



REPORT OF THE MANAGEMENT BOARD

ON THE OPERATIONS OF

THE UNIBEP GROUP

IN 2016

(taking into account the disclosure requirements for the
Report of the Management Board on the operations of the
Parent Undertaking for the aforementioned period)

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1. LETTER FROM THE PRESIDENT OF THE MANA- GEMENT BOARD



Leszek Golqbiecki, the President
of the Management Board of Unibep SA

Dear Shareholders,

The year 2016 was a good year for Unibep SA and the whole Capital Group and, in all honesty, a very good one given the unfavourable trends in the construction industry. The majority of our sales were kept practically at the same level - PLN 1.25 billion. Our net profit significantly increased, by more than 37%, and reached PLN 31.9 million. We commenced the new year with a record-breaking portfolio of orders with their value equalling PLN 1.4 billion (for 2017) and about PLN 1 billion (for the following years).

The construction industry slowed down a great deal in the previous year – there was approximately a 12% decrease in construction and assembly production, depending on the month in question. The prices in the steel market rose significantly, by as much as 18%. In the area of infrastructure, the number and the value of tenders was also lower. This had a pronounced effect on companies whose core business is focused on road and bridge infrastructure as they were often forced to make decisions about staff reductions.

The Unibep Group is not so heavily influenced by turbulence related to a lack of tenders and we maintained our results. Furthermore, we started the year 2017 with more than a hundred new employees joining us. The personnel who are both competent and committed.

Continued leadership

We are the leader in the construction of housing estates in Warsaw. At the end of December 2016, we were building 5758 apartments in Warsaw and 212 apartments in Poznań. We carry out construction projects for the best and the biggest real estate developers operating in Poland. Importantly, as soon as we complete a given project, the investors invite us to join them in the completion of their next investments. We are determined to maintain our lead among the general contractors who are building housing estates in Warsaw.

As general contractors, we also continue our development in other sectors of the construction industry. We have completed extraordinary investment projects such as Galeria Północna in Warsaw, one of the biggest facilities of its kind. Additionally, in the capital city of Poland, the Mlekovița Milk Powder Factory 3 in Wysockie Mazowieckie which is a plant that fulfils European standards, and Aura Sky - the tallest building in the right-bank area of Warsaw. The success of such investment projects, which will be put into operation this year, has enabled the development of our company in the sectors of industrial, high-rise and construction projects covering structures with large cubage.

Unibep SA has always paid attention to the export of construction services. After years with a shortage of a demand for these services, which we had no control

over, our export activities have been gradually restored. We started implementing two contracts signed in 2015 in Belarus - the construction of a big shopping centre in Grodno and a tennis centre in Minsk. We undertake work aimed at introducing our construction services to export markets.

We have completed and almost finished the settlement of all of our contracts in Germany.

Norway

It was also a very good year for Unihouse, a Branch of Unibep, that produces buildings constructed using modular technology. In the Norwegian market, we have already reached the status of a recognised brand - we have built almost 1600 apartments there and more than 300 are under construction. We cooperate with recognised and valued Norwegian real estate developers. We have finally started an investment project in Sweden with one contract signed. We also concluded the master agreement for the construction of modular flats with a Swedish local government company. We anticipate further development in the Scandinavian market as it has fantastic potential.

In 2016, we also signed a three-year contract with CRAMO, a concern with its registered office in Finland, for the production of 1900 modular structures. It is further evidence of the high quality of our products.

Last, year, we also completed our first real estate development project in the Norwegian market carried out by our subsidiary (Unibep SA holds 50 percent of the shares). The project was highly successful and therefore we will develop that area of our activities in Scandinavia. We have just commenced the second development project - Energiparken in Melhus.

I would like to emphasise that since last year the Department of Research and Development has been in operation in our factory of modular houses in Bielsk Podlaski. Thus, our modular buildings have the potential for further development in terms of quality and territory (new markets). We are also preparing to increase the production capacity of this factory.

A real estate developer with ambitions

Year by year, Unidevelopment has been strengthening its position in the Warsaw and Poznań markets. 2016 was a record-breaking year in terms of the number of initialled agreements. It was the first year in the history of our operations when we signed more than 500 agreements (502, to be exact). Our real estate developer offers at present 576 flats and 1798 flats are currently being prepared.

Our company is also developing in terms of personnel and competence. A key task in 2017 is to carry out the effective sales and handing-over of flats in Warsaw (e.g. Dom Awangarda, 360° II, and URSA Smart City - second stage) and Poznań (e.g. Zielony Sotacz), and also to search for plots, especially in the capital,

to carry out further investment projects in the following years.

Challenging Polish roads and bridges

A slowdown in tenders related to infrastructure in 2016 had an effect on the results of our companies offering road works. This was beyond our control, yet we learnt a lot in 2016 - first of all, we gained experience with the construction of the S8 national road. We also commenced cooperation with general contractors for expressways, which enabled us to fully use the production capacity of our bitumen production plants.

We also learnt how to establish consortia for the implementation of large-scale tasks, which will enable us to take part in future tenders organised by the General Directorate for National Roads and Motorways related to the construction of expressways.

We absolutely have not given up or do we plan to give up our activities related to the orders of the Regional Road Administration of the Podlaskie Voivodeship as well as of local governments at different levels, because we now have the knowledge related to the construction of all types of roads.

The slowdown in public procurement also had an effect on our company that specialises in bridges, Budrex-Kobi with its registered office in Białystok. However, the company made the most of that time as it prepared for the construction of bridges, crossings, etc. for both roads and railways. Given the fact that the sector of infrastructure has recently provided us with lots of significant orders, we may anticipate that this company will develop and generate better and better results.

I would like to emphasise that the Unibep Group is in a good and stable financial condition. We pay particular attention to the issues of finances in our enterprises. We take care of this every day because financial predictability is the grounds for long-term planning related to the development of the whole enterprise.

Ambitious and realistic plans

As we make plans for the year 2017, we are convinced that it will be the year for ambitious and real challenges. We have a very well prepared portfolio of orders.

We have also developed activities aimed at entering those sectors of the construction industry in which Unibep SA would like to become known. Our enterprises are prepared for this, in terms of construction competence and qualifications.

We are convinced that our activities can give planned results which will generate profits both for the company and our shareholders.

I invite you to read our detailed report.



2. INTRODUCTION

2.1. Introductory information

The history of Unibep S.A., from Bielsk Podlaski, began in 1950. At present, it is one of the biggest construction companies in Poland - pursuant to the report published by Deloitte, it is ranked as one of the 10 largest companies operating in Poland in terms of revenue. The company has a majority Polish capital holding and it has been listed on the Warsaw Stock Exchange since 2008.

The headquarters of Unibep SA are located in the Podlasie Region, in Bielsk Podlaski which is a small town with a population of 28,000. Its offices are also located in Warsaw, Białystok, Minsk and Moscow. It operates mainly in the Warsaw market, but also in Norway, Belarus, Russia and it has started operating in Sweden.

The company has created a strong capital group over the 65 years of its activity. The business of the Unibep Capital Group is built on five complementary segments:

- General contracting with residential construction making up its main part. The company enjoys a strong position in the Warsaw area. The company also conducts projects associated with commercial building construction (hotels, offices, retail and service facilities) as well as industrial construction. General contracting is conducted by the parent company, Unibep SA.
- General contracting abroad (Russia, Belarus, Ukraine - potentially), mainly in commercial building construction. The export of construction

services is conducted by Unibep SA, the parent company, as well as by the companies and representatives present in the countries where the activity is carried out.

- Real estate development, conducted via Unidevelopment SA. Currently investments in Warsaw and Poznań are being carried out.
- Production of wooden modular structures for construction and assembly of multi-family buildings and public utility facilities in the Scandinavian market (mainly Norway). These activities are conducted by the Unihouse Branch in Bielsk Podlaski.
- Road and bridge construction in north-eastern Poland undertaken by the Road Department of Unibep SA. Since July 2015, Unibep SA has been the sole shareholder in Budrex-Kobi with its registered office in Białystok, a highly specialist enterprise that constructs bridges and crossings in nearly the entire area of Poland.

The Capital Group is consistently diversifying its portfolio of activities with sustained growth. UNIBEP SA and all related entities are solid and reliable business partners.

The Bielsk Podlaski-based company has completed many ambitious construction projects, both in Poland and abroad. At present, the company carries out such prestigious investment projects as the construction of Galeria Północna in Warsaw (one of the biggest facilities of its type in the capital city of Po-

NET PROFIT

31 922
PLN thousand

+ 37%

1 294 160
PLN thousand

CONTRACTS SIGNED IN 2016

REVENUES

41 835
PLN thousand

EBITDA

1 249 239
PLN thousand

+ 1%

PORTFOLIO OF ORDERS TO BE COMPLETED IN 2017

1 422 476
PLN thousand

+ 13%

1 292
people

EMPLOYMENT
(AS AT 31 DEC. 2016)

373 500
PLN thousand

CAPITALISATION ON THE WSE
(31 DEC. 2016)

CASH

145 922
PLN thousand

+ 15%

land), the construction of the Mlekovita Milk Powder Factory 3 in Wysokie Mazowieckie (for Mlekovita, the biggest Polish dairy products company), and the construction of Aura Sky - the tallest residential building in the right-bank area of Warsaw. This covers only some examples of the developing competence of the engineering personnel working for Unibep SA.

In 2016, Unibep SA together with PORR Infrastruktura Polska signed the contract for the construction of a 15-kilometre section of the S8 expressway. It was the first such contract concluded by the Road Department of Unibep.

UNIBEP SA is an active member of Polski Klaster Eksporterów Budowlanych [Polish Cluster of Construction Exporters]. It is an association of companies with Polish capital whose objective is to present - on a global scale - the capabilities of Polish enterprises in the field of extension and modernisation of broadly interpreted

infrastructure based on the latest technologies, products, systems and professional engineering staff.

The company undertakes activities aimed at the integration of the environment and belongs to numerous industry organisations, e.g. the Polish Association of Construction Industry Employers, Eastern Construction Cluster, Polish Union of Construction Engineers and Technicians. Together with the biggest general contractors in Poland, it co-signed the Agreement for Construction Safety whose objective is to improve the standards in the scope of Health and Safety at Work on construction sites throughout Poland.

UNIBEP SA pays great attention to Corporate Social Responsibility. The company has been supporting the best initiatives in the area of sports, culture, economy and society that are implemented in the Podlasie Region.

2.2. Chronological review

The following selected events occurred in 2016.

JANUARY

The tallest building in the right-bank part of Warsaw. The cornerstone of Aura Sky building was laid. On 14 January 2016, the foundation act was officially signed and the cornerstone of the 26-storey residential building named "Aura Sky" was laid. It is the tallest building in the right-bank area of Warsaw. The topping out ceremony was held in December 2016.

FEBRUARY

Signing of the contract for the construction of a section of the S8 expressway. On 17 February 2016, the consortium of Unibep SA and PORR Polska Infrastruktura SA signed an agreement with the General Directorate for National Roads and Motorways, branch in Wrocław, for the construction of the S8 expressway sections in the Mazowieckie Voivodeship - from the interchange of Poręba (without the interchange) to the ring road of Ostrów Mazowiecka.

APRIL

Changes in exports. Tomasz Poskrobko became the new director of exports for Unibep SA. Before that, he held the position of the domestic market director. His main task is to strengthen the export activities of the Bielsk-based company.

Safer construction sites. The Safety Week organised by the Agreement for Construction Safety was held from 25 to 29 April on all Unibep Group construction sites. Its primary purpose was to promote safety and raise awareness of safety in daily work. The motto of

the campaign was "Turn on thinking - plan and react".

MAY

Awards for Unibep construction projects. On 24 May, Domaniewska Office Hub and Słodowiec City - both projects constructed by Unibep SA - were awarded the first place prize in the prestigious competition entitled "The Construction Project of the Year 2015" organised by the Polish Union of Construction Engineers and Technicians.

New member of the Management Board of Unidevelopment SA. Mariusz Przystupa became a member of the management board and the chief financial officer of Unidevelopment SA. In the real estate development company, he is responsible for the implementation of the corporate policy through the analysis of the financial situation and the profitability of investment processes as well as planning and forecasting the costs of the company.

JUNE

Foundation stone for Rondo Wiatraczna. On 15 June 2016, the ceremony of blessing and laying the foundation stone for the "Rondo Wiatraczna" investment project took place. It is a prestigious construction project in the Praga district of Warsaw.

JULY

Unibep - the market leader in Warsaw. In its report concerning the biggest and the most interesting residential investment projects in Warsaw, the Builder monthly magazine wrote that Unibep achieved the best result among the general contractors in Warsaw as it was

responsible for 29 residential investment projects. The report was published based on the list of medium and large investment projects constructed throughout Poland and found on Kompasinvestycji.pl.

Unibep issued 3-year series D bonds with a total nominal value equal to PLN 30 million. The obtained funds were mainly allocated to the even more dynamic growth of the real estate development activities of Unidevelopment SA.

SEPTEMBER

Topping out ceremonies at Galeria Północna and Mlekovita construction sites. In the course of just one week, Unibep SA held topping out ceremonies for prestigious projects on two construction sites: Galeria Północna in Warsaw, and the Mlekovita Milk Powder Factory 3 in Wysokie Mazowieckie. Both buildings will be put into operation in 2017.

OCTOBER

New hall in Unihouse. On 7 October 2016, a small opening ceremony was held for the recently constructed hall in Unihouse. It will enable the Factory of Modular Houses of Unihouse in Bielsk Podlaski to increase exi-

sting production by more than 200 modules.

NOVEMBER

Completion of the first real estate development project carried out in Norway. The project was led by Seljedalen AS, with its registered office in Ranheim in Norway, in which Unibep SA holds 50% of the shares. Together with our Norwegian partner (Gemich AS), holding the remaining 50% in Seljedalen AS, the modular buildings were constructed on the land located in Stjørdal near Trondheim, Norway. A total of 39 flats were constructed there.

DECEMBER

With credit secured, the construction project in Grodno may begin. Triniti Invest Sp. z o.o. with its registered office in Grodno, the investor constructing the shopping centre in Grodno (Belarus), was granted credit concerning the financing of the aforementioned investment project. The credit was granted by a Polish bank with insurance from KUKI S.A. It means that Unibep SA may construct the shopping centre in Grodno as financial security has now been provided.

2.3. Summary of selected financial data of the UNIBEP Group

SELECTED FINANCIAL DATA FROM THE PROFIT AND LOSS ACCOUNT

	in PLN thousand, as at		in EUR thousand, as at	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net income from sales	1 249 239	1 242 860	285 495	296 994
EBITDA	41 835	31 348	9 561	7 492
EBIT	33 274	23 475	7 604	5 610
Net profit	31 922	23 281	7 295	5 563

SELECTED FINANCIAL DATA FROM THE BALANCE SHEET

	in PLN thousand, as at		in EUR thousand, as at	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Fixed assets	224 399	209 803	50 723	49 232
Current assets	845 216	556 920	191 053	130 686
Assets/Liabilities	1 069 615	766 723	241 776	179 919
Equity	235 888	217 203	53 320	50 969
Foreign capital	833 727	549 520	188 456	128 950
Cash at the end of the period	150 055	129 909	33 918	30 484

SELECTED FINANCIAL DATA FROM THE CASH FLOW STATEMENT

	in PLN thousand, as at		in EUR thousand, as at	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Flows from operating activities	-13 867	39 980	-3 169	9 554
Flows from investing activities	-9 010	-29 960	-2 059	- 7 159
Flows from financial activities	42 317	- 9 843	9 671	- 2 352
Total net cash flows	19 440	177	4 443	42

Adopted conversion principles

The items in the profit and loss account and the cash flows statement were converted pursuant to the following exchange rates: EUR 1 = PLN 4.3757 for the period from 01.01.2016 to 31.12.2016, and EUR 1 = PLN 4.1848 for the period from 01.01.2015 to 31.12.2015.

The items in the balance sheet were converted pursuant to the following exchange rates: EUR 1 = PLN 4.4240 as at 31 December 2016, EUR 1= PLN 4.2615 as at 31 December 2015.

SELECTED FINANCIAL RATIOS

	31.12.2016	31.12.2015	Calculation principles for ratios
EBIT margin	2,66%	1,89%	= EBIT in the period/sales revenues in the period
Return on sales (ROS)	2,56%	1,87%	= net profit in the period/sales revenues in the period
Return on equity (ROE)	14,08%	11,08%	= net profit in the period/average equity in the period
Overheads to revenues ratio	2,95%	2,60%	= overheads in the period/sales revenues in the period
Debt ratio	0,78	0,72	= (short- and long-term liabilities) / total liabilities
Current ratio	1,30	1,28	= current assets/short-term liabilities
Cash ratio	0,23	0,30	= cash and cash equivalents / short-term liabilities

In accordance with the expectations of the Management Board, the year 2016 brought about improvement in virtually every area of the results of the of profit and loss accounts of the UNIBEP Group. The growth of net profit, which was a record-breaking in the last period (with growth of about 37%) was achieved as a result of the sales which slightly exceeded the levels from 2015.

When broken down into segments, two of our businesses showed increases in revenues in comparison with 2015, and two of our other businesses showed a slight decrease in revenues. Sales in the residential/commercial/industrial construction segments decreased as a result of lower activity in eastern markets. Lower sales were made up for by the increase of the margin by 1.37 percentage point. This was mainly the effect of the influence of contracts concluded in the domestic market.

A similar slight decrease in sales, but with a significant increase in margin of 7.08 percentage point, was recorded in the segment of real estate development activities.

An increase in sales in comparison with 2015 (by about

16%) was recorded in the modular construction segment. The gross profit from sales was also improved (by about PLN 2,841 thousand). The result from other operating activities, in the area of modular construction, takes into account the operation of closing the dispute this being the release of allowance for uncollectable accounts in the amount of PLN 2,925 thousand for the receivable being the object of the dispute with the correction of the sales invoice (the event took place in Q1 2016). This operation, which was almost neutral in terms of the result at the level of operating activities, caused a decrease of the margin shown by the amount of PLN 2,972 thousand.

Also the road and bridge construction segment saw an increase in sales in comparison with 2015. Higher sales with lower margins, in terms of value, partially resulted from the completion of contracts which were less profitable than in the year before.

Liquidity ratios are at a safe level. The group's situation with respect to cash flow is good and stable.

The results for 2016 show the stability of group management costs. The systematic approach to their planning and control results in their predictability. The ratio

of management costs to revenues is still at a level of below 3%. This ratio continues to be one of the lowest among the companies with similar profiles of business activity.

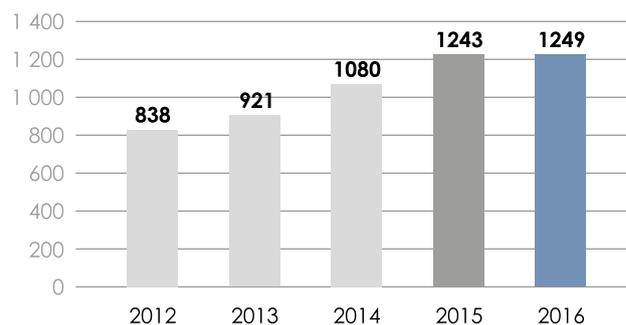
Major factors underlying the results achieved in 2016 include the following:

- a good and profitable portfolio of contracts implemented in the domestic market,
- budget discipline, and strict cost and cash control in the implementation of contracts in each of the businesses,
- completion of our own real estate development projects and projects implemented under joint undertakings in a timely manner and in accordance with their budgets,
- completion of the last of the implemented contracts in the Russian market and the final settlement of German contracts,
- consistent supervision over planning and accounting of the group management costs,
- good relations with investors based on punctual delivery and high quality,
- the unfavourable exchange rate of NOK/PLN limiting good result for the modular construction segment,
- continued improvement of the production and organisational processes in all segments of the group, as well as within the so-called 'back office'.

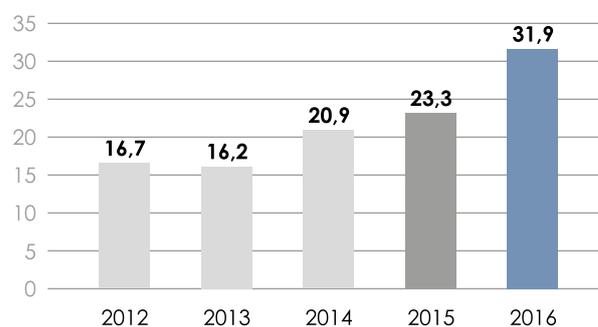
As well as internal factors, the external factors also had a significant effect on the generated results. As always, the prevailing strong competition of price in the domestic market is of key importance (residential, commercial, industrial and road construction). The stability of the margins generated is influenced - as always - by the variable situation in the scope of prices for construction materials and services. The unfavourable exchange rate of NOK/PLN was the factor reducing the good result, a record-breaking one, in fact, of the modular construction segment. The political situation in Russia also limited our activity in that market. Opportunities for the development of exports can be found in the market of Belarus. Two contracts concluded in that market did not provide any implementation results in 2016, but these results are expected in 2017.

A number of factors that maintain our strong competitive advantage enabled the conclusion of further construction contracts. The current portfolio of orders and strategic assumptions are a good sign for 2017's results in each area of our businesses.

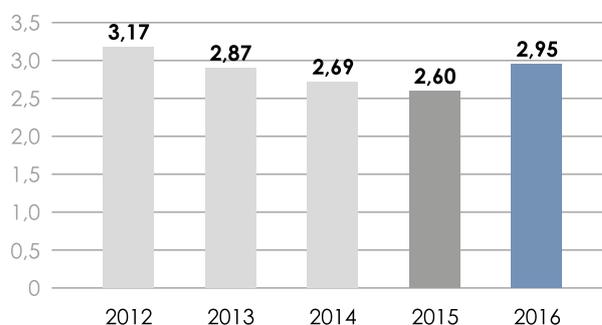
REVENUES (IN PLN MILLION)



PROFIT (IN PLN MILLION)



RATIO OF MANAGEMENT COSTS TO REVENUES – UNIBEP GROUP (IN PERCENT)



3. ACTIVITIES OF UNIBEP GROUP

3.1. Scope of business activity

SALES MARKETS

The business activity of the UNIBEP Group is based on the following types of activity:

- **General contracting in the domestic market.** The majority of this segment is made up of residential construction (70% in 2016). Commercial construction and public utility construction is, however, becoming increasingly important. The revenues of this segment are generated mainly in the Warsaw and Poznań markets. Many investment projects commenced in 2016 are being implemented for investors who have trusted in us numerous times in a row and thus we can and will join forces to implement further projects. They include the following investors: Dom Development, Dantex-Waryński, Layetana and Turret Development.
- **General contracting in export markets.** The activities in the last period were focused on Eastern markets, mainly in Belarus, where two contracts were signed. The Ukrainian market is also an opportunity for development. In 2016, the presence of the group in the Russian market was limited - mainly as a result of the influence of political factors. In 2016, activities in the German market were also limited; the final contracts were completed. We are redefining the activities in that market.
- **Modular construction (UNIHOUSE Branch).** This is based on the production of modular houses in the Factory of Modular Houses in Bielsk Podlaski and on their assembly in the Norwegian market. In this market, it is very important to ensure long-term cooperation with the biggest developers and the fulfilment of further orders for them. The Unihouse Branch also carries out real estate development activities in this market with our Norwegian business partners. Acquisition activities aimed at securing orders in new markets proved to be effective. Recent contracts in the Swedish market have enabled the diversification of our business activities in geographical terms. The UNIHOUSE branch actively cooperates with CRAMO, a Finnish company, that rents modular elements in 14 European countries.
- **Road and bridge construction.** Until recently, business activities in this segment were carried out mainly in the scope of poviats, voivodeships and local roads in north-eastern regions of the country [poviat and voivodeship are the second-level and the highest-level administrative divisions of Poland respectively]. In the last year, the Group continued the fulfilment of contracts for expressways (as a member in a consortium or a subcontractor for several sections of the S8 expressway). We gained a great deal of experience in activities related to bridge construction due to our presence on construction sites throughout Poland. Those activities are developed by Budrex-Kobi Sp. z o.o., a limited liability company acquired in 2015.
- **Real estate development.** Activities in this area are carried out by UNIDEVELOPMENT SA and its special purpose vehicles. The company offers re-

sidential products for individual clients (multi-family construction). Its activities are focused on the Warsaw and Poznań markets.

RELIANCE ON CLIENTS

Given the nature of our operations, the group has not become overly reliant on any of our clients in the reporting period.

Among the investors for services in 2016, two of them had sales exceeding 10% of the total revenues of the Parent Undertaking and the Capital Group, and these were Dom Development SA and Centrum Światowida Sp. z o.o. There is no relation between those entities and the Parent Undertaking and the UNIBEP Group.

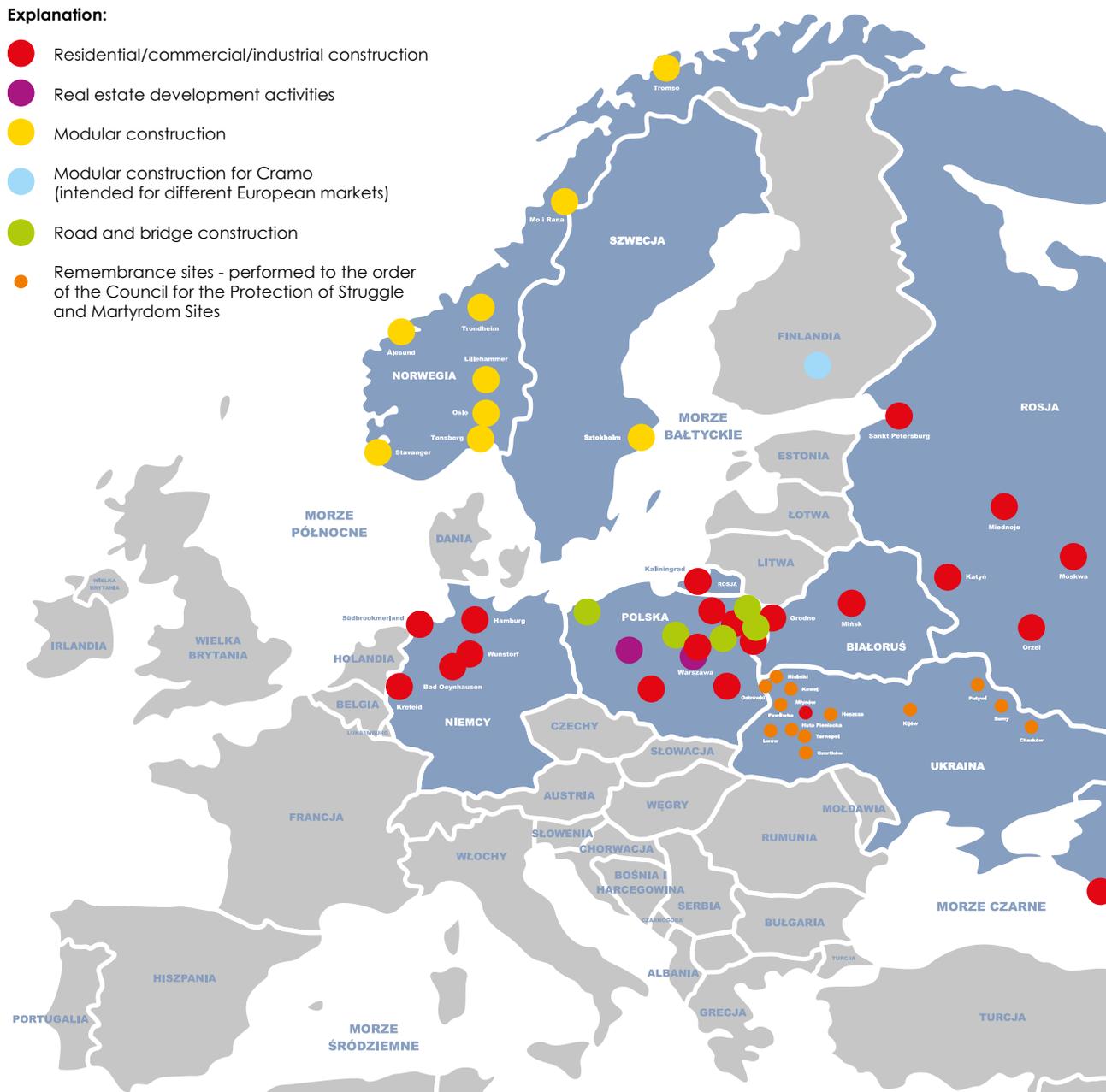
UNIBEP SA is performing construction projects in Warsaw in the general contracting system for Dom Development SA. Dom Development SA represents about 18% of the revenues of the UNIBEP Group (Unibep's share in the revenues of equals 19%).

The Group carries out the investment project related to the construction of Galeria Północna in Warsaw - one of the largest buildings of its type in the capital city - for Centrum Światowida Sp. z o.o... Centrum Światowida Sp. z o.o. represents about 15% of the revenues of the UNIBEP Group (Unibep's share in the revenues of equals 16%).

OUR COMPANY OPERATES IN MANY MARKETS

Explanation:

- Residential/commercial/industrial construction
- Real estate development activities
- Modular construction
- Modular construction for Cramo (intended for different European markets)
- Road and bridge construction
- Remembrance sites - performed to the order of the Council for the Protection of Struggle and Martyrdom Sites

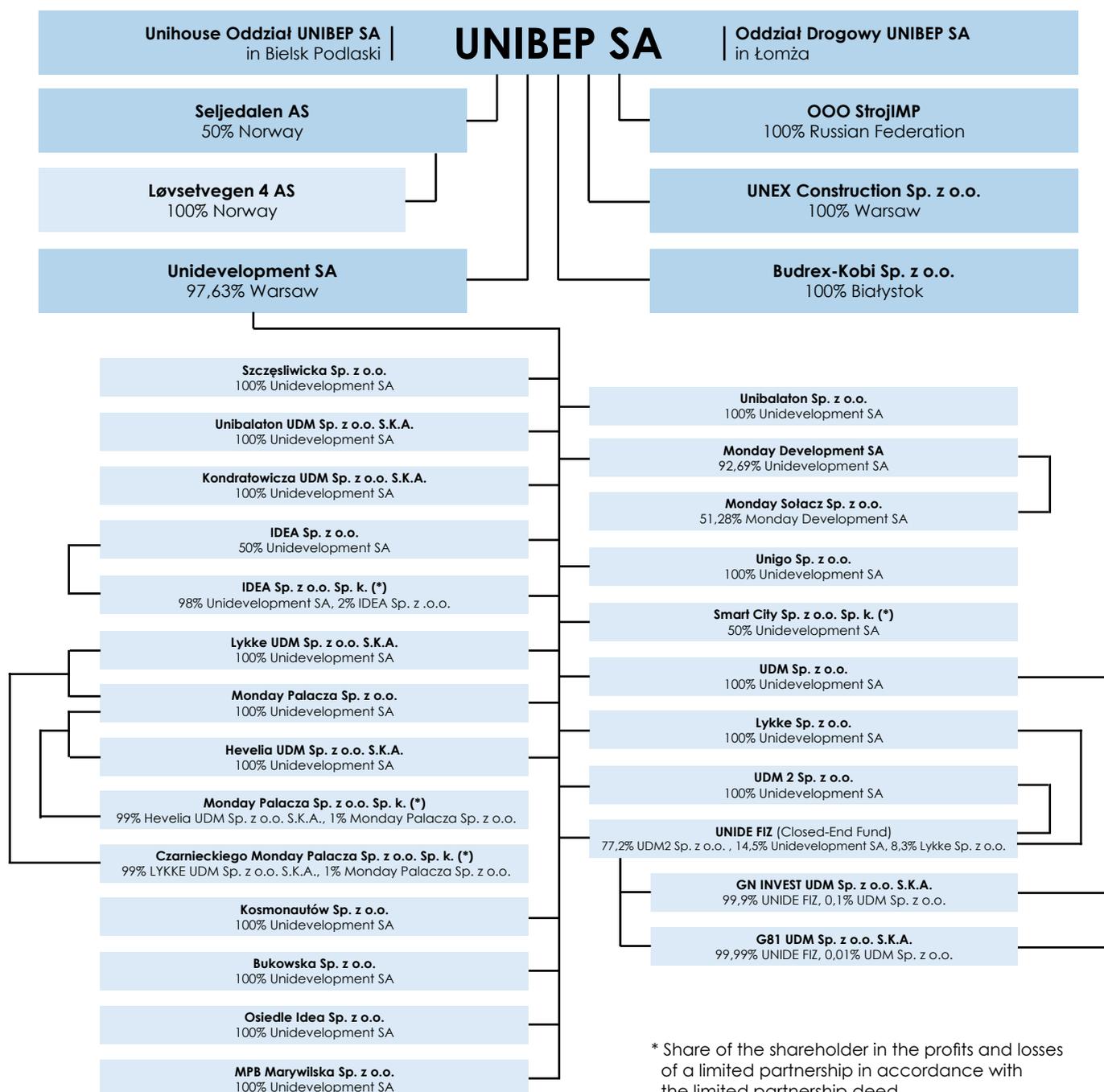


3.2. Description of the UNIBEP capital group

As of the publication date of this report, the UNIBEP Group consisted of the Parent Undertaking and 5 direct subsidiaries of UNIBEP SA, these being OOO StrojIMP, UNEX Constructions Sp. z o.o., Seljedalen AS, UNIDEVELOPMENT SA and Budrex-Kobi Sp. z o.o. In addition, the UNIBEP Group also comprises indirect sub-

idiaries with shares held in UNIDEVELOPMENT SA and Seljedalen AS. UNIBEP SA also has two branches located in Bielsk Podlaski and Łomża.

STRUCTURE OF THE UNIBEP GROUP (AS AT 31 DECEMBER 2016)



THE FOLLOWING TABLE INCLUDES INFORMATION ABOUT THE COMPANIES FORMING THE GROUP AS OF THE DATE OF DRAWING UP THIS REPORT

Name of the undertaking with description of its legal form	Registered office	Objective of the undertaking	Applied consolidation method	Date of assuming control/shares	Percent of held initial capital	Share in the total number of votes at the general meeting
Unidevelopment SA	Warsaw	real estate development activities	full method	09-04-2008	97,63%	97,63%
OOO StrojIMP	Kaliningrad, Russian Federation	construction activities, other activities	full method	01-03-2008	100%	100%
UNEX Costruction Sp. z o.o.	Warsaw	implementation of construction projects	full method	04-07-2011	100%	100%
Budrex-Kobi Sp. z o.o.	Białystok	work related to bridge and tunnel construction	full method	01-07-2015	100%	100%
Seljedalen AS	Trondheim, Norway	real estate development activities	equity method	10-09-2013	50%	50%
Lovsethvegen 4 AS	Melhus, Norway	real estate development activities	equity method	23-09-2015	50%	50%
Monday Palacza Sp. z o.o.	Poznań	real estate development activities	full method	10-08-2011	97,63%	97,63%
Monday Palacza Sp. z o.o. Sp. k.	Poznań	real estate development activities	full method	10-08-2011	97,63% **)	97,63% ***)
Idea Sp. z o.o.	Warsaw	real estate development activities	full method	09-09-2011	48,82%	48,82%
Idea Sp. z o.o. Sp. k.	Warsaw	real estate development activities	full method	09-09-2011	95,68% *) **)	48,82% ***)
UDM Sp. z o.o.	Warsaw	real estate development activities	full method	06-06-2012	97,63%	97,63%
UDM 2 Sp. z o.o.	Warsaw	real estate development activities	full method	06-06-2012	97,63%	97,63%
Lykke Sp. z o.o.	Warsaw	real estate development activities	full method	28-06-2012	97,63%	97,63%
Czarnieckiego Monday Palacza Sp. z o.o. Sp. k.	Poznań	real estate development activities	full method	31-08-2012	97,63% **)	97,63%
Unigo Sp. z o.o.	Warsaw	real estate development activities	full method	26-10-2012	97,63%	97,63%
UNIDE FIZ (Closed-End Fund)	Warsaw	fund activities	full method	11-09-2012	97,63%	97,63%
GN INVEST UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	full method	18-05-2010	97,63%	97,63%
G81 UDM Sp. z o.o. S.K.A.	Bielsk Podlaski	real estate development activities	full method	22-06-2011	97,63%	97,63%
Unibalaton Sp. z o.o.	Warsaw	real estate development activities	full method	08-08-2013	97,63%	97,63%
Unibalaton UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	full method	03-10-2013	97,63%	97,63%
Lykke UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	full method	03-10-2013	97,63%	97,63%
Kondratowicza UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	full method	03-10-2013	97,63%	97,63%
Hevelia UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	full method	03-10-2013	97,63%	97,63%
Szczęśliwicka Sp. z o.o.	Warsaw	real estate development activities	full method	04-02-2014	97,63%	97,63%
Smart City Sp. z o.o. Sp. k.	Warsaw	real estate development activities	equity method	09-06-2015	48,82% **)	0%***)
Monday Development SA	Poznań	real estate development activities	full method	05-01-2016	90,49%	90,49%
Bukowska Sp z o.o.	Poznań	real estate development activities	full method	14-07-2016	97,63%	97,63%
Kosmonautów Sp z o.o.	Poznań	real estate development activities	full method	14-07-2016	97,63%	97,63%
Osiedle Idea Sp z o.o.	Warsaw	real estate development activities	full method	14-07-2016	97,63%	97,63%
MPB Marywilka Sp z o.o.	Warsaw	real estate development activities	full method	08-12-2016	97,63%	97,63%
Monday Sołacz Sp z o.o.	Poznań	real estate development activities	full method	27-10-2016	50,06%	50,06%

* total share taking into account the share in the company being the general partner

** share in profits/losses of the company

*** in a limited partnership, the share of votes in the company being the general partner

CHANGES IN THE STRUCTURE OF THE GROUP IN 2016

In the period after 31 December 2015, the Group structure was influenced by the conclusion of an agreement concerning the subscription of shares in MONDAY DEVELOPMENT SA by Unidevelopment SA. On 5 January 2016, Unidevelopment SA concluded an agreement with MONDAY DEVELOPMENT SA pursuant to which Unidevelopment SA took up 10,000,000 C series ordinary shares in the increased initial capital of MONDAY DEVELOPMENT of nominal value of PLN 0.14 each. The situation was described in current report No. 1/2016.

The acquisition of shares was aimed at strengthening the position of the UNIDEVELOPMENT Group in the Poznań market. MONDAY DEVELOPMENT SA provides services in the scope of investment project management and commercialisation for - among others - all projects of UNIDEVELOPMENT Group carried out in Poznań.

Furthermore, on 12 May 2016 and in connection with a change of the concept in terms of the functioning of WOLA HOUSE Sp. z o.o. in the Group, which is preparing the real estate development project entitled HORYZONT for implementation - UNIDEVELOPMENT SA (the Seller), and MURAPOL Projekt Sp. z o.o. PP Sp. k. (the Purchaser), with the participation of UNIDE Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Non-Public Assets Closed-End Fund] (UNIDE FIZ) and WOLA HOUSE Sp. z o.o. (WOLA HOUSE), concluded the sales agreement of all shares in the company trading as WOLA HOUSE (the Agreement) together with the subrogation of the obligations of WOLA HOUSE.

In connection with the preparations for the commencement of the implementation of further real estate development projects, on 14 July 2016, UNIDEVELOPMENT SA - as the sole shareholder - formed 3 new limited liability companies:

- a company trading as OSIEDLE IDEA spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw,
- a company trading as BUKOWSKA spółka z ograniczoną odpowiedzialnością with its registered office in Poznań,
- a company trading as KOSMONAUTÓW spółka z ograniczoną odpowiedzialnością with its registered office in Poznań.

On 24 August 2016, Unidevelopment SA, Monday Sołacz Sp. z o.o. with its registered office in Poznań, Monday Development SA (subsidiary of Unidevelopment SA and a shareholder in Monday Sołacz Sp. z o.o.) and other shareholders of Monday Sołacz Sp. z o.o. being natural persons concluded the agreement in connection with the decision that the shareholders being natural persons ("the Shareholders") withdraw - from Monday Sołacz Sp. z o.o. ("the company") - all cash assets previously paid to the company by them through the redemption of shares held by those shareholders in the company.

As of the publication of this report, the increase of the initial capital of the company has been registered. After the completion of the transaction concerning the redemption of shares, Monday Development SA is to be the sole shareholder of the company.

As a result of the completion of the aforementioned operation, Monday Sołacz Sp. z o.o. is to become an indirect subsidiary of Unidevelopment SA. Monday Sołacz Sp. z o.o. is a special purpose vehicle formed to implement the real estate development undertaking in Poznań. On the land held by Monday Sołacz, a real estate development project is being implemented which provides for the construction of 61 flats.

On 8 December 2016, UNIDEVELOPMENT SA signed the agreement concerning the acquisition of 100% of the shares in MPB Marywilka spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Warsaw ("the company"), for a price equal to PLN 13.5 million. The company is a perpetual usufructuary of the undeveloped property located at 58 Marywilka Street in Warsaw, an area of about 13 thousand m². It is planned that this plot of land will be developed with a residential investment project with retail space and underground garages. UNIDEVELOPMENT SA estimates that the property has the potential to construct about 300 flats. After the acquisition of shares by UNIDEVELOPMENT SA, the name of the company was changed to OSIEDLE MARYWILSKA Sp. z o.o.

In the UNIDEVELOPMENT Group, the name of Junimex Development 7 Sp. z o.o. was also changed to IDEA Sp. z o.o., and the name of Junimex Development 7 Spółka z ograniczoną odpowiedzialnością Sp. K. was changed to IDEA Spółka z ograniczoną odpowiedzialnością Sp. k.

CHANGES IN THE STRUCTURE OF THE GROUP AFTER THE BALANCE SHEET DATE

The changes in the organisational structure of the UNIDEVELOPMENT Group after the balance sheet date resulted from the redemption made by UNIDE FIZ AN in February 2017 in order to cancel a part of the investment certificates held by UNIDEVELOPMENT SA and to issue new investment certificates that were taken up by Lykke Sp. z o.o., Czarnieckiego Monday Palacza Spółka z ograniczoną odpowiedzialnością Sp. K. and Monday Palacza Spółka z ograniczoną odpowiedzialnością Sp. K.

As a result of the sale of 350,000 shares of Monday Development SA, with its registered office in Poznań, on 10 March 2017 in an over-the-counter transaction, the share of Unidevelopment SA in the total number of votes in the company dropped below 90%. After the completion of the transaction, Unidevelopment SA holds 9,650,000 shares of Monday Development SA, which constitutes 89.447% of the initial capital, and gives the right to exercise 9,650,000 votes at the general meeting of the company shareholders, and provides a share equal to 89.447% in the total number of votes at the general meeting of the company shareholders.

In 2016 and after the balance sheet date, there were no significant changes to the principles of managing the Capital Group and the Parent Undertaking.

3.3. Purchasing

The supply of materials and services is procured based on internal procedures regulating quality management. The responsibility for the purchase of services as part of construction projects is assumed, mostly, by the project managers directly involved in the supervision of the implementation of construction contracts. The key construction materials are purchased centrally (e.g. concrete, steel, wood) – by the Group or by individual branches or companies. Dedicated organisational units are responsible for planning purchases, negotiating prices and monitoring the construction material market. Recently, supervision over the optimisation of purchasing processes has been assumed by the Technical Office established in the company

which is responsible for – among other tasks – central purchasing.

In the period under consideration, the Group did not become reliant on any of its suppliers of materials and services. There were no suppliers with a share in purchasing higher than 10%.

The price risk related to purchasing is described in section 5.9. *Financial instruments - risks and adopted financial risk management objectives and methods.*

3.4. Development-oriented activities

The following development activities of the Parent Company and the Capital Group in 2016 had an effect on the operations in the subsequent periods:

- continuing activities related to the acquisition of high quality personnel, staff development and the activation program - through the Academy of Knowledge of UNIBEP,
- continuing efficiency-oriented activities aimed at improving efficiency in all areas of the business activities of the Group, of which the establishment of the Technical Office which is to have a leading role in the process of improving the know-how of the whole Group and is responsible for suggesting optimisation processes in individual residential/commercial/industrial construction contracts;
- continuing the improvement of activities in the scope of Health and Safety at Work in terms of the improvement of standards, and participating actively in the program under the Agreement for Construction Safety,
- completing full implementation of the finance and accounting system in the majority of the key companies in the Group (update from Axapta 3.0 to Microsoft Dynamics AX 2012),
- continuing the development of quality management systems in UNIBEP branches,
- implementing the strategy of the internationalisation of the UNIBEP Group, of which mainly the acquisition measures aimed at concluding new contracts in the Swedish and Eastern markets;
- purchasing further plots of land in Bielsk Podlaski intended for future investment projects which will increase the production potential of the Factory of Modular Houses, as well as adapting the existing hall in the Factory of Modular Houses of UNIHOUSE to improve the production base to better implement the contract with CRAMO; also works are being carried out to further extend the factory and improve the production process organisation in the Factory of Modular Houses;
- establishing the R&D Department whose task is to increase the technological potential of Unihouse Branch;
- preparing the company to obtaining the 1st-degree Industrial Safety Certificate that broadens the opportunities for concluding contracts for work carried out for the army, NATO and other entities which require access to confidential information;
- implementing a project related to the area of risk management and internal audit.

4. MARKET AND PROSPECTS FOR THE FUTURE

4.1. Current economic situation and forecasts

SITUATION IN 2016:

The economic growth rate accelerated in the last three months of 2016. It is estimated that the Gross Domestic Product in the 4th quarter of 2016 increased by 2.7% compared to the corresponding period in the previous year. Pursuant to data from the Central Statistical Office, the economic growth rate in the entire year of 2016 amounted to 2.8 percent. This was the lowest economic growth rate in the last three years.

The main factor behind economic growth both in 2016 and in its last three months was domestic demand. Its rate of increase in 2016 amounted to 2.8 percent, and in the 4th quarter - domestic demand increased by 2.5 percent. When broken down by sectors, the fastest developing part of the economy was market services. The growth rate for added value in market services in the entire year 2016 is estimated to be 4.7 percent. Slightly slower development was recorded in industry where the added value increased by 3.5 percent and the production sold increased by 3.2 percent. The crisis in the construction industry in 2016 was the most severe for a dozen or so years. The added value in the construction industry was reduced by 11.9 percent, and production sold in the construction industry dropped by 14.1 percent.

In 2016, the export dynamics were slightly higher than the import dynamics. In the fourth quarter, the growth rates for exports and imports equalled 10.8 and 9.3 percent, respectively. Pursuant to the assessment of the Institute, exports increased by 9.0 percent and imports increased by 8.9 percent. It means that there was improvement in the trading balance of Poland with foreign countries, and the influence of the balance of turnover with foreign countries on economic growth was slightly positive. Domestic turnover was facilitated by the depreciation of the average exchange rate for PLN in relation to EUR and USD.

The average growth rate for prices of consumer goods and services equalled 0.2 percent in the period from October to December. The inflation rate as at the end of December was equal to 0.8 percent, and the average annual inflation rate equalled -0.6 percent in 2016. Thus, it was the second year in a row in which the average annual deflation recorded was slightly decreased when compared to the previous year.

¹ The description was prepared on the basis of the quarterly report entitled "Current economic situation and forecasts" of the Research Institute for Market Economics, Quarterly Macroeconomic Forecasts No. 93 (February 2017).



Residential complex „Dom pod Zegarem” in Warsaw

FORECAST FOR 2017²

Pursuant to RIME (Research Institute for Market Economics), the growth rate for the Gross Domestic Product in 2017 is predicted to amount to 3 percent, which means that it will be slightly higher than in the previous year. Pursuant to the forecast given by the said Institute, the added value in the industry is set to increase in 2017 by 4.3 percent, which means that the growth will be slightly faster than in the previous year. A significant improvement will occur in the construction sector which experienced a severe crisis in 2016. In 2017, the added value in the construction industry should increase by 6.8 percent, which will be possible mainly as a result of the reviving investment demand. Growth in the market services, which have the biggest share in the generation of the GDP, is to amount to 3.2 percent in 2017.

In 2017, the situation in the labour market will not improve as significantly as in the previous year. The slowdown in the economy that occurred in the second half of 2016 and the lack of an obvious upturn in the macroeconomy in the beginning of the year will have a negative effect on the employment policy of enterprises. Pursuant to the forecast of the RIME, the unemployment rate at the end of 2017 is to amount to 8.3

percent, which means that it will be the same as in December 2016.

Pursuant to the assessment of the RIME, the prices in Poland in the years 2017-2018 will increase at a moderate rate - inflation will not exceed the level set by the inflation target of the National Bank of Poland. In 2017, the average inflation rate will be equal to 1.3 percent and in December it will be equal to 2.2 percent.

Pursuant to the assessment of the Institute, the exchange rate of EUR and USD is expected to stabilise in the years 2017-2018 at relatively high levels in relation to PLN. The average exchange rate in the year 2017 will equal PLN 4.2 for EUR and PLN 4.1 for USD.

² The description was prepared on the basis of the quarterly report entitled "Current economic situation and forecasts" of the Research Institute for Market Economics, Quarterly Macroeconomic Forecasts No. 93 (February 2017).

4.2. Prospects for the future of the Group

As always, the strategic objective for the development of the Parent Undertaking and the UNIBEL Group is regular value growth. This objective can be accomplished through strengthening the position of the Group in all segments of conducted business activity and acquiring competence and qualifications in new and prospective areas.

The position of UNIBEP in the market of central Poland is stable and consolidated, in particular in the segment of residential construction. Good relations with investors have resulted in further contracts and the high quality of the current portfolio of orders, which is the grounds for the generation of a positive margin and planning for the future without any worries. The Poznań market is being developed by the company and it is considered to have a huge amount of potential. Increasingly, attention is being paid to the acquisition of projects in the area of construction of commercial, office, industrial and public utility buildings. The company is particularly interested in increasing its presence in the industrial construction sector. Furthermore, we also plan to expand our territorial activities, mainly in to the southern market.

The residential/commercial/industrial construction sector (domestic plus export) in the year 2016 recorded an improved margin in spite of lower sales when compared to the previous year. Lower sales are mainly the result of lower activity abroad. The German contracts were completed and activity in that market was significantly restricted. There was a lack of new contracts in the Russian market (in the year 2016, the last contract implemented there was completed). 2016 was the year in which we anticipated the beginning of the performance of two contracts signed in the market of Belarus; this will happen in 2017. The market in Belarus has a lot of potential; our experience in that market connected with the successful completion of the Viktoria hotel in Minsk should result in further contracts. We are also interested in another neighbouring market, Ukraine. The procedure for entering this market it has already been commenced. The acquisition actions we have taken are grounds for the contracts in Ukraine potentially being concluded even this year.

The majority of export markets, in which the company is present, are good prospects, which is important in the context of the long-term perspectives of the construction market in Poland. However, the situation is different in Russia where UNIBEP has not secured any new orders for two years. The portfolio of orders in the Norwegian market remains stable, on the other hand. Export is and will be one of the key segments of our future operations. The development of export markets, also new ones, is still the key element of the strategy of the internationalisation of the company and - simul-

taneously – a method of preparing the UNIBEP Group for the years of economic downturn ahead in Poland.

The UNIHOUSE branch that produces modular houses once again recorded a growth in sales and generated the expected results. This was possible thanks to consistent policy concerning the scope of improving production processes and minimising currency risk. In the year 2016, the continuation of activities and investments aimed at the increase in production capacities, of which the extension of the factory which will enable further expansion into foreign markets, in particular the Swedish market, could be observed. Similar plans will be implemented in 2017. In 2016, the branch was focused - in a significant part - on production for the Norwegian market. Yet, the agreement with the international concern CRAMO was also of great significance for future prospects as it will be continued in the following years. In 2016, a range of steps connected with the commencement of activities and marking our presence in the Swedish market were undertaken. The first contracts were concluded early in 2017 and our geographical diversification became a fact. The proximity of the Norwegian market and the experience gathered there may also have a positive effect on our development in the Swedish market. Unihouse and its partner in the Norwegian market have completed joint real estate development project as well as continued the next one in that market. The effects of the first project were recognised in the results for the year 2016. The competence we acquired in real estate development in the Norwegian market, is the basis for the decision that this direction of business activity is to be continued.

Also the road and bridge construction sector has good prospects for future development - this sector is represented by the Road Department of UNIBEP and a company trading as Budrex-Kobi. Our existing experience in the construction of numerous types of roads, including national ones, allows us to be confident that the potential of the Group in this segment will be effectively utilized. In 2016, we were a partner in a consortium that constructed a section of the S8 expressway. We were a subcontractor of other significant contractors in this project and these works will continue in 2017. Simultaneously, in connection with the postponement of the schedule of works performed under the subcontract concluded with Astaldi for one of the sections of the S8 expressway, the Road Department of Unibep has unused production resources that will be involved in other road construction projects that are being carried out at present. Therefore, the scope of cooperation under the subcontract referred to hereinabove was changed. The Group plans to actively participate in the expansion of the portfolio of orders and to take advantage of the opportunities arising from road con-

struction programs. A good sign of this is the fact that at the beginning of 2017, a contract was secured for the construction and extension of regional road No. 673 in the section of Dąbrowa Białostocka – Sokółka for a net value of approximately PLN 67 million.

The development strategy for the real estate development business in the scope of the subsidiary Unidevelopment SA assumes further successive increase in the number of flats sold and consistent development of the company. In 2016, the sales of flats exceeded 500. Unidevelopment, as part of its own group, continues its development via special purpose vehicles in the Warsaw and Poznań markets. The expansion of the land bank guarantees the possibility of preparing and launching future real estate development projects, and implementing plans aimed at the increase in sales and net profits over the following years.

Like every year, activities which are significant for future plans are those aimed at the improvement and optimisation of processes in all areas of the Group. The launching and development of the ERP system and other IT systems, implementation of risk management, and the establishment of new units (e.g. R&D) should facilitate further growth in the company's effectiveness and efficiency. The activities which facilitate the development are provided for in the budgets and investments for the year 2017.

As always, efficiency is put on an equal footing with financial liquidity which remains at a good and safe level. We would like to emphasise that financial security continues to be one of our key priorities. In terms of portfolio, finances and organisational issues, we are well-prepared for 2017. Further activities and decisions are the basis for ensuring our development in the next years.

MAJOR FACTORS THAT COULD HAVE AN EFFECT ON THE FUTURE FINANCIAL RESULTS OF THE PARENT UNDERTAKING AND THE CAPITAL GROUP

External factors:

- maintaining intense competition, aggressive price competition, especially in the public procurement sector,
- launching significant infrastructural investments connected with our new budgeting perspective,
- the unstable economic situation in Eastern markets which may restrict the acquisition activities,
- the improvement of the political situation which will result in greater openness to new investment in the market of Belarus,
- dynamic situation in the currency market – high fluctuations of exchange rates over short periods,
- access to qualified personnel (also as a result of the strong position of the company in the region and the availability of workers from Belarus and Ukraine),
- increase in the demand for residential multi-family construction in foreign markets as a result of the European migrant crisis,
- Mieszkanie+ program and its effect on the resi-

- dental construction sector,
- risk of decrease in the number of orders from domestic real estate developers,
- further orders under the contract with CRAMO,
- acquisition in the scope of modular construction in new markets, of which the Swedish market,
- possibility of using European Union funds for research and development activities,
- record-breaking low interest rates - external financing is relatively cheap,
- positive trends in Norway (forecasted GDP growth of 1.7% in the year 2017 and of 1.6% in the year 2018, expected decrease in the unemployment rate from 4.7% in 2016 to 4.2% in 2018, increase in internal demand of 1.7% in 2017 and of 2.1% in 2018, forecasted pay rise of 2.5% in 2016, possibility of adopting the governmental package of solutions in the Norwegian housing market aimed at the reduction of prices for flats by 4.5% in the next three years),
- stable prospects in the Swedish market (forecasted GDP growth of 2.4% in 2017 and of 2.1% in 2018; forecasted increase in private consumption by 2.6% in 2017 and by 5.4% in 2018; expected decrease in the unemployment rate from 6.9% in 2016 to 6.5% in 2017 and 6.4% in 2018),
- stable economic development in Poland (forecasted GDP growth of 3% annually in the years 2017-2018; forecasted gradual decrease in the unemployment rate to 4.7% in 2018, the threat of suspending investments in connection with political uncertainty).

Internal factors:

- maintenance of high profitability of one of the major businesses – general contracting services in Poland,
- maintenance of sustainable profitability in branches dealing with road and bridge construction and modular construction in the Group,
- good financial standing, financial liquidity, access to credit limits and guarantee limits,
- a flexible structure with low overheads,
- good quality and size of the portfolio of orders in all businesses,
- acquisition efficiency in the Polish market,
- increase in acquisition in the area of general contracting in the domestic market in sectors other than housing, in particular in the area of industrial construction,
- activation of business activities undertaken in the market of Belarus,
- implementation of real estate development undertakings in the Norwegian market,
- geographical diversification in the area of modular construction - commencement of activities in the Swedish market,
- a large bank of land and the possibility of launching further own real estate development projects,
- development of a new system implemented for the purposes of enterprise management, this being Microsoft Dynamics 2012, and other systems supporting operating processes in the Group's

- companies,
- update of the risk management procedures,
 - optimisation of processes and production through the activities of new organisational units: the Technical Office and the R&D Department,
 - relatively high reliance on the construction of buildings, including residential premises,
 - relatively high reliance on the Warsaw market.

5. FINANCIAL SITUATION OF THE UNIBEP GROUP

5.1. Description of the essential economic and financial data

As of 31 December 2016, the consolidated value of the assets held by the Unibep Group increased by PLN 302,893 thousand compared to the value as of the end of December 2015. This was a result of the increase in the value of current assets by 51.8% (PLN 288,297 thousand) and fixed assets by 7.0% (PLN 14,596 thousand).

Fixed assets

The change in the value of fixed assets as of 31 December 2016 as compared to 31 December 2015 was first and foremost due to the following:

- increase in deferred income tax assets by PLN 25,664 thousand,
- increase in intangible assets by PLN 10,141 thousand,
- decrease in the value of loans granted by PLN 32,951 thousand.

Current assets

The increase in current assets was mainly the result of:

- increase in trade receivables and other receivables by PLN 87,880 thousand,
- increase in the value of stocks by PLN 81,893 thousand,
- increase in the value of the amounts due from clients under construction contracts by PLN 66,669 thousand,
- increase in cash and cash equivalents by PLN

20,145 thousand,

- increase in the value of loans granted by PLN 14,530 thousand,
- increase in the value of deposits under construction contracts by PLN 13,328 thousand.

Liabilities

Changes in liabilities resulted from:

- increase in equity by PLN 18,686 thousand,
- increase in long-term liabilities by PLN 66,711 thousand, of which the most significant changes referred to:
 - increase in credits, loans and other financial liabilities by PLN 53,116 thousand,
 - increase in provisions for deferred tax by PLN 11,444 thousand,
- increase in short-term liabilities by PLN 217,496 thousand, of which the most significant changes referred to:
 - increase in trade liabilities and other liabilities by PLN 130,066 thousand,
 - increase in provisions for short term liabilities and accruals by 41,291 thousand,
 - increase in credits, loans and other financial liabilities by PLN 24,957 thousand,
 - increase in the amounts due to clients under construction contracts by PLN 16,667 thousand.

For the Unibep Group, the year 2016 - as compared to the previous year - is characterised by the gene-

ral maintenance of the majority of financial ratios at a good level. Profitability significantly improved at the level of gross profit from sales, EBIT and net profit. The results generated confirm the attention to the margins applied to construction contracts and ensuring overheads were kept at a low level.

Return on Equity (ROE) is also at a good level (14.08%). Its value increased by 3 percent points when compared to the previous year.

In 2016, the revenues from sales slightly increased (by less than 1%) in comparison with the previous year.

When broken down by segments, two of our businesses showed an increase in revenues in comparison with 2015, and two others showed a slight decrease in revenues. The sales in the residential/commercial/industrial construction segment decreased as a result of lower activity in Eastern markets. The lower sales were made up for by the increase in the margin by 1.37 percent point. This is mainly the effect of the influence of contracts concluded in the domestic market.

A similar slight decrease in sales - but with a significant increase in margin, by 7.08 percent points - was recorded in the segment of real estate development activities.

An increase in sales in comparison with 2015 (by about 16%) was recorded in the modular construction segment. The gross profit from sales was also improved (by about PLN 2,841 thousand). The results from other operating activities in the area of modular construction take into account the operation of closing the dispute, this being the release of allowance for uncollectable accounts in the amount of PLN 2,925 thousand

for the said receivable with the correction of the sales invoice (the event in Q1 2016). This operation, which was almost neutral in terms of the effect at the level of operating activities, caused a decrease in the margin shown by the amount of PLN 2,972 thousand. Taking into account the realisation of forward contracts which are related to our core business activity, i.e. the performance of our construction contracts, the gross profit is slightly higher in terms of value than in 2015 (in the year 2016, the result of plus PLN 469 thousand was shown in the results of financial activities as a result of application of hedging instruments; in 2015, that result was equal to plus PLN 6,011 thousand).

Also the segment of road and bridge construction saw increased sales in comparison with 2015. Higher sales with lower margin in terms of value partially resulted from the completion of contracts which were less profitable than in the year before.

In 2016, the costs of sales also increased (by PLN 1,106 thousand), which is connected to the performance of new real estate development projects for which the revenues and results will be shown in the next periods. Management costs increased by about 14%, but they still remain at a level below 3% in relation to sales and this ratio continues to be one of the lowest among companies with a similar profile of business activity.

The Parent Undertaking also shows improved results, at all levels in the profit and loss account. Net profit increased by about 26% with almost unchanged sales as compared to 2015. Cash as of the end of the year was at a high level of about PLN 95 million with positive flows from operating activities at a level of about PLN 4.7 million.

„Miesto Wola” Residential Estate in Warsaw



CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN PLN THOUSAND

	31.12.2016	31.12.2015	Change	Change in %
ASSETS				
Fixed assets				
Fixed assets	77 968	75 996	1 972	2,6%
Intangible assets	18 990	8 850	10 141	114,6%
Fixed assets under construction	469	6	463	7604,2%
Financial assets available for sale - long-term	256	2 651	-2 395	-90,3%
Financial assets in subordinated undertakings - long-term	0	0	0	-100,0%
Investments in equity-accounted undertakings	16 430	8 991	7 439	82,7%
Other long-term financial assets	0	2 076	-2 076	-100,0%
Deposits under construction contracts	42 547	35 419	7 128	20,1%
Deferred income tax assets	63 026	37 362	25 664	68,7%
Perpetual usufruct of land	2 427	1 571	855	54,4%
Investment property	0	1 714	-1 714	-100,0%
Loans granted	0	32 951	-32 951	-100,0%
Long-term prepayments and accruals	2 286	2 215	70	3,2%
Total fixed assets	224 399	209 803	14 596	7,0%
Current assets				
Stocks	227 256	145 363	81 893	56,3%
Trade receivables and other receivables	279 148	191 268	87 880	45,9%
Deposits under construction contracts	33 261	19 933	13 328	66,9%
Amounts due from clients under construction contracts	120 419	53 749	66 669	124,0%
Current income tax receivables	932	202	731	362,5%
Cash and cash equivalents	150 055	129 909	20 145	15,5%
Loans granted	21 151	6 621	14 530	219,5%
Short-term prepayments and accruals	12 995	9 874	3 121	31,6%
Total current assets	845 216	556 920	288 297	51,8%
Assets held for sale	0	0	0	0,0%
TOTAL ASSETS	1 069 615	766 723	302 893	39,5%

	31.12.2016	31.12.2015	Change	Change in %
LIABILITIES				
Equity				
Initial capital	3 507	3 507	0	0,0%
Foreign exchange gains and losses from conversion of foreign undertakings	-4	-5	1	-24,2%
Other capitals	207 191	202 500	4 691	2,3%
of which supplementary capital from share premium	60 905	60 905	0	0,0%
Retained profit (loss)	22 305	10 651	11 654	109,4%
Equity attributable to shareholders of parent undertaking	232 999	216 653	16 346	7,5%
Equity attributable to non-controlling shares	2 889	550	2 340	425,8%
Total equity	235 888	217 203	18 686	8,6%
Long-term liabilities				
Credits, loans and other financial liabilities	111 073	57 957	53 116	91,6%
Provisions for long-term liabilities and accruals	1 272	1 236	36	2,9%
Provisions for deferred tax	29 347	17 903	11 444	63,9%
Deposits under construction contracts	40 279	37 908	2 371	6,3%
Deferred revenue	215	471	-257	-54,4%
Total long-term liabilities	182 187	115 476	66 711	57,8%
Short-term liabilities				
Trade liabilities and other liabilities	366 682	236 616	130 066	55,0%
Deposits under construction contracts	34 594	33 138	1 455	4,4%
Amounts due to clients under construction contracts	36 294	19 627	16 667	84,9%
Credits, loans and other financial liabilities	46 636	21 679	24 957	115,1%
Current income tax liabilities	6 436	7 553	-1 117	-14,8%
Provisions for long-term liabilities and accruals	141 623	100 332	41 291	41,2%
Deferred revenue	19 277	15 100	4 177	27,7%
Total short-term liabilities	651 540	434 044	217 496	50,1%
TOTAL LIABILITIES	1 069 615	766 723	302 893	39,5%

SEPARATE STATEMENT OF FINANCIAL POSITION IN PLN THOUSAND – UNIBEP SA

	31.12.2016	31.12.2015	Change	Change in %
ASSETS				
Fixed assets				
Fixed assets	63 222	63 263	-40	-0,1%
Intangible assets	8 720	7 780	940	12,1%
Fixed assets under construction	203	—		
Investments in equity-accounted undertakings	8	8	0	0,0%
Financial assets in subordinated undertakings - long-term	97 365	97 365	0	0,0%
Other long-term financial assets	1 885	2 076	-191	-9,2%
Deposits under construction contracts	46 315	38 039	8 276	21,8%
Deferred income tax assets	51 530	33 933	17 597	51,9%
Perpetual usufruct of land	2 427	1 571	855	54,4%
Loans granted	60 017	37 788	22 229	58,8%
Long-term prepayments and accruals	1 951	1 934	17	0,9%
Total fixed assets	333 643	283 757	49 886	17,6%
Current assets				
Stocks	28 001	15 715	12 285	78,2%
Trade receivables and other receivables	275 910	173 216	102 694	59,3%
Deposits under construction contracts	35 863	20 489	15 374	75,0%
Amounts due from clients under construction contracts	70 461	44 530	25 932	58,2%
Current income tax receivables	657	13	644	4805,6%
Cash and cash equivalents	94 104	111 411	-17 307	-15,5%
Loans granted	17 695	17 592	103	0,6%
Short-term prepayments and accruals	11 077	8 271	2 806	33,9%
Total current assets	533 768	391 237	142 531	36,4%
Assets held for sale	0	—		
TOTAL ASSETS	867 411	674 994	192 417	28,5%
LIABILITIES				
Equity				
Initial capital	3 507	3 507	0	0,0%
Other capitals	190 468	186 886	3 583	1,9%
of which supplementary capital from share premium	62 154	62 154	0	0,0%
Retained profit (loss)	20 750	16 452	4 298	26,1%
Total equity	214 726	206 845	7 881	3,8%
Long-term liabilities				
Credits, loans and other financial liabilities	68 318	36 372	31 946	87,8%
Provisions for long-term liabilities and accruals	1 188	1 143	45	3,9%
Provisions for deferred tax	19 528	13 073	6 455	49,4%
Deposits under construction contracts	40 173	37 827	2 346	6,2%
Deferred revenue	236	471	-236	-50,0%
Total long-term liabilities	129 442	88 886	40 556	45,6%
Short-term liabilities				
Trade liabilities and other liabilities	307 426	206 659	100 767	48,8%
Deposits under construction contracts	34 320	33 099	1 221	3,7%
Amounts due to clients under construction contracts	37 178	23 403	13 774	58,9%
Credits, loans and other financial liabilities	11 542	19 397	-7 856	-40,5%
Current income tax liabilities	5 999	7 515	-1 516	-20,2%
Provisions for long-term liabilities and accruals	126 631	88 998	37 633	42,3%
Deferred revenue	148	192	-44	-22,8%
Total short-term liabilities	523 244	379 263	143 980	38,0%
TOTAL LIABILITIES	867 411	674 994	192 417	28,5%

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN PLN THOUSAND

	31.12.2016	31.12.2015	Change	Change in %
OPERATING ACTIVITIES				
Revenue from sales				
Net revenue from sales of products and services	1 235 568	1 222 353	13 214	1,1%
Revenue from sales of goods and materials	13 671	20 507	-6 836	-33,3%
Total revenue from sales	1 249 239	1 242 860	6 379	0,5%
Manufacturing costs of products and services sold	1 151 610	1 155 561	-3 951	-0,3%
Costs of goods and materials sold	13 658	20 062	-6 403	-31,9%
Gross profit (loss) on sales	83 971	67 238	16 733	24,9%
Costs of sale	8 732	7 625	1 106	14,5%
Management costs	36 912	32 310	4 602	14,2%
Other operating income	11 575	8 085	3 490	43,2%
Other operating costs	16 628	11 913	4 716	39,6%
Profit (loss) on operating activities	33 274	23 475	9 799	41,7%
Financial income	14 000	13 238	762	5,8%
Financial costs	13 399	7 901	5 498	69,6%
Share in net profit (loss) of subordinated undertakings valued using the equity method	7 232	522	6 710	1284,5%
Profit (loss) before tax	41 108	29 334	11 774	40,1%
Income tax	9 186	6 053	3 133	51,8%
Net profit (loss)	31 922	23 281	8 641	37,1%

CONSOLIDATED CASH FLOW STATEMENT IN PLN THOUSAND

	31.12.2016	31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	41 108	29 334
II. Total adjustments	-54 975	10 646
1. Amortisation and depreciation	8 561	7 874
2. Foreign exchange gains (losses)	-1 934	312
3. Interest and profit sharing (dividends)	2 461	3 450
4. Profit (loss) on investing activities	-7 263	-12 757
5. Movements in provisions	43 221	25 317
6. Movements in stock	-53 796	-11 910
7. Movements in receivables	-175 162	-21 311
8. Movements in liabilities, with the exception of loans, credits and other financial	147 893	30 739
9. Movements in prepayments and accruals	1 230	3 993
10. Other adjustments	1 752	665
11. Income tax paid/ refunded	-21 937	-15 726
Net cash from operating activities	-13 867	39 980
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets and intangible assets	-7 970	-2 796
Inflows relative to sale of tangible fixed assets and intangible assets	649	2 879
Inflows relative to sale of shares	2 000	10
Purchase of shares and other equity assets (of which additional contributions to equity)	-19 871	-16 009
Interest and dividends received	3 396	2 076
Loans repaid	21 652	0
Loans granted	-9 835	-17 073
Other (of which realisation of derivative instruments)	969	954
Net cash from investing activities	-9 010	-29 960
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Inflows relative to long-term and short-term loans, credits, bonds, bills of exchange	86 218	30 000
Repayment of long-term and short-term loans, credits, bonds, bills of exchange	-29 330	-26 441
Net inflows from issue of shares (incentive program), additional contributions to equity and other equity instruments	3	0
Bond redemption	-317	0
Payments under financial lease contracts	-3 886	-2 908
Interest paid	-4 409	-5 231
Dividends paid	-5 962	-5 263
Net cash flows from financial activities	42 317	-9 843
MOVEMENTS IN CASH AND CASH EQUIVALENTS NET	19 440	177
of which:		
movements in current account overdrafts	921	4 212
foreign exchange gains and losses	87	-124
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	126 482	126 306
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	145 922	126 482
of which not fully disposable	22 097	1 363

SEPARATE PROFIT AND LOSS ACCOUNT IN PLN THOUSAND – UNIBEP SA

	31.12.2016	31.12.2015	Change	Change in %
OPERATING ACTIVITIES				
Revenue from sales				
Net revenue from sales of products and services	1 166 915	1 167 084	-170	0,0%
Revenue from sales of goods and materials	1 960	2 427	-468	-19,3%
Total revenue from sales	1 168 874	1 169 511	-637	-0,1%
Manufacturing costs of products and services sold	1 106 964	1 118 629	-11 665	-1,0%
Costs of goods and materials sold	1 933	2 245	-312	-13,9%
Gross profit (loss) on sales	59 977	48 637	11 340	23,3%
Costs of sale	327	1 873	-1 546	-82,5%
Management costs	30 650	27 373	3 277	12,0%
Other operating income	9 166	7 184	1 982	27,6%
Other operating costs	14 427	10 015	4 412	44,1%
Profit (loss) on operating activities	23 739	16 560	7 179	43,4%
Financial income	14 136	11 406	2 730	23,9%
Financial costs	10 532	4 087	6 444	157,7%
Profit (loss) before tax	27 343	23 878	3 465	14,5%
Income tax	6 593	7 426	-833	-11,2%
Net profit (loss)	20 750	16 452	4 298	26,1%

SEPARATE CASH FLOW STATEMENT IN PLN THOUSAND – UNIBEP SA

	31.12.2016	31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	27 343	23 878
II. Total adjustments	-22 676	17 128
1. Amortisation and depreciation	7 659	7 310
2. Foreign exchange gains (losses)	-1 814	252
3. Interest and profit sharing (dividends)	-419	585
4. Profit (loss) on investing activities	-650	-10 254
5. Movements in reserves	39 298	21 156
6. Movements in stock	-12 285	9 726
7. Movements in receivables	-152 158	-17 537
8. Movements in liabilities, with the exception of loans and credits	118 108	22 961
9. Movements in prepayments and accruals	-2 660	-2 555
10. Other adjustments	420	639
11. Income tax paid/ refunded	-18 175	-15 152
Net cash from operating activities	4 667	41 007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets and intangible assets	-6 371	-2 555
Inflows relative to sale of tangible fixed assets and intangible assets	599	2 879
Purchase of shares and other equity assets (of which additional contributions to equity)	-200	-9 439
Interest and dividends received	4 917	2 031
Loans granted	-34 478	-55 937
Loans repaid	11 774	16 052
Other (of which realisation of hedging instruments)	353	7 570
Net cash from investing activities	-23 406	-39 399
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Inflows relative to long-term and short-term loans, credits, bonds, bills of exchange	30 000	30 000
Repayment of long-term and short-term loans, credits, bonds, bills of exchange	-16 769	-20 381
Payments under financial lease contracts	-3 013	-2 564
Interest paid	-2 579	-3 067
Dividends paid	-5 962	-5 261
Net cash flows from financial activities	1 678	-1 272
MOVEMENTS IN CASH AND CASH EQUIVALENTS NET	-17 062	335
of which:		
foreign exchange gains and losses	58	-124
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	112 195	111 860
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	95 134	112 195
of which not fully disposable	1 047	1 201

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN PLN THOUSAND

Attributable to shareholders of parent undertaking

DESCRIPTION	Initial capital	Foreign ex-change gains and losses from conversion of foreign undertakings	Other capitals				Retained profit (loss)		Total	Equity attributable to non-controlling shareholders	Total equity
			Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from share premium	Profit (loss) brought forward	Current net profit (loss)			
1 JANUARY 2016	3 507	-5	-2 008	514	143 089	60 905	-12 913	23 564	216 653	550	217 203
Results for the previous year brought forward to retained profit							23 564	-23 564	0	0	0
Distribution of profit					11 607		-11 607		0	0	0
Profit distribution for dividend payout							-5 962		-5 962		-5 962
Establishing of reserve capital for purchase of own shares				35 000	-35 000				0	0	0
Adjustment for results brought forward in subsidiary undertakings							-550		-550		-550
Change in the level of involvement							-1 813		-1 813	1 813	0
Taking over control									0	282	282
Loss of control									0	-91	-91
Comprehensive income		1	-6 916					31 586	24 671	336	25 007
31 DECEMBER 2016	3 507	-4	-8 924	35 514	119 696	60 905	-9 281	31 586	232 999	2 889	235 888

Attributable to shareholders of parent undertaking

DESCRIPTION	Initial capital	Foreign ex-change gains and losses from conversion of foreign undertakings	Other capitals				Retained profit (loss)		Total	Equity attributable to non-controlling shareholders	Total equity
			Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from share premium	Profit (loss) brought forward	Current net profit (loss)			
1 JANUARY 2015	3 507	-2	300	514	128 183	60 905	-13 400	19 790	199 797	3 248	203 046
Result for the previous year brought forward to retained profit							19 790	-19 790	-	-	0
Distribution of result					14 906		-14 906		-	-	0
Result distribution for dividend and other payouts							-5 263		-5 263		-5 263
Increase in control							866		866	-2 416	-1 550
Comprehensive income		-3	-2 308					23 564	21 252	-283	20 970
31 DECEMBER 2015	3 507	-5	-2 008	514	143 089	60 905	-12 913	23 564	216 653	550	217 203

SEPARATE STATEMENT OF CHANGES IN EQUITY IN PLN THOUSAND – UNIBEP SA

DESCRIPTION	Initial capital	Other capitals				Retained profit (loss)		Total equity
		Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from share premium	Profit (loss) brought forward	Current net profit (loss)	
1 JANUARY 2016	3 507	26 896	-	97 836	62 154	-	16 452	206 845
Results for the previous year brought forward to retained profit						16 452	-16 452	0
Distribution of result pursuant to resolution				10 490		-10 490	0	0
Profit distribution for dividend payout						-5 962		-5 962
Establishing of reserve capital from the movement from supplementary capital for purchase of own shares			35 000	-35 000				0
Total comprehensive income		-6 907	-					13 843
31 DECEMBER 2016	3 507	19 988	35 000	73 326	62 154	-	20 750	214 726

DESCRIPTION	Initial capital	Other capitals				Retained profit (loss)		Total equity
		Revaluation reserve	Supplementary capital	Supplementary capital from share premium	Profit (loss) brought forward	Current net profit (loss)		
1 JANUARY 2015	3 507	29 205	89 775	62 154	-	13 322	13 322	197 963
Results for the previous year brought forward to retained profit					13 322	-13 322	0	0
Distribution of result pursuant to resolution			8 061		-8 061		0	0
Profit distribution for dividend payout					-5 261			-5 261
Total comprehensive income		-2 310				16 452		14 142
31 DECEMBER 2015	3 507	26 896	97 836	62 154	-	16 452	16 452	206 845

5.2. Results of operating segments

CONSOLIDATED REPORTING BY SEGMENTS AS OF 31 DECEMBER 2016 IN PLN THOUSAND

DESCRIPTION	Residential/ commercial/ industrial construction activities	Road and bridge con- struction activities	Real estate development activities	Modular construction activities	Adjustments for sale to other seg- ments	Total amounts relative to the entire Group
Revenue from sales	905 457	162 915	98 698	156 405	-74 235	1 249 239
sales to external entities	832 622	161 514	98 698	156 405		1 249 239
sales to other segments	72 834	1 401	0	0	-74 235	0
Costs of sales	858 773	157 228	76 260	146 426	-73 419	1 165 268
Gross profit from sales	46 684	5 687	22 438	9 978	-816	83 971
% of gross profit from sales	5,16%	3,49%	22,73%	6,38%	1,10%	6,72%
Costs of sale						8 732
Management costs						36 912
Result from other operating activities				2 925*		-5 053
Profit from operating activities						33 274
Financial income						14 000
of which interest income	1 424	11	1 939	140		3 515
<u>derivative instruments</u>	<u>2 938</u>			<u>1 644</u>		<u>4 583</u>
Financial costs						13 399
of which interest costs	1 883	494	2 135	85		4 598
<u>derivative instruments</u>	<u>3 664</u>			<u>1 175</u>		<u>4 840</u>
Share in net profit (loss) of subordinated under- takings valued using the equity method						7 232
Profit before tax						41 108
Income tax						9 186
Net profit						31 922

CONSOLIDATED REPORTING BY SEGMENTS AS OF 31 DECEMBER 2015 IN PLN THOUSAND

DESCRIPTION	Residential/ commercial/ industrial construction activities	Road and bridge con- struction activities	Real estate development activities	Modular construction activities	Adjustments for sale to other seg- ments	Total amounts relative to the entire Group
Revenue from sales	933 398	132 187	114 213	134 365	-71 302	1 242 860
sales to external entities	864 785	129 498	114 213	134 365		1 242 860
sales to other segments	68 613	2 688	0	0	-71 302	0
Costs of sales	898 045	121 849	96 338	127 228	-67 837	1 175 623
Gross profit from sales	35 353	10 338	17 875	7 137	-3 465	67 238
% of gross profit from sales	3,79%	7,82%	15,65%	5,31%	4,86%	5,41%
Costs of sale						7 625
Management costs						32 310
Result from other operating activities						-3 827
Profit from operating activities						23 475
Financial income						13 238
of which interest income	1 523	295	374	22		2 214
<u>derivative instruments</u>	<u>2 497</u>			<u>5 649</u>		<u>8 146</u>
Financial costs						7 901
of which interest costs	500	390	5 658	108		6 655
<u>derivative instruments</u>	<u>102</u>			<u>-362</u>		<u>-261</u>
Share in net profit (loss) of subordinated under- takings valued using the equity method						522
Profit before tax						29 334
Income tax						6 053
Net profit						23 281

SEPARATE REPORTING BY SEGMENTS AS OF 31 DECEMBER 2016 IN PLN THOUSAND – UNIBEP SA

DESCRIPTION	Residential/ commercial/ industrial construction activities	Road and bridge con- struction activities	Real estate development activities	Modular construction activities	Adjustments for sale to other seg- ments	Total amounts relative to the entire Group
Revenue from sales	905 406	108 019	446	156 405	-1 401	1 168 874
sales to external entities	905 406	106 618	446	156 405		1 168 874
sales to other segments		1 401	0	-	-1 401	0
Costs of sales	858 646	104 737	489	146 426	-1 401	1 108 897
Gross profit from sales	46 760	3 282	-43	9 978	0	59 977
% of gross profit from sales	5,16%	3,04%	-9,56%	6,38%	0,00%	5,13%
Costs of sale						327
Management costs						30 650
Result from other operating activities				2 925*		-5 261
Profit from operating activities						23 739
Financial income						14 136
of which interest income	3 834	7		140		3 981
hedging instruments	<u>2 938</u>			<u>1 644</u>		<u>4 583</u>
Financial costs						10 532
of which interest costs	1 892	144		85		2 121
hedging instruments	<u>3 664</u>			<u>1 175</u>		<u>4 840</u>
Profit before tax						27 343
Income tax						6 593
Net profit						20 750

SEPARATE REPORTING BY SEGMENTS AS OF 31 DECEMBER 2015 IN PLN THOUSAND – UNIBEP SA

DESCRIPTION	Residential/ commercial/ industrial construction activities	Road and bridge con- struction activities	Real estate development activities	Modular construction activities	Adjustments for sale to other seg- ments	Total amounts relative to the entire Group
Revenue from sales	933 355	103 009	1 471	134 365	-2 688	1 169 511
sales to external entities	933 355	100 320	1 471	134 365		1 169 511
sales to other segments		2 688		0	-2 688	0
Costs of sales	898 910	95 891	1 522	127 228	-2 676	1 120 875
Gross profit from sales	34 445	7 118	-51	7 137	-13	48 637
% of gross profit from sales	3,69%	6,91%	-3,46%	5,31%	0,47%	4,16%
Costs of sale						1 873
Management costs						27 373
Result from other operating activities						-2 831
Profit from operating activities						16 560
Financial income						11 406
of which interest income	2 935	350		22		3 307
derivative instruments	<u>2 497</u>			<u>5 649</u>		<u>8 146</u>
Financial costs						4 087
of which interest costs	1 856	188	0	108		2 151
derivative instruments	<u>102</u>			<u>-362</u>		<u>-261</u>
Profit before tax						23 878
Income tax						7 426
Net profit						16 452

The following results were shown within the Parent Undertaking and the Capital Group arising from the application of hedging instruments to the results for the year within the financial activities:

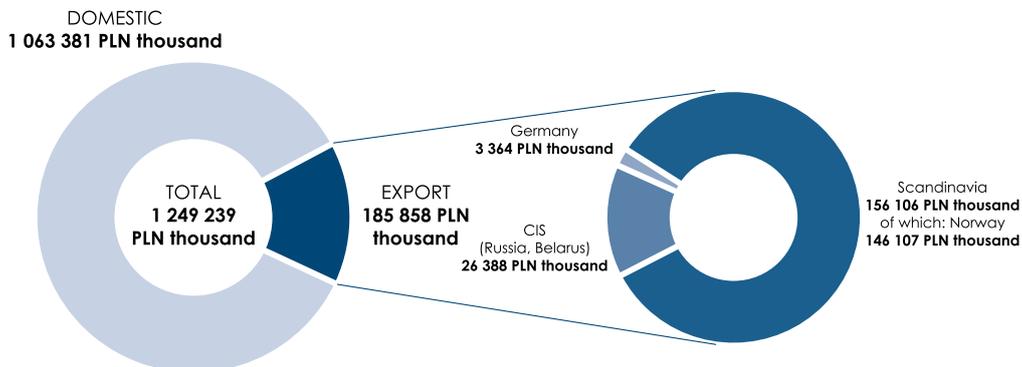
- in the year 2016 – the overall result of minus PLN 257 thousand, of which minus PLN 726 thousand refers to residential/commercial/industrial construction activities and plus PLN 469 thousand refers to modular construction activities,
- in the year 2015 - the overall result of plus PLN 8,407 thousand, of which PLN 2,395 thousand refers to

residential/commercial/industrial construction activities and PLN 6,011 thousand refers to modular construction activities.

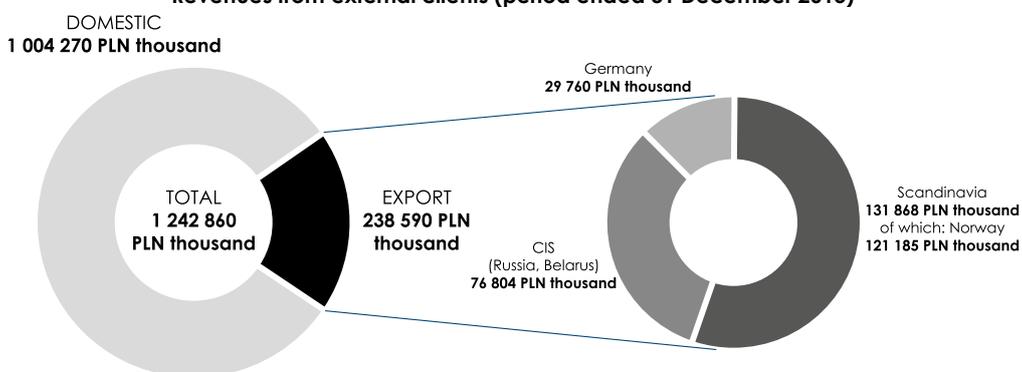
* The results from other operating activities in the area of modular construction take into account the operation of closing the dispute, this being the release of allowance for uncollectable accounts in the amount of PLN 2,925 thousand for the said receivable with the correction of the sales invoice (the event in Q1 2016).

INFORMATION ABOUT GEOGRAPHICAL AREAS - DATA FOR THE CAPITAL GROUP

Revenues from external clients (period ended 31 December 2016)

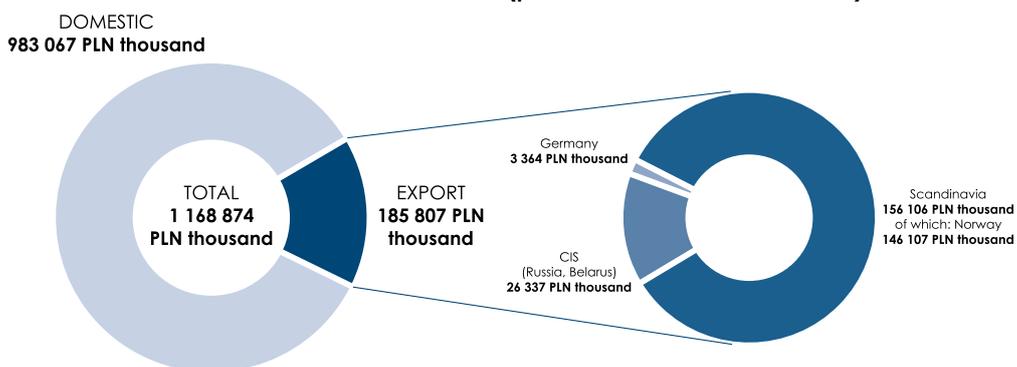


Revenues from external clients (period ended 31 December 2015)

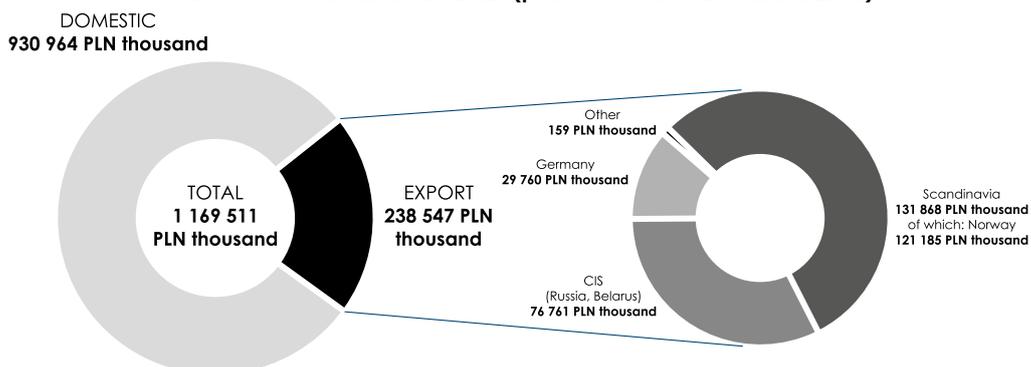


INFORMATION ABOUT GEOGRAPHICAL AREAS - DATA FOR PARENT UNDERTAKING, I.E. UNIBEP SA

Revenues from external clients (period ended 31 December 2016)



Revenues from external clients (period ended 31 December 2015)



FIXED ASSETS IN PLN THOUSAND

	data for the Capital Group		data for the Parent Undertaking, i.e. Unibep SA	
	as of 31.12.2016	as of 31.12.2015	as of 31.12.2016	as of 31.12.2015
DOMESTIC	67 082	56 148	42 217	42 338
EXPORT, of which:	32 355	30 276	32 355	30 276
Scandinavia	32 067	29 552	32 067	29 552
of which: Norway	32 067	29 552	32 067	29 552
CIS (Russia, Belarus)	251	414	251	414
Germany	38	310	38	310
TOTAL	99 437	86 423	74 572	72 614

5.3. Extraordinary events relevant to the financial results

According to the Management Board, in general, there were no extraordinary events or factors which had a significant effect on the results of the Parent Undertaking and the UNIBEP Group. All activities and their effects resulted from normal processes that occur during the performance of different and often complex business operations.

The events and results obtained throughout the year were subject to ongoing monitoring, and the final results of sales and net profits are consistent with the predictions and expectations of the Management Board in that area.

Notwithstanding the aforementioned, the Management Board draws attention to the following events:

1. Gross profit from sales for the modular construction segment in the period of the year 2016 should be considered alongside the results from other operating activities. In the first quarter of 2016, court proceedings related to the Norwegian contract were closed. As a result of the closure of this dispute (the final and binding judgement of the Norwegian court), the sales invoices for the previous years were corrected and the allowance for uncollectable accounts was released. The total amount of financial operations has almost no effect on the result at the operating level but it caused a decrease in profitability of the sales by the amount of PLN 2,972 thousand and an increase in the other operating income equal to PLN 2,925 thousand.
2. In the German market, the performance of all contracts was completed. In earlier periods, the company successively closed dealings that had risks related to the possibility of generating negative results and took this into account in the budgets of contracts. The majority of the contracts were covered by an agreement signed towards the end of 2016 which led to their settlement. As a consequence, there were adjustments for sales in relation to the previous years. The decrease in

sales was compensated by the forecast of provisions for possible penalties which was taken into account in the budgets of the contracts.

3. The joint real estate development undertakings, multiple real estate development projects in the Norwegian and Warsaw markets, carried out within the Group had effects on financial activities. In Norway, Unihouse Branch is responsible for two real estate development projects through the company trading as Seljedalen. One of them was completed in 2016. Unibep holds 50% of the shares in Seljedalen. In the Ursus District in Warsaw, the company trading as Smart City Sp. z o.o. Sp. k., is completing another project. A subsidiary of Unibep, UNIDEVELOPMENT SA, also holds 50% of the shares in Smart City Sp. z o.o. Sp.k. The successful completion of the aforementioned projects gives a result equal to PLN 7,232 thousand - shown in the financial activities as a share in net profit of equity-accounted subordinated undertakings.

The Group operates mainly in the domestic market and in the Norwegian market and Eastern markets (at present, in Belarus). In 2016, activities in the German market were completed. Therefore, there are several risks which are characteristic for companies operating in so-called developing economies, e.g. risks related to frequent legislative amendments, different interpretations of regulations, low efficiency of courts, as well as fluctuations of: exchange rates, interest rates, prices of goods and services, and many other risks, including political risks.

The main risk factors and threats related to the activities of the Group and its market environment are described in point 8.1. *Description of risks and threats.*

5.4. Capital management – assessment of financial resources management

The main objective of the capital management of the Parent Undertaking and the UNIBEP Group is the maintenance of our good credit rating and safe capital ratios which support the operating activities of the Group and increase the value for its shareholders.

The Group manages the equity structure and - as a result of economic conditions - introduces changes to it. In order to maintain and adjust the equity structure, the Group's Companies may redeem their own shares, return the capital to shareholders, issue new shares, as well as pay dividends. In the year 2016, there were no changes introduced to the scope of objectives and principles for processes.

The Group monitors equity with the use of a leverage ratio that is calculated as the ratio of net debt to total equity increased by net debt. In the net debt, the Group includes interest-rates of credits and loans and other external sources of financing, trade liabilities and other liabilities, deposits under construction contracts, amounts due to clients under construction contracts, received advances and current income tax liabilities reduced by cash and cash equivalents. Individual

items are increased by relevant values of cash and cash equivalents and liabilities of disposal group.

In the period covered by this report, the financial standing of the Parent Undertaking and the Capital Group should be assessed as good. The Group's Companies kept a positive rating among financial institutions (existing credit agreements and guarantee limits were prolonged and new ones were signed), and overdue liabilities very rarely exceeded the period of two weeks. At present, there are no symptoms indicating a threat of the deterioration of the financial situation of the Group. Yet, each company permanently monitors the value of forecast financial flows, the amount of receivables and liabilities needed to respond to possible threats in advance.

CAPITAL MANAGEMENT [in PLN thousand]	data for the Capital Group		data for the Parent Undertaking	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Interest-rate of credits, loans	157 709	79 636	79 859	55 769
Trade liabilities and other liabilities	484 284	334 842	425 096	308 503
Cash and cash equivalents	150 055	129 909	94 104	111 411
Net debt	491 939	284 569	410 852	252 862
Equity	235 888	217 203	214 726	206 845
Capital and net debt	727 827	501 771	625 577	459 707
	67,59%	56,71%	65,68%	55,01%

5.5. Information on the dividend policy and dividends paid in 2016

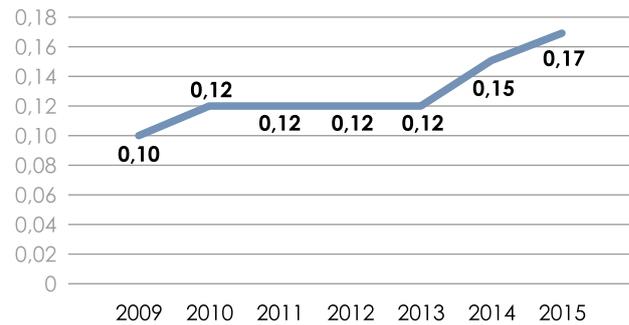
On 18 May 2016, the Annual General Meeting of the company Shareholders decided to pay a dividend for the year 2015. The amount of the dividend was set at the level of PLN 0.17 per one share, which meant the total dividend was in the amount of approximately PLN 5.96 million. This dividend was paid to the Shareholders on 5 July 2016.

According to the dividend policy adopted by UNIBEP SA, the Management Board may recommend to the General Meeting of Shareholders that the profits, in whole or in part, be allocated for payment of dividends following the end of each financial year to the extent that it is possible, whilst taking into account the degree of implementation of the strategy for the long-

-term increase in goodwill towards the UNIBEP Group, its financial potential, including the level of generated net profit, pursued investment policy and current equity needs, debt ratios and reserve capitals.

Given the adopted dividend policy and fulfilment of the conditions stipulated therein, UNIBEP SA has continued to pay dividends to its Shareholders over the last few years.

DIVIDEND PER 1 SHARE/YEAR IN PLN



5.6. Information on credits, loans, guarantees and sureties

In 2016, UNIBEP SA signed the following agreements concerning guarantee lines:

- on 23 November 2016 - a one-year guarantee line agreement with BGK SA for a total amount of PLN 15 million,
- on 13 July 2016 - a guarantee line agreement with Inter Risk TU SA for a total amount of PLN 35 million valid until 12 August 2017.

After the end of the reporting period, on 24 January 2017, the Issuer and Zurich Insurance plc Niederlassung für Deutschland, an insurance company with its registered office in Frankfurt am Main (the Guarantor), concluded a guarantee line agreement whose subject matter is the opening of the revolving guarantee limit for the Issuer up to the amount of EUR 15 million.

Furthermore, the following agreements were prolonged in 2016:

- on 8 July 2016 - a debt limit agreement (current account overdraft, guarantee line, reverse factoring, trade guarantees) for a total amount of PLN 108 million valid through 29 September 2017 with Raiffeisen Bank Polska SA,
- on 1 March 2016 - a one-year current account overdraft and guarantee line agreement with BGŻ BNP Paribas SA for a total amount of PLN 40 million valid through 10 March 2017,
- on 15 September 2016 - a current account limit and guarantee line agreement for a total amount of PLN 33 million valid through 21 September 2017 with BZ WBK SA,
- on 30 June 2016 - an agreement concerning a current account overdraft and the granting of contract guarantees with PKO BP SA for a total amount of PLN 75 million valid through 30 June 2018,
- on 30 August 2016 - a factoring agreement for a total amount of PLN 15 million valid through 30 September 2017 with BZ WBK Faktor Sp. z o.o.,
- on 3 November 2016 - a guarantee line agreement with TUiR Allianz Polska SA for a total amount of PLN 35 million valid through 30 November 2017,

- on 10 January 2017 - a guarantee line agreement with PZU SA for a total amount of PLN 49.5 million valid through 9 July 2017,
- on 5 February 2016 - a guarantee line agreement with Euler Hermes SA for a total amount of PLN 30 million for an indefinite term,
- on 6 May 2016 - a guarantee line agreement with TUiR Warta SA for a total amount of PLN 25 million valid through 7 April 2017,
- on 29 December 2016 - with AXA TUiR SA for a total amount of PLN 42 million valid through 31 December 2018.

Apart from the agreements concluded or renewed in the year 2016, referred to hereinabove, UNIBEP SA also had the following financial agreements signed:

1. Agreements concerning the granting of contract guarantees with the following Insurance Companies:
 - Europa SA for a total amount of PLN 12 million concluded for an indefinite term,
 - Hestia SA for a total amount of PLN 30 million concluded for an indefinite term,
 - KUKI for a total amount of PLN 30 million concluded for an indefinite term.
2. Agreements concerning the conclusion of treasury transactions concluded for an indefinite term with:
 - PKO BP SA with a limit of PLN 59 million,
 - Raiffeisen Bank Polska with a limit of PLN 16.5 million,
 - mBank SA with a limit of PLN 53 million,
 - BZ WBK SA with a limit of PLN 11.6 million,
 - BGK SA with a limit of PLN 9 million.

On 23 May 2016, UNIBEP SA, together with Unidevelopment SA, guaranteed the construction credit granted to Unigo Sp. z o. o. (the Unidevelopment Group) up to the maximum amount of PLN 12 million. The guarantee was valid through 30 June 2019 (the credit was repaid by the end of 2016).

On 23 May, UNIBEP SA guaranteed the bridge credit granted to Unigo Sp. z o. o. (from the Unidevelopment Group) up to the maximum amount of PLN 57.5 million. The guarantee is valid through 30 June 2021.

Within the business activities conducted and given its character, UNIBEP SA and subsidiary undertakings give the performance bonds for construction works and receive such bonds from subcontractors. As at 31 December 2016, the value of the bonds issued on behalf of UNIBEP SA equalled about PLN 293 million. At the same time, UNIBEP SA also held the bonds issued for its benefit for the amount of PLN 102 million.

The total nominal value of FX forward contracts as at 31 December 2016 equalled NOK 311 million and EUR 55 million. The time limit left until the settlement of derivative instruments opened as at 31 December 2016 is from 26 to 548 days.

In 2016, Unibep SA signed the following loan agreements where Unibep SA is the lender:

- on 20 July 2017 - an agreement with the subsidiary Unidevelopment SA for the total amount of PLN 30 million. The agreement was concluded as valid through 30 June 2019,
- on 30 March 2016 - an agreement with the co-controlled company trading as Lovsedvegen 4 AS for the total amount of NOK 0.65 million. The agreement was concluded as valid through 30 June 2017,
- on 17 August 2016 - an agreement with the co-controlled company trading as Lovsedvegen 4 AS for the total amount of NOK 0.4 million. The agreement was concluded as valid through 31 March 2017.

In 2016, Unibep SA prolonged the following loan agreements where Unibep SA is the lender:

- on 17 May 2016 - a loan agreement with the subsidiary Budrex- Kobi Sp. z o.o. for the amount of PLN 8 million valid through 30 June 2017,
- on 14 April 2016 - a loan agreement with the co-subsidiary Seljedalen AS for the amount of NOK 0.74 million (the amount left for repayment equals about NOK 0.15 million) valid through 8 March 2017,
- on 15 November 2016 - a loan agreement with the company Gemich AS for the amount of NOK 5 million valid through 30 June 2017.

In 2016, the following events related to financing occurred in the Unidevelopment Group:

- On 22 February 2016, a credit agreement was signed by UNIGO Sp. z o. o. with Bank Polska Kasa Opieki S.A. for the amount of PLN 55.04 million intended for financing the GAMA residential investment project implemented by the company,
- On 8 August 2016, a subsidiary of UNIDEVELOPMENT SA, Szcześliwicka Sp. z o.o., concluded an agreement with Bank Zachodni WBK SA for credit in the maximum amount of PLN 89 million (Real Estate Development Credit) and for revolving VAT credit in the maximum amount of PLN 5 million

(VAT Credit) intended for the implementation of the real estate development investment project in Warsaw,

- On 15 September 2016, a subsidiary of UNIDEVELOPMENT SA, Unibalaton
- Sp. z o. o. , concluded an agreement with Bank Zachodni WBK SA for credit in the maximum amount of PLN 31.82 million (Real Estate Development Credit) and for revolving VAT credit in the maximum amount of PLN 2 million (VAT Credit) intended for the implementation of the real estate development investment project in Warsaw.

In 2016, the Unidevelopment Group granted the following loans to entities that do not belong to the Group:

- MONDAY MANAGEMENT Spółka z o ograniczoną odpowiedzialnością SKA – approximately PLN 0.31 million, repayment date: 31 December 2017,
- MD INWESTYCJE Spółka z ograniczoną odpowiedzialnością STRZESZYN SKA – approximately PLN 0.49 million, repayment date: 31 December 2017.

Furthermore, the Unidevelopment Group granted five loans to entities that do not belong to the Group for values ranging from PLN 0.5 thousand to PLN 136 thousand, for the total amount of approximately PLN 162 thousand, and these loans have now been already repaid in full.

The loans granted within the Unibep Capital Group (i.e. by Unibep and by and between the subsidiaries) were concluded under the liquidity management mechanism at the Capital Group level. The interest rate applicable to the aforementioned loans, including the remuneration for the lender, was agreed pursuant to the arm's length principle each time.

There were no warranties or guarantees given to entities that do not belong to the Unidevelopment Group.

In 2016, a subsidiary of UNIBEP SA, Budrex-Kobi Sp. z o. o., concluded the following financial agreements:

- on 31 March 2016 - a multi-product agreement (current account overdraft, guarantee line, reverse factoring, Aleo, trade guarantees) with ING Bank Śląski SA for the total amount of PLN 7 million; the annex to this agreement that was signed on 30 December 2016 increased the contractual value by the special purpose credit in the amount of PLN 4 million. The total value of the agreement equals PLN 11 million. The agreement was concluded as valid through 30 March 2017,
- on 24 November 2016 - a revolving credit agreement with Bank Zachodni WBK SA for the amount of PLN 2 million with the repayment date set on 31 December 2017,
- on 23 February - an eFinancing agreement for the financing of suppliers for the amount of PLN 1 million.

Furthermore, Budrex-Kobi Sp. z o. o. had the following credit agreements concluded:

- with Bank Pekao SA - for an investment credit in

the amount of PLN 3.1 million with the repayment date set on 28 November 2018,

- with Bank Pekao SA - for current account overdraft in the amount of PLN 5 million with the repayment date set on 28 March 2017,
- with Bank Pekao SA - for opening of guarantee line for the amount of PLN 0.3 million.

Within the conducted business activities, Budrex-Kobi - given its profile - provides performance bonds for construction work. As at 31 December 2016, the value of the bonds issued on behalf of Budrex-Kobi Sp. z o.o. equalled about PLN 17.2 million.

Apart from the granted and received performance bonds and guarantees of the removal of defects and failures referred to hereinabove, as well as the warranties for the liabilities of subsidiary undertakings, the companies from the UNIBEP Group did not have any significant off-balance sheet items as at the balance sheet date.

The rest of the information concerning the off-balance sheet items was included in note No. 6.40 of the Consolidated Financial Statements for 2016.

5.7. Investments

DESCRIPTION OF THE STRUCTURE OF KEY CAPITAL DEPOSITS OR KEY CAPITAL INVESTMENTS MADE WITHIN THE ISSUER'S CAPITAL GROUP IN THE FINANCIAL YEAR

The UNIBEP Group held no capital deposits in 2016 (it made no purchases of investment or capital fund units). Short-term financial surpluses were deposited in bank deposit accounts or allocated to loans granted to the companies within the Group or external entities.

In 2016, UNIDEVELOPMENT SA acquired 100% of the shares in MPB Marywilska spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Warsaw. MONDAY DEVELOPMENT SA took up the shares in the increased capital of Monday Sołasz Sp. z o. o. The information about the transactions is concluded in the section dedicated to changes in the organisational structure.

EVALUATION OF POTENTIAL FOR THE IMPLEMENTATION OF INVESTMENT PROJECTS

The financial standing of the Parent Undertaking and the Capital Group enables them to perform investment programs that have an effect on the Group's development and increase in goodwill.

Investments in the production segment will be primarily related to increasing the production capacities and efficiency of plants in Bielsk Podlaski. The portfolio of orders, business relations with clients, and the prospects in markets where Unihouse Branch operates are the grounds for planning further increases in the production capacity. The first orders from the Swedish market and the attractiveness of this market justifies new investments aimed at the diversification of exports to Scandinavian markets.

In the road and bridge sector, the planned investments are aimed at the restoration and expansion of the potential for the efficient fulfilment of increasing numbers of orders, at a domestic and international scale. The experience and references gained will enable us to be more competitive in future tender pro-

cedures that the Parent Undertaking and the Capital Group are interested in.

As part of the real estate development structure, the purchase of land plots or shares in real estate development projects is planned.

The activities related to work computerisation and the update of ERP software for enterprise management are ongoing. The implementation of MS Dynamics AX 2012 with the development of new modules has led to our IT resources being adapted to the changes arising from the development of the Parent Undertaking and the Capital Group. In addition, the activities aimed at the updating of the CRM software and implementation of IBM Cognos system were commenced. The systems will adapt the IT resources of the Parent Undertaking and the Capital Group to the relevant needs in the scope of sales processing and control.

In addition, activities have been undertaken which are aimed at obtaining co-financing from European Funds - in the form of a grant for providing additional equipment to the R&D Department and the performance of research related to the improvement of existing and new products.

The activities presented herein may be financed from the company's own resources, leases and investment credits.

5.8. Use of proceeds from the issue of securities

In the period covered by this report, no issues, redemptions or repayments of debt and equity securities took place, except for the following:

1. on 30 May 2016, UNIBEP SA redeemed three-year series B2 bonds of a total issue value of PLN 11 million. The bonds were listed on CATALYST, an alternative trading system.
2. on 8 July 2016, UNIBEP SA issued series D bonds for a total amount of PLN 30 million. The bonds are listed on BONDSPOT, an alternative trading system. The proceeds from this were allocated to the granting of the loan to the subsidiary UNIDEVELOPMENT SA. The loan was intended for the financing of real estate development projects.

5.9. Financial instruments – risks and adopted financial risk management objectives and methods

FINANCIAL RISK MANAGEMENT

The Group is exposed to different types of financial risk when conducting its business activity: foreign exchange risk, interest rate risk, price risk, credit risk, political risk, and liquidity risk. The Management Board verifies and determines the principles of managing each of the risks stated.

Foreign exchange risk

Within its operating activities, the Group concludes contracts which are (or may be) denominated in foreign currencies. In the scope of revenues from export activities, protection against foreign exchange risk is provided first of all by the natural hedging mechanism consisting of the execution of agreements with subcontractors in the currency of the contract and thus transferring that risk to the subcontractors. Therefore, the level of foreign exchange risk of the company in the case of export contracts is limited to an amount close to the generated margin – this refers to contracts performed in Germany and Belarus. In the case of contracts performed in Norway, the natural hedging mechanism is estimated at a level of about 20%. The natural hedging for contracts performed in the domestic market and denominated in EUR does not exceed 10%.

Derivative financial instruments

The Group concludes derivative transactions to hedge against currency risk. Derivative instruments are measured as at the balance sheet date at a reliably determined fair value. The fair value of derivative instruments is estimated with the application of the model based on - among others - the value of foreign exchange rates (average rates of the National Bank of Poland) as at the balance sheet date and the dif-

ferences in the levels of interest rate for the quote currency and base currency. The periodic measurement of financial instruments is partially recognised in the equity (the internal value of derivative instruments) and partially in the financial revenues or costs of the reporting period (the temporary value of derivative instruments). Profits and losses determined as at the settlement date are shown in the statement of results.

Interest rate risk

Interest rate risk occurs mainly in connection with the use of bank credits, leases, issued bonds and bank deposits by the Group. The aforementioned transactions are based mainly on variable interest rate, which exposes the Group to the risk of change in the results and cash flows. Leases do not have any significant importance for the financing of the Group (it mainly refers to investments of lower value). The Group deposits the financial surpluses as short-term deposits. The deposits are based on fixed interest rates and are usually concluded for the term of 3-7 days. The amount of the interest earned depends on - among other factors - the level of interest rates.

Price risk

The Group is exposed to price risks related to the increase in prices of the most often purchased construction materials, such as steel and concrete. The prices in the agreements concluded with the investors are fixed throughout the term of the contract performance - which usually lasts for 6-36 months - while the agreements with subcontractors are concluded at a later date - according to the progress of individual works. In order to limit the price risk, the Group monitors - on an on-going basis - the prices of the most often purchased construction materials. Additionally, the agreements signed have parameters related to,

among others, the term of the contract and the contractual value - appropriately adjusted to the market situation. Thanks to the dynamically growing scale of the activities, the Group has increasingly growing influence on the reliability of supplies and stability of prices from its regular business partners.

Credit risk

The Group applies the policy of moderate credit involvement with individual financial institutions and therefore it cooperates with different highly-reliable institutions at the same time. In order to secure current liquidity for the future of the Group, the Group has multi-purpose credit and limits in selected banks. The Group also implements real estate development projects by means of special purpose vehicles that are directly financed by financial institutions. The Group is not afraid of loss of access to financing even though financial institutions analyse the financial results of the Group on an on-going basis (every quarter).

Liquidity risk

In order to limit liquidity risk, the Group keeps appropriate amount of cash available and concludes agreements for credit lines which additionally secure

liquidity (e.g. agreements with PKO BP SA, Raiffeisen Bank Polska SA, BZ WBK SA, mBank SA, BGŻ BNP Paribas SA, BGK SA). Furthermore, in order to secure appropriate liquidity in the Group, UNIBEP SA - in July 2016 - issued three-year coupon bonds for a total amount of PLN 30 million. These bonds were introduced for trading using BondSpot, an alternative trading system. Thus, the whole Group had bonds issued as at 31 December 2016 with the total value of PLN 87 million. At present, the value of the bonds equals PLN 67 million. A detailed description of risks and activities aimed at their restriction and minimisation of their effect on the business activities of the Group is presented in the Financial Statements.

The activities undertaken by the Parent Undertaking in the scope of financial risk management are consistent with the activities undertaken at the level of the Capital Group.

5.10. Forecasts of financial results

The UNIBEP Group, as well as UNIBEP SA, did not publish the forecasts of their financial results for 2016.

5.11. Rules of the preparation of financial statements and grounds for publication

This Report of the Management Board on the Operations of the UNIBEP Capital Group in 2016 includes information whose scope was specified in § 91-92 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic reporting by issuers of securities [...] ("Regulation").

The consolidated annual report, with the consolidated financial statements as its part, as well as this Report of the Management Board were drawn up based on § 91 and §92 in connection with point 1 (3) and point 2

of § 82 of the Regulation. The principles of drawing up the annual financial statements were presented in the successive notes to those statements.

Pursuant to § 83 (7) of the Regulation, this report also includes \ disclosures of the information required for the Report on the operations of the Parent Undertaking referred to in § 91 (1) (4) of the Regulation.

6. DESCRIPTION OF MATERIAL EVENTS

6.1. Significant agreements concerning operating activities

1) Conclusion of the agreement for the extension of the Warsaw - Białystok section of national road No. 8 by a Consortium with the participation of UNIBEP SA

On 17 February 2016, the consortium composed of PORR Polska Infrastructure SA (formerly Bilfinger Infrastructure S.A.) with its registered office in Warsaw (the Consortium Leader) and the Issuer (the Consortium Partner) concluded the agreement for the execution of the investment project entitled "Extension of the Warsaw-Białystok section of national road No. 8 to fulfil the parameters of an expressway in the following section: Wyszaków – border of the Podlaskie Voivodeship, section 1b – interchange "Poręba" (without the interchange) – the ring road of Ostrów Mazowiecka from kilometre 529+470.00 to kilometre 545+582.04, with the length of approx. 16.11 km".

The investment project is performed pursuant to FIDIC contract terms and conditions. The Contracting Party is the General Directorate for National Roads and Motorways with its registered office in Warsaw.

The estimated remuneration for the Consortium for the subject matter of the Agreement equals approximately PLN 328.8 million net, and the final value of the remuneration depends on the actually completed scope of the works. The share of the Issuer in the Consortium was determined to be 28.9% of the Contract value, which corresponds to an amount of approximately PLN 95.0 million net.

It was agreed that the subject matter of the Agreement was to be performed within 22 months of the work's commencement date. (CR No. 6/2016)

2) Signing of two agreements for the construction of residential complexes in Warsaw

On 15 March 2016, UNIBEP SA concluded two agreements for the construction of residential complexes in Warsaw in the general contracting system.

The contract was awarded by Dom Development S.A. with its registered office in Warsaw.

The first of the agreements refers to the residential complex of Artystyczny Żoliborz – stages V, VI, VII in Warsaw on Powązkowska Street. The time limit for the completion of the subject matter of the agreement: Q1 2016 – Q3 2017. The remuneration for the completion of the subject matter of the Agreement equals PLN 86.5 million net.

The subject matter of the second of the agreements is the residential complex of Osiedle Saska III in Warsaw on Jana Nowaka Jeziorańskiego Street. The time limit for the completion of the subject matter of the agreement: Q1 2016 – Q3 2017.

The remuneration for the completion of the subject matter of the Agreement equals PLN 84 million net. (CR No. 9/2016)



3) Conclusion of the agreement for the construction of the residential building on Jana Kazimierza Street in Warsaw

On 21 March 2016, UNIBEP S.A. signed an agreement in the general contracting system for the construction of a multi-family residential building with retail space on the ground floor on Jana Kazimierza Street in the Wola District in Warsaw.

The Contracting Party is Dantex-Waryński III spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw (a special purpose vehicle established by the capital groups of Dantex and Waryński). The investment is the third project carried out by the Issuer in the real property located on Jana Kazimierza Street in the Wola District in Warsaw for the aforementioned capital groups.

The time limit for the completion of the investment project: Q1 2016 – Q3 2017. The remuneration for the company for the whole investment project equals PLN 28.1 million net. (CR No. 11/2016)

4) Conclusion of the agreement concerning the acquisition of the real property title by Unibalaton Sp. z o. o.

On 29 March 2016, Unibalaton Sp. z o.o. (a subsidiary company of UNIDEVELOPMENT SA) acquired - from natural persons - the remaining 80% of the title to the real property of area of 0.4543 ha (20% of the Real Property was purchased by the company in 2013) and 100% of the title to the real property of area of 0.1000 ha; both real properties are located in Warsaw, the Praga Południe District on Kapelańów Armii Krajowej

Street ("the Real Property").

The total purchase price for the aforementioned real properties, in which the company holds 100% of the title, equalled PLN 6.5 million gross.

The said Real Property is being developed with the residential investment project called "360° Stage II" with retail space and underground garage. The organisation of the whole investment process is the duty of Uni-development SA.

5) Conclusion of the agreement for the construction of residential and service buildings in Warsaw on Grochowska Street

On 7 April 2016, UNIBEP SA signed an agreement for the construction of residential and service buildings named "Rondo Wiatraczna" on Grochowska Street in Warsaw in the general contracting system.

The Contracting Party is Dantex spółka z ograniczoną odpowiedzialnością Rondo Wiatraczna sp. k. with its registered office in Warsaw, a company belonging to the capital group of Dantex SA with its registered office in Warsaw.

The Agreement should be performed and completed in the term from Q2 2016 to Q1 2018. The Issuer's remuneration for the completion of the subject matter of the Agreement equals PLN 127.5 million net. (CR No. 13/2016)

6) Signing of the understanding concerning the termination of the performance of joint undertaking on real properties located in Warsaw

On 8 April 2016, Unidevelopment SA and Polpain-Putka Sp. z o.o. with its registered office in Warsaw (Polpain-Putka) and two other undertakings related to that entity concluded an Understanding which terminated the Agreement dated 2 July 2014 concerning the performance of the joint undertaking on real properties intended for the construction of housing estates on Przeworska Street in Warsaw.

Until the date of the conclusion of the Understanding, the fulfilment of the provisions of the Agreement had not commenced, in particular in the scope of the establishment of special purpose vehicles whose objectives were to include the completion of individual stages of the Investment Project. At the same time, pursuant to the Understanding, the parties agreed that there were no significant financial settlements arising from the termination of the Agreement. (CR No. 14/2016)

7) Conclusion of the preliminary sale agreement related to the real property in the Stare Miasto District in Poznań

On 28 April 2016, Unidevelopment SA signed a preliminary sale agreement concerning the purchase of the title to the undeveloped real property located in the Stare Miasto District in Poznań of a total area of 1.2416 ha. In connection with the conclusion of the aforementioned agreement, the final agreement was not concluded because on 28 September 2016, Unidevelopment SA signed another preliminary conditional agreement concerning the sale of the said real property. The final sale agreement was to be concluded with a condition precedent stating that the following occurred by 16 January 2017:

a) the plots comprising the real property were correctly divided,

b) the final decision concerning the conditions for construction of the said real property was issued.

The purchase price for the real property equals PLN 13.0 million net. It is planned that the said plot of land will be developed with a residential investment project with retail space and underground garages. The organisation of the whole investment process will be the duty of Unidevelopment SA. After the balance sheet date, i.e. on 16 January 2017, the annex to the aforementioned preliminary agreement was signed. The annex stipulated the prolongation of the deadline for the fulfilment of the condition precedent arising from the Agreement and the deadline for the conclusion of the final agreement concerning the sale of the real property. Pursuant to the aforementioned annex, the final agreement concerning the sale of the real property will be concluded by 15 May 2017. The remaining significant terms and conditions of the agreement were not amended.

8) Conclusion of the agreement for the construction in modular technology of the „Dockside bygg C” project in Tønsberg, Norway

On 13 May 2016, UNIBEP SA obtained the information that the other party signed the agreement - dated 4 May 2016 - for the construction of building in the modular technology in the project entitled “Dockside bygg C” in Tønsberg, Norway.

The contract was awarded by Kaldnes Boligutvikling AS with its registered office at the following address: Rambergveien 10B w 3115 Tønsberg, Norway.

The value of the Agreement equals NOK 32 million net, which is the equivalent of approximately PLN 15 million pursuant to the exchange rate published by the Na-



tional Bank of Poland. The design works were scheduled to start in Q3 2016 and the construction works - in Q1 2017. (CR No. 17/2016)

9) Conclusion of the agreement for the construction of a warehouse building with a production part, office and welfare facilities on Myśliwska Street in Białystok

On 17 May 2016, UNIBEP SA signed an agreement for the construction of a warehouse building with a production part, office and administration facilities at 18 Myśliwska Street in Białystok along with a driveway from Kuronia Street.

The Contracting Party is Rosti Bianor Sp. z o.o. with its registered office in Białystok. The contractual time limit for the performance and completion of the Agreement: 17 May 2016 - 30 November 2016. The remuneration for the completion of the subject matter of the Agreement equals PLN 23.9 million net. (CR No. 18/2016)

10) Conclusion of the agreement for the construction using modular technology for the "Drivhusveien" project in Trondheim, Norway

On 18 May 2016, UNIBEP SA signed the agreement for the construction of buildings using modular technology as part of the "Drivhusveien" project in Trondheim, Norway.

The contract was awarded by Heimdal Bolig AS with its registered office in Heimdal near Trondheim in Norway. The value of the Agreement equals NOK 62.5 million net, which is the equivalent of about PLN 29.6 million. The construction works are scheduled to start in Q1 2017. (CR No. 22/2016)

11) Conclusion of the subcontract for the extension of the Warsaw - Białystok section of national road no. 8, section II - Ring Road of Ostrów Mazowiecka - border of the Podlaskie Voivodeship

On 18 May 2016, UNIBEP SA signed an agreement for the performance - as the subcontractor - of the extension of the Warsaw - Białystok section of national road no. 8 to meet the parameters of an expressway.

The agreement was concluded with Polaqua Sp. z o.o., the general contractor of the Investment Project. The subject matter of the Agreement is to be performed within 22 months of the date of signing the Agreement, with the exclusion of the winter season which is defined for the purposes of the Agreement as the period from 15 December to 15 March. The net remuneration for the completion of the subject matter of the agreement equals PLN 36.4 million net. (CR No. 23/2016)

12) Conclusion of the agreement concerning the construction of the next stage of the residential investment project on Cybernetyki Street in Warsaw

On 31 May 2016, UNIBEP SA signed an agreement for



the construction of the next residential building on Cybernetyki Street in Warsaw in the general contracting system. The contract was awarded by Linaria Sp. z o.o. with its registered office in Warsaw. It was agreed that the Investment Project was to be performed within 16 months of the day of which the Agreement became effective. The remuneration for the completion of the Agreement equals PLN 25.9 million net. (CR No. 25/2016)

On 29 August 2016, the company received the declaration of the Contracting Party which activated the aforementioned agreement (CR No. 36/2016).

13) Conclusion of the agreement for the construction of a residential building on Pereca Street in Warsaw

On 6 June 2016, UNIBEP SA signed an agreement for the construction of a residential building on Pereca Street in Warsaw in the general contracting system.

The contract was awarded by Matexi Polska Pereca Sp. z o.o. with its registered office in Warsaw. The completion date for the Investment Project is scheduled to take place in Q4 2017. The remuneration for the completion of the agreement equals PLN 32.0 million net. (CR No. 27/2016)

14) Conclusion of a package of agreements concerning the implementation of the investment project located on Nowoursynowska Street in Warsaw by UNIBEP SA

On 19 July 2016, UNIBEP SA signed two agreements, i.e., respectively, a contract for construction works in the general contracting system and a cooperation agreement concerning the implementation of the

construction investment project named "Fort Stuzew" located on Nowoursynowska Street in Warsaw.

The Contracting Party is Kamala Sp. z o. o., an entity from the Turret Development Group.

It was agreed that the Construction Contract was to be performed within 25 months of the day when the Construction Contract became effective. The remuneration for the completion of its subject matter equals PLN 122.5 million net. Whereas, the Cooperation Agreement specifies the rules of cooperation in the scope of the future implementation of the construction related to the second stage of the Investment Project within the budget for that stage specified by the Investor and estimated at the level not exceeding PLN 10.5 million net. (CR No. 29/2016)

On 22 August 2016, UNIBEP SA received a notification from the contracting party, Kamala Sp. z o. o., stating that the contract for construction works was to become effective on 24 August 2016. (CR No. 34/2016)

15) Information about the performance of the agreement concerning the performance of construction works by the subsidiary undertaking

On 4 August 2016, the Issuer's subsidiary company trading as Budrex-Kobi Sp. z o.o. concluded - with Polaqua Sp. z o.o. - an annex to the agreement dated 19 April 2016 concerning the performance of the construction works as a subcontractor whereby the scope of the Subcontractor's works was extended. In connection with the expansion of the scope of the works, the remuneration for the completion of the Agreement was also increased from the amount of approximately PLN 15 million net to the amount of approximately PLN 25 million net, i.e. approximately PLN 30 million gross.

The Contracting Party for the aforementioned project is the General Directorate for National Roads and Motorways - Białystok Branch. Pursuant to the schedule, it was agreed that the works covered by the Agreement, including also the works introduced pursuant to the Annex, were to be completed in the period Q2 2016 - Q2 2017. (CR No. 30/2016)

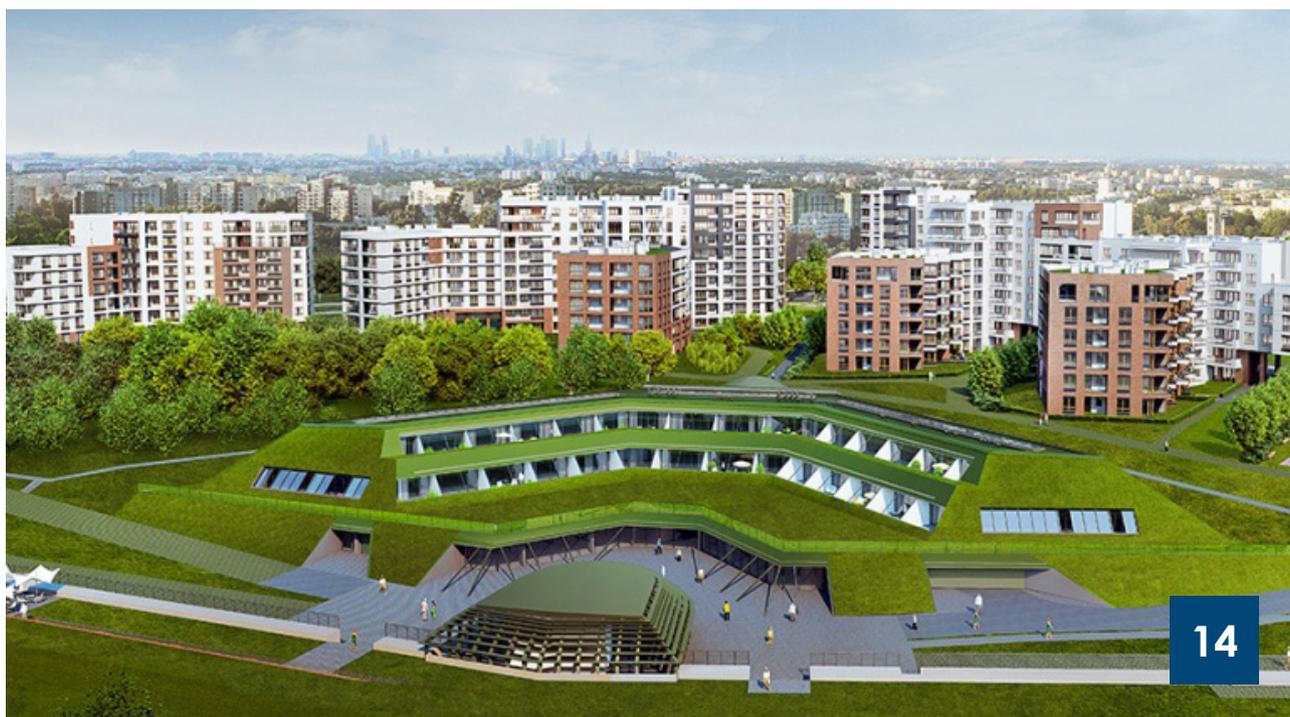
16) Increase in the purchase price of the perpetual usufruct of the real property located on Bitwy Warszawskiej 1920 Street in Warsaw

On 23 August 2016, the Issuer informed that the price of the real property due and payable to the selling party would be adjusted through its increase by the amount of PLN 4.4 million net, which gives the total amount for the purchase of the aforementioned real property equal to PLN 26.4 million net, pursuant to the provisions of the agreement concerning the purchase of perpetual usufruct of the real property located on Bitwy Warszawskiej 1920 Street in Warsaw dated 21 December 2015 concluded by and between subsidiary undertaking Szczęśliwicka Sp. z o.o. and Orbis SA, in connection with the occurrence of the circumstances specified in that agreement. (CR No. 35/2016)

17) Conclusion of the agreement for the completion of the next stage of the residential investment project on Jana Kazimierza Street in Warsaw

On 5 September 2016, UNIBEP SA signed an agreement for the construction of the next residential building in the general contracting system on Jana Kazimierza Street in the Wola district in Warsaw.

The Contracting Party is Dantex – Waryński III spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw. The Issuer's remuneration for the completion of the Agreement equals PLN 19.5 million





net. The time limit for the completion of the investment project: Q3 2016 - Q1 2018 (CR No. 37/2016)

18) Conclusion of the agreement for the construction using modular technology of the “Dockside bygg D” project in Tønsberg, Norway

On 23 September 2016, UNIBEP SA obtained information that the other party had signed the agreement for the construction of building in modular technology under the project entitled “Dockside bygg D” in Tønsberg in Norway.

The Contracting Party is Selvaag Bolig Vestfold AS with its registered office in Tønsberg in Norway. The value of the Agreement equals NOK 33.7 million net, which is the equivalent of about PLN 15.8 million. The design works were scheduled to start in Q3 2016, and the construction works were to commence in Q2 2017, with the completion of the works scheduled to take place in Q4 2017. (CR No. 39/2016)

19) Conclusion of the agreement for the construction of the residential investment project on Dzielna/Pawia Street in Warsaw

On 6 October 2016, UNIBEP SA signed an agreement for the construction of the residential building on Dziel-

na/Pawia Street in Warsaw in the general contracting system.

The Contracting Party is Ochnik Development AD Sp. z o.o. with its registered office in Warsaw. The Issuer’s remuneration for the completion of the Agreement is a lump sum and equals PLN 37.99 million net. The deadline for the completion of the investment project: within 18 months of the date of handing over the construction site to the Contractor. (CR No. 40/2016)

20) Conclusion of the cooperation agreement in the scope of production of modular structures

On 18 October 2016, UNIBEP SA obtained the information about the other party, that being Cramo PLC with its registered office in Finland, signing the cooperation agreement in the scope of sales and delivery of modular structures produced based on the Contracting Party’s documentation.

The subject matter of the agreement is the completion of the workshop documentation and the production of modules in CRAMO technology intended for the construction of public utility buildings implemented in accordance with the received orders in the term of the three years after its conclusion. Pursuant to the agreement, Unibep SA undertook to produce the mi-

nimum amount of modules in each calendar year, i.e. 400 modules in 2017, and 750 modules in 2018 and 2019.

The estimated total value of the contract equals PLN 139.33 million net. The agreement shall be effective until 31 December 2019. (CR No. 41/2016)

21) Conclusion of the agreement for the construction of the service building on Pawia Street in Warsaw

On 2 November 2016, UNIBEP SA signed another agreement with an entity from the Ochnik Group and thus broadened our cooperation in terms of the performance of construction works for the aforementioned Group with the implementation of another construction project. The subject matter of the agreement is the construction of the service building on Pawia Street in Warsaw in the general contracting system.

The Contracting Party is Ochnik Development MA Sp. z o.o. with its registered office in Warsaw. The remuneration for the completion of the Agreement is a lump sum and equals PLN 12.08 million net. It was agreed that the Investment Project was to be performed within 14 months of the date of handing over the construction site to the Contractor. (CR No. 42/2016)

22) Conclusion of the preliminary purchase agreement concerning the real property in the Nowe Miasto District in Poznań

On 23 November 2016, Unidevelopment SA signed a preliminary purchase agreement concerning the land property in Poznań of a total area of about 2 ha for PLN 9.5 million. The final sale agreement is to be concluded by 15 June 2017, but not earlier than on 18 February 2017. It is planned that the said plot will be developed with a residential investment project with retail space and underground garages. The real property provides for the possibility of constructing around 400 flats. The organisation of the whole investment process will be the duty of Monday Development which belongs to the Unidevelopment capital group.

23) Conclusion of the agreements for the construction of buildings using modular technology in Norway

On 6 December 2016, UNIBEP SA signed two separate agreements for the construction of buildings using modular technology with entities belonging to the Selvaag Bolig Capital Group as part of the project named Bispelua Hus A-H in Oslo in Norway (the Contract I) and the project named Lørenskog Stasjonsby B1-8 Unnarenet in Lørenskog in Norway (the Contract II).

The Contracting Party in the Contract I is Selvaag Bolig Bispelua KS with its registered office in Oslo in Norway. The value of Contract I equals approximately NOK 69.8 million net, which is the equivalent of approximately PLN 34.9 million net. While for Contract II, the Contracting Party is Selvaag Bolig Stasjonsby I AS with its registered office in Oslo in Norway. The value of the Contract II equals approximately NOK 57.1 million net, which is the equivalent of approximately PLN 28.6 million net. (CR No. 45/2016)

24) Conclusion of the agreement concerning the acquisition of 100% of shares in a limited liability company by UNIDEVELOPMENT SA

On 8 December 2016, UNIDEVELOPMENT SA signed an agreement concerning the acquisition of 100% of shares in MPB Marywilka spółka z ograniczoną odpowiedzialnością, a limited liability company with its registered office in Warsaw ("the company"), for a price equal to PLN 13.5 million.

The company is a perpetual usufructuary of the undeveloped property located at 58 Marywilka Street in Warsaw, an area of approximately 13 thousand m². It is planned that the said plot of land will be developed with a residential investment project with retail space and underground garage. UNIDEVELOPMENT SA estimates that the real property provides for the possibility of constructing around 300 flats. The organisation of the whole investment process will be the duty of UNIDEVELOPMENT SA.





25) Conclusion of the agreement concerning the purchase of real property

On 12 December 2016, Unidevelopment SA signed a sale agreement and a preliminary sale agreement concerning the acquisition of the real property located in Poznań (the Gołęcin District) of total area of about 0.32 ha, for the total amount of PLN 4.75 million net.

The final sale agreement is to be concluded by 31 August 2017. It is planned that the said real property will be developed with a residential investment project with retail space and underground garages. Unidevelopment SA estimates that the real property provides for the possibility of constructing about 75 flats. The organisation of the whole investment process will be the duty of Monday Development SA which belongs to the Unidevelopment capital group.

26) Conclusion of the agreement for the construction of the shopping centre in Grodno in the Republic of Belarus by UNIBEP

In relation to current report no. 16/2015 dated 14 April 2015 concerning the conclusion - with Trinit Invest Sp. z o.o. with its registered office in Grodno - of the agreement for the construction of the shopping centre in Grodno in the Republic of Belarus, and current report no. 39/2015 from 7 July 2015 concerning the commencement of a part of the works under the aforementioned contract, the Management Board of UNIBEP S.A. informed that it obtained information concerning the conclusion of a credit agreement by the Contracting Party on 14 December 2016. This concerns funding of the construction of the investment project covered by the Agreement – according to

the information obtained, the credit was granted by a Polish bank with insurance from KUKE S.A. (CR No. 46/2016)

After the end of the reporting period, on 10 February 2017, the next annex to the aforementioned agreement was concluded which provided in particular for the amendment to the scope of covered works, for the amendment to the circumstances of the Agreement becoming effective (the agreement became effective on 15 February 2017), and for the determination that the date of completion of the works covered by the agreement is set at the end of August 2018 (CR No. 12/2017).

27) Conclusion of the agreement for the construction of the residential investment project on Motorowa Street in Warsaw

On 28 December 2016, UNIBEP SA signed an agreement for the construction of the residential investment project on Motorowa Street in Warsaw in the general contracting system. The contract was awarded by Dom Development SA with its registered office in Warsaw. The date of commencing the performance of stage I of the Investment project was scheduled to take place in Q1 2017, stage II A of the Investment project - in Q2 2017, and the performance of stage II B of the Investment project was scheduled to start in Q3 2017, with the reservation that the performance of the works under stage II B is to commence after obtaining an order to commence the works given by the Contracting Party. The remuneration for the performance of all stages of the Investment project is a lump sum and equals PLN 110.3 million net. (CR No. 47/2016)

6.2. Significant transactions with related entities

In the period covered by this report, UNIBEP S.A. and its subsidiaries concluded agreements in accordance with the arm's length principle and thus they were no different from other transactions of that type in the market.

Notwithstanding the above, the following list presents the major agreements entered into between the related entities within the Group:

1) Conclusion of the agreement on the subscription of shares in Monday Development S.A. by Unidevelopment SA

The Issuer's subsidiary, i.e. Unidevelopment S.A. with its registered office in Warsaw, and Monday Development S.A. with its registered office in Poznań concluded - on 5 January 2016 - an agreement on the subscription of series C ordinary bearer shares; pursuant to the agreement that Unidevelopment S.A. subscribed to 10,000,000 series C ordinary shares in the increased share capital of Monday Development at the value of PLN 0.14 per each share.

Monday Development S.A. is a real estate development company that has been successfully carrying out residential, office and land investment projects in Poznań and its surroundings. (CR No. 1/2016)

2) Conclusion of the annex to the agreement for the construction of the URSA - Smart City housing estate in Warsaw

On 21 March 2016, UNIBEP SA and the Smart City company concluded an annex to the agreement for the performance of construction works in the general contracting system; pursuant to that annex, the Contracting Party ordered UNIBEP S.A. to execute the second stage of the construction of the housing estate named URSA – Smart City. The company informed that the Agreement had been concluded in current report No. 50/2015.

The deadline for the completion of the second stage was set in the second quarter of 2017. Pursuant to the Annex, the value of the net remuneration for the performance of works for each stage of works was amended and the remuneration for the completion of the 1st stage of the Investment equals at present PLN 35.7 million, and the remuneration for the completion of the 2nd stage was agreed to be PLN 31.9 million. (CR No. 10/2016)

3) Sale of the project of Wola House

On 12 May 2016, the following subsidiary companies: Unidevelopment SA, UNIDE Fundusz Inwestycyjny Za-





mknięty Aktywów Niepublicznych and Wola House Sp. z o.o. (Wola House) concluded - with MURAPOL Projekt Sp. z o.o. PP Sp. k. - an agreement concerning the sale of all shares in the company trading as Wola House ("Agreement") together with the subrogation of the obligations of Wola House.

Wola House is a perpetual usufructuary of the plot of land of area equal to about 0.56 ha located on Al. Prymasa Tysiąclecia Street in Warsaw ("Real Property"). Originally, Wola house was to carry out – independently - the investment project comprising an office building on the Real Property. By the date of concluding the Agreement, the construction works under the project had not been commenced. Given the fact that the performance of the aforementioned investment project departs from the current concept of development of the real estate development activities pursued by the UNIBEP Capital Group in the Warsaw market, the decision was made that the performance of the said investment project should be given up and the shares in Wola House sold to an entity that does not belong to the UNIBEP Capital Group. (CR No. 16/2016)

4) Granting of sureties for the obligations of indirect subsidiary

On 23 May 2016, the Issuer and an indirect subsidiary trading as Unigo Sp. z o.o. concluded - with Bank PEKAO SA - a conditional surety agreement pursuant to which the Issuer granted irrevocable sureties for the obligations of Unigo arising from the agreement concluded by this entity in February 2016 pursuant to which the Bank granted Unigo credit in PLN with the repayment term by June 2018 (CR No. 24/2016).

5) Conclusion of the loan agreement by UNIDEVELOPMENT SA with the parent undertaking

On 20 July 2016, Unidevelopment SA signed a loan agreement, where the Lender is UNIBEP SA (the entity holding 97.63% of shares in Unidevelopment SA) and the loan value equals PLN 30 million with the repayment term ending on 30 June 2019.

The funds from the loan are intended for the increase in the working capital of the UNIDEVELOPMENT Group which is to be used for the financing of projects, purchase of new land and re-financing of current debt.

6) Conclusion of the agreement for the construction of the residential investment project in Warsaw on Szczęśliwicka/Bitwy Warszawskiej 1920 Street

On 11 August 2016, UNIBEP SA concluded an agreement for the construction of a multi-family residential building in the general contracting system.

The Contracting Party is Szczęśliwicka Sp. z o.o. with its registered office in Warsaw, which belongs to the Issuer's capital group and is a subsidiary of Unidevelopment SA. The commencement date for the investment is scheduled to take place in Q3 2016 and end in Q1 2018. The remuneration for the completion of the subject matter of the aforementioned Agreement is a lump sum and equals approximately PLN 70 million net. (CR No. 32/2016)

7) Conclusion of the agreement for the completion of the next stage of the residential investment project on Kapelańów AK Street in Warsaw

On 17 August 2016, UNIBEP SA signed the agreement

for the construction of the next stage of the residential investment project on Kapelanów AK Street in Warsaw in the general contracting system.

The Contracting Party is Unibalaton Sp. z o.o. with its registered office in Warsaw, which belongs to the Issuer's capital group and is a subsidiary of Unidevelopment SA. The commencement date for the Investment is scheduled to take place in Q3 2016 and end in Q1 2018.

The remuneration for the completion of the subject matter of the aforementioned Agreement is a lump sum and equals PLN 28.68 million net. (CR No. 33/2016)

8) Agreement concerning the withdrawal of cash assets from Monday Sołacz sp. z o.o. with its registered office in Poznań by some shareholders

On 24 August 2016, Unidevelopment SA, Monday Sołacz Sp. z o.o. with its registered office in Poznań, Monday Development SA (subsidiary of Unidevelopment SA and a shareholder in Monday Sołacz Sp. z o.o.) and other shareholders in Monday Sołacz Sp. z o.o. being natural persons concluded an agreement ("the Agreement").

The said Agreement was concluded in connection with the decision that the shareholders being natural persons ("the Shareholders") withdraw - from Sołacz Sp. z o.o. ("the company") - all cash assets previously paid to the company by them through the re-

demption of shares held by those shareholders in the company.

9) Conclusion of the agreement for the construction using modular technology of the "EnergiParken" project in Melhus, Norway

On 10 November 2016, UNIBEP SA signed an agreement for the construction of six buildings using modular technology within the investment named EnergiParken in Melhus in Norway.

The Contracting Party is Løvsetvegen 4 AS with its registered office in Ranheim in Norway that is a wholly owned subsidiary of Seljedalen AS, of which Unibep SA possesses 50% of the shares. The value of the Agreement equals approximately NOK 90 million net, which is the equivalent of approximately PLN 43 million net. The Investment project is to be performed in 3 stages. The design works and construction works under stage I were scheduled to start in Q4 2016 and their completion was scheduled to take place in Q4 2017. The deadlines for the completion of the next stages depend on the results of sales of flats, and the completion of the whole project was scheduled to take place in Q2 2018. (CR No. 44/2016)

The information about the transactions with related entities is also included in the Consolidated Financial Statements in Note 6.32.

6.3. Significant financial agreements

1) Conclusion of the credit agreement by Unigo Sp. z o.o.

On 22 February 2016, Unigo Sp. z o.o. (a subsidiary of UNIDEVELOPMENT SA) signed - with Bank Polska Kasa Opieki SA - a credit agreement for the financing of the construction - by the company - of the GAMA residential investment project located on Kondratowicza Street in Warsaw. Under the aforementioned agreement, the Bank granted the company credit up to the amount of PLN 55.04 million for the term ending on 30 June 2018 for financing or refinancing the net costs of the project, and credit up to the amount of PLN 2.5 million for financing the VAT arising from the aforementioned costs which will be repaid on an on-going basis from VAT refunds, with the repayment term ending on 31 December 2017. The financial terms and conditions applicable to the use of the granted credit by Unigo Sp. z o.o. are not different from the terms and conditions generally applied to such type of agreements.

2) Conclusion of the credit agreement by a subsidiary for the completion of the real estate development project located on Bitwy Warszawskiej 1920 Street in Warsaw

On 8 August 2016, Szczęśliwicka Sp. z o.o., a special purpose vehicle and subsidiary that belongs to the Issuer's capital group, concluded the credit agreement with Bank Zachodni WBK SA. Pursuant to the agreement, the Bank granted Szczęśliwicka Sp. z o.o. non-revolving construction credit for the maximum amount of approximately PLN 89 million, and revolving VAT credit for the maximum amount of PLN 5 million. (CR No. 31/2016)

3) Conclusion of the credit agreement by a subsidiary for the completion of the real estate development project located on Kapelanów AK Street in Warsaw

On 15 September 2016, Unibalaton Sp. z o. o., a company with its registered office in Warsaw with UNIDEVELOPMENT SA (a company from the Unibep Capital Group) as its sole shareholder, concluded - with Bank Zachodni S.A. - a credit agreement under which the Bank granted Unibalaton non-revolving construction credit for the maximum amount of PLN 31.82 million and evolving VAT credit for the amount of PLN 2 million.

Developer's Credit was granted to Unibalaton for

the financing or refinancing of up to 70% of the costs arising from the real estate development project named "Osiedle 360° Stage II", located on Kapelanów AK Street in Warsaw. Whereas, the VAT credit was granted for paying or refinancing of the VAT arising from the costs of the aforementioned project and for paying - to the tax office - of the VAT due in connection with the payments made by the buyers on account of the selling price pursuant to preliminary sale agreements. (CR No. 38/2016)

In 2016, there were no financial agreements in the Parent Undertaking and the Capital Group which were

terminated as a result of a notice served by any of the parties.

The remaining significant financial agreements are presented in point 5.6 Information on credits, loans, guarantees and sureties.

The interest rate applicable to the aforementioned credits consists of the base value increased by the margin being the lender's remuneration which is each time agreed pursuant to arm's length principle.

6.4. Other significant events

1) Commencement of the construction of the residential building on Woronicza Street in Warsaw

On 13 January 2016, the Issuer received the statement dated 7 January 2016 from the Contracting Party, i.e. W33 Sp. z o.o. with its registered office in Warsaw, whereby the Contracting Party orders the Issuer to start work regarding the construction of the residential building on Woronicza Street in Warsaw. (CR No. 2/2016)

2) Commencement of the construction of the second stage of the housing estate on Łokuciewskiego Street in Warsaw

On 29 January 2016, the Issuer received the statement dated 26 January 2016 from BEMOWO PARK Sp. z o.o., whereby it orders the Issuer to start work regarding the construction of the second stage of the housing estate on Łokuciewskiego Street in Warsaw. (CR No. 4/2016)

3) Update of the information on the construction of the residential building on Siedmiogrodzka Street in Warsaw

On 9 March 2016, there was a change of the contracting party for the investment project comprising the residential building on Siedmiogrodzka Street in Warsaw constructed for OKAM INCITY Sp. z o.o. S.K.A. At present, the Contracting Party is OKAM 2016 sp. o.o. (CR No. 7/2016)

4) Appointment of the Management Board for the Second Term of Office in Unidevelopment SA, including the extension of the composition of the Management Board

On 8 April 2016, the Supervisory Board of Unidevelopment SA adopted a Resolution on the extension of the composition of the Management Board of Unidevelopment SA beginning from the end of the first term of office of the Management Board of the company; the said Board is to be composed of the President of the Management Board, the Deputy President of the Management Board, and the Member of the Mana-

gement Board.

Furthermore, on 8 April 2016, the Supervisory Board adopted the Resolutions that appointed Mr Zbigniew Tadeusz Gościcki as the President of the Management Board, Mr Mirosław Szczepański as the Deputy President of the Management Board, and Mr Mariusz Przy-stupa as the Member of the Management Board of the Issuer for the Second Term of Office. The term of holding all the aforementioned functions in the Issuer's Management Board for the Second Term of Office lasts three (3) years and begins on 22 May 2016.

5) Extension of the composition of the Supervisory Board in Unidevelopment SA

On 31 May 2016, the Annual General Meeting of Shareholders of UNIDEVELOPMENT SA adopted Resolution No. 19 on the appointment of a 5-person composition of the Supervisory Board, and then - pursuant to Resolution No. 20 - decided to supplement the composition of the Supervisory Board and agreed on the election of one person to the Supervisory Board. Pursuant to Resolution No. 21, the Annual General Meeting of Shareholders of UNIDEVELOPMENT SA appointed - on 6 August 2016 - Mr Artur Lebidziński as the Member of the Supervisory Board for his second term of office.

6) A week for Safety

The Safety Week organised by the Agreement for Construction Safety commenced on 25 April 2016 on all Unibep SA construction sites. Its primary purpose is to promote safety and raise awareness of safety in daily work.

Since 2015, Unibep SA has belonged to the Agreement for Construction Safety. It is an association of the 13 largest general contractors in Poland. Their shared objective is "zero accidents on construction sites".

7) Among the biggest construction companies

The Unibep Group has been placed among the ten

biggest construction companies operating in Poland. A report on the construction sector - current condition and predictions of growth - was published by Deloitte. The publication was available from mid-2016.

In its comprehensive report, Deloitte experts analysed the biggest companies of the construction sector in Poland in terms of both financial ratios and prospects of market growth. The Unibep Group was ranked 10th in terms of revenues for 2015.

8) New hall in Unihouse

On 7 October 2016, a small opening ceremony was held for the recently constructed hall in Unihouse. It will enable the Factory of Modular Houses in Bielsk Podlaski to increase its existing production by more than 200 modules.

The hall was constructed very quickly and it is located between two existing buildings. It is 10-metre high and the total area of the combined halls now equals 1900 sq m. Work in this new place will be performed in two shifts - a total of 40 people will work there, this is 20 employees more than thus far. The new part of the hall is equipped with, for example, two cranes with weighing capacities of 6.3 t.

Plans for the further expansion of Unihouse already exist, but they are planned for future years.

9) Joined forces for safety

On 29 November 2016, 17 companies based in the Podlaskie Voivodeship, including Unibep SA and Budrex-Kobi Sp. z o.o., a company which belongs to the Unibep Group, signed an agreement for construction safety in the Podlaskie Voivodeship. The primary objective is to increase the level of safety on construction sites in the voivodeship. UNIBEP wishes to share the knowledge it has acquired under the Agreement for Construction Safety with other companies operating throughout the Podlaskie Voivodeship.

Apart from the agreements described in this Report, the companies from the UNIBEP Group did not conclude any significant cooperation or insurance agreements.

6.5. Events and agreements concluded after the balance sheet date

1) Conclusion of the agreement for the construction using modular technology for the "Sandbakk-tunet" project in Heimdal, Norway

On 19 January 2017, UNIBEP SA signed an agreement for the construction of five buildings using modular technology within the investment named "Sandbakk-tunet" in Heimdal, Norway.

The contract was awarded by Sandbakkvegen Utbyggingsselskap AS with its registered office in Ranheim in Norway.

The value of the Agreement equals approximately NOK 48.8 million net, which is the equivalent of approximately PLN 23.6 million net. The design works were scheduled to start in Q1 2017 and the construction works are scheduled to end in Q1 2018 (CR No. 2/2017).

2) Redemption of shares by UNIBEP SA

On 7 February 2016, UNIBEP SA purchased 1,000,000 of its own shares for the total price of PLN 10,720,000 pursuant to Resolution No. 1 of the Management Board of the company dated 20 January 2017 on the redemption of shares for the purpose of their cancellation, and Resolution No. 20 of the Annual General

Meeting of UNIBEP SA dated 18 May 2018 on the establishment and use of the reserve capital. The total nominal value of the shares acquired equals PLN 100,000 and constitutes 2.85% in the initial capital of the company. The shares redeemed by the Issuer corresponds to 1,000,000 votes at the general meeting of the company. The aforementioned redemption process was described in current reports Nos. 3/2017, 4/2017, 5/2017 and 10/2017.

3) Update on information about the conclusion of the construction agreement for a tennis centre in Minsk in the Republic of Belarus by UNIBEP

On 23 January 2017, UNIBEP received information from one of the Polish banks that financing with KUKE S.A. insurance was granted on 20 January 2017 for the implementation of the construction works in the scope of a cultural and sports centre in Minsk. The Investor is "Akwa-Mińsk", a municipal company with its registered office in Minsk. The information about the conclusion of the agreement between UNIBEP SA and the investor was included in current report No. 46/2015 dated 13 August 2015. (CR Np. 6/2017)

On 23 February 2017, the bank granting the financing submitted the information that the technical conditions for credit disbursement had been fulfilled on

that day. Thus, on 23 February 2017, the aforementioned agreement became effective between the Issuer and the Contracting Party in the scope of the construction works comprising the second part of the subject matter of the Agreement. (CR No. 15/2017)

4) Conclusion of the guarantee line agreement by UNIBEP SA

On 24 January 2017, the Issuer and Zurich Insurance plc Niederlassung für Deutschland, an insurance company with its registered office in Frankfurt am Main (the Guarantor) concluded the guarantee line agreement ("Agreement") whose subject matter is the opening of a revolving guarantee limit for the Issuer up to the amount of EUR 15 million, which is the equivalent of approximately PLN 65.6 million. (CR No. 7/2017)

5) Conclusion of the agreement for the construction using modular technology of the „Skene” project in Sweden

On 27 January 2017, UNIBEP SA signed an agreement for the construction of a building using modular technology within the investment named "Skene" in Ske-ne, Marks Kommun in Sweden.

The contract was awarded by Tuve Bygg AB with its registered office in Molndal in Sweden. The value of the Agreement equals approximately SEK 10.7 million net, which is the equivalent of approximately PLN 4.9 million net. The design works were scheduled to start in Q1 2017. The production of modules and the construction works commence after the Contracting Party confirms in writing the commencement of the works, which was planned by the Parties for Q2 2017, and the end is scheduled to occur in Q1 2018. It is the first general contracting agreement performed in the Swedish market. (CR No. 8/2017)

6) Conclusion of the contract for the construction and extension of regional road No. 673 in the section of Dąbrowa Białostocka – Sokółka by a Consortium with UNIBEP as the Contract Leader

On 17 February 2017, the Consortium of UNIBEP SA (the Consortium Leader) and Most Sp. z o.o. with its registered office in Sopot (the Consortium Member) signed an agreement for the performance of the investment project named "Construction and extension of regional road No. 673 together with road structures and necessary technical infrastructure in the section of Dąbrowa Białostocka – Sokółka, together with by-passes of towns".

The contract was awarded by the Regional Road Administration of the Podlaskie Voivodeship in Białystok. The remuneration for the Consortium for the performance and completion of the subject matter of the agreement equals approximately PLN 67.4 million net, and the Issuer's share in the Consortium was determined as 92.86%, which corresponds to an amount of approximately PLN 62.5 million net. The completion of the Investment Project is scheduled in Q3 2018 (CR No.

13/2017)

7) Conclusion of conditional agreement by CPD SA and its subsidiary undertakings

On 22 February 2017, UNIBEP SA signed an investment agreement concerning a joint construction undertaking consisting of the construction - together with the entities belonging to the CPD Capital Group - of a complex of multi-family buildings with retail space and auxiliary infrastructure in the Ursus District in Warsaw.

The agreement was concluded by and between companies from the CPD Capital Group, i.e. CPD SA with its registered office in Warsaw, Challenge Eighteen Sp. z o.o. with its registered office in Warsaw (Challenge Eighteen), 4/113 Gaston Investments Sp. z o.o. S.K. with its registered office in Warsaw (Gaston Investments, Spółka Komandytowa), Lokia Enterprise Ltd with its registered office in Nicosia Cyprus)) (Lokia Enterprise), as one of the parties, and UNIBEP SA with its registered office in Bielsk Podlaski, and the subsidiary undertaking, UNIDEVELOPMENT SA with its registered office in Warsaw, as another of the parties.

Whether the said agreement becomes effective depends on the factors described in the current report. The undertaking is the next investment project constructed together with the companies belonging to the CPD Capital Group. At present, the company is carrying out the construction works in the general contracting system aimed at the construction of the URSA-Smart City housing estate on Hennela Street in Warsaw. (CR No. 14/2017)

On 1 March 2017, the first condition required for the aforementioned investment agreement to become effective was fulfilled as the parties agreed (approved) all appendices to the Agreement. (CR No. 17/2017)

8) Conclusion of the master agreement for the construction of modular flats in the Swedish market

On 2 March 2017, UNIBEP SA obtained the information that the other party had signed the master agreement for the construction of modular flats in renewed competition mode.

The contract was awarded by AB Botkyrkabyggen with its registered office in Tumba in Sweden. The subject matter of the master agreement is the turnkey construction of a total of 375 flats in one- and two-storey buildings in the commune of Botkyrka in Sweden. The investment project is to be carried out in accordance with the tender specification of the program entitled "Modular Flats - 2017" and ABT 06 - the construction standard effective in Sweden. The estimated total value of the Investment Project equals approximately PLN 112 million net.

The agreement is one of three master agreements concerning the aforementioned Investment Project signed by the Contracting Party in renewed compe-

tion mode, which means that the Contracting Party assigns the order through an invitation to submit a tender, for the specified tasks only, to three providers contracted pursuant to master agreements. The tenders will be assessed in accordance with the criterion of the lowest price or the most advantageous and cost-effective tenders, with the reservation that the maximum prices were determined in the master agreement. Under the aforementioned program it is planned that 125 flats are constructed per year. The master agreement is effective until 5 February 2020. (CR No. 18/2017)

9) Conclusion of the agreement for the construction of the residential investment project on Branickiego Street in Warsaw

On 7 March 2017, UNIBEP SA signed an agreement for the construction of the residential investment project (the Investment Project) on A. Branickiego Street in Warsaw in the general contracting system.

The Contracting Party is Śródmieście Wilanów Sp. z o.o. with its registered office in Gdynia, an entity belonging to the POLNORD Group. The commencement date for the Investment is scheduled to take place in Q3 2017 and end in Q1 2018. The remuneration for the completion of the subject matter of the aforementioned Agreement is a lump sum and equals approximately PLN 22.3 million net. (CR No. 19/2017)

10) Redemption of series A bonds by Unidevelopment SA

On 7 March 2017, Unidevelopment SA - via the agency of Krajowy Depozyt Papierów Wartościowych S.A. [National Depository for Securities] redeemed series A bonds of a total nominal value of PLN 20 million, and thus Krajowy Depozyt Papierów Wartościowych S.A. deregistered the redeemed securities from the participants' accounts.

As a result of redeeming the aforementioned bonds, Unidevelopment SA ceased to be subject to reporting obligations on 8 March 2017.

11) Change of the share in the total number of votes at the General Meeting of Shareholders of Monday Development SA.

As a result of the sale of 350,000 (three hundred and fifty thousand) shares of Monday Development SA, with its registered office in Poznań (the company), on 10 March 2017 in an over-the-counter transaction, the share of Unidevelopment SA (the Shareholder) in the total number of votes in the company dropped below 90%.

Before the completion of the transaction, the Shareholder held 10,000,000 shares of the company constituting 92.691% of the initial capital and giving the right to exercise 10,000,000 votes at the general meeting of the shareholders of the company, and providing a share equal to 92.691% in the total number of votes at the general meeting of the shareholders of the company.

After the completion of the transaction, the Shareholder holds 9,650,000 shares of the company constituting 89.447% of the initial capital and giving the right to exercise 9,650,000 votes at the general meeting of the shareholders of the company, and providing a share equal to 89.447% in the total number of votes at the general meeting of the shareholders of the company.

The Shareholder's subsidiary undertaking, Monday Development SA, holds 50,000 shares of the company constituting 0.463% of the initial capital and giving the right to exercise 50,000 votes at the general meeting of the shareholders of the company, and providing a share equal to 0.463% in the total number of votes at the general meeting of the shareholders of the company.

The Shareholder and the Shareholder's subsidiary undertaking, Monday Development SA, hold at present a total of 9,700,000 shares of the company constituting 89.911% of the initial capital and giving the right to exercise 9,700,000 votes at the general meeting of the shareholders of the company, and providing a share equal to 89.911% in the total number of votes at the general meeting of the shareholders of the company.

7. STATEMENT ON COMPLIANCE WITH CORPORATE GOVERNANCE RULES BY UNIBEP SA IN 2016

7.1. Description of the applied corporate governance rules

In 2016, the company applied the corporate governance practice entitled „Best Practice for GPW Listed Companies 2016” adopted by the Exchange Board pursuant to the resolution dated 13 October 2015 and effective from 1 January 2016.

In connection with the fact that the aforementioned corporate governance code became effective, the company published a statement regarding the status of the application by the company of the recommendations and rules included in that code. The content of that statement is available on the corporate website of the company, www.unibep.pl (in the Investor Zone section).

The complete text of the applicable corporate governance rules, included in the aforementioned documents, is available on a dedicated web page devoted to corporate governance rules on the Warsaw Stock Exchange (GPW from Polish *Giełda Papierów Wartościowych*) at https://www.gpw.pl/lad_korporacyjny_na_gpw.

The company provides all shareholders with the same access to information about the company, in particular through publishing current and periodic reports which are then made available on the corporate website. The Management Board of the company continuously undertakes activities aimed at ensuring

equal and full access to the information about the condition of and events in the company for all investors.



7.2. Corporate governance rules waived by the issuer

According to the current status of application of the Best Practice, the company does not apply 1 recommendation: IV.R.2, and 4 detailed rules: I.Z.1.20., I.Z.2., II.Z.8., IV.Z.2.

IV. GENERAL MEETING AND SHAREHOLDER RELATIONS

Recommendations

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1. real-life broadcast of the general meeting,
2. real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
3. exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The company does not apply the rule given the insufficient technical capacities in the scope of serving the general meeting in a manner guaranteeing the technical and legal safety of real-time bilateral communication, of which also because of insufficiently widespread practice in that scope among the GPW listed companies. Furthermore, the Articles of the company and the Rules of the General Shareholders Meeting do not provide for the possibility of participating in a General Meeting using electronic communication means. At the same time, in the opinion of the company, the fulfilment of the reporting obligations, i.e. publishing relevant current reports and publishing relevant information on its corporate website, ensures the shareholders have access to all of the most important information concerning the General Meetings organised by the company. The company does not exclude the application of this rule in the future.

I. DISCLOSURE POLICY AND INVESTOR COMMUNICATIONS

I.Z.1.20. an audio or video recording of a general meeting.

The company is of the opinion that the existing manner of informing the stakeholders about the course of the general meeting (publishing the content of the adopted resolutions and information about the votes "against", etc.) ensures transparency of the activities

of the company and protects the shareholders' rights. The company also informs that when the shareholders become interested in an audio/video recording of the course of the AGM, the Management Board of the company will consider the undertaking of activities aimed at the application of that rule.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The company's shares do not participate in the exchange index WIG20 or mWIG40. Also the structure of the shareholders of the company does not require the application of that rule. The company conducts activities in foreign markets, however, the main area of its activities covers the domestic market at present. Bearing in mind foreign business partners, the company provides the corporate website in an English version, which reflects the Polish version, however in the scope which is not complete as required pursuant to I.Z.1. principle. The company is of the opinion that the scope of the information translated by the company is sufficient.

II. MANAGEMENT BOARD AND SUPERVISORY BOARD

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

Pursuant to the Rules of the Supervisory Board of the company, the audit committee consists of three to five members. An independent member should have the qualifications and experience in the scope of accounting and finance. The chair of the audit committee can be assumed by a person fulfilling the independence criteria listed in II.Z.4 principle. Yet, it is not a necessary condition, in view of the provisions of the Rules of the Supervisory Board. Furthermore, the Rules do not provide for any additional rights for the chair of the audit committee apart from the management of the committee's work and convening of its meetings, and therefore the company is of the opinion that the currently effective Rules are sufficient for the proper operation of the audit committee.

IV. GENERAL MEETING AND SHAREHOLDER RELATIONS

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The company does not apply the rule given the insufficient technical capacities in the scope of serving the general meeting in a manner guaranteeing the technical and legal safety of real-time bilateral communication, and also because of insufficiently widespread practice in that scope among the GPW listed companies. Furthermore, the Articles of the company and the Rules of the General Shareholders Meeting do not provide for the possibility of participating in a General Meeting using electronic communication means. At the same time, in the opinion of the company, the ful-

filment of the reporting obligations, i.e. the publishing of relevant current reports and relevant information on its corporate website, ensures the shareholders have access to all of the most important information concerning the General Meetings organised by the company. The company does not exclude the application of this rule in the future.

7.3. Description of key features of the internal control system and risk management system used at the Issuer's enterprise with respect to the process of drawing up the financial statements

The Management Board of the company is responsible for the internal control system and its efficient operation. Additionally, the Supervisory Board fulfils controlling functions. The organisation of work related to the drawing up of annual and interim financial statements is the responsibility of the Chief Financial Officer. The work aimed at the preparation of the reports and statements are performed only by appointed employees from the following departments: Finance, Accounting, Controlling, Legal and Communications.

The financial data that is the basis for the preparation of financial statements and periodic reports comes from the accounting and finance system wherein all transactions are recorded in accordance with the company's accounting policy (approved by the Management Board) and based on the International Financial Reporting Standards. UNIBEP SA keeps the account book in the integrated IT system of Microsoft Business Solutions – AXAPTA. The modular structure of the system ensures the transparent division of competence, consistency of entries of operations in the account books and controls/audits. The flexibility of the system allows for its on-going adjustment to changing accountancy principles and other legal standards. Access to the informational resources of the IT system

is restricted with the application of relevant authorisations for authorised employees given only in the scope of the obligations fulfilled by them.

The annual and semi-annual financial statements are audited and verified by a statutory auditor. The statutory auditor's tasks include, in particular, the following: preliminary audit and final audit of financial statements, and review of semi-annual financial statements. The statutory auditor is selected by the Supervisory Board based on the recommendation by the Management Board following the receipt of offers from auditing companies that guarantee high standards of services and required independence. The results of the audit and the review are presented by the statutory auditor to the management of the company and published in the statutory auditor's opinion.

The company implements – on an ongoing basis – the amendments required pursuant to external provisions and regulations which are connected with requirements for stock exchange reporting.

7.4. Information on shares and shareholding structure

STRUCTURE OF THE INITIAL CAPITAL

As at 31 December 2016, the initial capital of UNIBEP SA equalled PLN 3,507,063.40 and was divided into 35,070,634 shares of nominal value of PLN 0.10 each,

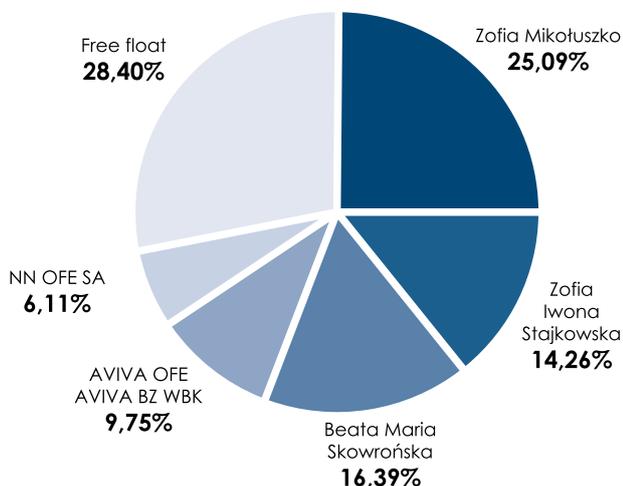
of which:

- 27,227,184 series A bearer shares,
- 6,700,000 series B bearer shares,
- 1,048,950 series C bearer shares,
- 94,500 series D bearer shares.

All shares of the company are dematerialised and they are traded on the regulated market of Giełda

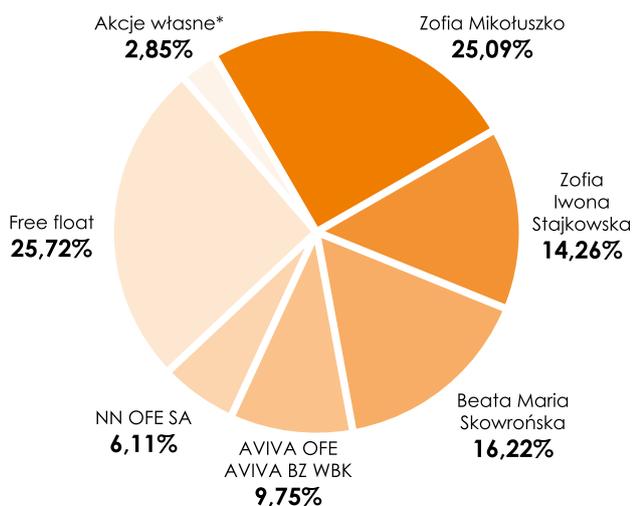
Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange].

SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES (DATA AS AT 31 DEC. 2016 PURSUANT TO THE KNOWLEDGE OF UNIBEP SA)



First name and surname	Number of held shares equal to number of votes	Nominal value of shares [PLN]	Share in capital and total number of votes [%]
Zofia Mikołuszko	8 800 000	880 000,00	25,09 %
Zofia Iwona Stajkowska	5 000 000	500 000,00	14,26 %
Beata Maria Skowrońska	5 750 000	575 000,00	16,39 %
AVIVA OFE AVIVA BZ WBK	3 418 920	341 892,00	9,75 %
NN OFE SA	2 142 359	214 235,90	6,11 %
Free float	9 959 355	995 935,50	28,40 %
TOTAL	35 070 634	3 507 063,40	100 %

SKŁAD AKCJONARIATU NA DZIEŃ PUBLIKACJI NINIEJSZEGO SPRAWOZDANIA PRZEDSTAWIA PONIŻSZA TABELA*



First name and surname	Number of held shares equal to number of votes	Nominal value of shares [PLN]	Share in capital and total number of votes [%]
Zofia Mikołuszko	8 800 000	880 000,00	25,09 %
Zofia Iwona Stajkowska	5 000 000	500 000,00	14,26 %
Beata Maria Skowrońska	5 688 650	568 865,00	16,22 %
AVIVA OFE AVIVA BZ WBK	3 418 920	341 892,00	9,75 %
NN OFE SA	2 142 359	214 235,90	6,11 %
Free float	9 020 705	902 070,50	25,72 %
Own shares**	1 000 000	100 000,00	2,85 %
TOTAL	35 070 634	3 507 063,40	100 %

* Pursuant to the information submitted to the Issuer in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR Regulation") and the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading dated 29 July 2005, as amended.

** Own shares were purchased pursuant to Resolution No. 1 of the Management Board of the company dated 20 January 2017 on the redemption of shares for the purpose of their cancellation by the company, and Resolution No. 20 of the Annual General Meeting of UNIBEP SA dated 18 May 2016 on the establishment and use of the reserve capital.

The nominal value of own shares purchased equalled PLN 0.10 per one share, which totals PLN 100,000.

Objective: Own shares were purchased in order to be redeemed pursuant to Article 362 §1 (5) of the Code of Commercial Partnership and Companies.

The percentage share in the initial capital equals 2.85%.

Own shares purchased pursuant to uniform price of PLN 10.72 per share, that is for the total amount of PLN 10,720,000.

POSSIBLE CHANGES IN THE SHAREHOLDING STRUCTURE AND AGREEMENTS CONCLUDED BETWEEN SHAREHOLDERS AND BONDHOLDERS

The Issuer does not know of any agreements that might in the future result in changes of proportions of shares held by existing shareholders and bondholders.

LIST OF SHARES IN ENTITIES FROM THE CAPITAL GROUP HELD BY MANAGING AND SUPERVISING BODIES (AS AT 31 DECEMBER 2016)

First name and surname	Function	Number of shares held equal to number of votes	Share nominal value [PLN]	Share in capital and total number of votes [%]
MANAGEMENT BOARD				
Leszek Marek Gołbiewski	President of the Management Board	720 470	72 047,00	---
Stawomir Kiszycki	Deputy President of the Management Board	0	0	---
Marcin Piotr Drobek	Member of the Management Board	0	0	---
Jan Piotrowski	Member of the Management Board	36 100	3 610,00	---
SUPERVISORY BOARD				
Jan Mikołuszko	Chairperson of the SB	21 620	2 162,00	---
Beata Maria Skowrońska	Deputy Chairperson of the SB	5 750 000	575 000,00	16,39 %
Wojciech Jacek Stajkowski	Member of the SB	0	0	---
Jarosław Mariusz Bełdowski	Member of the SB	0	0	---
Michał Kotosowski	Member of the SB	0	0	---
Paweł Markowski	Member of the SB	0	0	---

LIST OF SHARES IN ENTITIES FROM THE CAPITAL GROUP HELD BY MANAGING AND SUPERVISING BODIES (AS AT THE PUBLICATION DATE OF THE REPORT)

First name and surname	Function	Number of shares held equal to number of votes	Share nominal value [PLN]	Share in capital and total number of votes [%]
MANAGEMENT BOARD				
Leszek Marek Gołbiewski	President of the Management Board	707 912	70 791,20	---
Stawomir Kiszycki	Deputy President of the Management Board	0	0	---
Marcin Piotr Drobek	Member of the Management Board	0	0	---
Jan Piotrowski	Member of the Management Board	36 100	3 610,00	---
SUPERVISORY BOARD				
Jan Mikołuszko	Chairperson of the SB	21 620	2 162,00	---
Beata Maria Skowrońska	Deputy Chairperson of the SB	5 688 650	568 865,00	16,22 %
Wojciech Jacek Stajkowski	Member of the SB	0	0	---
Jarosław Mariusz Bełdowski	Member of the SB	0	0	---
Michał Kotosowski	Member of the SB	0	0	---
Paweł Markowski	Member of the SB	0	0	---

The managing and supervising bodies do not hold shares in the entities from the UNIBEP Group.

Limitations of voting rights or transferring the title to securities

The Issuer does not know of any limitations applicable to the exercise of the voting rights by the holder of a specified part or number of shares as well as the limitations applicable to the transfer of the title to the securities of the company.

Holders of securities conferring special control rights

The company did not issue any securities conferring special control rights.

Information on the system of control over employee share plans

There is no employee share plan functioning in the company.

7.5. CORPORATE BODIES OF UNIBEP SA

MANAGEMENT BOARD

The Management Board of UNIBEP SA operates pursuant to the provisions of the Code of Commercial Partnerships and Companies, Articles of the company and Rules of the Management Board. In its operations, the Management Board also applies the rules of "Best Practice for GPW Listed Companies". Pursuant to the Articles, the Management Board of the company is composed of one or more members. The Members of the Management Board, including the President of the Management Board, are appointed and recalled by the Supervisory Board for a three-year common term of office. The number of members of the Management Board is determined by the Supervisory Board.

As at the date of drawing up this report, the Management Board of the company was composed of:

- **Leszek Marek Gołqbiecki** – the President of the Management Board, also the Chief Executive Officer of the company
- **Sławomir Kiszycki** – the Deputy President of the Management Board, also the Chief Financial Officer of the company,
- **Marcin Piotr Drobek** – a Member of the Management Board, also the Construction Director,
- **Jan Piotrowski** – a Member of the Management Board, also the Sales Manager.

Mr Leszek Marek Gołqbiecki, Mr Sławomir Kiszycki and Mr Marcin Piotr Drobek were appointed by the Supervisory Board of the company to the Management Board on 11 June 2014, while Mr Jan Piotrowski was appointed by the Supervisory Board to the Management Board on 10 February 2015.

The Management Board of the company manages the activities of the company and represents it before third parties. Any and all matters related to managing company affairs which are not reserved - pursuant to the Act or the Articles - for the competence of the General Meeting or the Supervisory Board belong to the scope of the activities of the Management Board.

The resolutions of the Management Board of the company are passed with an absolute majority of votes. In the event of equality of votes, the President of the Management Board hold the casting vote.

The Management Board is entitled to pay - to the shareholders - an advance of part of the expected end-of-financial-year dividend if the company has sufficient means for making such a payment. The payment of the advance requires the consent of the Supervisory Board.

The following governing bodies are authorized to

make statements and sign on behalf of the company: the President of the Management Board independently, or two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a holder of commercial powers of attorney, or two holders of commercial powers of attorney acting jointly. The Articles of the company do not provide for special rights for the persons managing the company, in particular the persons managing the company are not entitled to make decisions about the issue or redemption of shares.

The Rules of the Management Board specify in detail the operation mode of the Management Board. The Rules are adopted by the Management Board and approved by the Supervisory Board.

In an agreement between the company and a member of the Management Board, as well as in a dispute therewith, the company is represented by the Supervisory Board or a proxy, appointed pursuant to a resolution of the General Meeting. The same procedure applies to other activities related to the employment or other legal relations concluded by and between a member of the Management Board and the company.

The rights of the Supervisory Board also include the conclusion of agreements with the members of the Management Board, and the determination of remuneration for the President and the members of the Management Board of the company, and the rules of paying bonuses to them, as well as the exercising - on behalf of the company - of any and all rights arising from the employment in relation to the members of the Management Board. The Management Board of the company does not have any special rights related to the issue or redemption of shares.

Agreements concluded by and between UNIBEP S.A. and managing bodies

In connection with the performed work and assumed functions of the Management Board, the President of the Management Board and the Members of the Management Board of UNIBEP SA are employed by UNIBEP SA pursuant to managerial contracts concluded for the term of office of the Management Board (employment contracts for definite terms). Pursuant to the provisions of the aforementioned contracts, the President of the Management Board and the Members of the Management Board of UNIBEP SA are entitled to an annual bonus calculated on the consolidated net profit of the UNIBEP Capital Group for each financial year in the following amount:

- President of the Management Board, Chief Executive Officer – 3%

- Deputy President of the Management Board, Chief Financial Officer – 3%
- Member of the Management Board, Construction Director – 2%
- Member of the Management Board, Sales Manager – 2%

In the case of the termination of an employment contract by notice from the Employer for reasons not attributable to the President or a Member of the Management Board, the President of the Management Board and the Members of the Management Board are guaranteed by the employer - apart from the remuneration - the payment of compensation that equals three times the average monthly pay of the employee in question. The President of the Management Board and the Members of the Management Board are not entitled to any other remuneration components specified in the company's Collective Labour Agreement.

The President of the Management Board and the Members of the Management Board of UNIBEP SA also concluded non-competition agreements with the company throughout the employment period (the non-competition clause is effective throughout the term of employment) and the non-competition agreements concerning a period after the end of employment (the non-competition clause is effective for 6 months after the expiry of the employment). Throughout the term of validity of the non-competition clause, the President of the Management Board and the Members of the Management Board are entitled to compensation equal to 25% of the remuneration received by those persons before the expiry of the employment which is paid in six equal parts.

WYNAGRODZENIE ZARZĄDU ZA OKRES: 01.01.2016 R. – 31.12.2016 R.

First name and surname	Revenue	Bonus for profit in 2015 paid in 2016	Total
Gołbiewski Leszek	480 000,00	698 425,35	1 178 425,35
Kiszycki Sławomir	420 000,00	698 425,35	1 118 425,35
Drobek Marcin	360 000,00	465 616,90	825 616,90
Piotrowski Jan	360 000,00	413 314,73	773 314,73
TOTAL	1 620 000,00	2 275 782,33	3 895 782,33

The managing bodies do not receive remuneration for the performance of their functions in subsidiary undertakings of UNIBEP SA.

SUPERVISORY BOARD

The Supervisory Board of UNIBEP SA operates pursuant to the provisions of the Code of Commercial Partnerships and Companies, Articles of the company and Rules of the Management Board. In its operations, the Supervisory Board also applies the rules of "Best Practice for GPW Listed Companies".

The Supervisory Board is composed of 5 to 7 members appointed and recalled by the General Meeting for three-year common terms of office. In the case of group voting, the General Meeting specifies the number of members in the Supervisory Board for a given term of office in a resolution adopted before the commencement of voting.

3 independent members may be appointed to the Supervisory Board. Each shareholder may provide the Management Board of the company with the proposal of candidates for independent members of the Supervisory Board not later than 7 business days before the day when the General Meeting electing such a member is scheduled to take place. The proposal should include the candidate's personal details

and justification of candidature together with the description of the candidate's qualifications and work experience. The proposal is enclosed with a written statement given by the person proposed as a candidate which includes consent to being a candidate for the Supervisory Board, and confirms that the said person fulfils the independence criteria, and which includes the obligation to immediate notification in case the independence criteria are no longer met. When candidates fulfilling the independence criteria are not proposed, the candidate for an independent member of the Supervisory Board is proposed by the Management Board of the company at the General Meeting.

In 2016 and up to the date of drawing up this report, there were no changes to the composition of the Supervisory Board of the company. As at the date of drawing up this report, the Supervisory Board of the company was composed of:

1. **Jan Mikołuszko** – Chairperson of the Supervisory Board
2. **Beata Maria Skowrońska** – Deputy Chairperson of the Supervisory Board
3. **Wojciech Stajkowski** – Member of the Supervisory Board
4. **Jarosław Mariusz Beldowski** – Member of the Supervisory Board (INDEPENDENT MEMBER)
5. **Michał Kołosowski** – Member of the Supervisory Board

Board (INDEPENDENT MEMBER)

6. Paweł Markowski – Member of the Supervisory Board (INDEPENDENT MEMBER)

The current members of the Supervisory Board in its 4th term of office were appointed by the General Meeting of Shareholders on 12 June 2014.

The meetings of the Supervisory Board are held at least once every 3 months. The Chairperson of the Supervisory Board or their Deputy are obliged to convene the meeting of the Supervisory Board, also pursuant to a written request filed by a member of the Supervisory Board or the Management Board of the company. The meeting should be held within 2 weeks of receiving the said request. A member of the Supervisory Board may cast their vote in writing through the agency of another member of the Supervisory Board. Casting a vote in writing cannot apply to matters entered into the agenda of the meeting during the Supervisory Board meeting. The Supervisory Board may adopt resolutions in writing or by means of direct communication

at a distance. A resolution is valid when all members of the Supervisory Board have been notified of the contents of the draft resolution.

The resolutions of the Supervisory Board require the written invitation of all members of the Board to the meeting and the presence at the meeting of at least half of its members, if the provisions of the Code of Commercial Partnerships and Companies do not provide otherwise. The resolutions of the Supervisory Board are adopted by an absolute majority of cast votes. In the event of equality of votes, the Chairperson of the Supervisory Board holds the casting vote. The Supervisory Board adopts its internal rules pursuant to a resolution.

The company notifies of all changes to the composition of the Supervisory Board in current reports.

REMUNERATION FOR THE SUPERVISORY BOARD IN THE PERIOD 1 JAN. 2016 - 31 DEC. 2016

First name and surname	Revenue	Revenue of member of the Supervisory Board arising from the employment pursuant to employment contract with UNIBEP SA	Total
Mikołuszko Jan	540 000,00	0,00	540 000,00
Skowrońska Beata Maria	139 451,61	0,00	139 451,61
Stajkowski Wojciech Jacek	79 451,61	36 000,00	115 451,61
Betdowski Jarosław Mariusz	55 451,61	0,00	55 451,61
Kołosowski Michał	55 451,61	0,00	55 451,61
Markowski Paweł	55 451,61	0,00	55 451,61
TOTAL	925 258,05	36 000,00	961 258,05

COMMITTEES OF THE SUPERVISORY BOARD

Pursuant to the Rules of the Supervisory Board, permanent or ad hoc committees may be appointed within the Supervisory Board that operate as collegial bodies providing the Supervisory Board with advisory and opinion-forming services. The following committees may especially operate in a permanent form within the Supervisory Board: the Audit Committee and the Strategy Committee.

The committees are appointed by the Supervisory Board pursuant to a resolution from among its members. A committee elects the Chairperson of the committee from among its members. A committee is composed from 3 to 5 members. The Audit Committee comprises at least one Independent Member. An Independent Member of the Audit Committee should have the qualifications and experience in the scope of accounting and finance.

The committees submit an annual report on their operations

to the Supervisory Board and the said reports are made available to the shareholders by the Management Board of the company.

The Audit Committee comprises the following persons:

- 1. Wojciech Stajkowski** – Chairperson of the Committee
- 2. Michał Kołosowski**
- 3. Beata Maria Skowrońska**

The Audit Committee provides the Supervisory Board with advice in issues of the correct implementation of budgeting and financing reporting rules, internal audit of the company and its Capital Group, and issues related to cooperation with the statutory auditors of the company.

The tasks of the Audit Committee include in particular the following:

- designating - to the Supervisory Board - a statutory auditor that carries out the audit of financial

statements of the company together with the justification,

- analysing and monitoring the work performed by the statutory auditors of the company and providing the Supervisory Board with recommendations concerning the selection and remuneration of the statutory auditors of the company,
- discussing with the statutory auditors of the company, before the beginning of each audit of the annual financial statements, the nature and the scope of the audit as well as performing on-going analysis and monitoring of the statutory auditors' work,
- reviewing periodic and annual financial statements of the company, both separate and consolidated,
- discussing any issues and reservations which may arise from an audit of financial statements,
- analysing the remarks addressed to the Management Board, which are prepared by the statutory auditors of the company, and the answers to those remarks from the Management Board,
- reviewing the transactions with related undertakings,
- monitoring the effectiveness of the system of internal control, risk management, supervision of compliance, and functions of internal audits,
- accepting the internal audit plan,
- analysing the reports of internal auditors of the company and the answers of the Management Board to such remarks,
- examining the independent status of the auditors and the objectivity of the assessments submitted by them,
- cooperating with organisational units of the company responsible for audit and control, and performing periodic assessment of their work, as well as giving their opinion on the amount of remuneration for the persons employed in those organisational units,
- performing annual assessment concerning whether there is a need to perform the organisational separation of the internal audit function in the company, when such a function has not been separated in the company to date,
- making arrangements in all other issues related to the auditing of the company noticed by the Audit Committee or the Supervisory Board.

In 2016, the Audit Committee held 3 meetings on 22 March 2016, 30 May 2016 and 30 August 2016 with the objective of fulfilling the tasks entrusted to it, which include but are not limited to recommending the selection of an entity auditing the financial statements of the company for the year 2016, analysing the financial statements of the company and the status of the project aimed at changing the risk management system in the company.

The Strategy Committee comprises the following persons:

1. **Jan Mikołuszko** – Chairperson of the Committee
2. **Jarosław Mariusz Beldowski**
3. **Paweł Markowski**

The task of the Strategy Committee is to provide opinions and submit recommendations to the Supervisory Board on issues related to planned investments and disinvestments which have a significant effect on the assets of the company.

The tasks of the Strategy Committee include in particular the following:

- analysing the effect of planned and implemented investments and disinvestments on the structure of assets in the company,
- assessing the activities, agreements, letters of intent and other documents related to the activities aimed at purchase, sale, encumbering or disposal of the significant assets of the company,
- providing an opinion on all documents of strategic nature submitted to the Supervisory Board by the Management Board,
- giving an opinion on the development strategy of the company, including multi-year financial plans.

In 2016, the Strategy Committee held 3 meetings on 27 January 2016, 14 April 2016 and 18 August 2016 at which the Committee undertook the activities aimed at the fulfilment of the tasks entrusted to the Committee, in particular those concerning the assessment of development directions of each business in the Capital Group in the future years.

In 2016, there were no changes to the composition of the Audit Committee and the Strategy Committee.

DESCRIPTION AND RIGHTS OF THE GENERAL MEETING, RIGHTS OF SHAREHOLDERS, AMENDMENTS TO THE ARTICLES

Description of proceedings of the General Meeting

The General Meeting of UNIBEP SA operates in accordance with the Code of Commercial Partnerships and Companies, Articles of the company, Rules of the General Meeting, and also takes into account the rules of corporate governance adopted by the Warsaw Stock Exchange. All corporate documents and information about the date, agenda and adopted resolutions are available on the corporate site at www.unibep.pl (in the Investor Zone section).

The Annual General Meeting is convened by the Management Board within 6 months of the end of each financial year.

An Extraordinary Meeting of Shareholders is convened by the Management Board, or the Supervisory Board, or shareholders representing at least half the initial capital or at least half the total number of votes in the company. A shareholder or shareholders representing at least 1/20 (one-twentieth) of the initial capital may request the Management Board to convene an Extraordinary General Meeting as well as to put specific matters on the agenda of that Meeting. The request for convening the Extraordinary General Meeting or putting specific issues on its agenda should be submitted to the Management Board in writing or in an elec-

tronic form. The Management Board should convene the Extraordinary General Meeting within two weeks of submitting the said request.

The corporate website of the company includes information about the special e-mail address (wza@unibep.pl) that may be used in the cases provided for in the Code of Commercial Partnerships and Companies in connection with the General Meeting.

General Meetings are held at the company's registered office or in Warsaw.

The General Meeting may adopt resolutions only in matters on the agenda. The Supervisory Board and shareholder(s) representing at least one-twentieth of the initial capital may request that specific items be put on the agenda of the nearest General Meeting. Such a request should be submitted to the Management Board no later than 21 days before the date set for the General Meeting. The request should include justification or a draft resolution concerning the proposed item of the agenda. The request may be submitted in an electronic form.

Apart from the matters reserved in the applicable provisions of the law, the competence of the General Meeting also includes the following:

1. examining and approving the report of the Management Board on the company's operations and the financial statements for the preceding financial year,
2. adopting resolutions concerning the distribution of profit or covering of loss,
3. granting a vote of acceptance to the members of the corporate bodies of the company to confirm the discharge of their duties,
4. adopting resolutions on the amendments to the Articles of the company,
5. adopting resolutions concerning a merger with another company or transformation of the company,
6. adopting resolutions concerning the dissolution or liquidation of the company,
7. adopting resolutions on the issues of subscription warrants and convertible bonds and preference bonds,
8. adopting resolutions on the sale or lease of the enterprise or its organised part and to create the limited property right of them,
9. making any decisions related to claims for the rectification of damages caused during the establishment of the company or during its management or supervision,
10. adopting resolutions on the compulsory buyout of shares pursuant to Article 418 of the Code of Commercial Partnerships and Companies,
11. appointing and recalling the members of the Supervisory Board, of which two members are independent members of the Supervisory Board, pursuant to the criteria stipulated in § 20 (2) (a)-(h) and § 20 (3) of the Articles.

When the General Meeting adopts a resolution on the

allocation of a part or the whole of the profit for payments to shareholders, the scope of competence of the General Meeting also includes the determination of the day as of which the list of shareholders entitled to dividend for a given financial year is established (the dividend day) and of the day of payment of the dividend.

The acquisition or transfer of immovable property, the perpetual usufruct or a share in the immovable property shall not require the resolution of the General Meeting.

Other rights of shareholders and the manner in which they are exercised

Before the date of the General Meeting, a shareholder or shareholders representing at least one-twentieth of the initial capital may submit to the company, in writing or via electronic means, draft resolutions concerning items that have been already placed on the agenda of the General Meeting or items proposed to be placed on the agenda.

Each shareholder may present draft resolutions concerning items put on the agenda during the General Meeting.

The right to participate in the General Meeting is only held by persons who are shareholders of the company on the Registration Day. The day of registration for participation in the General Meeting is the day falling sixteen (16) days before the General Meeting.

The persons entitled to vote, based on provisional certificates, and those pledgees and usufructuaries who are entitled to vote, may take part in the General Meeting provided they are entered into the register of shares on the Registration Day.

A shareholder that is a natural person may participate in the General Meeting and exercise their voting right in person or by proxy. A shareholder that is not a natural person may participate in the General Meeting and exercise their voting right by a person authorised to make statements of will on behalf of this shareholder or by a proxy.

Description of rules on amendments to the Issuer's Articles

The scope of the General Meeting, apart from the matters reserved in the applicable provisions of the law, also includes the adoption of resolutions on the amendments to the Articles of the company. The resolutions of the General Meeting are passed with an absolute majority of votes unless the Articles or the Code of Commercial Partnerships and Companies provide for stricter requirements. The Articles of the company do not provide for stricter requirements in the scope of voting on the resolution on the amendments to the Articles of the company.

The General Meeting may adopt a resolution concerning significant amendment to the business objecti-

ves of the company without an obligation to redeem the shareholders who do not give their consent to the amendment if the resolution is adopted with a 2/3 (two thirds) majority of votes in the presence of shareholders representing at least half the initial capital.

REMUNERATION POLICY

UNIBEP SA adopted the document entitled "Policy of remunerating supervising and managing bodies of UNIBEP SA and key managers" ("Remuneration Policy"). The implementation of the Remuneration Policy is reviewed at least once a year. In 2016, there were no significant amendments to the remuneration policy. The Management Board positively assesses the adopted Remuneration Policy in terms of the implementation of its objectives, in particular long-term increase in value for the shareholders and the stability of the operation of the enterprise.

Remuneration for supervising bodies

In relation to supervising bodies, the Remuneration Policy specifies that the determination of the principles regarding the remuneration for the members of the Supervisory Board belongs to the competence of the General Meeting of the company. The level of remuneration for the members of the Supervisory Board should be sufficient to win, keep and motivate those persons necessary for the proper supervision of the company. The remuneration for such persons should be adequate for the scope of tasks entrusted to each member of the Board and should also take into account the fulfilment of additional functions. At the same time, remuneration for the members of the Supervisory Board should not depend on the options, other derivative instruments or any other variable components, and should not depend on the results of the company. The main components of the remuneration system related to the members of the Supervisory Board include the following:

- fixed monthly pay,
- additional benefits.

Remuneration for managing bodies

In relation to managing bodies, the Remuneration Policy provides that the body entitled to determine the principles regarding the remuneration for the members of the Management Board is the Supervisory Board. The remuneration for the members of the Management Board should correspond to the size of the enterprise and remain in justified relation to the economic results of the company, and the level of remuneration for the members of the Management Board should be sufficient to win, keep and motivate those persons necessary for the proper management of the company. When determining and reviewing the amount of remuneration for the members of the Management Board, the Supervisory Board should take into account in particular the scope of duties and responsibilities, the workload necessary to properly perform the entrusted scope of duties, and the level of remuneration for similar positions applied by other entities operating in

the market. The incentive schemes should tie the level of remuneration for the members of the Management Board to the actual and long-term financial standing of the company, and the long-term increase in value for the shareholders and the stability of the operation of the enterprise.

The main components of the remuneration system related to the members of the Management Board include the following:

- fixed monthly base pay,
- annual bonus,
- compensation arising from the termination of the employment contract with a member of the Management Board for the reasons not attributable to such a member,
- compensation arising from the non-competition clause after the termination/expiry of the employment,
- additional benefits.

The members of the Management Board are entitled to an annual bonus in the amount specified as a percent, which depends on the achievement of the financial or material targets specified by the Supervisory Boards, and is calculated on the consolidated net profit of the Capital Group of UNIBEP SA for each financial year. This profit is determined based on the consolidated financial statements of the Capital Group of UNIBEP SA approved by the authorised body. The amount of the bonus and the terms and conditions of its award to each member of the Management Board are specified in the resolution of the Supervisory Board. Additional benefits for the members of the Management Board may include a company car, technical tools and devices necessary to perform the duties of a member of the Management Board, coverage of costs of business trips and representation in the scope and in the amount adequate for the entrusted functions, civil liability insurance agreement for members of the Management Board, private medical insurance, and training aimed at improving their qualifications.

Remuneration for key managers

In relation to key managers, the Remuneration Policy specifies that the body entitled to determine the principles regarding the remuneration for key managers is the Management Board that determines the remuneration based on the company's Collective Labour Agreement, Rules of bonus awards for white-collar workers, and Rules of bonus awards for managerial staff. The remuneration for key managers should correspond to the size of the enterprise and remain in justified relation to the economic results of the company, and the level of remuneration for the key managers should be sufficient to win, keep and motivate those persons necessary for the proper management of the company. When determining and reviewing the amount of the remuneration for key managers, the company should take into account, in particular, the scope of duties and responsibilities, the workload necessary to properly perform the entrusted scope of duties, and

the level of remuneration for similar positions applied by other entities operating in the market. The incentive schemes should tie the level of remuneration for key managers to the actual and long-term financial standing of the company, and the long-term increase in value for the shareholders and the stability of the operation of the enterprise.

The main components of the remuneration system related to key managers include the following:

- fixed monthly base pay,
- monthly bonus,
- annual bonus,
- additional benefits.

Key managers are entitled to a monthly bonus, which is dependent on the timely and quality performance of the tasks specified in the job description. This bonus is awarded and paid pursuant to the principles specified in detail in the Rules of bonus awards for white-collar workers. At the same time, key managers are entitled to an annual bonus depending on the financial or material targets within the supervised areas de-

termined by the Management Board, awarded and paid pursuant to the principles specified in detail in the Rules of bonus awards for managerial staff. Additional benefits for key managers may include a company car, technical tools and devices necessary to perform their duties, coverage of costs of business trips and representation in the scope and in an amount adequate for the entrusted functions, private medical insurance, and training aimed at improving their qualifications. The effects of the work of key managers are assessed by the Management Board of the company.

No retirement benefits have been determined in the company, nor have benefits of similar character in relation to former managing or supervising bodies. In addition, the company does not have administrating bodies referred to in §91 (17a) of the Regulation of the Minister of Finance on current and periodic reporting (...).

8. OTHER INFORMATION

8.1. Description of risks and threats

As risk is an uncertain event, it is inherent in each business activity conducted. Each of the risks discussed hereinbelow - when they occur - may have a significant effect on the business activity, financial standing and prospects of the development of the Parent Undertaking and the Unibep Group, as well as the results of the conducted business activity.

RISK RELATED TO THE MACROECONOMIC SITUATION IN POLAND

The worsening of the economic situation in Poland may result in a number of negative macroeconomic phenomena which may have a negative effect on sectors of the economy, including the construction sector. The Polish economy is strongly connected with the European Union. In connection with the globalisation of national economies, and in particular with the liberalisation of capital and workforce flow, the occurrence of the effects of the crisis in the world may also negatively translate into the economy of Poland. A symptom of such events is the slowdown in the economy and the economic crisis which are phenomena that do not facilitate an increase in consumers' expenses and investment outlays of enterprises. The sector in which the UNIBEP Group operates depends on the overall economic situation in Poland. Such factors as the rate of economic growth, investment outlays, level of interest rates, inflation, tax policy, foreign exchange rates, and level of consumption have significant effects on the scale of the activities conduc-

ted in the construction sector, which directly translates into the financial standing and the prospects for the development of the Group. A lower rate of economic growth, lower investment outlays of companies, lower levels of remuneration, higher level of taxes and interest rates, and restricted access to debt financing may have negative effects on the business activities, results, financial situation or prospects for the development of enterprises in the sectors in which the Group operates.

FOREIGN EXCHANGE RISK

Within the operating activities, the Group's companies conclude contracts which are (or may be) denominated in foreign currencies. In the scope of revenues from export activities, protection against foreign exchange risk is provided first of all by the natural hedging mechanism consisting of the execution of agreements with subcontractors in the currency of the contract and thus transferring that risk to the subcontractors. Therefore, the level of foreign exchange risk of the Group is limited to an amount similar to the margin generated on export contracts - this refers to the contracts performed in Germany and Belarus in the general contracting in export markets. In the case of contracts performed in Norway by Unihouse Branch, the natural hedging mechanism is estimated at a level of about 20%. The intention of the Group is to close the foreign exchange positions through balancing the currency transactions concerning the revenues

and costs. The company signed agreements concerning foreign exchange forward transactions with the banks, which gives the possibility of applying hedging instruments, if the closure of natural position in a given period is not possible.

The strategy of the Group in the scope of financial instruments hedging the foreign exchange risk is based on two main assumptions:

- hedging of amounts not higher than the planned foreign exchange flows,
- use of simple and predictable tools, e.g. forwards.

The Group concludes some transactions denominated in foreign currencies. Therefore, there is a risk that fluctuations in exchange rates may occur. This risk is managed within the approved procedure of foreign exchange risk management. The Group is particularly exposed to the fluctuations in exchange rates of NOK/PLN and EUR/PLN, and therefore it permanently analyses the fluctuations in these exchange rates. The Group concludes derivative transactions to hedge against currency risk. The rules effective for the use of derivative instruments are included in the aforementioned foreign exchange risk management procedure.

CREDIT RISK

Failure to repay liabilities constitutes grounds for the banks to terminate credit agreements and proceed to the enforcement of their repayment, or to exercise the right of satisfaction from the property as the object of granted securities. It is also possible, and such a possibility cannot be excluded, that as the liabilities have not been repaid, the banks being the creditors may exercise their right to file a petition for the declaration of bankruptcy with the court. If the Group does not repay its liabilities arising from credits, it may result in accrued interest that increases the debt, and this may lead to the Issuer's other liabilities also being made due and payable. The Group applies the policy of moderate credit involvement with individual financial institutions and therefore it cooperates with different highly-reliable institutions simultaneously. In order to secure the current liquidity for the future of the Group, the Group has multi-purpose credits and credit lines in several banks where it maintains significant unused credit limits. The Group also implements real estate development projects by means of special purpose vehicles that are directly financed by financial institutions. The Group is not afraid of the loss of access to financing even though these financial institutions analyse the financial results of the Group on an on-going basis (every quarter). Credits agreement include provisions stipulating the maintenance of minimum financial ratios such as solvency, coverage of interest, capitalisation and EBITDA, which are verified and analysed. The Group monitors the aforementioned provisions on an on-going basis and in advance so as to renegotiate higher limitations in the case of possibility of getting closer to the required limits. It provides the Group with financial security in the case of the occurrence of risks related to, for example, the

worsening of the market's situation, limitation of credit activities by banks, and also provides the possibility to take advantage of market opportunities (e.g. acquisitions).

BUSINESS PARTNERS' CREDIT RISK

The assets of the Group which are also exposed to higher credit risks are trade receivables. Each business partner - prior to signing an agreement - is verified in terms of their capability to satisfy financial liabilities. The majority of the present contracts are performed with verified and reliable business partners (the next agreements concluded with them). If there are any doubts as to the business partner's solvency, the conclusion of the contract depends on establishing relevant (financial or property) securities. Furthermore, agreements with investors include clauses providing for the right to stop the performance of the works if there is any delay in paying amounts due for the provided services. As far as possible, the contractual provisions which tie the making of payments to subcontractors to the receipt of funds from the investor, are also introduced. Yet, the circumstances in which the possible downturn in the real property market has an effect on the investors' paying capabilities, and thus increases business partners' credit risk for the Group cannot be completely excluded.

LIQUIDITY RISK

There is a risk that in spite of the completion of a given stage of works, the contracting party for the Group does not make the agreed payments, which may lead to the reduced liquidity of the Group, or - in extreme cases - result in financial losses incurred by it. In order to limit the liquidity risk, the Group keeps appropriate amounts of cash and concludes agreements for credit lines with the banks, which additionally secures liquidity. Furthermore, in order to secure the required liquidity in the Group, UNIBEP SA - in July 2016 - issued three-year coupon bonds for a total amount of PLN 30 million. These bonds were introduced to trading through BondSpot, an alternative trading system. Thus, the whole Group had bonds issued for a total value of PLN 87 million (PLN 67 million, at present). The intention of the Group's companies is to sign agreements only with reliable partners, with good financial standing, and which have access to bank financing. The Group uses its own funds to finance investment purchases and thus ensures relevant stability of the financing structure for this type of assets. Given the fact that the investment program is also implemented by subsidiary companies (majority shareholding in the companies is held by UNIBEP SA or its daughter company, i.e. UNIDEVELOPMENT SA), the Group provides internal loans for its implementation. Big residential and commercial construction projects are and will be carried out in the form of special purpose vehicles. The financing of new projects is provided for from the company's own means, bank credits or the issuing of bonds. Liquidity management is supported by the current monitoring system which is related to expected proceeds and expenditures with the use of a relevant IT system

module. Given the aforementioned undertaken activities, the financial standing of the Group and the security based on credit lines, the liquidity risk should be considered as limited.

POLITICAL RISK RELATED TO EASTERN MARKETS

In connection with the situation prevailing in the Eastern markets, the Group is now exposed to political risk related to Eastern markets to a greater degree than before. The existing political situation between Poland and Russia is the grounds for the real risk that the next contracts in the Russian market will not be signed, at least within the years to come.

In 2016, the Group started the performance of two contracts in Belarus. For all contracts, the schedules of expenditures and works are structured in a manner that minimises the risk for the Group related to the possible necessity of the earlier termination of the work conducted.

RISK RELATED TO COMMENCEMENT OF ACTIVITIES IN NEW MARKETS

The Group undertakes measures aimed at the diversification of its business activities and obtaining of new sources of profit. Entering new markets entails the need to know in detail the principles of operation and cooperation, for example, with local authorities, institutions and business partners. Companies launching their operations in a new market are usually exposed to greater operating costs (e.g. costs of promoting the company or its products) and the costs of removing various barriers at the initial stage of operations. As a result, the beginning of operations in a new market may involve greater costs and/or losses, and the time of achieving the expected profitability may be postponed. Entering a new market also entails tax risks arising from the need to know new principles and regulations specific to a given country. In the last period, activities in the Swedish market were commenced. The Ukrainian market, among others, is also of great interest to the Group.

RISK RELATED TO THE COMPLETION OF CONTRACTS IN THE GERMAN MARKET

In the German market, the Group also provides services related to buildings that have already been completed or are at the settlement stage. Therefore, it is necessary to take into account the risk of the occurrence of adverse events in the period of implied warranty and guarantee.

RISK RELATED TO LAUNCHING NEW SEGMENTS AS PART OF BUSINESSES PURSUED SO FAR IN CURRENT MARKETS

Apart from operations in new markets, in geographical terms, the Group has introduced new products/services in markets in which it has already been operating. Examples are: operations in the industrial segment in the south of Poland, a new market of real estate development projects in Poznań, and work on new pro-

ducts from the modular house production plant (e.g. nursing homes). Therefore, there are a number of different types of risks related to launching new products in these markets. The Group undertakes activities to minimise the above risks, e.g. through careful preparation for activities in new areas, and cooperating with experienced business partners and consultants. As a rule, these types of projects (depending on their scale or specific conditions) are implemented via special purpose vehicles, which partly reduces the risk borne by the Group.

RISK OF ABANDONING ACTIVITIES OR LACK OF FINANCING RELATED TO PUBLIC-PRIVATE PARTNERSHIP

As the Group assumes the undertaking of activities under public-private partnership (PPP), it expects that it will achieve measurable economic benefits in this area. However, the scenario in which activities turn out to be so adverse that, in spite of making outlays, the Group will not undertake activities aimed at becoming an active participant in that process cannot be excluded. On the other hand, measures related to the development of activities under PPPs are connected with threats similar to the threats arising from the development of new markets or the launching of new product in the market. The barriers related to entry, learning of the market operation principles, costs of activities and other aspects may result in the risk of lower profitability of new activities than expected. Yet, the undertaking of activities under PPPs is generally a part of the strategy of diversifying business activities and finally limiting risks. The business activity of the Group is based on several pillars, which enables the minimisation of temporary risks and lower effectiveness in each area.

RISK RELATED TO THE LACK OF POSSIBILITY TO CONTINUE COMMENCED PROJECTS AND LACK OF POSSIBILITIES OF CONTRACT PERFORMANCE IN SPITE OF SIGNED AGREEMENTS IN CONNECTION WITH DIFFICULTIES EXPERIENCED BY CONSTRUCTION AND REAL ESTATE DEVELOPMENT SECTORS AND TOUGHENED REQUIREMENTS RELATED TO THE FINANCING OF REAL ESTATE DEVELOPMENT PROJECTS

The performance of a contract often depends on the investor obtaining financing, which is reflected in contractual provisions. Therefore, the signing of an agreement is not a guarantee that the investment project will be implemented (or completed in its full scope). It may result in a loss of some of the anticipated revenues and profits. The vast majority of domestic contracts that are currently being implemented are provided with appropriate financing. This risk covers also applies in international markets.

RISK ASSOCIATED WITH THE LEGAL ENVIRONMENT

In recent years, the Polish legal system has been characterised by frequent amendments to regulations and inconsistent judicature. Attention should be also paid to the process of adjusting the Polish law to the requirements of the European Union and the effect

of the EU judicature on the settlements in individual cases. It is not possible to predict the effect of amendments to the law, which are being or will be introduced, on the Issuer's business activity. Undoubtedly, the f indicated actors are a potential risk element and may have a serious effect on the legal environment of business activities, including the business activities of the Group. This refers in particular to the provisions regulating the real estate development market, securities market, employment relations, social insurance as well as the civil law system in a broad sense. It is also possible that the catalogue of types of business activity requiring relevant permits or concessions will be expanded. There is a risk of adverse amendments to the regulations or their adverse interpretation in the future. It may have a negative effect on the market position, sales, financial results and development prospects of the Group.

As the Group carries out activities in foreign markets, it is also exposed to risks related to the results of inspections performed by different kinds of central and local authorities and state institutions. At present, it is difficult to explicitly specify the potential effect of such events on the results and activities of the Group. Yet, such events cannot be excluded. In order to minimise the risks specified hereinabove, the Group cooperates - on a permanent basis - with local advisers in the scope of accounting, taxes and HR, and with recognised law offices.

RISKS RELATED TO AMENDMENTS TO TAX, CUSTOMS AND ADMINISTRATIVE SYSTEMS AND RELATED TO THE INTERPRETATION OF TAX REGULATIONS

One of the most important factors that has an effect on the business activity of the Group includes amendments to the tax system and amendments to tax regulations aimed at adjusting the law to the requirements of European Union law. In addition, many of the currently effective tax provisions have not been formulated yet in a manner that is sufficiently precise, and therefore they lack explicit interpretation, which may cause situations of conflicting interpretations by the Group and tax authorities. The risk arising from conflicting interpretations of tax provisions in the case of the entity from Poland is greater than in the case of entities operating in more stable tax systems. The business activity of the Group and its tax data presentation in tax returns may be considered as inconsistent with the tax regulations by tax authorities. There is a risk of amendments to tax regulations and assuming the interpretation of tax regulations by tax authorities is different from the one used to calculate the grounds of the tax liability of the Group's companies. It may have a negative effect on the market position, sales, financial results and development prospects of the Group.

INTEREST RATE RISK

Grupa posiada i będzie posiadać zobowiązania fiThe Group has and will have financial liabilities tied to current interest rates. Therefore, the Group is exposed to interest rate risk relative to the change of the measu-

rement of contracted liabilities, which is particularly significant in the case of high fluctuations of market interest rates (e.g. in the circumstances of significant uncertainty or crisis in financial markets). An increase in the level of interest rates may also increase the costs of financing and thus reduce the profitability of the Group. The factor mentioned hereinabove may have a significant negative effect on the development prospects, generated results and the ability to serve the debt of the Group.

Interest rate risk occurs mainly in connection with the use of bank credits, leases, issued bonds and bank deposits by the Group.

The aforementioned transactions are based mainly on a variable interest rate, which exposes the Group to the risk of change in the results and cash flows. Leases do not have any significant importance for the financing of the Group (they mainly refer to investments of lower value).

The Group deposits financial surpluses as short-term deposits. The deposits are based on fixed interest rates and are usually concluded for a term of 3-7 days. The amount of interest earned depends on - among other factors - the level of interest rates.

In order to be secure from interest rate risk, the Group concluded one IRS to secure the repayment of interest on four-year investment credit disbursed in December 2013.

The aforementioned instruments are measured as at the balance sheet date at reliably determined fair value. The effects of the periodic measurement of derivative instruments are recognised as financial income or costs of the reporting period.

Given the current level of credit financing, it is assumed that the effects of changes in interest rates and their influence on the results for the year 2016 are not significant. All liabilities tied to interest rates are equal to about 14.7% of the balance sheet total in the Group.

COMPETITION RISK

The business activities of the UNIBEP Group are exposed to the risk relative to competition. The financial results of the Group may be significantly influenced by the pricing policy of competitive entities which is based on offering general contracting services under contracts at lower margins. It may lead to the necessity to lower the prices of offered products and services, the achievement of lower margins, and – as a consequence – the reduced financial result of the Group. The basic segment of the Issuer's business activity that generates about 70% of its revenues is the residential/commercial/industrial construction. The main competitors for the Group in the basic segment of its operations include such entities as Erbud, Budimex, Skanska, Hochtief, Strabag and Warbud.

RISK RELATED TO LIABILITY ARISING FROM ENVIRONMENTAL PROTECTION LAW

Pursuant to the provisions regulating environmental protection, the entities making use of land where pollution/contamination or adverse transformation of natural landform features occur may be obliged to remove such features, cover costs of the restoration of the land, or pay administrative penalties. The Group cannot exclude a situation in which companies from the Group - after the discovery of pollution/contamination on the land used by them - are obliged to pay damages and/or administrative penalties, or to carry out restoration work. This may have a significant negative effect on the business activity, financial standing or results of the Group. In order to minimise this risk, the Group carries out technical and legal analyses related to the land to be used in future projects. The occurrence of the aforementioned risk may expose the Group to negative effects, including those which have an effect on operating and financial activities, and on development prospects.

RISK OF SOCIAL, ADMINISTRATIVE AND INVESTMENT DIFFICULTIES DURING THE PERFORMANCE OF CONSTRUCTION PROJECTS

The performance of construction projects may be connected with the protests of residents, associations or non-governmental organisations, which hinders the construction of the investment. Administrative authorities and enterprises responsible for the management and supply of utilities may try to transfer - to real estate developers - the costs of the construction of additional infrastructure which is not directly related to the implemented real estate development project, or alternatively set distant dates for the construction of such infrastructure under their own tasks. Furthermore, during the construction of the infrastructure planned in the real estate development project, the real estate developers may also face difficulties when applying for permits, for the use of real properties, which are necessary to lay the installations of utilities (electrical wiring, plumbing, sanitary drainage, central heating systems), and even the obstruction during formal-law proceedings on the part of suppliers of utilities. Such events may cause difficulties during administrative proceedings, construction of infrastructure (including utilities) and of the whole investment, which may result in delays or - in extreme cases - in stopping the investment or a significant increase in the costs of a given project. The factors mentioned hereinabove may have a significant effect on the development prospects, generated results and financial situation of construction companies, including the Group.

RISK OF THE NEGATIVE EFFECT OF WEATHER CONDITIONS ON THE SCHEDULES OF REAL ESTATE DEVELOPMENT PROJECTS

Activities in the construction industry are characterised by noticeable sensitivity to prevailing weather conditions. Implementation schedules for construction projects and budgeting of the financial results are pre-

pared based on typical weather conditions specific to given seasons of the year. The best conditions for the performance of construction works usually occur in summer months, and they significantly worsen during winter months, especially when there is snow cover and freezing weather (construction works related to the real estate development projects usually cannot be performed in the period from December to February). Also weather phenomena which are not typical to specific seasons, including heavy rains in summer or temperatures significantly below zero in winter, usually preclude the performance of construction works and may hinder the finishing of work.

Similarly to other entities from this industry, the Group cannot exclude the occurrence of this risk, i.e. the occurrence of untypical or extremely adverse weather conditions which may prolong the construction process and delay the deadline for handing over the flats to clients, which may result in postponed dates of posting the revenues to the profit and loss account, and may also have a significant negative effect on the development prospects, generated results and financial situation of construction companies.

RISK OF HINDRANCES TO THE CONTINUED ACQUISITION OF LAND

The possibility of acquiring new land in advance provides the real estate developers with the ability to maintain regularity in carrying out operating activities, including revenues. We cannot exclude the risk of acquiring insufficient amount of land in good locations to guarantee smooth activities and continued development. In particular, it is not possible to exclude the risk of the concentration of demand on the most attractive locations by other real estate developers, adverse trading conditions, as well as delays and difficulties in securing the financing for a given plot of land.

The purchased land - in spite of risk minimisation - may be encumbered with defects, e.g. geological ones such as the lack of bearing capacity of the ground, archaeological discoveries during the construction of the investment project, or the pollution/contamination of the ground. There is also a possibility of objections expressed by the owners of neighbouring real properties during the procedures related to building conditions and building permits. The aforementioned factors may slow down or limit the development of real estate developers, including the Group's companies, which may have a negative effect on the scale of business activities, results and financial situation.

In order to minimise this, the Group actively searches the real property markets in which it operates, and analyses what the market offers on an ongoing basis. The minimisation of this risk is also positively influenced by the co-performance of investment projects with owners of plots of land, which results in securing attractive plots of land at significantly lower costs.

RISK RELATED TO LEGAL DEFECTS OF REAL PROPERTIES

AND THEIR UNREGULATED LEGAL STATUS

This risk refers to situations in which the real properties which are acquired or are planned to be acquired by the Group companies are encumbered with legal defects, that is they are owned by another entity than the selling party, or are encumbered with rights of the third parties, and cases when the legal status of the real property is not regulated, that is when the prospective sellers cannot evidence that they hold the legal title to a given real property, in particular when no land and mortgage register has been established for it. The existence of legal defects described hereinabove is connected with the possibility of claims concerning such real properties filed against the Group's companies by third parties, whereas the unregulated legal status is connected with significant hindrances or the impossibility of carrying out the acquisition process of the real property for the purposes of real estate development activities. Furthermore, when the Group companies sell flats or buildings which are located on land encumbered with legal defects, there is a risk that the purchasers may file claims related to the warranty for legal defects of the land where individual buildings are founded. It may have a significant negative effect on the business activity of the Group, and this will effect in particular its financial standing or results. In order to minimise this risk, the Group carries out legal verification of the real properties selected for acquisition. The occurrence of the aforementioned risk may expose the Group to negative effects concerning operating and financial activities, and on development prospects.

RISK RELATED TO AN INCREASE IN THE COST OF THE COMPLETION OF CONSTRUCTION PROJECTS

The financial results and the level of margins for real estate development projects performed by the Group's companies largely depend on the transaction prices of acquired land properties. In the case of significant increase in prices, the Group may be exposed to a decrease in the level of margins achieved on real estate development activities, which may have a significant negative effect on the development prospects, generated results and financial situation of the Group. Therefore, there is a risk of an increase in the costs of the completion of construction projects, i.e. land prices, prices of subcontractors' services, construction materials, forced changes to the design, pollution/contamination of land, archaeological discoveries, unexploded bombs, and other events which may have a potential effect on the increase in costs.

An increase in prices of construction materials, which are a significant component in the cost estimate for a project, may have a negative effect on the profitability of each construction project. Changes to construction material prices are not easy to predict. Changes to construction material prices may result from demand or supply factors. If such circumstance occur, there is a risk that the Group cannot fully compensate for their negative effects with the prices of the flats sold. If the prices of construction materials increase for

reasons related to demand, it is necessary to also take into account the risk of hindered access to the materials as a result of over-demand, and thus the risk of delays in the delivery of construction materials.

If the aforementioned risks occur, real estate developers, including the Group's companies, are significantly exposed to negative effects which also influence development prospects, operating activities, generated results and the financial situation.

RISK RELATED TO PRICES OF MATERIALS

The Group is exposed to price risk related to the increase in prices of the most often purchased construction materials, such as steel and concrete. The prices in the agreements concluded with the investors are fixed throughout the term of the contract performance - usually lasting for 6-36 months - while the agreements with subcontractors are concluded at a later date - according to the progress of individual work. In order to limit the price risk, the Group monitors - on an on-going basis - the prices of the most often purchased construction materials, and the agreements signed have parameters which are related, among others, to the term of the contract and the contractual value and appropriately adjusted to the market situation. Thanks to its dynamically growing scale of activities, the Group has greater and greater influence on the reliability of supplies and stability of prices from its regular business partners.

The aforementioned factors and trends are taken into account for each calculation of the contractual price and negotiations with the investors and subcontractors. In spite of this, there is a risk that in the case of a significant growth trend (about 25%), this being a rapid increase in the prices of materials and subcontractors' services and labour costs, the contracts secured at present will not result in the planned profitability.

RISK RELATED TO JOINT AND SEVERAL LIABILITY FOR PAYMENT OF REMUNERATION FOR CONSTRUCTION WORKS PERFORMED BY SUBCONTRACTORS

Under the performance of its construction projects, the UNIBEP Group relies on the services of specialised contractors, in the scope of construction works, who often employ their own subcontractors. Therefore, it is not possible to exclude risk related to the failure to perform or the improper performance of the obligations of such contractors/subcontractors, which may have a negative effect on the completion of construction projects, and, consequently, the financial results achieved by the UNIBEP Group in the future. Furthermore, given the joint and several liability of the investor and the contractor for the payment of remuneration to subcontractors, it is not possible to exclude the risk related to the contractors' or subcontractors' failure to perform their obligations in that scope, and thus the occurrence of liability for the Group's companies acting as the investor.

In order to minimise the risk, the Group verifies busi-

ness partners in terms of procedures, quality control, and contracting capacities. Additionally, the Group implements a policy of the diversification of subcontractors, acts in accordance with the implemented procedures of internal tenders, and also includes - in the agreements - provisions ensuring the effective and quick replacement of unreliable subcontractors. Furthermore, the Group's companies are protected, each time, in the agreements with subcontractors through the introduction of provisions concerning the improper performance of the work, its timeliness, as well as liability in the guarantee period. The occurrence of the aforementioned risk may expose the Group to negative effects on operating and financial activities, and on development prospects.

RISK RELATED TO PROHIBITED CONTRACTUAL CLAUSES

The risk of discovering that the model agreements applied include prohibited contractual clauses is connected with the provisions of the Act on Competition and Consumer Protection, dated 16 February 2007. The President of the Office of Competition and Consumer Protection may impose a fine on an entrepreneur in an amount not exceeding 10% of the revenue generated in the financial year preceding the year of imposing the fine if such an entrepreneur has applied - even unintentionally - practices violating the consumers' collective interest. Practices which violate the consumers' collective interest are interpreted as an entrepreneur's illegal activities which jeopardise such interest.

First of all, the catalogue of behaviours which constitute the practices that violate the consumers' collective interest is not closed and the act lists such practices only as examples. This means that the Office of Competition and Consumer Protection (OCCP) may consider the specific market behaviour of real estate developers as practices violating the consumers' collective interest - although this is not expressly specified in the act - and may impose a fine.

Secondly, the risk consists of the possibility of considering the contractual clauses included in model agreements applied by real estate developers as prohibited clauses. The vast majority of agreements concluded by real estate developers are agreements with consumers. Pursuant to the emerging jurisprudence, especially that of the Supreme Court, the provisions included in the register of prohibited provisions should be interpreted broadly and thus not only provisions which are identical to the provisions included in that register should be considered as prohibited but also similar provisions. The scope of similarity of a contractual provision applied by the entrepreneur to the provision entered into the register may determine that a given provision is considered as prohibited. Even when the Group judges that the contractual provisions used by it in agreements with consumers are not similar to the provisions entered into the register, there is a risk that the OCCP qualifies a given provision as prohibited and imposes a fine on the real estate developer on such grounds. In order to minimise this risk, the Gro-

up's companies carefully analyse the applied model agreements in terms of the possibility of finding provisions included therein which could be interpreted as prohibited contractual clauses which violate the consumer's interests.

RISK RELATED TO THE CONSTRUCTION PROCESS

The main characteristic of construction activities is the necessity to commit significant funds throughout the performance of the investment until the moment of handing over the completed building/structure to the client. The services provided by the Company have the nature of individual agreements developed in given conditions and with the use of available procedures and technologies. Given the length of the entire period of performing the construction process, different changes to the conditions agreed at the beginning may occur.

The whole production and performance process involves different types of risk. The following threats may occur in that time:

- current changes to the design and performance at almost every stage of the process,
- incorrect initial estimate of costs of a project's performance and completion,
- significant changes of costs in the course of a project's performance and completion,
- errors made in the scope of managing the whole construction process,
- errors connected with applied technical and technological solutions.

Any one of the aforementioned threats may result in the prolonging of the whole process of product development which causes an increase in costs and postponement of payments, which consequently leads directly to a decrease in the results of the Group from a given contract, and this may have a negative effect on the financial standing of the Group.

RISK RELATED TO CONSTRUCTION INFRASTRUCTURE

The completion of a project depends on the provision of the infrastructure required pursuant to the regulations, such as access to public roads, access to utilities, setting of relevant internal roads, etc. However, there may be situations when the provision of the necessary infrastructure depends on factors which are beyond the control of the Group's companies (e.g. it often happens that the provision of access to relevant roads or utilities depends on a decision issued by a competent municipal or gmina - community - office). In some cases, the status of roads which are necessary for the performance of the investment project may be unregulated or there some unpredicted setbacks in the course of the project may occur which can cause delays and additional costs. Another possibility is that competent administrative authorities request that the Group's companies perform additional works connected with the infrastructure under the works related to the performance and completion of the investment project. Administrative authorities may also expect or

even demand that the investor perform the works related to the infrastructure which are not necessary in terms of the completion of a given project but whose performance may be expected by such authorities as the investor's contribution towards the development of the local community in connection with the performed investment project.

The occurrence of any of the aforementioned factors causing a delay in the performed projects or additional costs of the projects may also have significant adverse effects on the business activity, financial standing or development prospects of the companies from the UNIBEP Group.

RISK RELATED TO THE SALE OF REAL ESTATE DEVELOPMENT PROJECTS

The UNIBEP Group sells business units/flats as part of its own real estate development projects. The performance of real estate development projects involves a number of risks. There is a risk that the Group sells fewer business/residential units than anticipated, and as a consequence its cash proceeds are lower. This could also affect the level of sales/profits in a given financial year. The need for quick cash recovery may lead to the need to adjust prices of flats or (i) make greater expenditure on promotion, thus affecting the profitability of a project. The Group is of the opinion that at present, there is no pressure for quick cash "recovery" at the expense of further price reductions (cash level is stable and liquidity is additionally secured with available credit lines). Thus, it is not necessary to urgently adjust prices or to significantly increase spending on promotion. Yet, such activities cannot be excluded in the future.

RISK RELATED TO SECURITIES ESTABLISHED ON THE PROPERTY OF THE UNIBEP GROUP

The companies from the UNIBEP Group obtain credits in order to finance construction projects. The conclusion of credit agreements involves the establishment of securities for the benefit of banks to ensure the repayment of the debt, these securities may involve land on which the performance of the investment is planned. The Group pays attention to the fact that in spite of the fact that the credits obtained by special purpose vehicles in the Group are repaid in a timely manner, it cannot be excluded that in the future - in an extremely adverse financial situation - the Group may cease to be able to repay the credit liabilities in a timely manner or may breach the terms and conditions of the agreements. Therefore, the banks would be entitled to satisfy their rights through the exercise of their rights related to established securities which may mean e.g. the take-over of the title to the encumbered assets. Such a situation may cause a decrease in the number of assets owned by individual special purpose vehicles in the Group and the general loss of the value of assets.

In order to minimise the risk, the Group pays special attention to the rational management of its financial

structure, forecasts of needs for debt financing at the stage before making a decision about the performance of each real estate development project, and at the same time rationally manages and forecasts the level of financial liquidity. The occurrence of the aforementioned risk may expose the Issuer's Group to negative effects that impact operating and financial activities, and development prospects.

RISK RELATED TO AN INCREASE IN THE SHARE OF PUBLIC SECTOR CONTRACTS IN THE ORDER PORTFOLIO

Last year, the Group also undertook acquisition activities in the public sector (public procurements). With respect to the public procurement procedure, there are many situations in which the dates of signing an agreement and commencement of an investment project may be postponed for such reasons as inspection of the contract award procedure by the Public Procurement Office, or appeals and complaints lodged by other tenderers. Such circumstances may lead to rescheduling the performance of the investment, which may have an effect on the size of the portfolio of contracts in the reporting period.

The Group is also exposed to disputes with public investors due to different interpretations of contractual provisions, lack of willingness to amicably settle the disputes, lack of sufficient decision-making powers during the implementation, etc. (mainly in the road construction sector). Potential disputes may result in additional costs for the company and/or impediments to participating in tender procedures according to public procurement law.

Currently, the greatest share in the public procurement sector is held by the road construction division of the Group, while the share of public procurements in the residential/commercial/industrial construction has significantly decreased with a simultaneous increase in private sector orders.

RISK ASSOCIATED WITH DISPUTES

The objective of the UNIBEP Group is to perform and complete contracts in accordance with contractual terms and conditions. Throughout the implementation term, events related to different or conflicting interpretations of contractual provisions may occur. This may result in untimely payments being made by investors or claims challenging their legitimacy. In such cases, it cannot be excluded that our rights would have to be finally enforced by the courts. The company monitors potential disputes which might arise while performing the contracts. Legal services are provided for each segment on an individual basis and preventive measures are taken, if necessary, in advance in order to minimise the risk of dispute.

RISK RELATED TO THE EMPLOYMENT AND MAINTENANCE OF PROFESSIONAL STAFF

The objective of the Group is the provision of high quality products and services, which requires the ma-

agement of the company by professional staff and qualified employees. The position and competitive advantage of the Group have been built on the basis of talented and experienced personnel. However, there is a risk of the loss or reduction of experienced and professional managerial staff. In order to minimise this risk, the Group implements relevant personnel policy that minimises personnel fluctuation. The occurrence of the aforementioned risk may expose the Group to negative effects on its operating activities.

RISK OF THE FAILURE OF IT SYSTEMS

The risk related to the possible loss - partial or total - of data as a result of the failure of computer systems in the Group may cause delays in the performance of agreements and contracts. In order to minimise this risk, security procedures were implemented throughout the Group in the form of archiving data and its protection against unauthorised access to it or its loss. The occurrence of the aforementioned risk may expose the Group to negative effects on operating and financial activities, and on development prospects.

RISK RELATED TO PENALTIES FOR FAILURE TO PERFORM OR THE UNTIMELY PERFORMANCE OF ORDERS

In connection with the performance of investment projects in the construction sector, the Group is exposed to penalties for the failure to perform or the untimely performance of orders. When performing construction investment projects, the Group's companies agree schedules which minimise the risk of possible delays. However, the Issuer assumes the risk of paying higher sanctions or penalties. In the case of untypical orders or conclusion of contracts based on extreme conditions (e.g. limited in time), the Group's companies require a higher margin on the performed and completed project to compensate for the incurred risk related to the investment project and to obtain protection against possible contractual penalties.

RISK RELATED TO GRANTED GUARANTEES

As at the balance sheet date, that being 31 December 2016, the Group had contingent liabilities for the

amount of PLN 206.8 million. Contingent liabilities referred mainly to performance bonds under contracts and guarantees, to remove defects and failures, that are used by the Group's companies within their conducted activities, mainly in the scope of the provision of construction services. The contractual insurance guarantees obtained confirm the consistent activities undertaken by the Issuer to secure guarantee limits which enable the Issuer to freely participate in tender procedures. The Group received a claim requesting the payment of the granted guarantee only once, and the claim was satisfied. The requested amount was equal to PLN 0.5 million. The composition was agreed pursuant to which the Investor returned the amount of PLN 0.44 million to the Company. The Company assesses the risk of the materialisation of granted guarantees as limited.

RISK RELATED TO THE CONCENTRATION OF REVENUE FROM SALES

The Group's sources of revenues from sales are characterised by a high level of concentration in the area of residential/commercial/industrial construction activities. About 70% of the revenues of the UNIBEP Group, in recent years, were made up by sales from this segment. If the residential/commercial/industrial construction slows down, there is a risk of a decrease in revenues from sales, which may have a negative effect on financial standing of the Group and the implementation of its strategy.

The Group limits the risks related to the concentration of revenues from sales through increasing the scale of activities in the remaining segments and therefore it has taken advantage of the favourable economic situation in the real estate development sector and invested in new projects in Warsaw and Poznań. The effects of these projects - in the form of higher revenues and profits - should be increasingly visible over the next few years. Furthermore, the Group is continuing to develop its modular houses and road construction sectors. Entry into new markets, such as the Swedish one, are an important element of the diversification of the source of revenues.

8.2. Litigation

As at the date of drawing up this Report, the Parent Undertaking and the UNIBEP Group are a party to pending court proceedings concerning liabilities and debts.

The total value of litigation in the group of receivables, as at the date of drawing up this report, equals PLN 14,296 thousand and does not exceed 10% of the equity value of the UNIBEP Group (under the Parent Undertaking, the total value of proceedings equals PLN 14,006 thousand).

At the same time, the total value of proceedings in the group of liabilities, as at the date of drawing up this report, equals PLN 32,140 thousand and exceeds 10% of the equity value of the UNIBEP Group (under the Parent Undertaking, the total value of proceedings equals PLN 31,777 thousand).

The proceedings of greater values in the aforementioned group include the proceedings of UNIBEP SA with Jessheim Bolig og Naering AS (the Investor) and Agathon Borgen AS (the Investor) described hereinbe-

low.

Agathon Borgen AS – on 11 March 2014, UNIBEP SA brought the case against the Investor for the payment of NOK 4,086 thousand. In May 2014, the Investor filed a counterclaim with the court regarding the payment of NOK 10,278 thousand net for the substitute removal of defects after UNIBEP S.A had stopped its work on the construction site. Such claims were rejected by the Company at the pre-court stage. On 18 August 2014, UNIBEP S.A. filed a response to the Investor's statement of claim. Pleadings were filed.

In May 2016, the claim of UNIBEP SA was increased by the amount of NOK 3,600 thousand. Agathon Borgen expanded the statement of claim by the amount of NOK 9,000 thousand. This was the result of filing the statement of claim against Agathon Borgen by the cooperative of residents of Kjeller Gard for the same amount. Both cases were merged for their joint examination. In December 2016, the housing cooperative doubled the amount of its claim, reaching NOK 19,402 thousand gross. The subject matter of the claim was not changed, only the manner of calculating the value of individual defects was changed. Pursuant to the analysis of a service team of Unihouse and a Norwegian lawyer, a part of the claims of the cooperative is included in the amount of the Investor's previous claim against UNIBEP SA.

The time of the trial was set for 6 weeks and will commence towards the end of November 2017.

Jessheim Bolig og Naering AS - between 29 February and 18 March 2016, a trial took place before the court of first instance. On 15 July 2016, the court of first instance announced the judgement in the case which was unfavourable for UNIBEP SA. The court ordered UNIBEP SA pay Jessheim Bolig og Naering AS the amount of

NOK 23,706 thousand together with the interest and the costs of proceedings, and ordered Jessheim Bolig og Naering AS to pay UNIBEP SA the amount of NOK 7,930 thousand together with the interest. The judgement is not yet binding. UNIBEP appealed against the judgement on 15 September 2016. The statement of reasons for the judgement in the context of the amount of claims, the significance of charges made against UNIBEP SA, and the consequences of the judgement are very laconic, and therefore the argumentation of the court cannot be verified. The court decided that UNIBEP SA acted improperly during the construction of all the buildings under two projects. Yet, there were no facts or evidence given which acted as the basis of such an assessment by the court. The statement of reasons given by the court, concerning those significant cases of improper acting, is limited to a few generalised sentences. Pursuant to Norwegian law, the statement of reasons should describe specific facts and events which - pursuant to the court - speak for the recognition of the liability of UNIBEP SA for the consequences of such cases of improper acting and should explain the causality between the existence of such facts and stating the liability of UNIBEP SA.

The Norwegian law office representing UNIBEP SA expects that it will be possible to obtain a decision favourable for UNIBEP SA in the court of second instance. The appeal trial before the Norwegian court is planned to last 5 weeks and will start in September 2017.

A detailed description of the remaining court proceedings was included in note No. 6.40 of the Consolidated Financial Statements for 2016.

8.3. Information on the entity authorised to audit financial statements

On 19 July 2016, an agreement was signed for the review and audit of financial statements with PKF Consult Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office at the following address: Warsaw, ul. Orzycka 6 lok.1B. The agreement was concluded for the term of performing its subject matter.

The subject matter of the agreement is:

- the audit of separate financial statements of UNIBEP SA as at 31 December 2016,
- the audit of consolidated financial statements of the UNIBEP Group as at 31 December 2016,
- the review of interim separate financial statements of UNIBEP SA as at 30 June 2016,
- the review of interim consolidated financial statements of the UNIBEP Group as at 30 June 2016.

- the total amount of the remuneration arising from that agreement equalled PLN 94,000 net (of which PLN 58,000 for audits and PLN 36,000 for reviews).

Apart from the agreement with UNIBEP SA, the entity authorised to audit financial statements concluded - in 2016 - agreements with the subsidiary undertakings for the audit of financial statements for the total amount of PLN 67,300 net.

The entity authorised to audit the financial statements did not provide other services to the Parent Undertaking or the Capital Group.

8.4. Information on employment

AVERAGE EMPLOYMENT	as at 31.12.2016	as at 31.12.2015
White-collar workers	681	626
Blue-collar workers	527	475
TOTAL	1208	1101

More information about employment is shown in the Sustainable Development Report which constitutes a

separate element of the Consolidated annual report for the year 2016.

8.5. Information on the environment

Under the performed construction works, as well as in connection with the performance of real estate development projects, the companies from the UNIBEP Group are obliged to take into account environmental protection requirements in the scope of the work conducted, and in particular the protection of soil, greenery, natural landform features and water ratios. In connection with the conducted operating activities, there have been no circumstances thus far resulting in the occurrence of significant liabilities and damages related to environmental protection on the part of companies from the UNIBEP Group.

At the same time, the objective of the UNIBEP Group is to be an environment-friendly company operating based on sustainable development principles. The UNIBEP Group undertook activities aimed at ensuring that the conducted business activities comply with legal requirements in the scope of environmental protection, and that the activities aimed at counteracting air and environment pollution are undertaken, and that the natural resources are managed in an appropriate manner. The "Environmental Declaration of the UNIBEP Group", adopted in 2015, outlines the

policy and directions of operations in this area.

We are at present undergoing the certification of ISO 14001: Environmental Management System in relation to UNIHOUSE Branch. A new IMS Policy was also issued, this being integration of all the ISO systems that had been already implemented in UNIBEP company.

More information about environmental protection and undertaken activities is shown in the Sustainable Development Report which constitutes a separate element of the Consolidated annual report for the year 2016.

8.6. Information on charitable and sponsorship activities

For years, the UNIBEP Group has been focusing not only on increasing the capital but also on promoting initiatives in the region where it was established, Podlasie. Corporate social responsibility is important to the whole company. That is why it promotes sport, provides funding for cultural activities and institutions in need of assistance, and helps young talents achieve success.

More information about the charitable and sponsorship activities is shown in the Sustainable Development Report which constitutes a separate element of the Consolidated annual report for the year 2016.

8.7. Information on the Sustainable Development Report

The Company informs that the Sustainable Development Report including information about non-financial data, in particular data concerning the environmental policy, HR issues and issues related to the

safety in construction industry, constitutes a separate documented published as part of the annual periodic report for the year 2016 as its appendix.

8.8. Wyróżnienia, nagrody

„Builder” Awards

On 18 February 2016, the 13th Gala of Builder Awards was held in the Złote Tarasy Cineplex. The Gala of Builder Awards is organised by a magazine dedicated to the construction industry. Unibep SA from Bielsk Podlaski was in the group that received distinctions - it was awarded the title of Construction Company of the year, and Jan Mikołuszko received the title of Golden Hercules in the construction industry. Leszek Gołąbiecki, the President of the Management Board of Unibep SA., was awarded the title of Personality of the Year.

Office building and residential building awarded with the „Construction Project of the Year”

Domaniewska Office Hub and Słodowiec City - both projects constructed by Unibep SA - were awarded first prize in the prestigious competition entitled “The Construction Project of the Year 2015”. The awards were given during a special ceremony that was held on 24 May 2016 in Warsaw.

Domaniewska Office Hub is a seven-storey A-class office building with commercial space, 390 spaces in a two-storey underground car park, as well as technical and administrative premises.

Słodowiec City is a multi-family building with 10 floors above ground, including a service, commercial and administrative part, and a three-storey underground garage. It offers a total of 777 flats.

Distinction for modular houses

Modular houses produced by the Unihouse, Branch of UNIBEP S.A., received the title of Export Product of the Podlaskie Voivodeship. The award ceremony took place on June 2, 2016 at the Podlaskie Opera and Philharmonic in Białystok.

Unibep is among the best employers of Eastern Poland

Unibep S.A. received the title of the Top Employer of Eastern Poland. The award was presented during the third Eastern Economic Congress in Białystok which was held in September 2016 in Białystok.

Among the biggest and the best in the Podlasie region

Unibep S.A. was awarded second position in the category of “The best employer”, third position in the category of “The biggest net revenue”, and a special distinction in the category of “Exporter of the Year”. Unibep SA received these awards during the summary meeting of the 13th edition of the Podlaskie Golden Hundred Companies ranking. It is the most important economic ranking of the Podlaskie region, organized from its very beginning by the “Kurier Poranny” daily newspaper. Its summary meeting was held on 18 November 2016 in Białystok.

9. REPRESENTATIONS OF THE MANAGEMENT BOARD

To the best of our knowledge, the financial statements of UNIBEP SA (both separate and consolidated ones) for the period of 12 months ending on 31 December 2016, and the comparable data were prepared in accordance with the applicable accounting principles, and they give a true, fair and clear view of the material and financial position and financial result of Unibep and the Unibep Group, and this Report of the Management Board gives a true description of the development, achievements, risks, threats and standing of the Issuer and the Issuer's Group, including the description of the basic threats and risks.

We also represent that the entity authorised to audit the financial statements of Unibep and the UNIBEP Group for the period of 12 months ending on 31 December 2016 - PKF Consult Sp. z o.o. Sp. k. with its registered office in Warsaw - was selected pursuant to the provisions of the law. This entity and the expert auditors who carried out the audit met the requirements allowing them to issue an impartial and independent opinion about the audit in accordance with the applicable provisions of the law and professional standards.

SIGNATURES OF MANAGING BODIES

This Report of the Management Board on the operations was drawn up and approved for publication by the Management Board of UNIBEP SA on 14 March 2017.

The Management Board of UNIBEP SA

.....
Leszek Marek Gołąbiecki
President of the
Management Board

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Sławomir Kiszycki
Deputy President of the
Management Board

.....
Marcin Piotr Drobek
Member of the
Management Board

.....
Jan Piotrowski
Member of the
Management Board



Contact data:

UNIBEP SA, 17-100 Bielsk Podlaski, ul. 3 Maja 19

Telephone No.: (48 85) 731 80 00 – reception desk, (48 85) 731 80 11 – front office, (48 85) 730 70 64 – tone dialling - extension

Fax No: (48 85) 730 68 68

www.unibep.pl