)	44.0
<b>Net cash flow from operating activities</b>	<b>16,896</b>	<b>8,095</b>	<b>208.7</b>
Net cash flow from investment activities	(1,031)	10,385	-
Net cash flow from financial activities	(15,991)	(34,221)	46.7
<b>Net cash flow</b>	<b>(126)</b>	<b>(15,741)</b>	<b>0.8</b>

## Cash flow from operating activities

In H1 2020, the Group recorded positive cash flows from operating activities, which amounted to PLN 16,896 thousand compared with PLN 8,095 thousand in the corresponding period of the previous year.

The increase in cash flows from operating activities was driven by changes in the collection of trade receivables. The increase in collectability resulted in a positive change in trade receivables in H1 2020 of PLN 12,485 thousand, compared with a negative change in H1 2019 of PLN (2,192 thousand).

The monthly schedule of purchases of formwork and scaffolding used for the core business of the Capital Group, i.e. "construction site services", had an additional impact on the increase in cash flows from operating activities.

In H1 2020, the above purchases amounted to PLN 32,834 thousand, compared with PLN 28,452 thousand in the corresponding period of the previous year. Despite the increased value of purchases, their distribution in the compared periods was different, as a result of which, with the payment dates unchanged, the change in the Capital Group's trade liabilities in H1 2020 was positive and amounted to PLN 3,820 thousand, while in H1 2019 it was negative and amounted to PLN (6,069) thousand.

In H1 2020, the Capital Group managed to significantly improve its receivables turnover ratio compared to that achieved in H1 2019 (as shown in the table below).

		30 June 2020	30 June 2019
1	Net trade receivables (after taking into account write-off for expected credit losses)	36,399	52,751
2	Grossed-up sales revenue for the 12 months to the balance sheet date	264,763	272,940
3	Number of days	365	365
4	Rotation ratio (1*3/2)	50	71

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

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the Capital Group's customers at the time of commencement of cooperation and during its implementation.

### **Cash flow from investment activities**

In H1 2020, the Capital Group made only minor purchases of other tangible and intangible assets and received interest on loans granted to related parties.

### **Cash flow from financial activities**

The principal item of cash flows from financing activities is the payment of dividend of PLN 13,665 thousand, as compared with PLN 30,010 thousand in the corresponding period of the previous year.

In addition, in connection with the implementation of IFRS 16 Leasing as of January 1st 2019, the item "Lease payments" appeared in cash flows from financing activities in H1 2020 in the amount of PLN 2,058 thousand (in H1 2019 this item amounted to PLN 2,071 thousand).

As a result of the above, in H1 2020, the Group recorded a decrease of PLN 126 thousand in cash as compared with a decrease of PLN 15,741 thousand in the corresponding period of the previous year.

## **C. Description of the Capital Group**

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

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

ULMA Construcción Polska S.A. CAPITAL GROUP - **the parent company** of the ULMA Construcción Polska S.A. Capital Group performing the management and administrative role for the entire Group and responsible for commercial activities with respect to products and services offered by the Group on the domestic market and on selected foreign markets,

ULMA Opatubka 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 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.

ULMA Opatubka Kazakhstan sp. z o.o. - a **subsidiary company** responsible for commercial activities with regard to products and services offered by the Capital Group on the Kazakh market,

ULMA Construcción BALTIC sp. z o.o. - a **subsidiary company** responsible for commercial activities with regard to products and services offered by the Capital Group on the Lithuanian and other Baltic states' markets,

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## 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, industry 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, XVI 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 J23/ 289/ 30/01/2013,

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.

## D. Management Board's position on forecasts

### **The position of the Management Board regarding the possibility of implementing previously published forecasts of results for a given year in the light of the results presented in the report in relation to forecast results**

On 15 July 2020, the Issuer's Management Board, in report no. 15/2020, published preliminary estimates of selected financial and operational data of ULMA Construcción Polska S.A. Capital Group concerning total sales revenues and revenues from sales in particular segments of the Capital Group's operations. The table below presents a comparison of the published preliminary estimates and actual data achieved in the analysed period of 1 half of 2020.

#### **First half of 2020**

All amounts expressed in thousands of PLN, unless indicated otherwise



	Forecast	Execution	Difference
Sales revenues including:	93,822	93,822	-
- construction site services	74,953	74,953	-
- sales of building materials	18,869	18,869	-
EBITDA (net profit + depreciation)	32,574	32,574	-
Net profit	8,703	8,703	-
Net cash position (cash + loans granted)	58,387	58,387	-

## E. Significant shareholders

**Indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting as at the date of submitting the report, as well as indication of changes in the ownership structure of significant blocks of the issuer's shares in the period from the date of submitting the previous periodical report**

As at the date of forwarding this report, shareholders holding more than 5% of the total number of votes are:

- ULMA C y E S, Coop. (Spain) holding directly 3,967,290 shares in ULMA Construcción Polska S.A. representing 75.49% of the Company's share capital and entitling to 3,967,290 votes at the General Meeting of Shareholders, which is 75.49% of the total number of votes,
- TFI Quercus S.A. directly 323,726 shares in ULMA Construcción Polska S.A. representing 6.16% of the Company's share capital and entitling to 323,726 votes at the General Meeting of Shareholders, which is 6.16% of the total number of votes,

In the period since the publication of the previous report, there were no changes in the ownership structure of significant blocks of shares in ULMA Construcción Polska S.A.

## F. Issuer's shares held by managing and supervising persons

**List of the number of shares in the issuer or rights thereto held by persons managing and supervising the issuer as at the date of publication of the report, together with an indication of changes in the number of shares held since the date of publication of the previous interim report, separately for each of these persons, according to information available to ULMA Construcción Polska S.A.**

According to ULMA Construcción Polska S.A. information, in the period from the submission of the previous report, there were no changes in the ownership of shares of ULMA Construcción Polska S.A. or rights to them (options) by the above-mentioned persons.

All amounts expressed in thousands of PLN, unless indicated otherwise





According to the information obtained by the Issuer, none of the persons managing and supervising ULMA Construcccion Polska S.A. holds shares in the Issuer.

## **G. Important court proceedings**

**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.**

ULMA Construcccion Polska S.A. (further referred to as Company) 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 Company'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 Construcccion Polska S.A. .:**

ULMA Construcccion Polska S.A. conducts 49 court proceedings, which include receivables (according to the balance as at 30 June 2020) in the total amount of PLN 20,412 thousand. These cases include court proceedings that have not yet ended with the court issuing a final enforcement order in the case and claims against debtors in relation to which the court issued a decision on the declaration of bankruptcy, arrangement or restructuring.

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

All amounts expressed in thousands of PLN, unless indicated otherwise



Detailed list	Number of the proceedings	Balance as at 30-06-2020	Date of the commencement of	Status of the case
<b>Court proceedings</b>	<b>2</b>	<b>447</b>		
Including major cases:				
Firma H.P.U. "ROTOS" Ryszard Dominik		388	June 2018	The District Court in Białystok awarded the Debtor and the Guarantor (the Debtor's spouse) the entire amount due. Despite the fact that the order for payment is not yet final and binding, the Company, as part of the bailiff's proceedings, secured the Debtors' movable property (construction machines). In September 2019, as part of bailiff proceedings, it was possible to auction off part of the seized movables, of which PLN 310 thousand was received by the Company, while in February 2020, the amount of PLN 156 thousand was recovered from the bank account seizure. Additionally, at the request of the Company, criminal proceedings are being conducted in connection with the fact that the Debtors, being already debtors of the Company, have assigned their movable and immovable property of significant value to their children.
Aussie Development sp. z o.o.		59	May 2019	The Company filed 2 suits against the Debtor and the guarantor (an individual) due to two different agreements between the parties. In one of the proceedings, the Company has already received an order for payment and is awaiting its validation, while in the other, the Company is awaiting an order for payment.
<b>Total listed</b>		<b>447</b>		<b>100% of the total</b>
Detailed list	Number of the proceedings	Balance as at 30-06-2020		Status of the case
<b>Bankruptcy proceedings</b>	<b>47</b>	<b>19,965</b>		
<i>including the 5 largest</i>				
HYDROBUDOWA POLSKA SA		6,602	September 2012	The receivable has been filed to the bankruptcy receiver.

All amounts expressed in thousands of PLN, unless indicated otherwise



RADKO Sp. z o.o.		4,104	August 2012	<p>On 20 January 2016, the Court transformed the hitherto existing systemic bankruptcy into bankruptcy involving the liquidation of the bankrupt's assets.</p> <p>Regardless of the receivables filed in the bankruptcy proceedings, the Company conducts several different proceedings in parallel. In particular, it is the enforcement proceedings against one of the guarantors (a former member of the Debtor's board). In relation to this guarantor, both the enforcement proceedings are conducted against the land property and the enforcement proceedings against its shares in another company. The bailiff has so far managed to cash in and transfer to the Company the amount for one of the real properties. In October 2019, the judicial officer sold another two properties for a total of PLN 202 thousand. In August this year The Company has received invalid plans to distribute the amounts from their sales, as a result of which the Company expects to pay approximately PLN 140 thousand. The enforcement officer has also set a deadline for auctioning another plot of land.</p> <p>Enforcement proceedings are in progress (the company owns properties with an estimated value of approximately PLN</p>
Firma Gotowski – Budownictwo Komunikacyjne i Przemysłowe sp. z o. o		873	June 2018	<p>On 22 June 2018, the District Court in Bydgoszcz issued a decision on opening the Debtor's recovery proceedings. Despite questioning a significant amount of receivables, finally, through the court, the Company managed to effectively challenge the list of receivables prepared by the Debtor.</p> <p>Taking into account that the Company cooperated with the Debtor on three public contracts (contracts submitted to investors under the Public Procurement Law), the Company tries to recover its receivables directly from them. The effect of these efforts was, among others, the payment in July 2019 of 197 thousand PLN from one of the Investors.</p> <p>The other Investor paid to the court deposit the amount of PLN 273 thousand due to the Company, due to an earlier dispute about this amount. After the contested amount was finally recognised, the Company applied for payment from the deposit. The court has issued a decision on the withdrawal of funds from the deposit, which as at the report date is not valid.</p> <p>As the third Investor refused to pay directly, the Company filed a lawsuit for payment of PLN 362 thousand. The parties to the proceedings shall exchange their pleadings.</p>
HENPOL Sp. z o.o.		1,010	January 2014	The receivable has been filed to the bankruptcy receiver.
KROKBUD Sp. z o.o.		864	April 2016	On 21.04.2016, the District Court in Nowy Sącz issued a decision to declare the Debtor's bankruptcy with the possibility of making an arrangement. On 16.11.2017, the same court changed the existing decision into a decision on bankruptcy including liquidation of the Debtor's assets. The Company reported its receivables to the trustee.
<b>Total listed</b>		<b>13,453</b>		<b>67% of the total</b>
<b>Total number of the proceedings conducted</b>	<b>49</b>	<b>20,412</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 86 proceedings from these categories in its balance sheet for the total value of PLN 8679 thousand.

All amounts expressed in thousands of PLN, unless indicated otherwise

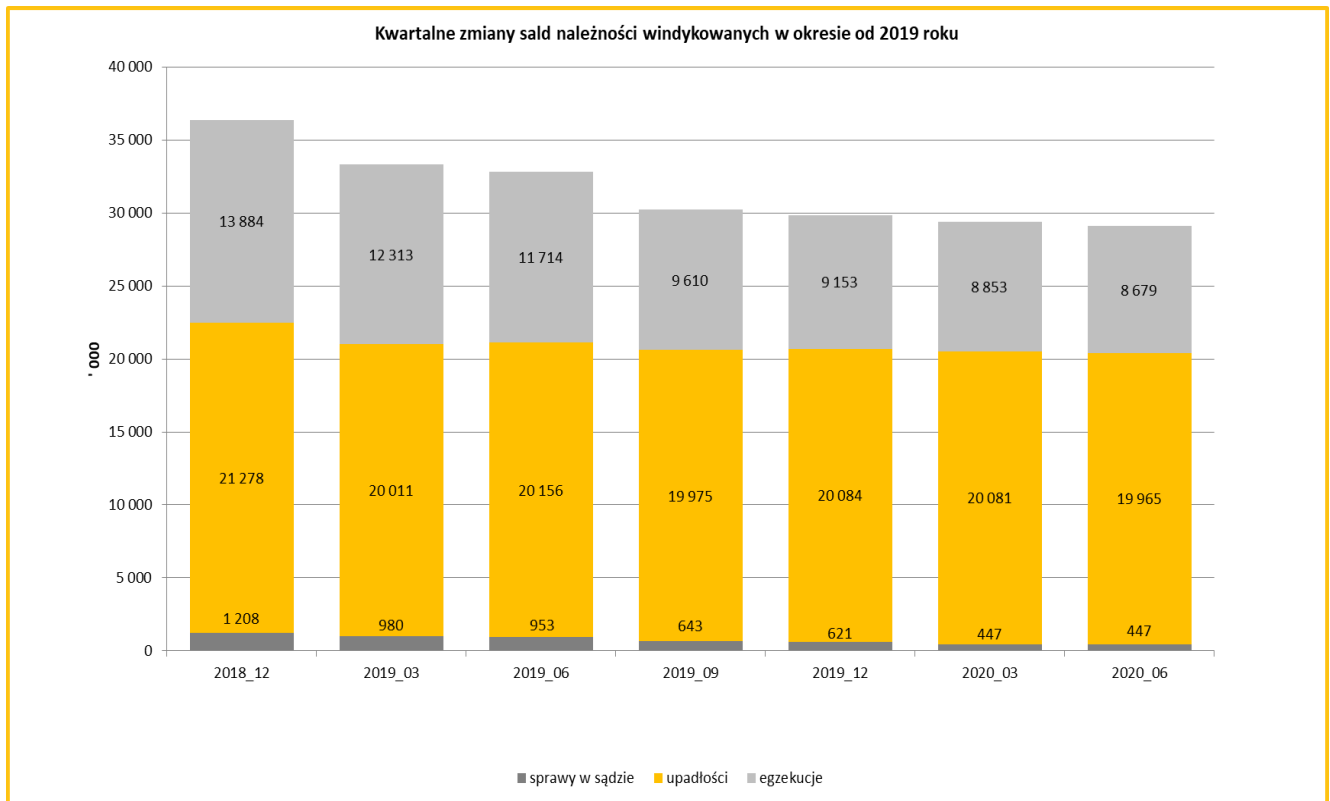


As at June 30th 2020, the total balance of receivables to be recovered (at the judicial and extra-judicial stage) in the balance sheet included 135 cases with a total of PLN 29,090 thousand.

All amounts expressed in thousands of PLN, unless indicated otherwise



The change in the value of receivables in the period from the end of 2018 to the report date is presented in the chart below:



Closing balance:	2018_12	2019_03	2019_06	2019_09	2019_09	2019_12	2020_03	2020_06
court proceedings	1,208	980	953	643	643	621	447	447
bankruptcies	21,278	20,011	20,156	21,129	19,975	20,084	20,081	19,965
enforcements	13,884	12,313	11,714	8,457	9,610	9,153	8,853	8,679
<b>Total amounts to be enforced</b>	<b>36,369</b>	<b>33,304</b>	<b>32,823</b>	<b>30,228</b>	<b>30,228</b>	<b>29,857</b>	<b>29,382</b>	<b>29,090</b>

All amounts expressed in thousands of PLN, unless indicated otherwise



### **Proceedings concerning receivables in Subsidiaries:**

As at the balance sheet date, the Company's subsidiaries recorded a total of 18 court cases with a joint value of PLN 4,192 thousand including:

- a) 12 cases for the amount of PLN 1,619 thousand are at the stage of court proceedings,
- b) 6 cases for the amount of PLN 2,574 thousand are restructuring and bankruptcy proceedings.

Invariably, the largest of the court cases in the Subsidiaries (the equivalent of debt as at the reporting date is PLN 2,095 thousand) is the bankruptcy proceedings of one of the debtors in Ulma Construction Baltic S.A.

Similarly to the Company, in the balance sheets of the Subsidiaries, in addition to the court receivables described above, there are also balances of 18 debtors (mainly at the pre-judicial stage), whose total value amounts to PLN 5 972 thousand (translated at the exchange rates as at the balance sheet date). The vast majority of the above amount comes from ULMA Opałubka Ukraina sp. z o.o., where credit risk remains high. As a consequence of persisting late payments in H1 2020, ULMA Opałubka Ukraina sp. z o.o. created further write-downs for receivables in the total amount of PLN 2,555 thousand (in the whole 2019 it was PLN 4,412 thousand).

The Group's Management Board consistently manages difficult receivables and the customer verification process, based on the debt collection procedure implemented last year in the subsidiaries. Recently, it has also been possible to sign several settlements with customers who have overdue receivables, as a result of which an improvement in this area is expected in H2 this year (some symptoms of stabilisation of credit risk exposure are already visible in July this year).

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

In addition to individual provisions for expected credit losses, the Group creates a general risk reserve with respect to NORMA customers.

### **H. Transactions with associated entities**

**Information on conclusion by the issuer or its subsidiary of one or more transactions with associated parties, if they were concluded on conditions other than market conditions, including in particular their value:**

- a) **information about the entity with which the transaction was concluded,**
- b) **information about the connections of the issuer or its subsidiary with an entity being a party to the transaction,**
- c) **information about the subject of the transaction,**
- d) **Significant conditions of the transaction**
- e) **Other information regarding transactions, if necessary to understand the property, financial situation and financial result of the issuer,**
- f) **Any changes to transactions with affiliates described in the last annual report, which could have a significant impact on the financial position and financial performance of the issuer.**

All amounts expressed in thousands of PLN, unless indicated otherwise



All Transactions concluded during the first half of 2020 by ULMA Construcción Polska S.A. and its subsidiaries with related entities were typical and routine, were concluded on an market terms, and their nature and terms resulted from running ongoing operations.

The most significant transactions that took place in the analysed period of the first half of 2020 were purchases of mainly shuttering systems and lease services concerning shuttering systems and IT services by ULMA Construcción Polska S.A. from ULMA C y E, S. Coop. worth PLN 22,824 thousand. Whereas, in the last 12 months (i.e. from 1 July 2019 to 30 June 2020) the value of the above transactions amounted to PLN 55 534 thousand.

In addition to commercial transactions, ULMA Construcción Polska S.A. in the previous periods granted long-term and short-term loans to affiliates. The table below presents the table of loans granted by debt as on the balance sheet date and 31 December 2019.

Affiliate	30/06/2020	31/12/2019
ULMA Opałubka Ukraina (thousands. of USD) - long-term loan	290	290
ULMA Construcción BALTIC (thousands. of EUR) - long-term loan	2,100	2,100
ULMA CyE S.Coop. (In thousands of PLN) – short-term loan	10,000	10,000

Long-term loans granted by ULMA Construcción Polska S.A. to its subsidiaries in Lithuania and Ukraine are treated as net investments in the subsidiary.

Unrealised exchange rate differences arising from the valuation of the long-term loans are charged directly to the Group's equity.

## **I. Sureties and guarantees**

**Information on granting by the issuer or its subsidiary of credit or loan sureties or guarantees - jointly to one entity or its subsidiary, with specification:**

- a) **Names of the entity to which the sureties or guarantees were granted,**
- b) **The total amount of credits or loans which have been fully or partially guaranteed,**
- c) **The period for which the sureties or guarantees were divided,**
- d) **Financial terms on which the sureties or guarantees were granted, indicating the issuer's remuneration for granting the sureties or guarantees,**
- e) **The nature of the relationship existing between the issuer and the entity which took out the loans or borrowings**

ULMA Construcción Polska S.A. provided a guarantee for the repayment of a bank loan taken out by its subsidiary ULMA Opałubka Ukraina in UKRSIBBANK in the amount equivalent to EUR 1 million. As at June 30th 2020, the balance of the loan was PLN 0.00.

All amounts expressed in thousands of PLN, unless indicated otherwise





## **J. Other relevant information**

### **Other information important for the assessment of the issuer's personnel, property, financial situation, financial result and information important for the assessment of the issuer's ability to meet its obligations**

During the first half of 2020, there were no significant events other than those described earlier.

The Management Board of ULMA Construccjon Polska S.A. knows of no other information which would be significant for the assessment of the personnel, property, financial situation, financial result and their changes as well as for the assessment of the ability of the Capital Group companies to meet their obligations.

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

Pursuant to Resolution No. 7 of the General Meeting of Shareholders of ULMA Construccjon Polska S.A. of 06 May 2020, a portion of the net profit for the financial year 2019 in the amount of 13,664,643.20 was allocated for payment to shareholders in the form of a dividend of PLN 2.60 gross per share. The determination of the dividend rights took place on 18 May 2020 and the payment of the dividend took place on 25 May 2020.

Pursuant to Resolution No. 7 of the General Meeting of Shareholders of ULMA Construccjon Polska S.A. of 9 May 2019, a portion of the net profit for the financial year 2018 in the amount of 30,009,658.72 was allocated for payment to shareholders in the form of a dividend of PLN 5.71 gross per share. The dividend rights were set at 17 May 2019 and the dividend payment date at 24 May 2019.

## **K. Factors influencing the issuer's future results**

### **Factors which in the issuer's opinion will affect the results achieved at least in the next half year**

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

The latest market data indicate that after the collapse in April and May 2020, the Polish economy is slowly beginning to recover. Industrial output sold in companies employing more than nine people increased by 0.5% y/y in June 2020, compared to a 17% y/y decrease in May 2020, which is much better than the market consensus, which indicated a 6.9% y/y decrease. Retail sales dynamics also turned out to be better than expected.

In June the International Monetary Fund significantly lowered its forecast of global GDP. According to these assumptions, the decline will reach 4.9% in the whole of 2020, compared to a previous 3% decline. What is important is that Poland is among the few countries for which the IMF's forecast has not deteriorated

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significantly, because according to the latest IMF data, the fall in Polish GDP in 2020 is expected to be 4.6%.

Less negative changes in Polish GDP are indicated by the market consensus, according to which, in August 2020, GDP was forecast to fall by 3.0% in the whole of 2020, compared with a fall of 4.0% assumed a month earlier. Certainly, this improvement in forecasts was influenced by the macroeconomic data recorded in Q2 2020, when Poland's GDP fell by 8.2% y/y, according to the so-called quick estimate of the Central Statistical Office (GUS), and these data were better than the economists' forecasts indicating a 8.6% fall.

As for the components of GDP, the main area of uncertainty remains the dynamics of private investment, the fall of which may cause further perturbations in the segment of cubature construction. According to the latest market analysts' forecasts, in 2020, cubature construction will see a noticeable drop in construction and assembly output (residential construction - a drop of 8.1% y/y, and non-residential construction - a drop of 9.7% y/y). Uncertainty of the general economic situation remains the biggest barrier for both construction companies and material manufacturers. Insufficient demand and changing legislation are also increasingly difficult for companies. With a small number of new contracts, the high level of competition on the market results in a significant reduction of service prices, which in turn translates into their profitability. Despite the forecasted increase in construction and assembly production throughout 2020 in the engineering sector (increase by 5.5% y/y), as a result of the above-described decreases in cubature construction, a revenue gap arises, which cannot be filled by the engineering sector itself.

In view of the phenomena described above, the Management Board of the Group does not forecast any improvement in the market environment by the end of 2020 in Poland. On the other hand, however, the Capital Group tries to strengthen its acquisition processes, allowing for precise market penetration. This should lead to stabilisation of the Group's operating revenue in the next quarters of 2020.

## **| Credit risk (trade and debt recovery loans)**

In the second quarter of 2020, only 21 construction companies went bankrupt, as a result of which the rolling sum for the last four quarters has fallen to 112 such cases, which is the lowest level since 2010. This is due to legislative changes in the area of public procurement, which have taken place in recent years, thanks to which companies which do not have the status of qualified contractors can obtain legal protection by being the so-called applying supplier of materials and services, which gives them security up to the amount of the guarantee sums for the insolvency of clients of construction works. In the case of executed engineering contracts, which are public contracts, such statutes are obtained by the Capital Group, thanks to which the credit risk in this respect is significantly limited. However, the credit risk on private contracts cannot be completely excluded.

In view of the forecasted decline in the volume segment, in which private investments predominate, the credit risk related to payment bottlenecks or even the insolvency of general contractors is estimated to be high.

Therefore, in the subsequent periods, it may be enough for the above mentioned number of bankruptcies in the construction sector to grow, especially in the group of entities which have been significantly affected by the market downturn in the cubature segment, do not have adequate diversification of their order book, and which, due to their size, do not have adequate facilities and financial reserves to survive a difficult period of downturn.

All amounts expressed in thousands of PLN, unless indicated otherwise



A separate risk remains the still uncertain economic situation in Ukraine.

Despite the weak market and the resulting payment bottlenecks, the subsidiary in Ukraine managed to complete H1 2020 without any major consequences from higher allowance write-offs on receivables.

In addition, a number of agreements on the repayment of overdue receivables have been signed. However, in the face of the second wave of the coronavirus pandemic, and private investors' fears of further maintaining Ukraine's economic potential, which is already resulting in a noticeable reduction in the number of new constructions being started, new payment bottlenecks or even bankruptcies may arise in the short term. This is due to the risk of stopping investment processes, as many of Ukraine's cubature constructions are financed by private investors' own resources, and those who are in the face of market uncertainty may suddenly withdraw from investments that have been started. The scale of this phenomenon may be relatively high especially in the situation of further depreciation of the local currency (Hryvnia).

In this uncertain market environment, the Group's Management Board is committed to further strengthening its internal credit risk control processes both in Poland and on export markets, and is subjecting its customers to detailed analysis for creditworthiness testing.

## **Trade risk in export markets**

Among the factors that in the nearest future may have an impact on the economic situation and revenues of the Capital Group, implemented on foreign markets should be mentioned:

### **UKRAINE**

Ukraine has been facing a significant budget deficit for several years now. Until now, the macroeconomic situation has been stabilised mainly thanks to funds from the IMF, which have decisively improved the expectations and feelings of investors and strengthened their perception of the condition of the Ukrainian economy. This was reflected in the appreciation of the local currency of Hryvnia (UAH) against the Euro throughout 2019 (appreciation of UAH by about 16%).

The events of 2020 related to the outbreak of the coronavirus pandemic and its consequences (national quarantine) have radically changed this situation, and expectations about the stability of the Ukrainian economy have begun to be widely commented on and even called into question. As a result, the UAH has devalued quite rapidly against the Euro (by 24%) over a very short period, i.e. the second quarter and July 2020. In addition, many analysts predict that the UAH will continue to weaken, which will cause even greater budgetary problems and a decrease in the purchasing power of Ukrainian citizens, and this could result in a significant construction downturn.

After the very difficult second quarter of 2020 for Ukraine's economy, the crisis situation related to the outbreak of the coronavirus pandemic now seems to be stabilised, and state restrictions are already flexible and mild. However, the new wave of infections may make it necessary to introduce more stringent measures, including blockades of individual urban centres, which will undoubtedly have an impact on an industry as susceptible to turbulence as construction.

The issues mentioned above have a negative impact on the perception of private Ukrainian investors, who are delaying decisions to start new construction projects, and this in turn affects the entire industry. In

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these market conditions, the pressure on prices is becoming more and more intense among subcontractors, who seek to win contracts at all costs.

These price wars in the next few quarterly periods may lead to strong declines in the unit prices of services offered by subcontractors (including shuttering companies) and to a significant reduction in the profitability of operations.

## **LITHUANIA**

In Lithuania, there is currently an increase in the risk of insolvency of contractors as a result of restrictions on access to credit for current business needs. At the same time, there are no effective anti-crisis systems introduced by the state to stabilise financial problems. Moreover, due to the reduction in demand, competitive pressure is increasing. More and more frequently, when acquiring orders, price wars between market participants are felt, which result in a fairly rapid drop in effective unit prices of the services offered by the Group. This applies both to contracts for lease as well as for the sale of formwork and scaffolding.

A separate risk is the risk of withholding or even abandoning some of the construction projects already prepared in previous periods in the face of an uncertain epidemiological situation and a drop in demand for residential and non-residential properties. This situation is negatively affected by the rather restrictive policies of banks, which require high own shares in financing the purchase of flats, and by the changing business model and the transition of consumers from fixed-line trade to the Internet and the introduction of work from home.

## **KAZAKHSTAN**

The most important phenomenon for the Group's activities is the policy of the Kazakh government to define and support development programmes for the construction industry, which depends on the country's budgetary situation. In view of the need to change priorities (combating the effects of the coronavirus pandemic) and in connection with restrictions on budget revenues, there is a significant risk of suspending certain government investments. There is also a real risk of temporary suspension of work in the construction sector as a result of possible additional restrictions related to the next phase of the pandemic.

A separate phenomenon of importance for the Group's operations in Kazakhstan is the continued pressure to further depreciate the local currency (Tenge), which results in difficulties in effective competition by entities from the Eurozone, whose products are subject to high duties, with entities from the free trade zone, i.e. Russia or China. To a large extent, this is the case with the Group, which is faced in this market with much cheaper formwork or scaffolding products from this free trade area.

However, due to the Capital Group's limited activity on this market, practically focused only on sales activities, the significance of this risk for the Group's total revenues is small.

## **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

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companies are active on export markets. As a result, the Capital Group is exposed to the exchange rate risk, which it tries to limit by activity on the currency market or by activity on the forward market and concluding currency futures contracts of Non-Delivery Forward (NDF) type.

The subsidiary Ulma Opałubka Ukraina sp. z o.o. has an intragroup long-term loan denominated in USD. As it is not possible to effectively hedge against the foreign exchange risk related to this transaction, the Company remains exposed to USD - Hryvnia currency exposure with respect to valuation of this loan.

The Management Board tries to minimize this risk by updating the prices of offered products and services following the change in the EUR/hryvnia exchange rate - the subsidiary operating in the territory of Ukraine makes appropriate provisions to hedge its revenues in the event of devaluation of the Hryvnia in contracts with customers. However, in the event of a downturn, the security does not guarantee full success.

Despite the high degree of effectiveness of the exchange rate risk hedging measures that can be achieved, the net result of these transactions is affected by exchange rate volatility. This applies in particular to foreign exchange risk hedging transactions resulting from the balance of internal loans granted by ULMA Construcción Polska S.A. to its subsidiaries.

As a result, the volatility of the EUR and USD exchange rates against PLN, UAH (Hryvnia in Ukraine) and KZT (Tenge in Kazakhstan) continues to affect the Total Revenue obtained by the Capital Group.

## **Events which occurred after the date as of which the interim condensed consolidated financial statements were drawn up, not included in those statements, and which may have a material effect on the future financial results of the ULMA Construcción Polska S.A. Group.**

- On 30 July 2020, ULMA Construcción Polska S.A. and ULMA C y E, S. Coop. concluded a loan agreement for PLN 20,000 thousand, as announced in current report no. 17 / 2020. In the loan agreement, the Parties agreed on the market terms and conditions of interest and collateral and set a deadline for its repayment by 31 July 2022. Given that the balance of the previous loan as at the date of conclusion of this agreement amounted to PLN 10,000 thousand, as part of the commencement of the new loan agreement ULMA Construcción Polska S.A. transferred to ULMA C y E, S. Coop the amount of another PLN 10,000 thousand.
- On 7 July 2020, ULMA Construcción Polska S.A. was (defendant), sued by Nextbud sp. z o.o. sp.k. (plaintiff) for depriving the enforceability of the enforcement title, i.e. the order for payment of 30 April 2018, obliging Nextbud sp. z o.o. sp.k. (debtor of ULMA Construcción Polska S.A.) to pay the amount of PLN 235,769.07 together with calculated interest and reimbursement of the costs of the court proceedings. ULMA Construcción Polska S.A. submitted a response to the statement of claim within the deadline set by the court. If the claim is upheld, ULMA Construcción Polska S.A. will not be able to continue the enforcement on the basis of the above-mentioned enforcement title. In the opinion of the Management Board the claim is devoid of grounds, and the claim itself is burdened with many formal errors. Therefore, at this stage there are no plans to create accounting reserves for a possible loss.

## **L. Investor relations**

All amounts expressed in thousands of PLN, unless indicated otherwise



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

Aneta Szymańska

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All amounts expressed in thousands of PLN, unless indicated otherwise

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REPORT FROM THE MANAGEMENT BOARD OF THE ACTIVITIES OF THE ULMA Construccjon Polska S.A. CAPITAL GROUP during the 6-month period ended 30 June 2020.



## M. Statement by the Management Board of the Parent Company

The interim abridged consolidated financial statements of the ULMA Construcción Polska S.A. Group for the six-month period ended 30 June 2020 and the interim abridged separate financial statements of ULMA Construcción Polska S.A. were approved by the Management Board of ULMA Construcción Polska S.A. on 16 September 2020.

The interim abridged consolidated and separate financial statements for the period of 6 months ended 30 June 2020 have been prepared to present the asset and financial situation and results of operations of the ULMA Construcción Polska S.A. Group and its parent company.

The interim abridged consolidated and separate financial statements for the 6-month period ended 30 June 2020 have been prepared in accordance with the International Financial Reporting Standard - "Interim Financial Reporting".

The interim abridged consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the six-month period ended June 30th 2020 include:

- Interim abridged consolidated profit and loss account and other comprehensive income
- Interim abridged consolidated financial situation report
- Interim abridged report on consolidated share capital
- Interim abridged consolidated cash flow report
- ADDITIONAL INFORMATION TO THE INTERIM ABRIDGED CONSOLIDATED FINANCIAL STATEMENT

INTERIM ABRIDGED SEPARATE FINANCIAL STATEMENT OF THE ULMA Construcción Polska S.A. CAPITAL GROUP for the 6-month period ended 30 June 2020 includes:

- Interim abridged separate profit and loss account and other comprehensive income
- Interim abridged separate financial situation report
- Interim abridged separate report on consolidated share capital
- Interim abridged separate cash flow report
- ADDITIONAL INFORMATION TO THE INTERIM ABRIDGED SEPARATE FINANCIAL STATEMENT

To the best of our knowledge, the interim abridged consolidated financial statements of the ULMA Construcción Polska S.A. Capital Group for the six-month period ended June 30th 2020 and the comparative data and interim condensed standalone financial statements of ULMA Construcción Polska S.A. for the 6-month period ended 30 June 2020 and the comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, fair and clear manner the asset and financial situation

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and financial result of the ULMA Construcción Polska S.A. Capital Group and its parent company, and the Management Board's report on the activities of ULMA Construcción Polska S.A. Capital Group for the 6-month period of 2020 gives a true picture of the development, achievements and situation of the Group, including a description of the main risks and threats.

The entity authorised to audit financial statements reviewing the consolidated financial statements of ULMA Construcción Polska S.A. Capital Group and the parent company's separate financial statements for the 6-month period ended 30 June 2020 was selected in accordance with legal regulations. This entity and the statutory auditors reviewing these statements meet the conditions for issuing an impartial and independent report on the review, in accordance with the relevant provisions of national law.

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

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

Koszajec, date 16 September 2020

All amounts expressed in thousands of PLN, unless indicated otherwise