



MANAGEMENT BOARD'S REPORT

ON THE ACTIVITY OF

THE UNIBEP GROUP IN 2018

(including disclosure requirements for the Report of the
Management Board on the Parent Company's
activities for the aforementioned period)

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1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

In 2018, the Unibep Group generated revenues of PLN 1.66 billion (a 1.8% increase compared to the corresponding period) and a net profit of PLN 27.5 million (a 3.7% increase year on year). The slight improvement in the consolidated data of the Group was mainly due to good results in two business areas - general contracting, export and development activities. I would like to add that we have a solid stable portfolio of orders - for 2019, in the construction and infrastructure part, it amounts to approximately PLN 1.4 billion, for subsequent years - PLN 0.6 billion. The portfolio is dominated by orders commissioned by private investors.

2018 was a very difficult and demanding year for the entire construction industry. Although the construction and assembly production has been growing for many quarters (at a rate of a dozen or so percent year on year), and the number of tenders, especially in the infrastructure segment, is very high, yet unfavourable trends - higher prices of materials, problems with labour shortages, growing price pressure from subcontractors and employees - had a negative impact on the situation and results of the entire industry. The Unibep Group was no exception. It also had to face a very volatile and demanding situation, not forgetting the good relations with investors, subcontractors and suppliers developed over the years. I am sure that it was thanks to trust and good cooperation that we were able to complete many projects on time and in good quality, to communicate in difficult situations, as well as obtain interesting construction projects and expand our product portfolio to the Polish market. This is mostly thanks to the responsible and increasingly competent staff. I would like to add that while we observe the changes taking place on the market, we also maintain and consistently expand the competences of our employees in each construction segment. The goal is clear: The Unibep Group wants to be a competitive entity in an increasingly demanding market.

Analysing individual businesses of the Unibep Group, the following segments generate positive results: development, general contracting in Poland and abroad, and road and bridge segment. Unihouse, a Unibep SA Branch, offering modular construction, mainly to Scandinavian markets, did not achieve its financial targets. The main reasons include the ongoing expansion of Fabryka Domów Modułowych [the Modular Houses Factory] in Bielsk Podlaski, which in the execution phase limited production, and the shifts in the execution of some construction projects.

In 2018 Unihouse decided to enter the Polish market with its products. The first effects are optimistic: cooperation in the execution of the development project of

Mieszkania Mickiewicza in Bielsk Podlaski (the first project implemented with Unidevelopment SA), construction of dormitories in Sopot, the project of holiday cottages within the "Park of Poland" investment. I would like to add that Unihouse was among the winners of the nationwide competition in prefabrication, which was organised by PFR Nieruchomości SA. Therefore, I am convinced that apart from the Scandinavian markets, which remain the core market of Unihouse's activities, the Polish market is a good and developing place for the construction of modular multi-family buildings using wood technology.

2018 was a difficult year, but a good one in the general contracting segment in Poland. What is important, we have made reasonable wage adjustments with almost all investors as a consequence of price changes on the raw materials and construction services market. According to the schedules, we have completed and are executing residential projects, mainly in Warsaw and Poznań, office buildings, dormitories, halls and warehouses. We have obtained interesting projects, such as the construction of a dormitory in Kraków, a representative high-rise building in Warsaw, we are implementing more and more construction projects in the industrial construction segment.

Unibep SA is successfully implementing projects in the eastern markets, in Belarus and Ukraine. We have already opened a logistics centre in Bolbasovo in Belarus, we have projects in Minsk (medical and tennis centre) and Grodno (shopping mall). We signed a contract and started work on the construction of a large shopping mall in Kiev (Ukraine). All projects have secure financing and the credits granted to investors are insured with the Export Credit Insurance Corporation.

Unidevelopment SA, a Unibep SA developer company, sold 495 apartments in 2018 and achieved a very good financial result with a profit of PLN 22.9 million. Currently, the company has approx. 800 flats on offer. Our developer continues the fruitful cooperation with CPD SA in the development of a housing estate in the Warsaw's Ursus district - so far we have built and sold approx. 750 flats together, and there are plans to build another 750 flats. I would like to draw attention to the fact that the company is consequently building a land bank, mainly on two markets: Warsaw and Poznań. In total, in the next few years Unidevelopment SA will be able to offer the clients approx. 3.5 thousand flats in very interesting locations in Warsaw and Poznań.

The 2018 results of the road and bridge segment (Unibep SA Infrastructure Branch and Budrex-Kobi Sp. z o.o.) reflect the situation on the market - on the one hand, we had to terminate the previously signed contracts which did not anticipate such significant,

unfavourable changes on the market, and on the other hand, we started the implementation of new contracts which were signed according to new, safe and risk-minimising rules. I would like to add that we were forced to withdraw from a contract which was improperly prepared by the investor. This applies to the Sokółka - Dąbrowa Białostocka road.

I would also like to stress that we have gained new competences last year. Together with the consortium member we completed, for the first time in history, a section of the national road S8 (near Ostrów Mazowiecka). This experience and new competences allowed us to sign more and more interesting contracts in the infrastructure segment, both in consortiums and on our own. They are located mainly in the north-eastern Poland, including the Porosły interchange near Białystok, a section of the S61 national road (Via Baltica).

Budrex-Kobi Sp. z o.o. is proving itself as a responsible and competent subcontractor of engineering works in the implementation of large infrastructural projects and as a constructor of non-standard, demanding engineering facilities. In 2018, Budrex-Kobi built, among others, the longest flyover in Podlaskie Voivodeship (over 600 metres long). The company's employees are still gaining new competences, which will certainly be used in the implementation of further infrastructural projects.

Unihouse, a Unibep Branch, completed its first contract in the Swedish market in 2018 - four turnkey buildings were built with 58 apartments under the Tumba framework project signed with AB Botkyrkabyggen. In February 2019 we signed another contract in Sweden and we will construct a building with 34 flats in Göteborg. We assess the Swedish market as a market with development potential, similarly to the Polish market, as I have mentioned earlier.

On the Norwegian market, the most important one for Unihouse, we are signing new contracts and implementing those already concluded. The "HeimdalsPorten" project in the municipality of Trondheim, Norway, as part of which Unihouse will design and build 200 apartments in 7 and 8-storey buildings, deserves special attention.

I would like to stress that we have a stable and qualitatively good portfolio of contracts for 2019 and beyond, built on foundations which take into account the current market situation. This means that we do not have to win new contracts at all costs, we can approach the matter of offer selectively, minimising the risk of carrying out new projects.

In 2018, we have increased the staff numbers and competences in every segment of our business - the Unibep Group employs 1486 people and virtually this did not change year on year. We skilfully and responsibly expand cooperation between individual businesses of our Group, using the effect of scale and synergy.



The liquidity of the Unibep Group was one of our priorities for 2018 and remains our priority for 2019. Therefore, we plan to be absolutely rigorous in keeping an eye on the costs of our activities, in particular the management costs. I would like to stress that we focus on efficiency and innovation in our work. We have taken a number of actions which will help us to make beneficial changes in many areas of current activity.

I am convinced that 2019 will be present itself as another demanding and difficult year for the construction industry. I would like to add that, as the company's management board, we have made many decisions to properly prepare ourselves for this unstable situation.

I would like to invite you to read the 2018 report.

Leszek Marek Gołąbiecki,
President of the Management Board of Unibep SA

2. INTRODUCTION

2.1 Introductory information

Unibep SA is currently one of the largest construction companies in Poland, according to last year's report by Deloitte. In terms of revenue it is among the 10 largest companies operating in Poland. Noted on Warsaw Stock Exchange since 2008, the Company has a majority Polish capital holding (over 55 percent of shares held by three families). According to estimates, it is a leader in residential construction on the largest construction market in Poland - the Warsaw market.

The history of Unibep SA reaches back to 1950. The Company has always had its headquarters in Podlasie, in Bielsk Podlaski, a small town with only 28,000 inhabitants. But it also has its offices in Warsaw, Białystok, Łomża, Minsk and Kiev. It operates mainly on the Polish market, but it is also a significant exporter of construction services, building in Norway, Sweden, Belarus, and beginning its activity in Ukraine.

The business of the Unibep Capital Group is built on five complementary segments:

- **General Contracting of Unibep SA in Poland**, the main part of which being residential construction. The Company enjoys a strong position in the area of Warsaw. The Company carries out projects associated with commercial building construction (hotels, offices, retail and service facilities) as well as industrial construction (factories, processing plants, logistics centres). General contracting is conducted by the parent company Unibep SA.
- **General Contracting Export abroad** (Belarus, Ukraine), mainly in the field of commercial building construction. Export of construction services is being conducted by the parent company Unibep SA as well as companies and representatives present in the countries where the activity is carried out.
- **Modular Constructions** - the production of wooden modules for construction and assembly of multi-family houses and public utility facilities on the Scandinavian market (mainly in Norway and Sweden). The year 2018 marks the beginning of activity on the Polish market. This activity is carried out by Oddział UNIHOUSE in Bielsk Podlaski as part of the activity of UNIBEP S.A.
- **Real estate development activities**, conducted via the UNIDEVELOPMENT Group. Currently projects in Warsaw, Poznań and Radom are being executed. In 2018, the first developer project was commenced in Bielsk Podlaski - an ecological multi-family residential building based on Unihouse technology.
- **The road and bridge infrastructure** in north-eastern Poland, executed by Oddział Infrastruktury Unibep SA. Since July 2015, Unibep SA is a sole shareholder in the Białystok-based company Budrex- Kobi, a highly specialist enterprise which

constructs bridges and culverts within almost the entire area of Poland.

For years, the Capital Group has been consistently diversifying its portfolio of activities with sustained growth.

The Bielsk Podlaski-based company has completed many ambitious construction projects, both in Poland and abroad. In 2018, the company completed such prestigious projects as the construction of Rondo Wiatraczna in Warsaw and Ogrodowa Office in Łódź. The Company is in the process of building approx. 4600 flats (mainly in Warsaw, for major developers), and executing construction projects in Kraków and southern Poland. It is becoming increasingly competent in the area of industrial construction, executing e.g. contracts for the construction of a sewage treatment plant in Łask or the Fresenius Kabi infusion fluid plant in Kutno.

In 2018 Unibep SA signed contracts for the construction of important sections and junctions in the Podlaskie Voivodeship, including within the city of Białystok. An important stage in the development of competences in the area of infrastructure was the commissioning of a section of the S8 road connecting the cities of Białystok and Warsaw. Thanks to the experience Unibep SA, together with consortium members, gained new contracts for the construction of express roads in Podlaskie Voivodeship (including the S61 road within the Via Baltica). Budrex-Kobi Sp. z o.o. - a subsidiary of Unibep SA - completed, among others, the longest flyover in the Podlaskie Voivodeship in Krasne (over 600 meters long), and built a bridge over the Narew River in Uhowo.

2018 was an exceptional year for Unihouse Oddział Unibep SA. The company completed its first project on the Swedish market - in February 2018 four buildings with 58 apartments were completed. In February 2019, another contract was signed for the development of buildings in Sweden - it will be a 5-storey building with 34 apartments.

The Unihouse Modular Houses Factory has increased its production capacity - in May 2018, a new hall with the area of 8 thousand square metres has been opened. Currently, the entire production cycle of residential modules is under the roof, which raises the already high standard of their execution. Last year Unihouse Oddział Unibep SA decided to enter the Polish market (so far the main market for their products was the Scandinavian market) - during the fair and numerous presentations the company showed, among others, the modular economic construction, as well as public buildings (hotels). First effects of the activity on the

NET PROFIT

PLN 27,564
thousand**+3,7%****PLN 1,624,570**
thousand

CONTRACTS SIGNED IN 2018

PLN 45,312
thousand

EBITDA

REVENUE

PLN 1,658,622
thousand**+1,8%**CONTRACT PORTFOLIO
(CONSTRUCTION AND INFRASTRUCTURE PART)
TO BE COMPLETED IN 2019**PLN 1,419,886**
thousand**1,486**
personsEMPLOYMENT
(as at 31/12/2018)**PLN 157,820**
thousandCAPITALISATION ON THE WSE
(31/12/2018)

CASH

PLN 56,182
thousand**-66,0%**PLANNED SALE
OF RESIDENTIAL UNITS IN 2019**637**
units

Polish market can be seen already: together with Unidevelopment as an investor, Unihouse is building the Mieszkania Mickiewicza Housing Estate in Bielsk Podlaski, and a contract for the construction of a dormitory in Sopot has been signed.

Unihouse Oddział Unibep SA continues its activities on the most important market in Norway. In February 2019, the company signed a contract for the construction of approximately 200 apartments in the municipality of Trondheim. A novelty is the construction of 7 and 8-storey residential buildings, as for the first time in history Unihouse will build such tall buildings using modular wooden technology.

2018 was a good year for Unidevelopment SA, a developer company of Unibep SA, both in terms of the result, improved profitability of operations, as well as a good land bank for the coming years. This applies to both the Warsaw and Poznań markets. The fact of establishing cooperation with the Wiepofama Group deserves special attention. According to the signed

contracts, the companies will jointly execute a multi-stage residential project at ul. Dąbrowskiego in the Jeżyce district, Poznań. Ultimately, more than 2000 flats will be built there. Also important is the further co-operation with CPD SA concerning joint construction project in the Ursus district in Warsaw and the development of own developer projects.

Unibep SA for years has been a significant exporter of construction services, mainly beyond the eastern border. In Belarus, the company has completed the construction of a logistics centre in Bolbasovo, where it is still working on two projects in this market: a medical and tennis centre in Minsk and a shopping mall in Grodno. Since 2018 Unibep SA has also been present on the Ukrainian market: in Kiev it will construct a shopping and recreation complex.

The goal of the Unibep Capital Group is to consistently increase efficiency in each area of activity, using, among other things, the effect of synergy between businesses.

2.2 Event timeline

Below are some of the events which took place in 2018.

January

- Zbigniew Gościcki, the President of the Management Board of Unidevelopment SA, becomes the Personality of the Year 2017 and Unidevelopment SA becomes the Building Company of the Year 2017. These titles are awarded annually by the "Builder" monthly magazine.

February

- Unibep SA was awarded with the Mercurius statuette in the second edition of the Polish-Swedish Business Gala. PLL LOT was the other company to receive the prize at the Embassy of the Republic of Poland in Stockholm. The award is granted to companies which have contributed to the Polish business in Sweden. Unibep SA is the first Polish construction company to be included in the Swedish several-years-long programme directly as a general contractor. It includes the construction of approx. 300 modular flats between 2017 and 2020.
- The joint topping out ceremony to mark the completion of the construction of the raw state on the construction sites "Dzielną 64" and "Studio Centrum" at ul. Pawia 51. Both projects were carried out for Ochnik Development.
- Official opening of the Rondo Wiatraczna Shopping Mall and the entire project. The construction was a great logistic challenge due to the proximity of an important transport node, i.e. Rondo Wiatraczna.

March

- Unibep SA launches its two-year presidency of

the Agreement for Safety in Construction. This is the fourth Presidency change since the creation of the Agreement in 2010. The first leader of the Agreement was Skanska, later for two years the association was managed by Budimex, and for the past two years - Warbud SA.

- The consortium of UNIBEP and Most withdraws from the contract for the construction of the Sokółka - Dąbrowa Białostocka road. The reason is that the project does not meet the conditions for good road construction.

April

- Topping out ceremony for Nordic Mokotów. The second stage of the project includes 97 apartments. The investor is the Finnish concern YIT, one of the largest developers in Europe.
- Multi-family buildings manufactured by Unihouse Oddział Unibep SA in Bielsk Podlaski are awarded the title of the Podlaska Marka Roku [Podlasie Brand of the Year] in the category of "Utility Product". Podlaska Marka Roku is the most important ranking prepared by the Marshal's Office of the Podlaskie Voivodeship.
- The joint topping out to mark the completion of the construction of the raw state of the projects entitled: Apartamenty Mokotów Nad Skarpą, Osiedle Forma and Cybernetyki 17. The investor for these three projects is Dom Development SA.
- Topping out of the "Mołdawska 5" building. It is a smaller project, perfectly suited to the atmosphere of the Warsaw's Ochota district. The investor is Warszawska Spółdzielnia Mieszkaniowa OCHOTA.

May

- Krzysztof Mikołajczyk becomes a member of the Management Board and the construction direc-

tor of Unibep SA. The change takes place as a result of the resignation of the former Vice-President Marcin Drobek.

- Over 100 people - developers from Norway, investors from Sweden, scientific staff from the departments of architecture and construction of the Białystok University of Technology, as well as financiers, heads of cooperating companies and employees of Unihouse Oddział Unibep SA - take part in a seminar entitled: "Budownictwo modułowe: jakość, ekologia, innowacje" ["Modular construction: quality, ecology, innovation"], in the Modular Houses Factory in Bielsk Podlaski. The event is connected with the official opening of the new Unihouse production hall with an area of 8,000 m².
- Beginning of the Safety Week organised by the Agreement for Safety in Construction. As part of the annual prevention and education campaign, activities are carried out to raise employee awareness of health and safety at work.

June

- Change of the name of the Oddział Drogowy Unibep SA to Oddział Infrastruktury Unibep SA z siedzibą przy ul. Hetmańskiej 92 w Białymstoku [with its registered office at ul. Hetmańska 92 in Białystok].
- Unibep SA is ranked 203rd in the 20th edition of the "Rzeczpospolita" Lista 500 [500 List]. Compared to the previous year, it has been promoted by 42 places.
- Unibep is once again among the winners of the "Budowa Roku" ["Building of the Year"] competition organised by the Polish Association of Construction Engineers and Technicians. Galeria Północna in Warsaw and the Mlekovita 3 dairy powder factory in Wysokie Mazowieckie at ul. Ludowa received the "Budowa Roku 2017" title (first-degree award). The Aura Sky Stage I building in Warsaw receives a third-degree award.

July

- Unihouse is building the first zero-energy test building in the Podlaskie Voivodeship. The modules prepared in advance in the factory are assem-

bled in one day, creating the entire structure. The building is located within the Unihouse premises in Bielsk Podlaski. The total value of the project amounts to PLN 4.5 mln. The co-financing from the Regional Operational Programme of the Podlaskie Voivodeship amounts to PLN 2.4 mln.

August

- Signing of a contract for the design and construction of the S61 expressway between Szczuczyn and Ełk Południe (23.5 km). There are 2 carriageways planned, 2 lanes each, an emergency lane and service roads throughout the entire route. The project will be carried out in a consortium of PORR and UNIBEP.
- Aura Sky II with suspended topping out. This is the next stage of the prestigious residential project, which includes, among others, the highest building within the right-bank Warsaw. The second stage will consist of 220 residential units, 22 commercial units and 250 parking spaces in a two-storey garage.

September

- The Formika production building in Parzniewo celebrates the suspension of the topping out. The investor of the project is Formika Sp. z o.o., a producer of packaging for the food, pharmaceutical and cosmetic industries. It is one of the most modern production plants in its sector in Europe.
- Topping out of the first Aroma Park building. It is a unique project in which one of the most important monuments of northern Warsaw, Henryk Bienthal's Yeast Factory, is being restored to its former glory. The investor of the project is YIT Development.
- Opening of the S8 road section from the Poręba interchange (without the interchange) to the Ostrów Mazowiecka ring road. The newly built section includes a 16.1 km expressway and access roads, evaporation tanks, two road interchanges (Dybki and Nagoszewo) and nearly 20 animal crossings. The general contractor is a consortium of PORR and Unibep companies.



Construction of a poultry slaughter and cutting plant in Koryta

- A seminar and panel discussion on the topic "Ekologiczne budownictwo prefabrykowane Unihouse: jakość, innowacje, korzyści" ["Unihouse green prefabricated building: quality, innovation, benefits"] is taking place at the Building Industry Solutions 2018 fair in Nadarzyn. The seminar is attended by several dozen people invited by Unibep, including scientists, financiers, developers and engineers. Unihouse begins its operations in the domestic market.

October

- Topping out of the first of two buildings as part of the Mieszkania Mickiewicza project in Bielsk Podlaski. The investor is Unidevelopment SA, the contractor - Unihouse Branch Unibep SA. The buildings are built with the use of wooden panel technology.
- Conclusion of the conditional contract for execution of the road investment in Ukraine. Unibep is to build a Retroville shopping and entertainment centre in Kiev, Ukraine. This is the first Unibep project in Ukraine in the general contracting system.
- Completion of works by Budrex-Kobi on engineering objects at ul. Ciołkowskiego in Białystok.

November

- Unihouse Oddział Unibep SA is in the final stage of the competition for the design of prefabricated

residential buildings. The competition is to select the best prefabrication system for the Mieszkanie Plus [Apartment Plus] programme. The finals of the competition are scheduled for 14 December 2018.

- The end of the first edition of the "Drewno w architekturze" ["Wood in Architecture"] competition concerning the master's degree projects. The projects were to show wood as a good construction, building and finishing material. The competition is a result of cooperation between the Faculty of Architecture of the Białystok University of Technology, Unibep SA and Danwood SA.
- The finals of the Konkurs Mostów Drewnianych [Wooden Bridges Competition] organised at the Faculty of Construction and Environmental Engineering of the Białystok University of Technology. Once again, the Unibep Group provides support for the competition. Cooperation with the University of Technology is part of a long-term project of supporting science and higher education by the Unibep Group.

December

- The process of analysing the perspectives of the UNIBEP Group segments' operations was completed, based on which the strategic directions of development of particular areas of the Group's operations were determined.

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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net sales revenue	1,658,622	1,629,285	388,718	383,840
EBITDA	45,312	33,455	10,619	7,882
EBIT	34,781	23,623	8,151	5,565
Net profit	27,564	26,584	6,460	6,263

SELECTED FINANCIAL BALANCE SHEET DATA

	in PLN thousand, as at		in EUR thousand, as at	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Fixed assets	224,873	220,294	52,296	52,817
Current assets	731,358	782,289	170,083	187,559
Assets/Liabilities	956,231	1,002,583	222,379	240,376
Equity	263,656	257,604	61,315	61,762
Outsourced capital	692,575	744,979	161,064	178,614
Closing balance of cash flows	56,182	165,349	13,066	39,643

SELECTED FINANCIAL DATA FROM THE CASH FLOW ACCOUNT

	in EUR thousand, as at		in EUR thousand, as at	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Operating cash flow	-111,037	104,270	-26,023	24,565
Investment cash flow	-17,952	7,114	-4,207	1,676
Financial activity cash flow	18,460	-90,736	4,326	-21,376
Total net cash flows	-110,528	20,648	-25,904	4,864

Conversion rules adopted

Items of the profit and loss account and the cash flow account were converted at the exchange rate of EUR 1 = PLN 4.2669 for the period from 01/01/2018 to 31/12/2018 and EUR 1 = PLN 4.2447 for the period from 01/01/2017 to 31/12/2017.

Balance sheet items were converted according to the exchange rate of EUR 1 = PLN 4.3000 as at 31 December 2018, EUR 1 = PLN 4.1709 as at 31 December 2017.

SELECTED FINANCIAL RATIOS

	31/12/2018	31/12/2017	Ratio calculation principles
EBIT margin	2,10%	1,45%	= EBIT in the period/sales revenue in the period
Return on sales (ROS)	1,66%	1,63%	= net profit in the period/sales revenue in the period
Return on equity (ROE)	10,58%	10,77%	= net profit in the period/average equity balance in the period
Overheads to revenues ratio	2,79%	2,48%	= costs of management in the period/sales revenue in the period
Debt ratio	0,72	0,74	= (long-term and short-term liabilities)/total liabilities
Current liquidity ratio	1,35	1,25	= current assets/current liabilities
Cash liquidity ratio	0,10	0,26	= cash/current liabilities

As expected by the Management Board, 2018 brought a slight improvement in the results of the UNIBEP Group at the level of sales and net profit. Sales in relation to 2017 increased by approx. 2%, net profit increased by approx. 3%.

In terms of the segment, the increase in revenues as compared to 2017 was recorded only in the infrastructural construction segment.

The residential, office and industrial construction segment only slightly decreased its sales in relation to 2017. Due to contracts executed in Belarus, this segment shows an increase in activity on export markets. On the other hand, the domestic market sales are lower.

The lower sales were not compensated for by an increase in margin this time. In comparison with the previous year they decreased by 2.07 p.p. This is mainly due to the impact of domestic market contracts. In 2018, contracts were executed and to a large extent completed, whose profitability significantly decreased as a result of changes of prices on the market of materials and services.

The difficult situation on the market of materials and services also affected the infrastructure segment. Despite this, we managed to increase the scale of operations, sign new prospective contracts with investors and improve the margin in relation to 2017. The Company withdrew from the contract of Dąbrowa Białostocka - Sokółka and does not take into account the potential opportunities or risks associated with this. Information on transactions related to this contract is presented in the section on extraordinary events affecting the financial result (item 5.3 of the Report).

The developer segment recorded a drop in sales. Lower sales are compensated for by higher profitability - an increase of 8.03 p.p. at the level of gross margin.

The efficiency of the modular construction segment in the results for 2018 is lower than the assumptions and its capabilities. With lower sales (by approx. 22%) compared to the previous year, the gross profit on sales is also much lower. The development perspective described in item 4.2 provides a basis for good forecasts for the coming years.

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

The results for 2018 show the stability of the Group's management costs. Systematic approach to their planning and control makes them predictable. The ratio of management costs to revenues remains below 3%. This ratio is still one of the lowest among companies with a similar business profile.

The major factors underlying the results achieved in 2018:

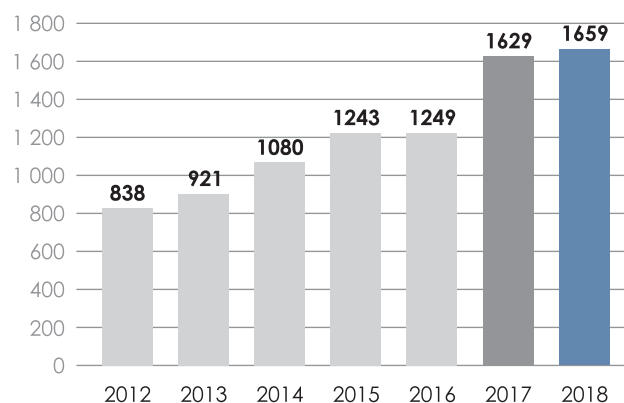
- a large portfolio of contracts executed on the domestic market,
- a greater share in the implementation of industrial construction contracts,
- timely and effective execution of contracts on eastern markets,
- withdrawal by the Road Branch from the execution of a large road contract and settlements related to this, related to the arrangements concerning the dates of commencement of works in infrastructure on projects acquired for execution
- high profitability of own development contracts settled in 2018,
- budgetary discipline, strict cost and cash control in the execution of contracts in each of the businesses,
- timely and budget-compliant execution of own development projects and projects carried out in the form of joint ventures,
- consistent supervision over the planning and settlement of the Group's management costs, good relations with investors based on timeliness and quality of workmanship, unfavourable relationship between NOK/PLN and SEK/PLN exchange rate limiting the good result of the modular construction segment,
- development of production and sales potential within the modular construction segment,
- continuous improvement of production and organisational processes in all segments of the Group, including the back office.
- review of own structures, process optimisation and continuous monitoring of fixed costs,
- good liquidity, access to external sources of financing,
- continuous improvement of processes with the use of IT tools.

Apart from the internal factors, the external factors were equally important for the obtained results. Among them, as always, the key is the persistently strong price competition on the domestic market (residential, office and industrial construction and road construction). As always, the stability of margins is affected by the variable situation concerning the prices of construction materials and services.

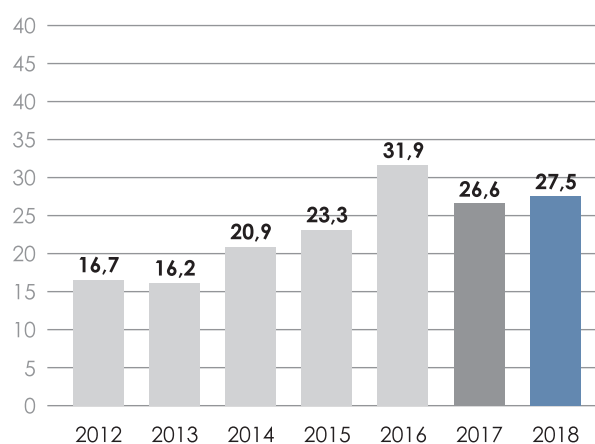
The unfavourable relation between the NOK/PLN and SEK/PLN exchange rates once again resulted in a reduction in the result of the modular construction segment.

The situation on the Belarusian and Ukrainian markets creates hope for export growth. Contracts concluded in Belarus are already bearing fruit in terms of projects.

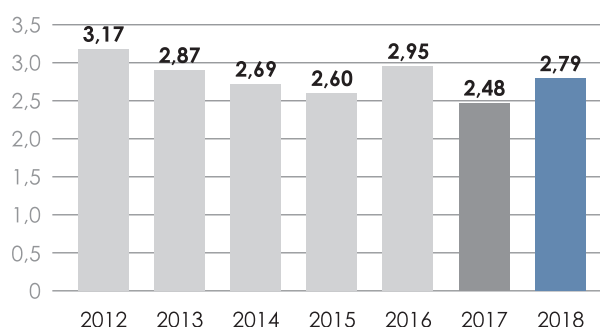
REVENUE (IN PLN MILLION)



NET PROFIT (IN PLN MILLION)



MANAGEMENT COSTS TO REVENUE RATIO - UNIBEP GROUP (%)



We also expect positive margins from projects in 2019 in Ukraine - the contract on this market was concluded in 2018. The political situation in Russia limits our activity on this market and we are not developing our activity on the German market either.

Individual businesses of the UNIBEP Group conduct extensive acquisition activities in the field of winning new construction contracts for execution. The Group's execution capabilities and market position allow it to expect an increase in the activity of each segment and expected financial results.

3. ACTIVITIES OF THE UNIBEP GROUP

3.1 Subject of activity

SALES MARKETS

The operations of the UNIBEP Group are based on the following activities:

- General contracting, Domestic. The segment is mainly represented by housing construction (approx. 55% in 2018). Commercial and service construction and public utility buildings are becoming increasingly important. The segment's revenues are generated mainly on the Warsaw and Poznań markets. Among the investments started in 2018 there are those which are executed for investors who once again place their trust in us and together we can implement further projects.
- General contracting, Export. Activity of the period focused on the eastern markets: Belarusian and Ukrainian. Projects acquired in previous years are being implemented or finalised on the Belarusian market. In 2018, a contract was concluded on the Ukrainian market. Acquisition activities are carried out for new projects.
- Modular construction (Oddział UNIHOUSE). It is based on the production of ecological modular houses in Fabryka Domów [the Houses Factory] in Bielsk Podlaski and their assembly on the construc-

tion site. On the Norwegian market, long-term cooperation with the largest developers of this market and the execution of new contracts for them are of key importance. Oddział Unihouse also conducts development activities in this market together with its Norwegian partners. The Swedish market is being developed. It is treated as prospective. The additional activation on the Polish market constitutes the diversification of activities. Oddział has prepared projects and a concept for the development of this business segment.

- Road and bridge construction. Until recently, the activity of this segment was concentrated mainly in the area of powiat, voivodship and local roads in the north-eastern region of the country. In recent years, the Group has continued to execute contracts on expressways (independently, within a consortium, or as a subcontractor). The bridge part, in turn, takes its experience from the presence throughout Poland. It is being developed within Budrex-Kobi Sp. z o.o. which was acquired in 2015.
- Development activity segment. Implemented by UNIDEVELOPMENT S.A. and its special purpose vehicles. Our portfolio includes residential products for individual clients (multi-family housing segment). Activity focused on the Warsaw and Poznań markets. The Radom market is also being developed. In 2018, the first project was also launched in Bielsk Podlaski (together with Oddział Unihouse).



Osiedle Szanty, Warsaw

RELIANCE ON CUSTOMERS

On account of the nature of its operations, the Group has not become reliant on any of its customers in the reporting period.

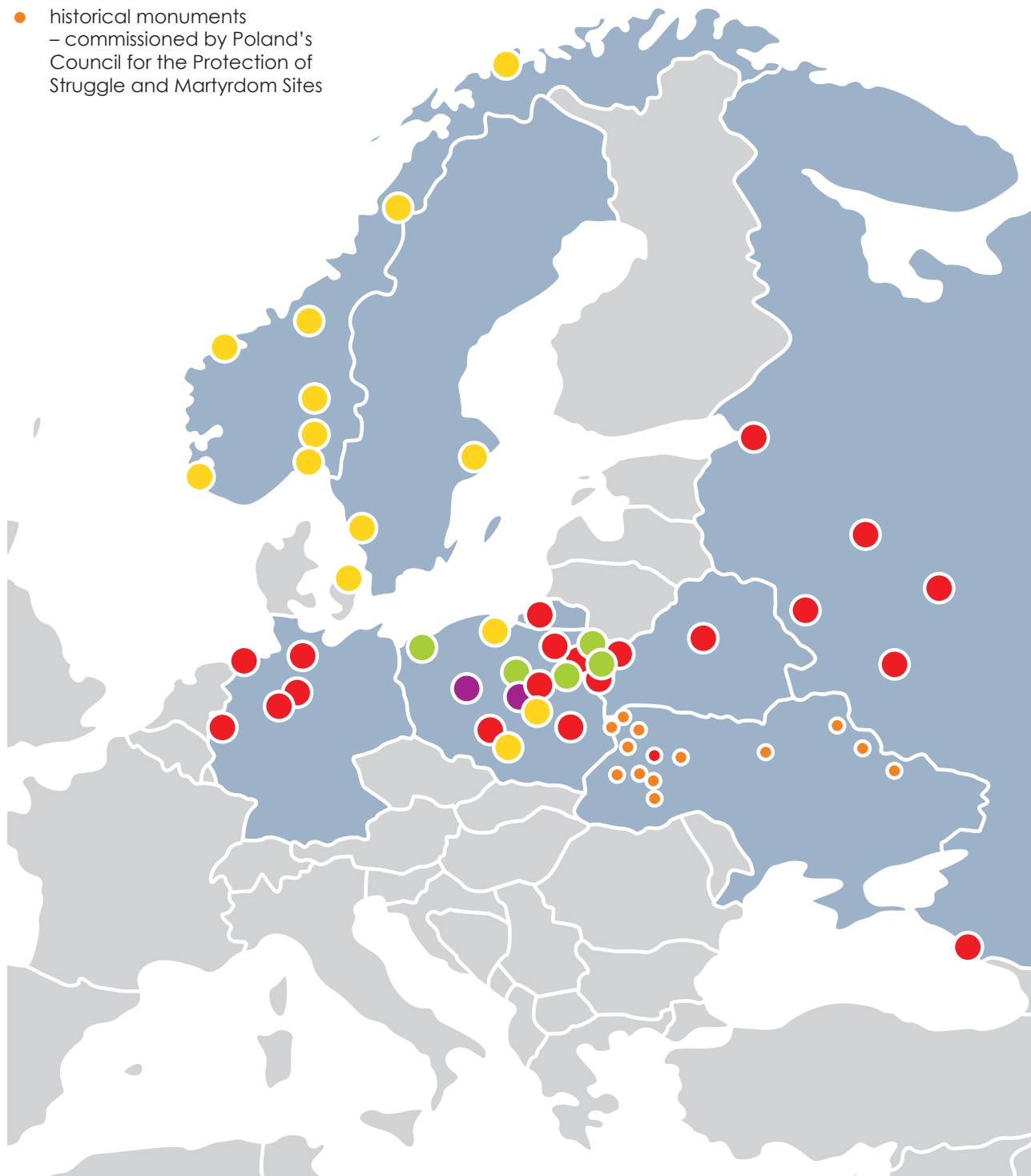
In 2018, there was one investor for whom sales exceeded 10% of the Parent Company's total revenues - Dom Development SA. There are no connections between this entity and the Parent Company or the UNIBEP Group.

For Dom Development SA, UNIBEP S.A. conducts construction projects in Warsaw under the general contractor's system. The share of Dom Development SA in the revenues of the UNIBEP Group is approx. 12% (the share in the revenues of UNIBEP SA is approx. 13%).

UNIBEP GROUP: OPERATING IN MANY MARKETS

Legend:

- large-scale construction
- real estate development
- modular construction
- road and bridge projects
- historical monuments
– commissioned by Poland's
Council for the Protection of
Struggle and Martyrdom Sites

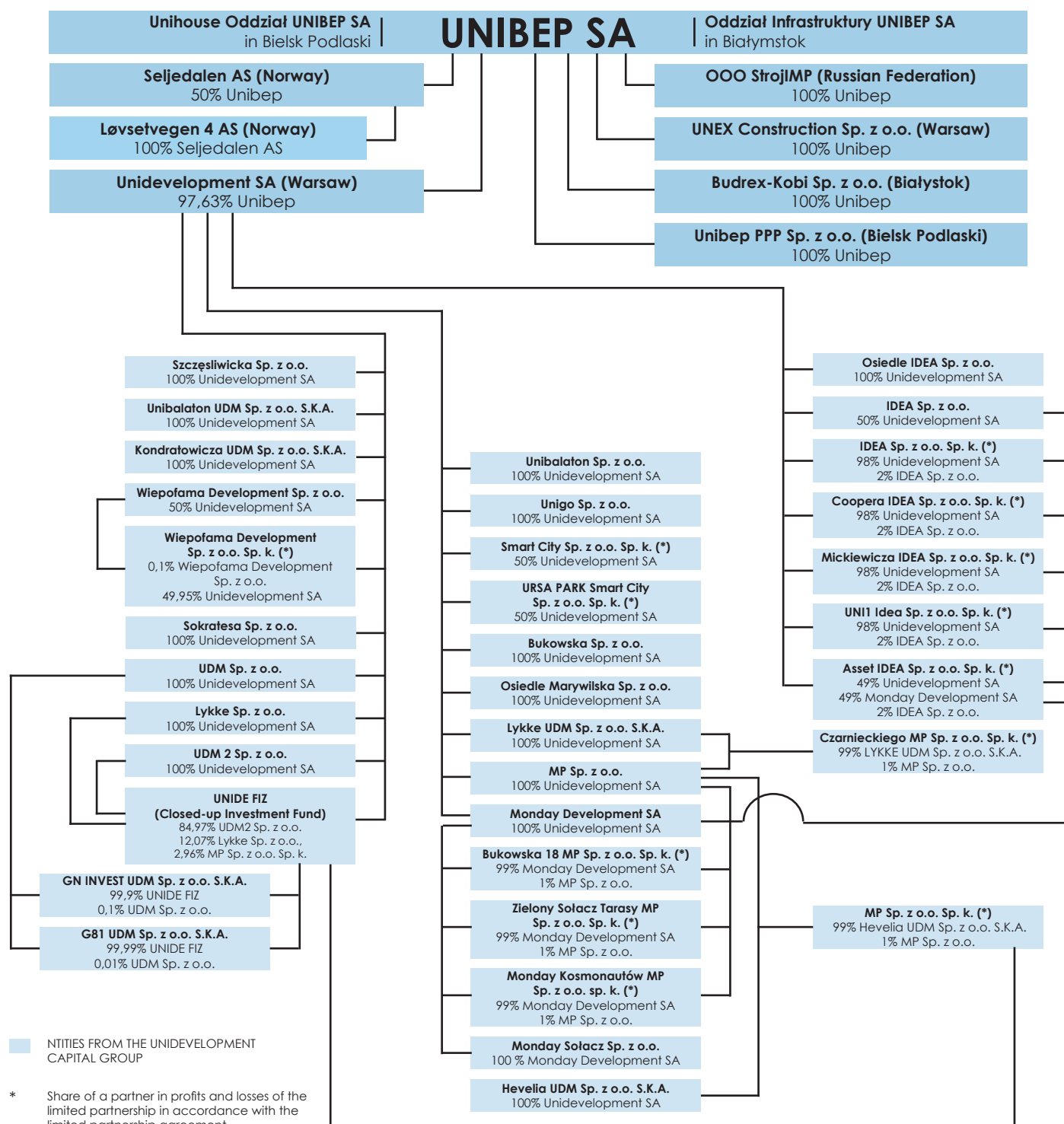


3.2 Description of the UNIBEP capital group

As at the date of publication of these report, the UNIBEP Group consists of the Parent Company and 5 direct subsidiaries of UNIBEP S.A., i.e. OOO StrojIMP, UNEX Constructions Sp. z o.o., UNIDEVELOPMENT S.A., Budrex-Kobi Sp. z o.o. and Unibep PPP Sp. z o.o. Seljedalen AS is a jointly controlled company.

Additionally, the UNIBEP Group includes indirect subsidiaries in which UNIDEVELOPMENT S.A. and Seljedalen AS hold shares. UNIBEP S.A. also has two branches located in Bielsk Podlaski and Białystok, respectively.

DIAGRAM OF THE UNIBEP GROUP (AS AT 31/12/2018)



BELOW IS INFORMATION ON THE COMPANIES COMPRISING THE GROUP AS AT THE DATE OF PREPARING THIS REPORT

Name of the entity and legal form	Registered office	Objective of the enterprise	Consolidation method applied	Date of obtaining control/shares	Percent of the held share capital	Share in total number of votes at the general meeting
Unidevelopment S.A.	Warsaw	real estate development activities	full method	09/04/2008	97,63%	97,63%
OOO StrojIMP	Kaliningrad, Russian Federation	construction, other activities	full method	01/03/2008	100%	100%
UNEX Costruction Sp. z o.o.	Warsaw	performance of construction projects	full method	04/07/2011	100%	100%
Budrex-Kobi Sp. z o.o.	Białystok	works related to construction of bridges and tunnels	full method	01/07/2015	100%	100%
UNIBEP PPP Sp. z o.o.	Bielsk Podlaski	performance of construction projects	full method	06/11/2017	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%
MP Sp. z o.o.	Poznań	real estate development activities	full method	10/08/2011	97,63%	97,63%
MP 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	96,65%*)))	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%
Czarneckiego MP 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-up Investment 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 S.A.	Poznań	real estate development activities	full method	05/01/2016	97,63%	97,63%
Bukowska Sp z o.o.	Poznań	real estate development activities	full method	14/07/2016	97,63%	97,63%
Sokratesa Sp z o.o.	Warsaw	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%
Osiedle Marywilska 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	97,63%	97,63%
Bukowska 18 MP Sp z o.o. Sp. k.	Poznań	real estate development activities	full method	11/08/2017	97,63%**)	97,63%
Zielony Sołacz Tarasy MP Sp. z o.o. Sp. k.	Poznań	real estate development activities	full method	11/08/2017	97,63%**)	97,63%

Name of the entity and legal form	Registered office	Objective of the enterprise	Consolidation method applied	Date of obtaining control/shares	Percent of the held share capital	Share in total number of votes at the general meeting
Monday Kosmonautów MP Sp. z o.o. Sp. k.	Poznań	real estate development activities	full method	11/08/2017	97,63%**)	97,63%
URSA PARK Smart City Sp. z o.o. Sp. k.	Warsaw	real estate development activities	equity method	03/08/2017	48,82%**)	0%***)
Wiepofama Development Sp. z o.o.	Poznań	real estate development activities	equity method	22/02/2018	48,82%**)	48,82%***)
Wiepofama Development Sp. z o.o. Sp. k.	Koszalin	real estate development activities	equity method	22/02/2018	48,82%****)	48,82%***)
Coopera IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	full method	03/07/2018	96,65%**)	96,65%
Mickiewicza IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	full method	11/07/2018	96,65%**)	96,65%
Asset IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	full method	10/07/2018	96,65%**)	96,65%
UNII Idea Sp. z o.o. Sp. k.	Warsaw	real estate development activities	full method	29/11/2018	96,65%**)	96,65%

* Total share including participation in the general partner company

** Share in profits/losses of the Company

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

**** The share in profits/losses of the Company is distributed in two stages, in the first stage the shareholders' contributions are returned, in the second stage the remaining profit is distributed among the shareholders, with the Unibep Group receiving 48.82%.

CHANGES IN THE GROUP'S STRUCTURE IN 2018

Below is information on significant changes in the structure of the UNIBEP Group, which took place in the period from 01/01/2018:

On 6 February 2018 The General Meeting of Shareholders adopted a resolution on changing the name of MONDAY MALTA MONDAY PALACZA Spółka z ograniczoną odpowiedzialnością Sp. K. to MONDAY KOSMONAUTÓW MP Spółka z ograniczoną odpowiedzialnością Sp. K. The change became effective on 6 February 2018.

On 22 February 2018, UNIDEVELOPMENT SA acquired 50 shares, representing 50% of the shares in WIEPOFAMA DEVELOPMENT Sp. z o.o., which is the general partner of WIEPOFAMA Development Sp. z o.o. Spółka Komandytowa. At the same time, UNIDEVELOPMENT SA, apart from WIEPOFAMA SA in liquidation, joined the aforementioned Limited Partnership as a limited partner.

On 26 February 2018, the District Court for Poznań-No-we Miasto and Wilda approved an application for reduction of the share capital of MONDAY DEVELOPMENT SA (as a result of redemption of own shares). In view of the above, Unidevelopment S.A. holds 100% of shares.

On 19 March 2018, the Shareholders' Meetings of the following companies, in connection with the change of the name of the Company, which is a general partner in the following companies, adopted resolutions concerning the change of the name of the company:

1. Bukowska 18 Monday Palacza spółka z ograniczoną odpowiedzialnością sp.k. to Bukowska 18 MP spółka z ograniczoną odpowiedzialnością sp.k.
2. Zielony Sołacz Tarasy Monday Palacza spółka z

ograniczoną odpowiedzialnością sp.k. to Zielony Sołacz Tarasy MP spółka z ograniczoną odpowiedzialnością sp.k.

3. Czarnieckiego Monday Palacza spółka z ograniczoną odpowiedzialnością sp.k. to Czarnieckiego MP spółka z ograniczoną odpowiedzialnością sp.k.

On 16 April 2018, the General Meeting of Monday Palacza Spółka z ograniczoną odpowiedzialnością sp.k. held on 16 April 2018 in connection with the change of the Company's name, which is a general partner, adopted a resolution on changing the company's name to MP spółka z ograniczoną odpowiedzialnością sp.k.

On 2 July 2018, a new limited partnership with the registered office in Warsaw was registered in the National Court Register (KRS): Coopera Idea spółka z ograniczoną odpowiedzialnością sp.k. The limited partner of the above company is Unidevelopment S.A., which holds 98% of the company's profits, and Idea Sp. z o.o., the general partner, which holds 2% of the company's profits.

On 10 July 2018, a new limited partnership with the registered office in Warsaw was registered in the National Court Register (KRS): Asset Idea spółka z ograniczoną odpowiedzialnością sp.k. The limited partners in the above mentioned company are Unidevelopment S.A., which holds 49% of the company's profits, and Monday Development S.A., which holds 49% of the company's profits, and Idea Sp. z o.o., the general partner, which holds 2% of the company's profits.

On 11 July 2018, a new limited partnership with the registered office in Warsaw was registered in the National Court Register (KRS): Mickiewicza Idea spółka z ograniczoną odpowiedzialnością sp.k. The limited partner of the above company is Unidevelopment

S.A., which holds 98% of the company's profits, and Idea Sp. z o.o., the general partner, which holds 2% of the company's profits.

On 7 September 2018, the change of name and registered office of KOSMONAUTÓW Spółka z ograniczoną odpowiedzialnością spółka komandytowa ("the Company") was registered by the District Court in Poznań - Nowe Miasto and Wilda, 8th Commercial Division of the National Court Register. The current name of the Company is "SOKRATESA spółka z ograniczoną odpowiedzialnością" and the registered office of the Company is Warsaw (correspondence address: ul. Cybernetyki 9, 02-677 Warsaw).

On 29 November 2018, a new limited partnership with the registered office in Warsaw was registered in the National Court Register (KRS): UNII IDEA Spółka z ogra-

niczoną odpowiedzialnością Sp. k. The limited partner of the above company is Unidevelopment S.A., which holds 98% of the company's profits, and Idea Sp. z o.o., the general partner, which holds 2% of the company's profits.

CHANGES IN THE GROUP'S STRUCTURE AFTER THE BALANCE SHEET DATE

After the balance sheet date there were no changes in the organisational structure of the UNIBEP Group.

In 2018 and after the balance sheet date, there were no significant changes in the principles of management of the Capital Group and the Parent Company.

3.3 Purchasing

The supply of materials and services is based on internal procedures regulating the area related to quality management.

Responsibility for purchasing services as part of construction projects lies mostly with project managers directly involved in supervision over implementation of construction contracts. The purchase of services is each time supervised by directors responsible for the market or at a higher level, depending on the scale of the contract.

Purchases of building materials are a separate process developed and improved within the Group and the Parent Company. The materials have been divided into categories. Depending on the category, responsibility for the purchasing process, beginning with demand, through enquiries, negotiations to the signing

of the contract and monitoring of its implementation, rests with the construction management, market management, Central Procurement Office, with the involvement of the Management Board and the support of the Legal Team. The Central Procurement Office plays an important and growing role here. Central purchasing of key materials (steel, concrete, milled rock, wool, etc.) has a positive impact on production costs. One of the tasks of the Office is also continuous monitoring of prices on the market.

There was no dependence of the Parent Company or the Capital Group on any supplier of materials and services in the analysed period. There were no suppliers with a share in purchases above 10%. The price risk involved with purchases is described in item 8.1. *Description of risks and threats.*

3.4 Development-oriented activities

The development activities of the Parent Company and the Capital Group in 2018 with an impact on operations in the subsequent periods include:

- organisational changes aimed at strengthening supervision and efficiency in the process approach to the implementation of construction projects,
- continuation of activities and commencement of new ones, related to the acquisition of high quality human resources and the staff development and activation programme,
- continuation of the so-called efficiency measures aimed at improving efficiency in all areas of the Group's operations,
- development of systems supporting operational processes, their automation and digitalisation, i.e. development of Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, AX People 2012, IBM Cognos TM1,
- performance of activities aimed at implementing the BIM (Building Information Modeling) technology,
- activation of measures towards a greater share of industrial construction in the volume of construction carried out in Poland,
- development of the Technical Office, which plays a leading role in the process of increasing the know-how of the entire Group and at the same time participates in the optimisation of processes related to the implementation of individual contracts,
- developing the competence of the Central Procurement Office and improving the effectiveness of the process of purchasing materials within the entire Unibep Group,
- further improvement of the OHS activities in terms of raising standards and active participation in

the Agreement for Safety in Construction programme,

- expansion of the Houses Factory, which will increase the production capacity of the plant from approx. 41 thousand to approx. 61 thousand m² of modules per year, with simultaneous actions aimed at improving the organisation of the production process;
- conducting works by the R&D Department of Oddział Unihouse on a new product - the zero-energy building (project co-financed by the EU), whose task is to strengthen the technological potential;
- preparation of a new portfolio for the Polish market by Oddział Unihouse and activation of activities aimed at winning new contracts on this market,
- building competence in the implementation area allowing for independent participation in tenders for the construction of expressways,
- modernisation of the production potential within the infrastructural segment allowing to achieve higher production capacities and generate higher revenues,
- expansion of the land bank by the developer business ensuring the possibility of presenting a broad housing portfolio in the subsequent years on the Warsaw and Poznań markets,
- growth of new joint development projects with entities from outside the Group, e.g. a multi-stage joint venture with WIEPOFAMA entities with a plan to build a total of 2000 flats,
- use of synergy effects in joint operations of development and residential, office and industrial construction segments, as well as development and modular construction segments.
- further development of quality management systems in UNIBEP branches,
- internationalisation of the UNIBEP Group, including in particular acquisition activities aimed at gaining new contracts on the Swedish and Ukrainian markets.



Unique Tower Complex, Warsaw

4. MARKET AND PROSPECTS FOR THE FUTURE

4.1 Current economic situation and forecasts

Situation in 2018

It is estimated that in 2018 the Polish economy developed at a rate of approx. 5.1%, which means the fastest economic growth since 2007. The main driving force was the domestic demand, especially from private consumption, public investment and a significant increase in inventories. Average annual inflation in 2018 is estimated at 1.6%, which means that it was 0.4% lower than in the previous year.

Forecast for 2019

According to the European Commission, public investments supported by EU funds will remain at a high level in 2019. In addition, economic growth will be supported by wage growth. On the other hand, the factors negatively influencing the GDP dynamics in 2019 will be the weakening employment dynamics and rising inflation. The GDP growth is expected to slow down to 3.5% in 2019 and 3.2% in 2020. Inflation is forecast at 2.3% in 2019 and 2.7% in 2020. The main factor influencing the inflation dynamics will be the rising wages, which will translate into higher prices of services and products.

4.2 Prospects and strategic directions of the Group's development

The strategic objective of development of the Parent Company and the UNIBEP Group is to systematically increase its value. The objective can be achieved by strengthening the Group's position in all segments of its operations and by gaining competence in the prospective areas, e.g. industrial construction.

In QIV 2018 the Management Board of UNIBEP S.A. informed the market that it has completed the process of analysis of the perspectives of the UNIBEP Capital Group segments' activity, on the basis of which strategic directions of development of particular areas of the UNIBEP Capital Group's activity were determined. The Supervisory Board of the Company approved the presented development directions.

The following is a summary of the directions of development of particular areas of the Group's activity:

- continuation of development of all existing businesses within the Unibep Capital Group, including the use of synergy effects resulting from close cooperation between individual businesses; additionally, within the framework of general contracting in Poland, further strengthening and development of the Issuer's position in the housing, commercial and industrial construction sectors;
- undertaking activities in the area of separation, independence and strengthening of businesses which are not responsible for the general contracting area (general contracting in Poland and abroad and infrastructural construction), i.e. development activity (Unidevelopment Group) and modular construction activity (Oddział Unihouse);

- as at the date of completion of the analyses, there were no plans related to disinvestment of the owned businesses;
- undertaking actions in the organisational area aimed at developing an effective and optimal management system for the Unibep Capital Group, assuming the previously indicated parallel development of businesses currently included in the scope of the Capital Group's activity;
- the intention of the Issuer's Management Board is to continue the programme of buy-back of own shares adopted by the Ordinary General Meeting of the Company on 13 June 2017, and in this respect it will be necessary to update the parameters of the programme on which it will be possible to make transactions from the point of view of current market conditions.

RESIDENTIAL, OFFICE AND INDUSTRIAL CONSTRUCTION

Residential, office and industrial construction is carried out within the Parent Company. Territorially it covers the area of Poland and Eastern Europe.

UNIBEP's position on the central Polish market is stable and well-established. The Company is at the forefront of the residential construction segment in the Warsaw market. Good relations with developers result in new contracts. The acquisition activities are aimed at ensuring a smooth production transition to 2020.

From the territorial point of view, the Poznań market is treated as a prospective and under development.

This is directly related to the development activities of another segment - the development segment - for which Unibep SA is the main general contractor of the projects.

The Company is present on the southern market - we are mainly concentrated around Kraków and Katowice. The approach to its development is cautious. Recently, the company has been awarded a public contract for the construction of a shelter facility in Katowice. The contract will be implemented in modular technology together with Oddział Unihouse. This is an example of the use of synergy in the cooperation of two businesses of the Company.

Recently, activities related to the acquisition of industrial, commercial, office and public utility facilities have been strengthened. Structures for the implementation of tasks in this direction have been strengthened. Further non-residential buildings appear in the Company's contract portfolio. The emphasis on non-residential construction will be maintained in the subsequent periods.

The change in prices of materials and services, which affected the entire construction industry in 2017-2018 and in relation to the Company, manifested itself in the implementation of low-margin or unprofitable projects. Their importance in the current portfolio is decreasing.

An important directional decision for the development of this business is to start activities related to the development of BIM technology. In the Company's opinion, this is the future of the construction industry. The first facilities using this technology are already under construction, other are in the concept phase. Improving the organisation and construction processes will certainly bring the expected economic dimension.

The situation on export markets looks good market- and result-wise. Sales in relation to the previous year increased by approx. PLN 100 million. Projects' profitability at the level of over 5%. The Belarusian market is prospective, with new contracts completed and real prospects for new ones. Another contract was launched on the Ukrainian market. Both export markets in which the company is present are characterised by good prospects, which is important in the context of a long-term perspective on the construction market in Poland. In 2019, it will be important for the export agency to increase its activity in acquiring new, interesting and safe topics.

The company does not develop its activity on the Russian and German markets.

At the end of 2018, it was decided to end the activities within the German market and de-register the company. The relevant formalities have been completed in the local offices. Settlements with the Investors and subcontractors have not been completed. What remains is the warranty liability and guarantee settlements retained in accordance with the terms of

the contract. In addition, the Company has to finalise the collection of receivables withheld by the Investors and settle the non-recognised parts of the contract works performed.

MODULAR CONSTRUCTION

In 2018, Oddział UNIHOUSE was established to lay the foundations for the next stage of development and modelling of functionality in subsequent periods. It was a year of changes in processes, in thinking about products, markets and using the effective potential of the branch and market opportunities.

In view of the expectations towards the branch to achieve a higher turnover and thus higher profitability, maintain stability of production quality and ensure good social and OHS conditions, take advantage of the synergy effect within the framework of joint activities undertaken with other businesses of the Unibep Group, the extension of Fabryka Domów [the Houses Factory] was prepared and implemented. Full capacity will be launched at the end of Q3 2019, when the investment will be fully automated.

The extension of the factory provides opportunities for expansion into new markets. Apart from the Norwegian market, there are other contracts from the Swedish market. The product was also prepared and presented for the Polish market. The first projects to be implemented within the branch have already appeared in the portfolio to be implemented.

In September 2018 Unihouse presented a product which was well received by the market. The International Fair of Industrial Construction and Infrastructure in Nadarzyn confirmed the real chances for participation in e.g. Program Mieszkanie Plus [Apartment Plus Programme]. Within the framework of the Mieszkanie Plus programme, a competition for the development of a prefabricated housing system has been launched, announced by BGK Nieruchomości (currently PFR Nieruchomości). In December 2018, the Competition Jury announced the results of the competition: first place was not awarded and Unihouse Oddział Unibep S.A. took the third place.

Oddział Unihouse participates in other initiatives under programmes for local governments, including Program Maluch Plus [Baby Plus Programme]: nurseries, kindergartens, etc. There is a possibility to start programmes with the option of financing within PPP. In addition to government, local government and PPP programmes there are also private investments such as Park of Poland and a dormitory in Sopot.

Additionally, the branch actively works towards using the synergy effect of cooperation with other businesses of the Group. In 2018, a development project in Bielsk Podlaski is being carried out jointly with Unidevelopment. Ecological multi-family residential buildings have been developed using the Unihouse technology. As part of the cooperation with the general contractor within the framework of residential, office and

industrial construction, Unihouse participates in the implementation of the project in Kraków. There are also plans to implement a contract for a shelter facility in Katowice.

The implementation of sales assumptions concerning new markets and new products is supported by organisational changes in the sales area, which we are constantly strengthening.

Recently in the Norwegian market, Unihouse together with its Norwegian partner, has been carrying out real estate development activities. Such a form is a financially good complement to the core business for the Scandinavian market. In the nearest future, there are no new projects which Oddział could intend to execute.

A very important factor influencing business efficiency is the exchange rate, mainly of the Norwegian currency, which in recent quarters was at a record low level. In general, this situation is not conducive to continuous improvement in efficiency. It is expected that the downward trend will be reversed and thus the risks associated with it will be minimised.

The analysis of business perspectives carried out by the Management Board assumes taking steps towards organisational separation and independence of Oddział Unihouse.

The decision to move the organised part of the company's enterprise in the form of Unihouse Oddział Unibep S.A. in Bielsk Podlaski to the newly established subsidiary is dictated by the separation of the modular construction segment (production and design approach) from the Company's other businesses (design approach), as well as by the high economic potential of this segment in the current markets. The need to develop the modular construction division both on the Polish and foreign markets (in particular on the Norwegian and Swedish markets) generates the need for internal growth and increased management efficiency, which, in the opinion of the Management Board, will enable the modular construction segment to obtain a separate business entity form.

INFRASTRUCTURE SEGMENT

The development prospects for the infrastructural construction segment are assessed as moderately good. Both Oddział Infrastruktury UNIBEP and Budrex-Kobi are well prepared to carry out the 2019 tasks.

The portfolio of the road and bridge business is the largest and very stable from the perspective of several years of experience. This allows to search for high-margin tenders and be selective when bidding for orders coming from the market.

The experience gained so far in the construction of many types of roads, including national roads, makes it possible to assume effective use of the potential of the Group in this segment.

The good results of the segment assume that the contracts won in 2018 and earlier will be executed in accordance with the assumptions. In 2019, the DK 66 project will be carried out, which was acquired in the form of design and build. In the same formula, the consortium also acquired a contract for the construction of a high-speed section of the S61, which is part of Via Baltica. Large job sites are planned for two projects, important for the city of Białystok, connected with the Porosły junction and the Narodowych Sił Zbrojnych junction.

The sudden rise in the prices of labour, materials and subcontractors' services in 2017 was also reflected in 2018. Further increase in prices of materials and services or their lack on the market may not be conducive to maintaining the assumed good results in 2019 and subsequent years.

An event which may have an impact on future periods is the withdrawal from the contract for the construction of a road project of Dąbrowa Białostocka - Sokółka. In the first quarter of 2018, on 23 March 2018, UNIBEP SA, as the consortium leader, withdrew from the contract, which was announced in the current report No. 14/2018. The Company is preparing for the trial connected with this case. The relevant lawsuit against the Podlaskie Voivodeship - PZDW (Podlaskie Voivodeship Roads Authority) was referred to the District Court in Białystok in the first half of October 2018.

DEVELOPMENT BUSINESS

The strategy of development business growth within the subsidiary UNIDEVELOPMENT S.A. assumes further consistent development of this company and building an attractive portfolio for clients in the Warsaw and Poznań markets, where the company and its subsidiaries are present.

Taking into account the situation on the real estate market in Poland in recent years, the financial results achieved by the Unidevelopment Group at the end of the 4Q 2018 can be considered very good. At the end of 2018, Unidevelopment Group companies delivered 445 residential units to their clients, which is a good result in relation to the market situation, compared to 705 units delivered to clients at the end of 2017.

In 2018, the Group achieved a net sales volume of 495 apartments, i.e. 20% less than in 2017.

Market	Sales of real estates	Delivered to clients
Warsaw market	360	395
Poznań market	103	5
Other	32	45
TOTAL	495	445
<i>including JV</i>	263	198

**PROJECTS WHOSE CONSTRUCTION WAS COMPLETED
IN THE PERIOD FROM 1 JANUARY 2018 UNTIL 31
DECEMBER 2018**

	Number of flats	Number of commercial premises
Osiedle Idea stage I	46	2
Radom market	46	2
Ursus stage III	189	10
Warsaw market	189	10
TOTAL	235	12

PROJECTS IN PROGRESS AS AT 31 DECEMBER 2018

	Number of flats	Number of commercial premises
Ursus stage IV	196	-
Marywilska Osiedle Kameralne	333	-
Warsaw market	529	0
Zielony Sołacz Tarasy Nowych	74	-
Kosmonautów stage I	102	-
Nowych Kosmonautów stage II	112	-
Nowych Kosmonautów stage III	130	3
Poznań market	418	3
Idea Gardens Housing Estate (MDM 3)	12	-
Radom market	12	-
Mieszkania Mickiewicza	48	-
Podlasie market	48	-
TOTAL	1 007	3

PROJECTS IN PREPARATION AS AT 31/12/2018

	Number of flats	Number of commercial premises	Commencement date
Coopera Stage 1	100	-	2Q 2019
Coopera Stage 2*	127	-	1Q 2020
Coopera Stage 3*	178	-	1Q 2020
Sokratesa	124	5	3Q 2019
Ursus Stage V**	153	8	2Q 2019
Ursus Stage VI**	188	10	1Q 2020
Ursus Stage VII**	206	3	1Q 2021
Ursus Stage VIII**	195	10	1Q 2022
Warsaw market	1 271	36	
Nowy Wacyn Stage 1 Phase 1	51	-	2Q 2019
Nowy Wacyn Stage 1 Phase 2	92	-	4Q 2019
Idea Gardens Housing Estate (MDM 12)	48	-	3Q 2019
Radom market	191	-	
Wiepofama **	2 000	-	1Q 2020***
Bukowska*	170	5	3Q 2019
Poznań market	2 170	5	
TOTAL	3 632	41	

* preliminary agreements for the purchase of real estate (as at 31/12/2018)

** joint ventures

*** date of commencement of stage I construction

be built.

UNIDEVELOPMENT, as part of its own group, continues to develop operations in the Warsaw, Radom, Poznań and Podlasie markets via special purpose vehicles. The expansion of the land bank guarantees the possibility of preparing and launching further development projects and the implementation of growth plans for sales and net profit in the following years.

Development projects in preparation

In 2018, a residential investment project in Bielsk Podlaski was commenced. The construction, using the Unihouse modular construction technology, and sale of 48 flats was commenced.

The multi-stage WIEPOFAMA project planned for the Poznań market will be implemented within the framework of a joint undertaking with WIEPOFAMA entities. Within the framework of the project, the property with a total area of approx. 7.5 ha at ul. J.H. Dąbrowskiego in Poznań, a total of 2000 apartments are planned to

In order to ensure the attractiveness of the portfolio, the Group intends to continue to develop its land bank focusing on the markets where the position and brand has been established, i.e. the Warsaw and Poznań markets.

The implementation of development plans must be confronted with the risks affecting the entire development industry. In their projects, the Group will take into account and analyse the following factors: rising costs of construction, rising land prices, unfavourable regulatory changes, limited access to investment areas.

BACK OFFICE

Its role is to support the planning, organisation and control of all businesses. The activities conducted in 2018 are aimed at improving and optimising processes in all areas of the Group's operations.

Among the topics implemented in recent months and

applicable in the periods to come are:

- strengthening of acquisition activities and development of structures, responsibility for winning contracts,
- organisation of an office responsible for processes related to quality, purchasing and OHS on performed contracts,
- development of internal control and coordination of quality, risk management and internal audit activities,
- development of IT systems ensuring access to management information (Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, IBM Cognos),
- involvement in the development of BIM technology
- ensuring liquidity to ensure operational efficiency and confidence in market partners
- investments for the development programme of key managers and reserve staff.

MAJOR FACTORS WHICH COULD AFFECT THE RESULTS OF THE PARENT COMPANY AND THE CAPITAL GROUP

External factors:

- maintaining intense competition, aggressive price competition, especially in the public procurement sector,
- the economic downturn in Russia,
- improvement of the political situation and, as a result, greater openness to new investments on the Belarusian and Ukrainian markets,
- dynamic situation in the currency market – highly volatile exchange rates over short periods.
- increasing remuneration-related pressure
- increase in prices of construction materials and subcontractor services,
- increased demand for multi-family housing in foreign markets as a result of the emigration crisis in Europe,
- the Mieszkanie+ programme and its impact on the residential segment,
- risk of decrease in orders from domestic developers,
- further procurement under the contract with CRA-MO
- acquisition of modular construction on new markets - Swedish and Polish,
- the possibility of taking advantage of EU funding for research and development activities,
- low interest rates - relatively inexpensive external financing,
- no possibility of indexation of prices of materials and services with regard to public procurement,
- lack of sufficient labour force in the labour market,
- accumulation of public procurements, especially in the infrastructure projects' market,
- positive trends in Norway (estimated GDP growth of 2.3% in 2018 and 2.2% in 2019 and 2% in 2020; expected private consumption growth of 2.3% in 2019 and 1.9% in 2020),
- the prospects for a slight slowdown in the Swedish market (GDP growth estimated at 2.2% in 2018; GDP growth expected to slow down to 1.3% in 2018 and approx. 2% in 2019 due to the dimi-

nishing domestic demand and a "cooling" in the labour market; inflation projected at 1.7% in 2019 and 1.6% in 2020),

- stable economic development in Poland (forecast of GDP growth in 2018 by 5.1% and approx. 3.5% in 2019 and 3.2% in 2020; forecast of unemployment below 4% in 2019-2020; forecast of inflation at 2.3% in 2019 and 2.7% in 2020).

Internal factors:

- relatively good financial position, moderate liquidity, access to credit and guarantee limits,
- good size of the contract portfolio, especially in the construction industry and the infrastructure segment,
- increasing acquisitions in general contracting on the domestic market in segments other than residential, in particular in the area of industrial construction,
- activation of operations on the Belarusian and Ukrainian markets,
- geographical diversification in the field of modular construction - commencement of operations on the Swedish market, activities related to increasing activity on the Polish market,
- a large land bank and the possibility of launching further own development projects,
- development of Microsoft Dynamics AX 2012 enterprise management system and other systems supporting operational processes in the Group companies, such as Microsoft Dynamics CRM, AX People, IBM Cognos,
- commencement of activities related to the implementation of BIM technology,
- optimisation of processes and production through the use of organisational units: Technical Office, Implementation Quality and Technology Office, R&D Department,
- relatively high reliance on the construction of buildings, including residential premises,
- relatively high reliance on the Warsaw market,
- the commissioning of a new Unihouse production hall and an increase in production capacity, as well as an improvement in efficiency and the quality of products.

5. FINANCIAL SITUATION OF UNIBEP GROUP

5.1 Description of the essential economic and financial data

As at 31 December 2018, the consolidated asset value of the Unibep Group decreased by PLN 46,353 thousand compared to the end of December 2017. This was due to the increase in the value of fixed assets by 2% (PLN 4,579 thousand) and the decrease of current assets by 7% (PLN 50,391 thousand).

Fixed assets

The change in the fixed assets value as at 31 December 2018 compared to 31 December 2017 was first and foremost due to the following:

- increase in the value of fixed assets by PLN 6,830 thousand,
- increase of deferred income tax assets by PLN 4,523 thousand,
- decrease of investments in entities measured under equity method by PLN 12,310 thousand.

Current assets

The decrease in current assets was mainly due to:

- decrease in cash and cash equivalents by PLN 109,167 thousand,
- decrease in the value of deposits under construction contracts by PLN 4,862 thousand,
- increase in the value of inventories by PLN 25,152 thousand,
- increase in the value of trade and other receivables by PLN 19,037 thousand,
- increase in the value of loans granted by PLN 18,021 thousand.

Liabilities

Changes in liabilities resulted from:

- increase in own capitals by PLN 6,051 thousand,
- increase in short-term liabilities by PLN 31,915 thousand, where the most significant changes involved:
 - increase in credits, loans and other financial liabilities by PLN 29,600 thousand,
 - increase in the value of deposits under construction contracts by PLN 8,572 thousand,
 - decrease in provisions for deferred tax by PLN 10,130 thousand.
- decrease in short-term liabilities by PLN 84,319 thousand, where the most significant changes involved:
 - decrease in trade and other liabilities by PLN 107,569 thousand.
 - decrease in deferred income by PLN 60,986

thousand.

- increase in contractual liabilities by PLN 76,534 thousand,
- increase in credits, loans and other financial liabilities by PLN 8,079 thousand.

The year 2018 within the Unibep Group, compared to the previous year, has most of the financial ratios at a similar level. Profitability increased, both at the EBIT and net profit level. It fell at the level of gross profit on sales. The difficult market situation manifesting itself, among others, in the increase of prices of materials and services and the decrease of availability of services of subcontractors had an impact on the situation and results of the Group. Additionally, extraordinary events described further in the report had an impact on the Group's result or the manner of its presentation.

The return on equity ratio (ROE) remains at a good level (10.58%), although it decreased by 0.19 p.p. compared to the previous year.

In 2018, sales revenues increased slightly (by approx. 1.8%) as compared to 2017.

In segmented terms, only the infrastructure segment showed an increase in revenues as compared to 2017 and, at the same time, an increase in gross profit on sales. The road and bridge construction activity, although particularly affected by the surge in prices of labour, materials and services of subcontractors - similarly as the residential, office and industrial construction, nevertheless maintained a good level of profitability.

In 2018, selling costs decreased (by PLN 1,341 thousand), which is partly related to the postponement of the implementation and introduction of new development projects to the market. Management costs increased by approx. 14%, but still remain at the level below 3% in relation to sales, and this ratio is still one of the lowest among companies with a similar business profile. Significantly, the level and profitability of EBIT exceeds the ratios of 2017.

The Parent Company also presented an improvement in its financial results as compared with the prior year. Net profit increased by approx. 64% with an increase in sales in relation to 2017 by approx. 4.7%. The change factors are consistent with those described in the consolidated data. Cash at the end of the year at a high level of approx. PLN 43 million, but with negative cash flows from operating activities at a level of ap-

prox. PLN 55 million. Dividend recognised in financial income is important for the Parent Company's result. It

comes from jointly controlled companies, from development activities on the Norwegian market.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN PLN THOUSAND

	31/12/2018	31/12/2017	Change	Change (%)
ASSETS				
Long-term fixed assets				
Fixed assets	93,915	87,086	6,830	7.8%
Intangible assets	27,094	23,131	3,963	17.1%
Available-for-sale financial assets	258	258	0	0.0%
Investments in entities measured under equity method	8,839	21,149	-12,310	-58.2%
Deposits under contracts with clients	46,765	49,252	-2,487	-5.0%
Loans granted	6,458	4,463	1,995	44.7%
Financial assets measured at fair value through profit by WF/ICD	1,688		1,688	
Prepayments and accruals	2,510	2,133	377	17.7%
Deferred income tax assets	37,346	32,823	4,523	13.8%
Total (long-term) fixed assets	224,873	220,294	4,579	2.1%
Short-term current assets				
Inventory	225,183	200,030	25,152	12.6%
Trade receivables and other receivables	252,493	233,456	19,037	8.2%
Deposits under contracts with clients	42,120	46,982	-4,862	-10.3%
Contract assets/(Amounts due from customers under construction contracts)	104,818	103,175	1,642	1.6%
Current income tax receivables	16,005	11,453	4,553	39.8%
Financial assets measured at fair value through profit by WF/ICD	2,089	6,907	-4,818	-69.8%
Cash and cash equivalents	56,182	165,349	-109,167	-66.0%
Prepayments and accruals	2,589	3,079	-490	-15.9%
Loans granted	29,878	11,857	18,021	152.0%
Total (short-term) current assets	731,358	782,289	-50,931	-6.5%
TOTAL ASSETS	956,231	1,002,583	-46,353	-4.6%
	31/12/2018	31/12/2017	Change	Change (%)
LIABILITIES				
Equity				
Initial capital	3,507	3,507	0	0.0%
Exchange differences on translation of foreign operations	-4	-4	0	5.0%
Other capitals	207,083	195,896	11,187	5.7%
including supplementary capital from sale of shares at premium	60,905	60,905	0	0.0%
Retained profit (loss)	47,921	54,367	-6,447	-11.9%
Equity attributable to parent company's shareholders	258,506	253,766	4,740	1.9%
Equity attributable to non-controlling interests	5,149	3,838	1,311	34.2%
Total equity	263,656	257,604	6,051	2.3%
Long-term liabilities				
Credits, loans and other financial liabilities – long-term	67,952	38,352	29,600	77.2%
Long-term provisions	30,891	27,439	3,452	12.6%
Deferred tax liability	1,827	11,957	-10,130	-84.7%
Deposits under contracts with clients	48,745	40,173	8,572	21.3%
Deferred revenue - long-term	609	188	421	223.6%
Total long-term liabilities	150,023	118,109	31,915	27.0%
Short-term liabilities				
Trade liabilities and other liabilities	235,106	342,674	-107,569	-31.4%
Deposits under contracts with clients	46,954	48,808	-1,855	-3.8%
Contract liabilities/(Amounts due to customers under construction contracts)	90,389	13,855	76,534	552.4%
Credits, loans and other financial liabilities – short-term	51,470	43,391	8,079	18.6%
Current income tax liabilities	827	1,484	-658	-44.3%
Short-term provisions	117,759	115,624	2,135	1.8%
Deferred revenue - short-term	48	61,033	-60,986	-99.9%
Total short-term liabilities	542,551	626,870	-84,319	-13.5%
TOTAL LIABILITIES	956,231	1,002,583	-46,353	-4.6%

SEPARATE STATEMENT OF FINANCIAL POSITION IN PLN THOUSAND – UNIBEP SA

	31/12/2018	31/12/2017	Change	Change (%)
ASSETS				
(Long-term) fixed assets				
Fixed assets	78,305	71,454	6,851	9.6%
Intangible assets	16,042	12,322	3,720	30.2%
Investments in entities measured under equity method	8	8	0	0.0%
Investments in other entities	107,370	107,365	5	0.0%
Financial assets measured at fair value through profit by WF/ICD	1,688	0	1,688	
Deposits under contracts with clients	47,489	55,858	-8,369	-15.0%
Deferred income tax assets	29,577	24,792	4,785	19.3%
Loans granted	19,999	30,001	-10,002	-33.3%
Long-term prepayments and accruals	2,234	1,703	530	31.1%
Total (long-term) fixed assets	302,712	303,504	-792	-0.3%
Short-term current assets				
Inventory	32,811	36,516	-3,706	-10.1%
Trade receivables and other receivables	232,815	202,412	30,403	15.0%
Deposits under contracts with clients	42,312	48,736	-6,424	-13.2%
Contract assets/(Amounts due from customers under construction contracts)	103,689	92,667	11,022	11.9%
Current income tax receivables	15,916	11,204	4,712	42.1%
Financial assets measured at fair value through profit by WF/ICD	2,089	6,907	-4,818	-69.8%
Other short-term financial assets	0	1,923	-1,923	-100.0%
Loans granted	31,459	51,211	-19,752	-38.6%
Short-term prepayments and accruals	1,853	2,300	-446	-19.4%
Cash and cash equivalents	43,571	68,448	-24,877	-36.3%
Total (short-term) current assets	506,516	522,324	-15,808	-3.0%
TOTAL ASSETS	809,229	825,829	-16,600	-2.0%

	31/12/2018	31/12/2017	Change	Change (%)
LIABILITIES				
Equity				
Initial capital	3,507	3,507	0	0.0%
Other capital, including:	203,346	207,219	-3,874	-1.9%
supplementary capital from sale of shares above nominal value	62,154	62,154	0	0.0%
Retained profit (loss)	-2,937	5,518	-8,455	-153.2%
Equity attributable to parent company's shareholders	203,916	216,245	-12,329	-5.7%
Minority capital				
Total equity	203,916	216,245	-12,329	-5.7%
Long-term liabilities				
Credits, loans and other financial liabilities – long-term	51,646	36,161	15,485	42.8%
Long-term provisions	29,634	26,635	2,999	11.3%
Deposits under contracts with clients	48,254	40,044	8,210	20.5%
Deferred revenue - long-term	609	188	421	223.6%
Total long-term liabilities	130,142	103,028	27,114	26.3%
Short-term liabilities				
Trade liabilities and other liabilities	216,780	310,302	-93,522	-30.1%
Deposits under contracts with clients	45,916	48,456	-2,540	-5.2%
Contract liabilities/(Amounts due to customers under construction contracts)	66,615	13,117	53,498	407.9%
Credits, loans and other financial liabilities – short-term	40,805	34,432	6,373	18.5%
Current income tax liabilities	383	753	-370	-49.1%
Short-term provisions	104,624	99,352	5,272	5.3%
Deferred revenue - short-term	48	144	-96	-66.9%
Total short-term liabilities	475,170	506,555	-31,385	-6.2%
TOTAL LIABILITIES	809,229	825,829	-16,600	-2.0%

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN PLN THOUSAND

OPERATING ACTIVITIES	31/12/2018	31/12/2017	Change	Change (%)
Revenue from contracts with clients, including:	1,658,622	1,629,285	29,338	1.8%
from sales transactions for which the value of revenues was not finally determined as at the end of the reporting period (IFRS 15)	-592	N/A*		
Costs of sold products, goods and materials	1,562,508	1,525,886	36,622	2.4%
Gross profit (loss) on sales	96,115	103,399	-7,284	-7.0%
Sales costs	9,274	10,615	-1,341	-12.6%
Overhead	46,296	40,462	5,834	14.4%
Other operating revenue	8,608	9,233	-625	-6.8%
Other operating costs	8,044	37,931	-29,887	-78.8%
Expected credit losses	6,326	N/A*		
Profit (loss) on operational activities	34,781	23,623	11,159	47.2%
Financial revenue, including:	4,789	7,699	-2,911	-37.8%
interest income calculated using the effective interest rate method	3,588	N/A*		
Financial costs	5,955	4,862	1,093	22.5%
Share in net profit (loss) of subsidiaries measured under equity method	3,754	14,489	-10,736	-74.1%
Pre-tax profit (loss)	37,369	40,950	-3,581	-8.7%
Income tax	9,804	14,366	-4,561	-31.8%
Net profit (loss) on continuing operation	27,564	26,584	980	3.7%

* N/A - not applicable - items for which there were no: measurement according to the rules resulting from the application of IFRS 9 from 1 January 2018 and the disclosure requirement under IFRS 15.

CONSOLIDATED CASH FLOW STATEMENT IN PLN THOUSAND

	01/01 – 31/12/2018	01/01 – 31/12/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	37,369	40,950
II. Total adjustments:	-148,406	63,320
1. Amortisation:	10,530	9,832
2. Foreign exchange gains (losses)	-650	989
3. Interest and profit sharing (dividends)	3,994	-2,544
4. Investment profit (loss)	-948	-12,716
5. Movement in provisions	4,520	-246
6. Movement in inventory	-31,723	27,644
7. Movement in receivables	-19,840	42,625
8. Change in short-term liabilities, with the exception of financial liabilities	-26,441	-33,649
9. Balance of prepayments and accruals	-60,492	51,798
10. Other adjustments	-377	-1,263
11. Income tax paid/refunded	-26,979	-19,151
Net cash flows from operating activities	-111,037	104,270
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of tangible fixed assets and intangible assets	-18,781	-16,210
Inflows from sale of tangible fixed assets and intangible assets	514	943
Inflows from sale of shares	6,950	11,029
Purchase of shares, stocks and other capital assets (including capital contributions)	-2,501	-8,952
Received interest	3,211	2,068
Dividends obtained	16,617	7,491
Loans repaid	17,298	1,708
Loans granted	-40,922	-673
Other (including execution of derivative instruments)	-337	9,710
Net cash flows from investing activities	-17,952	7,114
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows from loans, credits, bonds and notes	79,459	53,574
Repayment of loans, credits, bonds and notes	-42,090	-115,504
Net inflows from shares issue (incentive scheme), capital contributions and other equity instruments		10,000
Purchase of own shares	-	-20,733
Payment under financial lease contracts	-4,186	-4,291
Interest paid	-7,908	-6,968
Dividends paid	-6,814	-6,814
Net cash flows from financing activities	18,460	-90,736
NET CHANGE IN CASH FLOWS	-110,528	20,648
including:		
exchange rates differences	141	-183
OPENING BALANCE OF CASH FLOWS	166,570	145,922
CLOSING BALANCE OF CASH FLOWS	56,042	166,570
including: limited disposal cash	10,448	53,516

SEPARATE PROFIT AND LOSS ACCOUNT IN PLN THOUSAND – UNIBEP SA

OPERATING ACTIVITIES	31/12/2018	31/12/2017	Change	Change (%)
Revenue from contracts with clients, including:	1,503,716	1,435,949	67,767	4.7%
from sales transactions for which the value of revenues was not finally determined as at the end of the reporting period (IFRS 15)	6,273	N/A*		
Costs of sold products, goods and materials	1,457,576	1,383,591	73,985	5.3%
Gross profit (loss) on sales	46,140	52,358	-6,218	-11.9%
Sales costs	11	19	-8	-43.1%
Overhead	37,939	32,927	5,011	15.2%
Other operating revenue	6,590	7,947	-1,357	-17.1%
Other operating costs	6,729	21,919	-15,191	-69.3%
Expected credit losses	2,447	N/A*		
Profit (loss) on operational activities	5,605	5,438	166	3.1%
Financial revenue, including:	12,189	10,212	1,977	19.4%
interest income calculated using the effective interest rate method	4,621	N/A*		
Financial costs	5,279	3,226	2,054	63.7%
Pre-tax profit (loss)	12,515	12,425	89	0.7%
Income tax	3,472	6,907	-3,435	-49.7%
Net profit (loss) on continuing operation	9,042	5,518	3,524	63.9%

* N/A - not applicable - items for which there were no measurement according to the rules resulting from the application of IFRS 9 from 1 January 2018 and the disclosure requirement under IFRS 15.

SEPARATE CASH FLOW STATEMENT IN PLN THOUSAND – UNIBEP SA

	01/01 – 31/12/2018	01/01 – 31/12/2017
CASH FLOWS FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	12,515	12,425
II. Total adjustments:	-67,062	1,014
1. Amortisation:	9,199	8,688
2. Foreign exchange gains (losses)	-629	924
3. Interest and profit sharing (dividends)	-4,488	24
4. Investment profit (loss)	266	-8,632
5. Movement in provisions	7,204	-2,245
6. Movement in inventory	-2,914	-8,515
7. Movement in receivables	-33,321	28,990
8. Change in short-term liabilities, with the exception of financial liabilities	-31,461	-8,143
9. Balance of prepayments and accruals	200	8,967
10. Other adjustments	-438	-1,281
11. Income tax paid/refunded	-10,681	-17,763
Net cash flows from operating activities	-54,547	13,439
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of tangible fixed assets and intangible assets	-18,097	-14,596
Inflows from sale of tangible fixed assets and intangible assets	354	878
Purchase of shares, stocks and other capital assets (including capital contributions)	-5	-200
Received interest	5,633	4,542
Dividends obtained	6,443	-
Loans repaid	54,019	5,400
Loans granted	-24,162	-9,400
Other (including execution of derivative instruments)	-194	9,756
Net cash flows from investing activities	23,991	-3,620
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows from loans, credits, bonds and notes	55,000	-
Repayment of loans, credits, bonds and notes	-33,136	-585
Purchase of own shares	-	-20,733
Payment under financial lease contracts	-3,476	-3,408
Interest paid	-7,233	-3,773
Dividends paid	-6,814	-6,814
Net cash flows from financing activities	4,342	-35,314
NET CHANGE IN CASH FLOWS	-26,214	-25,494
including:		
exchange rates differences	146	-154
OPENING BALANCE OF CASH FLOWS	69,640	95,134
CLOSING BALANCE OF CASH FLOWS	43,425	69,640
including: limited disposal cash	2,123	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY PLN THOUSAND

Attributable to shareholders in the parent company

SPECIFICATIONE	Initial capital	Exchange rates differences on translation of foreign operations	Other capitals				Retained profit (loss)		Total	Attributable to non-controlling shareholders	Total equity
			Revaluation capital	Reserve capital	Supplementary capital	Supplementary capital from sale of shares at premium	Profits (losses) brought forward	Current net profit (loss)			
AS AT 31 DECEMBER 2017	3,507	-4	4,872	35,614	94,505	60,905	28,589	25,778	253,766	3,838	257,604
Impact of application of IFRS 9							-2,674		-2,674		-2,674
Impact of first-time application of IFRS 15							-9,439		-9,439		-9,439
01 JANUARY 2018	3,507	-4	4,872	35,614	94,505	60,905	16,476	25,778	241,653	3,838	245,491
Transfer of profit from previous years to retained							25,778	-25,778			0
Profit distribution					24,694		-24,694				0
Profit distribution for dividend					0		-5,518		-5,518		-5,518
Allocation of supplementary capital for loss coverage					-9,625		9,625				0
Allocation of supplementary capital for dividend payment					-1,296			26,254	-1,296	1,311	-1,296
Current year result									26,254		27,564
Other comprehensive income									-2,586		-2,586
31 DECEMBER 2018	3,507	-4	2,286	35,614	108,278	60,905	21,667	26,254	258,506	5,149	263,656

Attributable to shareholders in the parent company

SPECIFICATION	Initial capital	Exchange rates differences on translation of foreign operations	Other capitals				Retained profit (loss)		Total	Attributable to non-controlling shareholders	Total equity
			Revaluation capital	Reserve capital	Special-purpose reserve	Supplementary capital	Profits (losses) brought forward	Current net profit (loss)			
01 JANUARY 2017	3,507	-4	-8,924	35,514	0	119,696	-9,281	31,586	232,999	2,889	235,888
Transfer of profit from previous years to retained earnings	0	0	0	0	0	0	31,586	-31,586	0	0	0
Profit distribution					17,624		-17,624		0		0
Profit distribution for dividend							-6,814		-6,814		-6,814
Allocation of supplementary capital to cover losses						-31,658	31,658		0		0
Creation of reserve capital for the buy-back of own shares				10,858		-10,858			0		0
Buy-back of own shares from reserve capital				-10,758					-10,758		-10,758
Creation of a special-purpose reserve					200	-200			0		0
Allocation of the supplementary capital to the founding fund of the UNITAŁENT Foundation						-100			-100		-100
Allocation of the special-purpose reserve to the founding fund of the UNITAŁENT Foundation					-200				-200		-200
Change in the level of exposure in subsidiaries							-934		-934	143	-791
Total income	0	0	13,796					25,778	39,573	806	40,379
31 December 2017	3,507	-4	4,872	35,614	0	94,505	28,589	25,778	253,766	3,838	257,604

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

SPECIFICATION	Other capitals					Retained profit (loss)		Total equity
	Initial capital	Revaluation capital	Reserve capital	Supplementary capital	Supplementary capital from sale of shares at premium	Profits (losses) brought forward	Current net profit (loss)	
AS AT 31 DECEMBER 2017	3,507	33,761	35,100	76,205	62,154	0	5,518	216,245
Impact of application of IFRS 9						-2,541		-2,541
Impact of application of IFRS 15						-9,439		-9,439
AS AT 01 January 2018	3,507	33,761	35,100	76,205	62,154	-11,979	5,518	204,265
Transfer of profits from previous years to revalued earnings						5,518	-5,518	0
Profit distribution for dividend payout						-5,518		-5,518
Distribution of reserve capital from previous years' profit to dividend payment				-1,296				-1,296
Net profit							9,042	9,042
Other comprehensive income		-2,578						-2,578
AS AT 31 December 2018	3,507	31,183	35,100	74,909	62,154	-11,979	9,042	203,916

SPECIFICATION	Other capitals					Retained profit (loss)		Total equity
	Initial capital	Revaluation capital	Reserve capital	Supplementary capital	Supplementary capital from sale of shares at premium	Fundusz celowy	Profits (losses) brought forward	
01 JANUARY 2017	3,507	19,988	35,000	73,326	62,154	0	0	214,726
Transfer of profit from previous years to revalued earnings							20,750	20,750
Result distribution pursuant to resolution				13,936			-13,936	0
Profit distribution for dividend payout							-6,814	-6,814
Creation of reserve capital from the transfer from reserve capital to the purchase of own shares			10,858	-10,858				0
Establishment of a special-purpose fund for the Foundation's founding fund in accordance with the resolution				-200		200		0
Settlement of the special-purpose fund in accordance with the resolution						-200		-200
Buy-back of own shares from reserve capital		13,773	-10,758					-10,758
Total comprehensive income			0				5,518	5,518
31 December 2017	3,507	33,761	35,100	76,205	62,154	0	0	216,245

5.2 Operational segments' results

CONSOLIDATED SEGMENT REPORTING AS AT 31/12/2018 IN PLN THOUSAND

SPECIFICATION	Residential, office and industrial construction	Infrastructure	Real estate development activities	Modular constructions	Sales adjustments for other segments	Total (for the whole unit)
Revenue from contracts with clients	1,111,169	337,189	137,510	142,044	-69,290	1,658,622
external sale	1,051,417	337,134	137,510	132,561		1,658,622
sale to other segments	59,752	55	0	9,483	-69,290	0
Costs of sold products, goods and materials	1,081,511	321,505	89,778	137,294	-67,580	1,562,508
Gross sales profit	29,658	15,684	47,732	4,750	-1,710	96,115
% gross sales profit	2.67%	4.65%	34.71%	3.34%	2.47%	5.79%
Sales costs						9,274
Overhead						46,296
Results on other operating activities						-5,762
Operating activities profit						34,781
Financial revenues						4,789
including: interest revenue	536	2	871	90		1,499
<u>derivative instruments</u>	<u>-479</u>			<u>-814</u>		<u>-1,293</u>
Financial costs						5,955
including: interest expenses	4,716	685	196	176		5,773
<u>derivative instruments</u>	<u>160</u>			<u>-1,102</u>		<u>-942</u>
Share in consolidated profit (loss) accounted for using the equity method						
3,754						37 369
Profit before tax						37,369
Income tax						9,804
Net profit						27,564

CONSOLIDATED SEGMENT REPORTING AS AT 31/12/2017 IN PLN THOUSAND

SPECIFICATION	Residential, office and industrial construction	Infrastructure	Real estate development activities	Modular constructions	Sales adjustments for other segments	Total (for the whole unit)
Sales revenue	1,118,759	199,478	228,174	181,654	-98,780	1,629,285
external sale	1,022,303	197,154	228,174	181,654		1,629,285
sale to other segments	96,456	2,324	0	0	-98,780	0
Sales costs	1,065,720	218,361	167,306	170,141	-95,642	1,525,886
Gross sales profit	53,039	-18,883	60,868	11,514	-3,138	103,399
% gross sales profit	4.74%	-9.47%	26.68%	6.34%	3.18%	6.35%
Sales costs						10,615
Overhead						40,462
Results on other operating activities						-28,699
Operating activities profit						23,623
Financial revenues						7,699
including: interest revenue	1,708	5	513	159		2,385
<u>derivative instruments</u>	<u>810</u>			<u>3,248</u>		<u>4,059</u>
Financial costs						4,862
including: interest expenses	2,951	678	1,487	58		5,174
<u>derivative instruments</u>	<u>-4,634</u>			<u>6</u>		<u>-4,628</u>
Share in consolidated profit (loss) accounted for using the equity method						
14,489						40 950
Profit before tax						40,950
Income tax						14,366
Net profit						26,584

SEPARATE SEGMENT REPORTING AS AT 31/12/2018 IN PLN THOUSAND – UNIBEP SA

SPECIFICATION	Residential, office and industrial construction	Infrastructure	Real estate development activities	Modular constructions	Sales adjustments for other segments	Total (for the whole unit)
Revenue from contracts with clients	1,111,198	252,888	686	142,044	-3,100	1,503,716
external sale	1,111,198	252,888	686	138,944		1,503,716
sale to other segments	0	0	0	3,100	-3,100	0
Costs of sold products, goods and materials	1,081,497	241,167	717	137,294	-3,100	1,457,576
Gross sales profit	29,701	11,721	-31	4,750	0	46,140
% gross sales profit	2.67%	4.63%	-4.55%	3.34%	0.00%	3.07%
Sales costs						11
Overhead						37,939
Results on other operating activities						-2,586
Operating activities profit						5,605
Financial revenues						12,189
including: interest revenue	2,733	1		90		2,824
hedging instruments	-479			-814		-1,293
Financial costs						5,279
including: interest expenses	4,716	278	0	176		5,170
hedging instruments	160			-1,102		-942
Profit before tax						12,515
Income tax						3,472
Net profit						9,042

SEPARATE SEGMENT REPORTING AS AT 31/12/2017 IN PLN THOUSAND – UNIBEP SA

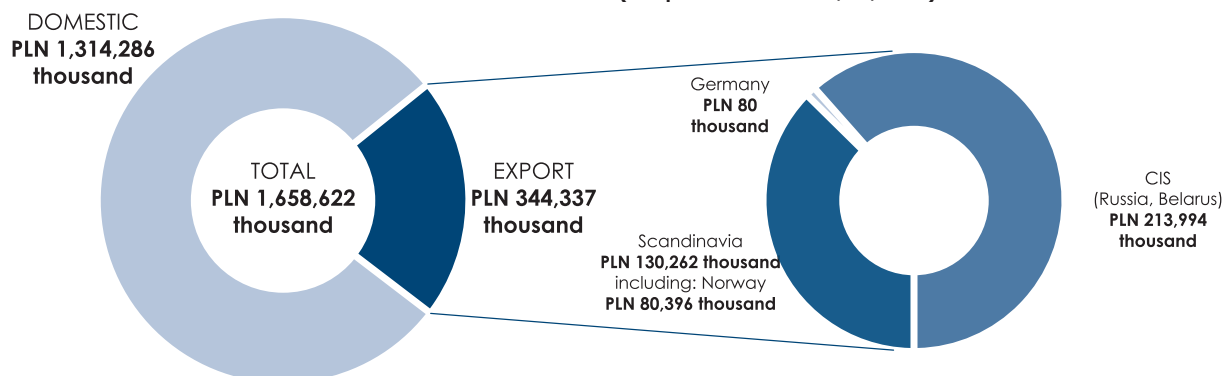
SPECIFICATION	Residential, office and industrial construction	Infrastructure	Real estate development activities	Modular constructions	Sales adjustments for other segments	Total (for the whole unit)
Sales revenue	1,118,785	136,655	1,128	181,654	-2,273	1,435,949
external sale	1,118,785	134,382	1,128	181,654		1,435,949
sale to other segments		2,273	0	-	-2,273	0
Sales costs	1,065,704	148,827	1,213	170,141	-2,294	1,383,591
Gross sales profit	53,080	-12,172	-85	11,514	21	52,358
% gross sales profit	4.74%	-8.91%	-7.53%	6.34%	0.00%	3.65%
Sales costs						19
Overhead						32,927
Results on other operating activities						-13,973
Operating activities profit						5,438
Financial revenues						10,212
including: interest revenue	5,032	5		159		5,197
hedging instruments	810			3,248		4,059
Financial costs						3,226
including: interest expenses	2,951	175	0	58		3,184
hedging instruments	-4,634			6		-4,628
Profit before tax						12,425
Income tax						6,907
Net profit						5,518

In 2018, the Group made a different presentation of the results on the exercise of a hedging instrument to which hedge accounting is applied. Previously, it was recognised in financial revenue or expenses, and now it is presented in the same position as the impact of the hedged item.

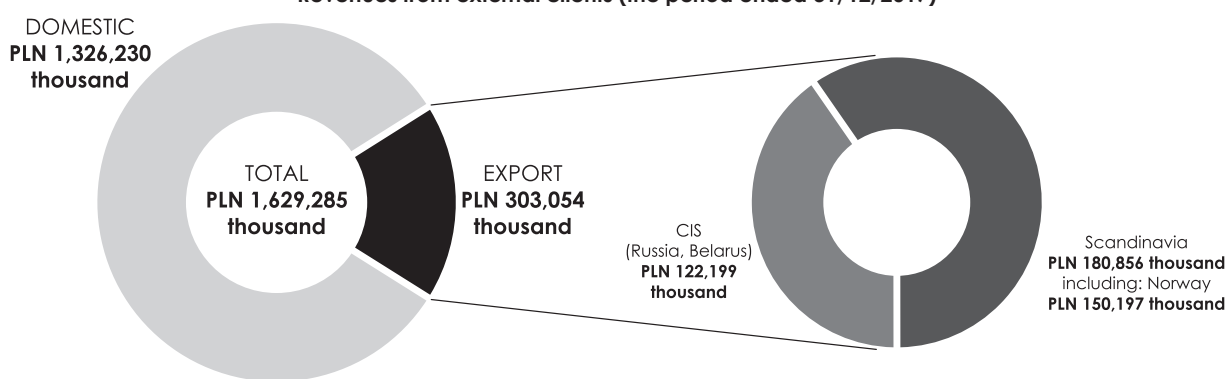
The change in the comparative period would result in an increase in gross profit on sales and a decrease in the result on financial activity by approx. PLN 9,780 thousand, including approx. PLN 6,235 thousand for the residential, office and industrial construction and approx. PLN 3,545 thousand for the modular construction.

INFORMATION ON GEOGRAPHICAL AREAS – DATA OF THE CAPITAL GROUP

Revenues from external clients (the period ended 31/12/2018)

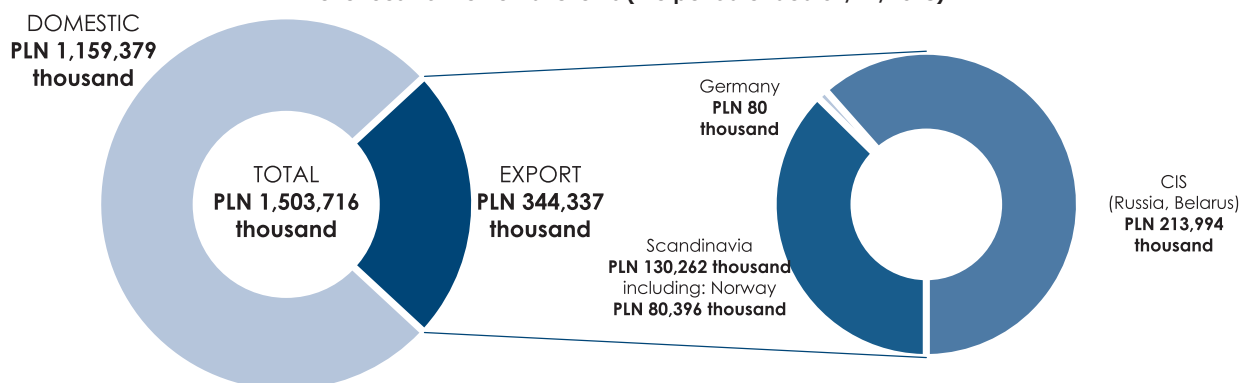


Revenues from external clients (the period ended 31/12/2017)

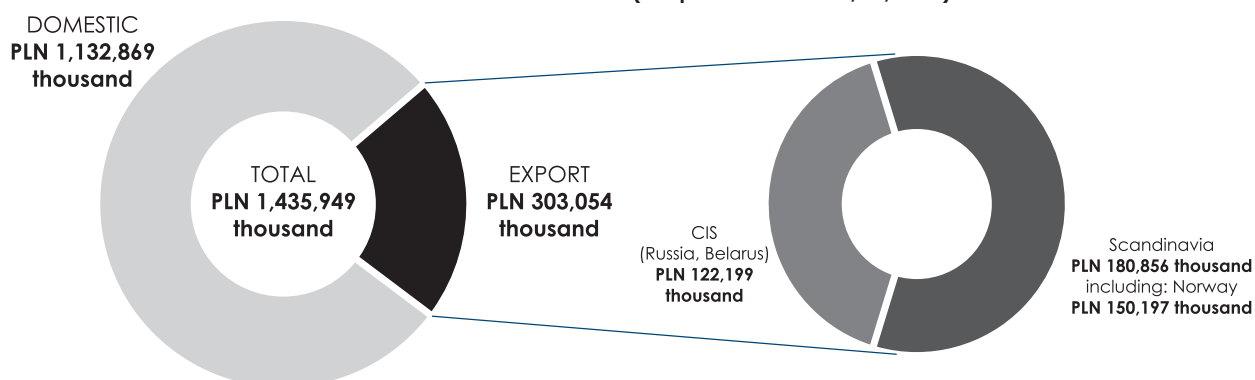


INFORMATION ON GEOGRAPHICAL AREAS – DATA OF THE PARENT COMPANY – UNIBEP SA

Revenues from external clients (the period ended 31/12/2018)



Revenues from external clients (the period ended 31/12/2017)



FIXED ASSETS IN PLN THOUSAND

	data of the Capital Group		data of the Parent Company Unibep SA	
	as at 31/12/2018	as at 31/12/2017	as at 31/12/2018	as at 31/12/2017
DOMESTIC	72,118	77,433	45,457	50,993
EXPORT, including:	48,891	32,783	48,891	32,783
Scandinavia	48,607	32,443	48,607	32,443
including: Norway	48,607	32,443	48,607	32,443
CIS (Russia, Belarus)	277	331	277	331
TOTAL	121,009	110,217	94,348	83,777

5.3 Extraordinary events relevant to financial results

In the opinion of the Management Board, in 2018 events occurred which generally affected the results or manner of presentation of the results of the Parent Company and the UNIBEP Group.

All events and results obtained during the year were monitored on an ongoing basis and the final sales results and net profit are consistent with the forecasts and expectations of the Management Board in this area.

Notwithstanding the above, the Management Board draws attention to the following:

1. Dispute with the Podlaskie Voivodeship over withdrawal from the contract for the construction of a road project Dąbrowa Białostocka-Sokółka

In the first quarter of 2018, on 23 March 2018, UNIBEP SA, as the consortium leader, withdrew from the contract for the construction of a road project Dąbrowa Białostocka – Sokółka, which was announced in the current report No. 14/2018. The Company is preparing for the trial connected with this case. The relevant lawsuit against the Podlaskie Voivodeship - PZDW (Podlaskie Voivodeship Roads Authority) was referred to the District Court in Białystok in the first half of October 2018.

In connection with the above event and the first-time application of IFRS 15, the result of previous years was adjusted by approximately PLN 12,479 thousand gross. The information has been included in the consolidated financial statements for 2018 in item 1.3.

2. Application of the requirements of IFRS 9 and IFRS 15 to settlements of production within the modular construction segment

In connection with the change in accounting policy and the first-time application of IFRS 9 and IFRS 15 in 2018, the costs of module production incurred as part of the process carried out by Fabryka Domów in Bielsk Podlaski were included in the measurement of contracts with clients settled over time, depending on the

stage of completion of the production process. At the same time, the result of previous years was adjusted in the case of projects implemented at the turn of 2017 and 2018.

The application of IFRS resulted in a higher recognition of revenues from Branch projects. At the same time, the adjustment increasing the result of previous years by approx. PLN 826 thousand decreased the current result of the Parent Company and the Group.

3. Presentation of the result on exercise of the hedging instrument

In connection with the change of accounting policy in 2018, the Group made a different presentation of the results on the exercise of a hedging instrument to which hedge accounting is applied. Previously, it was recognised in financial revenue or expenses, and now it is presented in the same position as the impact of the hedged item.

The change in the comparative period would result in an increase in gross profit on sales and a decrease in the result on financial activity by approx. PLN 9,780 thousand, including approx. PLN 6,235 thousand for the residential, office and industrial construction and approx. PLN 3,545 thousand for the modular construction.

4. Receipt of dividends

In 2018, Unibep SA showed financial revenues in the form of dividends of approx. PLN 6,443 thousand for the first time in the separate financial statements for 2018.

The dividend comes from jointly controlled companies, from development activities on the Norwegian market.

Notwithstanding the above, the Management Board draws attention to other events related to the conducted business activity which affect the Group's result and are not directly visible in the results of opera-

ting segments:

1. The Group undertakes joint development projects, the effects of which are disclosed in the financial activity. This applies to development projects on the Warsaw and Norwegian markets. On the Warsaw market, in the Ursus district, Smart City Sp. z o.o. Sp. k. and URSA PARK Smart City Sp. z o.o. Sp. k. are carrying out their projects. The subsidiary of UNIBEP SA, i.e. UNIDEVELOPMENT SA, also holds 50% of shares in both these companies. In Norway, the UNIHOUSE Branch carried out two development projects through Seljedalen AS and its subsidiary Lovsetvegen 4 AS. UNIBEP SA holds 50% of shares in Seljedalen AS. The successful implementation of all the above topics presents the effect in the form of approx. PLN 3,750,000 - shown in the financial activity as a share in the net profits of subordinate units valued using the equity method.

This situation is also expected in the following years. This is related to the fact that a multi-stage WIEPOFAMA project is planned to be implemented on the Po-

znań market. It will be implemented within the framework of a joint undertaking with WIEPOFAMA entities. Within the framework of the project, the property with a total area of approx. 7.5 ha at ul. J.H. Dąbrowskiego in Poznań, a total of 2000 apartments are planned to be built.

The Group operates mainly on the domestic market, as well as on the Norwegian and eastern market (currently Belarusian and Ukrainian). In 2017 it started its activity on the Swedish market. Therefore there are several risks 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, exchange rate fluctuations, interest rates, prices of goods and services, and many other risks, i.a. political.

The main risk factors and threats related to the Group's operations and its market environment are described in item 8.1. Description of risks and threats.

5.4 Capital management – assessment of financial resources management

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios which would support the operating activities of the Group's companies and increase the value for their shareholders.

The Group manages its capital structure and makes changes to it as a result of economic conditions. In order to maintain or adjust the capital structure, the Group companies may buy back their own shares, return capital to shareholders, issue new shares and pay dividends. In 2018, no changes were made to the objectives and process rules in this area.

The Group monitors its capital using the leverage ratio calculated as the ratio of net debt to total capital increased by net debt. Net debt of the Group includes interest-bearing credits and loans and other external sources of financing, trade liabilities and other liabilities, deposits under construction contracts, amounts due to customers under construction contracts, advances received and current income tax liabilities less cash and cash equivalents.

CAPITAL MANAGEMENT [PLN THOUSAND]

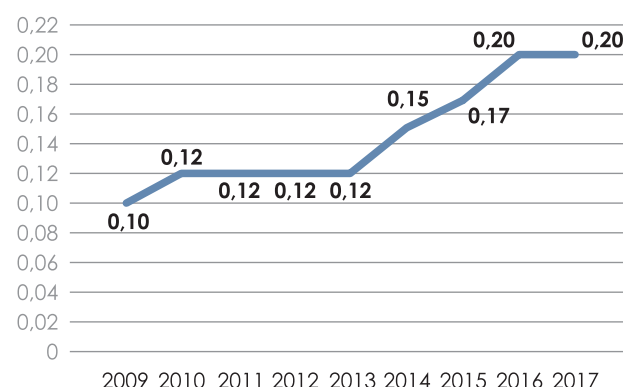
	31/12/2018		31/12/2017	
	Group	Unit	Group	Unit
Credits, loans and bonds	119,422	92,451	81,743	70,593
Trade liabilities and other liabilities	422,020	377,948	446,995	412,672
Cash and cash equivalents	56,182	43,571	165,349	68,448
Net debt	485,260	426,828	363,388	414,817
Equity	263,656	203,916	257,604	216,245
Net capital and debt	748,915	631,640	620,993	631,062
	64.79%	67.57%	58.52%	65.73%

5.5 Information on the dividend policy and dividend paid in 2018

On 13 June 2018, the General Meeting of Shareholders of UNIBEP S.A. adopted a resolution on the payment of dividend for 2017, according to which the dividend paid to shareholders from the net profit for 2017 amounted to PLN 0.20 per share (after excluding the Company's own shares).

The first instalment of the dividend in the amount of PLN 5,110,595.10 (i.e. PLN 0.15 per share) was paid to shareholders on 9 July 2018 and the second instalment in the amount of PLN 1,703,531.70 (i.e. PLN 0.05 per share) on 20 September 2018. The total dividend for 2017 amounted to PLN 6,814,126.80.

DIVIDEND PER SHARE FOR THE YEAR IN PLN



5.6 Information on credits, loans, guarantees and sureties

In 2018, the Issuer signed the following financial agreements:

- On 5 January 2018, Unibep S.A. signed an agreement with ING Bank Śląski S.A. on an investment credit for the extension of a house production plant in Bielsk Podlaski for the amount of PLN 15 million. The credit will be repaid by the end of October 2022.
- On 26 February 2018 Ursa Park Smart City Sp. z o.o. Sp.K. with its registered office in Warsaw concluded a credit agreement with Bank Millennium S.A. under which the Bank granted the Company a revolving credit facility for construction financing in the amount of PLN 25 million. The purpose of the credit is to finance/refinance gross investment outlays related to the implementation of Project II "URSA PARK SMART CITY stage II" in Warsaw, Ursus district, consisting in the construction of building C with an area of 10,218.30 sq m (excluding garage spaces and storage units). The project implemented on the principles specified in the Information Prospectus, hereinafter referred to as the "Development Project"
- On 9 March 2018 BudrexKobi Sp. z o.o. signed an agreement with BZ WBK S.A. for an investment credit of PLN 900 thousand. The credit will be repaid by the end of July 2021.
- On 09 March 2018 BudrexKobi Sp. z o.o. concluded a one-year agreement with BZ WBK S.A. on the overdraft facility and the guarantee line for the total amount of PLN 8.1 million.
- On 5 July 2018, UNIBEP S.A. concluded an agreement with ING Bank Śląski S.A. for a corporate loan for the amount of PLN 10 million. The loan was granted for a period of 66 months.
- On 31 July 2018, Monday Kosmonautów MP S Spółka z ograniczoną odpowiedzialnością sp. k. z siedzibą w Poznaniu (Kosmonautów), in which Monday Development S.A. (the Limited Partner) and MP Sp. z o.o. (the General Partner) concluded a credit agreement with Bank Zachodni WBK S.A. under which the Bank granted to the Kosmonautów Company a non-revolving construction credit in the maximum amount of approx PLN 49.8 million and a revolving VAT credit in the amount of PLN 2.5 million.
- On 22 August 2018, UNIBEP S.A. signed an annex to the overdraft facility agreement with BGK, increasing the amount of the credit to PLN 30 million with the term of validity until 17 November 2019.
- On 20 September 2018, Osiedle Marywilka Sp. z o.o. z siedzibą w Warszawie (Borrower, Marywilka Company), a company belonging to the UNIBEP Capital Group, in which Unidevelopment S.A. is the sole shareholder, concluded a credit agreement with Bank Millennium S.A., under which the Bank granted Marywilka Company a revolving credit for financing the construction industry in the amount of PLN 45 million.
- On 4 October 2018, Monday Kosmonautów MP Spółka z ograniczoną odpowiedzialnością sp. k. and Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) concluded an annex to the agreement. The subject of the Annex is to provide additional financing to the Kosmonautów Company through:
 - granting a non-renewable development credit up to the maximum amount of ca. PLN 32.6 million - for financing Stage II of the development investment project entitled "Nowych Kosmonautów stage II";
 - granting a bridging construction credit in the amount of approx. PLN 7.2 million - intended to finance the construction costs of the gara-

ge hall of Stage II of the aforementioned developer project, where the value of the bridging credit decreases the available balance of the construction credit of Stage II, referred to in item a)

- c) increase in the amount of the VAT revolving credit from PLN 2.5 million to PLN 3.5 million.
- On 21 November UNIBEP S.A. signed the agreement with Warta S.A. for granting contract guarantees for the total value of PLN 4 million. The agreement was concluded until 23 September 2019.

In addition, the following agreements were extended in 2018:

- On 12 February 2018 UNIBEP S.A. extended the agreement with mBank S.A. on the overdraft facility and the guarantee line for the total amount of PLN 45 million.
- On 6 March UNIBEP S.A. extended the agreement with BGŻ Paribas S.A. on the overdraft facility and the guarantee line for the total amount of PLN 45 million.
- On 27 June 2018 UNIBEP S.A. extended the agreement with PKO BP S.A. on the overdraft facility and the guarantee line for the total amount of PLN 75 million.
- On 27 June 2018 UNIBEP S.A. extended the agreement with mBank S.A. on the overdraft facility for the total amount of PLN 3,000,000.
- On 29 June 2018 BudrexKobi Sp. z o.o. extended the agreement with ING Bank Śląski S.A. on the overdraft facility and the factoring line for the total amount of PLN 7 million.
- On 02 August 2018 UNIBEP S.A. extended the agreement with KUKI S.A. for granting contract guarantees for the total value of PLN 75 million.
- On 10 September 2018 Unibep S.A. extended the agreement with Raiffeisen Bank Polska S.A. on the overdraft facility, the guarantee line and the reverse factoring service for the total amount of PLN 117 million.
- On 21 September 2018 UNIBEP S.A. extended the agreement with Santander Bank Polska S.A. on the overdraft facility and the guarantee line for the total amount of PLN 40 million.
- On 25 September 2018 UNIBEP S.A. extended the agreement with INTER RISK S.A. for granting contract guarantees for the total value of PLN 35 million.
- On 09 November 2018 UNIBEP S.A. extended the agreement with GENERALI S.A. for granting contract guarantees for the total value of PLN 30 million.
- On 17 December 2018 UNIBEP S.A. extended the agreement with AXA S.A. for granting contract guarantees for the total value of PLN 42 million.

In addition to the agreements concluded or renewed in 2018, referred to above, the Issuer had the following financial agreements:

1. Agreement on granting contract guarantees with BGK Bank for the amount of PLN 15 million, until 22 November 2019.

2. Contractual guarantee agreements with the following Insurance Companies:

- Europa SA for the total amount of PLN 15 million, concluded for an indefinite period,
- Euler Hermes S.A. for the amount of PLN 50 million, concluded for an indefinite period,
- Hestia SA for a total amount of PLN 30 million, concluded for an indefinite period,
- TUiR Allianz Polska S.A. for the amount of PLN 40 million, concluded by 15 December 2019,
- Zurich Insurance plc for the amount of EUR 15 million, concluded for an indefinite period,

3. Agreements on treasury transactions concluded for an indefinite period with:

- BGŻ BNP Paribas SA with the limit of PLN 16.8 million,
- mBank SA with the limit of PLN 15 million,
- PKO SA with the limit of PLN 37.5 million,
- Santander Bank Polska SA with the limit of PLN 11.6 million,
- BGK with the limit of PLN 9 million.

Within the scope of their activity and due to its nature, UNIBEP SA and its subsidiaries grant performance bonds for construction works and receive such guarantees from subcontractors. As at 31 December 2018, the value of guarantees issued on behalf of UNIBEP SA amounted to approximately PLN 440 million. At the same time, UNIBEP SA was in possession of guarantees issued for its own benefit worth PLN 59 million. In addition, as at 31/12/ 2018, the Issuer had signed surety agreements for the subsidiary Budrex-Kobi Sp. z o.o. for the total amount of PLN 7,400 thousand.

As at 31 December 2018, the total nominal value of FX Forward contracts amounted to NOK 145 million. The remaining time to settle derivative instruments opened as at 31 December 2018 is from 365 to 547 days.

As at 31 December 2018, the Issuer had the following loan agreements, in which it functions as the lender:

- with its subsidiary, Unidevelopment S.A., for the amount of PLN 20 million, valid until 31 May 2021
- with its subsidiary, Unidevelopment S.A., for the amount of PLN 30 million, until 30 June 2019
- with Klimar Plus Sp. z o.o. for the amount of PLN 961,822.70 - the loan was settled in January 2019.
- with GEMICH AS for the amount of NOK 555 thousand, until 31 December 2018.

Except for the performance bonds or guarantees for removal of defects and faults, granted and received as indicated above, as well as sureties for liabilities of subsidiaries, as at the balance sheet date, the companies of the UNIBEP Group did not have any significant off-balance sheet items.

Other information on off-balance sheet items is presented in Note No. 6.38 to the Consolidated Financial Statements for 2018.

5.7 Investments

Structure of the major capital deposits or main capital investments within the issuer's capital group in the financial year

UNIBEP Group held no capital investments in 2018 (it made no purchases of investment and capital fund units). Short-term financial surpluses were deposited on deposit accounts or allocated for loans to companies within the Group or external entities.

In 2018, none of the Group companies acquired shares in a third party.

Assessment of potential for achieving investment objectives

The development potential of the Group's individual businesses and their ability to achieve financial objectives allows for the establishment of targeted investment programmes. This has an impact on the development of the entire Group and the increase in the company's value. The Group's financial position is conducive to the implementation of investment plans.

In 2018, the next stage of development of Fabryka Domów [the Houses Factory] in Bielsk Podlaski was carried out. Expectations towards the factory, its possibilities and market opportunities justify investments in increasing production capacity. In 2019, the investments will be carried out in order to ensure full equipment. This will contribute to improving the organisation of work. The entire production process will be carried out "under the roof" and in one production line. The aim is to achieve much better daily module production rates than at present.

In the infrastructure segment, the planned investments are aimed at renewing and expanding the equipment potential to enable the execution of larger contracts. The experience and references gained so far allow us to compete for investments of national importance. In

2018, several important contracts were won. There are prospects for more. The investments are also to secure against possible effects caused by equipment failure or downtime. The overriding objective is to improve efficiency and maximise the use of the production capacity built.

In 2018, the development segment made a significant contribution to the results achieved by the UNIBEP Group. The same may also happen in the following years. Therefore, within the development structure, purchases of land for projects or shares in development projects are planned with a view to implementation and presentation of financial effects in subsequent years.

Computerisation, digitalisation and automation of processes. In this area, activities covering all the businesses of the Unibep Group and its key processes are continued. Development of Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, IBM Cognos, and the intranet within the Group - these are the current activities for which appropriate financial resources are allocated from time to time. The decision to engage in the development of BIM technology may be crucial for the future organisation of construction processes in the Group. Building information modelling, i.e. an approach to the construction process based on the model used in the world by major construction concerns, will improve the planning of construction (already at the design stage), and will additionally improve the processes of purchasing, resource provision and financial planning.

The actions presented here may be financed from own resources, leasing and investment credits.

5.8 Use of proceeds from the issuance of securities

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

- On 1 June 2018, Unibep SA has issued 300,000 C series bonds with a total value of PLN 30 million. The buyout accounted for 100% of the issue.
- On 6 June 2018, Unibep SA has issued 300,000 E series bonds. The issue price per bond equals its nominal value and amounts to PLN 100.00. The total value of the issue reached PLN 30 million.

The purpose of the issue is to finance current and planned investment projects (understood as execution of construction contracts or development investments) within the scope of business activity conducted by the Issuer or entities from the Group of the Issuer.

In 2018, UNIBEP SA did not issue shares or buy back own shares.

5.9 Financial instruments - risks and adopted financial risk management objectives and methods

FINANCIAL RISK MANAGEMENT

In conducting its operations, the Group is exposed to various types of financial risk: currency risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and determines the principles of management of each of the above risks.

CURRENCY RISK

As part of its operating activities, the Group enters into contracts which are (or may be) denominated or expressed in foreign currencies. In terms of export earnings, hedging against currency risk is primarily done through a natural hedging mechanism consisting in concluding contracts with subcontractors in the currency of the contract and thus transferring the risk to them. Therefore, the Company's foreign currency risk in the case of export contracts is limited to an amount similar to the executed margin - this relates to contracts executed in Belarus. In the case of contracts executed in Norway and Sweden, the natural hedging mechanism is estimated at approx. 20%. Natural security for contracts performed in Poland and expressed in EUR does not exceed 10%.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative transactions in order to hedge its exposure to foreign exchange risk. Derivative instruments are measured as at the balance sheet date at reliably determined fair value. The fair value of derivative instruments is estimated using a model based, among others, on the value of exchange rates (average NBP rates) as at the balance sheet date and differences in interest rates between the quoted and the underlying currency. The periodic valuation of financial instruments is charged partly to equity (internal value of derivative instruments) and partly to financial revenues or costs of the reporting period (time value of derivative instruments). Profits and losses determined as at the settlement date are disclosed in the result account.

INTEREST RATE RISK

Interest rate risk is mainly related to the Group's use of bank credits, leasing, issued bonds and bank deposits. The above transactions are based mainly on a variable interest rate, which exposes the Group to the risk of

changes in the result and cash flows. In order to hedge against the interest rate risk, the Company enters into IRS-type transactions hedging the payment of interest on interest-bearing liabilities with long maturities. Leasing is not material to the Group's financing (it relates mainly to lower value projects). The Group invests its financial surpluses in the form of short-term deposits. Deposits are based on fixed interest rates and are usually concluded for a period of 3-7 days. The amount of interest obtained will depend, among other things, on the level of interest rates.

CREDIT RISK

The Group applies a moderate credit exposure policy towards individual financial institutions, while cooperating with highly reliable institutions. In order to secure current and future liquidity, the Group has multi-purpose credits and limits in selected banks. The Group also executes development projects through special purpose vehicles directly financed by financial institutions. The Group is not afraid of losing the availability of financing despite the fact that financial institutions analyse the Group's financial results on an ongoing (quarterly) basis.

LIQUIDITY RISK

In order to mitigate the liquidity risk, the Group maintains an adequate amount of cash and concludes agreements for credit facilities to serve as additional liquidity protection (e.g. agreements with PKO BP SA, Santander Bank Polska SA, mBank SA, BGŻ BNP Paribas SA, BGK). In addition, in order to secure adequate liquidity in the Group, the Group's entities may issue bonds. At the end of 2018, the entire Group held issued bonds with a total value of PLN 60 million.

A detailed description of risks and actions aimed at reducing and minimising their impact on the Group's operations is presented in the Financial Statements.

Activities undertaken by the Parent Company in the area of financial risk management are coherent with those undertaken at the level of the Capital Group.

5.10 Forecasts of financial results

The UNIBEP Group and UNIBEP SA did not publish financial forecasts for 2018.

5.11 Principles of preparation of financial statements and basis of publication

This Report of the Management Board on the activities of the Unibep Capital Group in 2018 contains information the scope of which is specified in § 70-71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities [...] (the Regulation).

The consolidated annual report, which includes the consolidated financial statements and this report on activity, was prepared on the basis of § 70 and § 71 § 60(2) of the Regulation. The principles of preparation of annual financial statements are presented in subsequent notes to these statements.

Pursuant to §62(6) of the Regulation, this report also includes disclosures required for the Report on the activities of the Parent Company.

The statement on non-financial information referred to in Article 55(2b) in conjunction with Article 49b of the Accounting Act was prepared in the form of a separate Sustainability Report for 2018. At the same time, having regard to §62(6) of the Regulation referred to above, the Sustainability Report also includes the disclosures required for the Parent Company referred to in Art. 49b(2) of the Accounting Act, which are necessary to assess the development, results and standing of the Parent Company and the impact of its operations on the issues referred to in Art. 49b(2)(3) of the Accounting Act, and thus no separate statement on financial information dedicated solely to the Parent Company has been prepared.

6. DESCRIPTION OF SIGNIFICANT EVENTS

6.1 Material agreements related to operations

RESIDENTIAL BUILDINGS

1) Signing two agreements for the carrying out of a housing investment in Warsaw

On 9th January 2018, UNIBEP SA signed an agreement for the carrying out of a housing investment located at ul. Klasyków in Warsaw.

The Ordering Party is YIT Development Sp. z o.o. with its registered office in Warsaw. The deadline for completing the Investment is 15 months from the date of signing the agreement. Net remuneration for the Issuer for the performance of the Agreement amounts to 16.2 million PLN. (RB 2/2018)

2) Implementation of the 2nd stage of "Fort Służew"

On 31st January 2018, a framework general contractor agreement was signed, regarding the second stage of the investment project under the name "Fort Służew" at ul. Nowoursynowska in Warsaw. The Ordering Party is an entity belonging to the Turret Development Group, i.e. Kamala Sp. z o.o. Construction work will be commissioned by the Ordering Party, on a successive basis, by way of separate annexes to the Framework Agreement. (RB 3/2018)

3) Signing an agreement for the carrying out of a comprehensive outward extension of a printing house in the Masovia Province

On 8th March 2018, UNIBEP SA signed a general contractor agreement for the carrying out of a construction investment, consisting in a comprehensive outward extension of the flexographic printing house in Parzniew, in the Commune of Brwinów.

The Ordering Party is Formika Sp. z o.o. With its registered office in Parzniew. Deadlines for investment completion: IQ 2018 – IQ 2019 Flat rate remuneration for the Issuer for the performance of the Agreement amounts to 22.5 million PLN. (RB 9/2018)

4) Signing an agreement for the carrying out of a hotel facility in Cracow

On 22nd March 2018, UNIBEP S.A. concluded a construction works agreement for the carrying out of a hotel facility located at ul. Romanowicza in Cracow.

The Ordering Party is SH GGH Management 8 Sp. z o.o. Sp. Komandytowa (Limited Partnership) with its registered office in Warsaw. The completion date of the Investment has been set for Q3 2019. The Issuer's



Fort Służew, Warsaw



The flexographic printing house in Parzniew, Brwinów Commune

remuneration for the carrying out of the Investment will not exceed the net amount of approx. 70 million PLN. (RB 13/2018)

5) Signing a conditional agreement for the construction of a border crossing on the Poland-Ukraine border

On 23rd March 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of the "Szebinie" border crossing on the Poland-Ukraine border.

The Ordering Party is the State Fiscal Service of Ukraine. The value of the Agreement is approximately net 15.6 million EUR, which is an equivalent of approximately net 66 million PLN. The completion of the Agreement is scheduled for Q3 2020. (RB 15/2018)

6) Signing an agreement for the carrying out of a housing investment at ul. J. Kaczmarekowskiego in Warsaw

On 5th April 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing investment at ul. J. Kaczmarekowskiego in Warsaw.

The Ordering Party is Spółdzielnia Mieszkaniowa "Służewiec" (housing co-operative) with its registered office in Warsaw. The Investment shall commence in Q2 2018 and with completion for Building C - in Q3 2019, and for Building B in Q4 2019, respectively.

The Company's remuneration for carrying out of the Investment is approximately net 50 million PLN. (RB 19/2018)

7) Signing an agreement for the carrying out of a housing investment at ul. Szwedzka in Warsaw

On 25th April 2018, UNIBEP S.A. signed a general con-

tractor agreement for the carrying out of a housing investment at ul. Szwedzka in Warsaw.

The Ordering Party is a company belonging to the OKAM CAPITAL Capital Group, i.e. EUROPEAN PROPERTY SPOT Sp. z o.o. with its registered office in Warsaw. The Investment shall commence in Q2 2018 and see its completion in Q1 2020. Remuneration for the carrying out of the Investment is approximately net 65.0 million PLN. (RB 21/2018)

8) Signing an agreement for the carrying out of a housing investment at ul. Woronicza in Warsaw

On 27th April 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing investment at ul. Woronicza in Warsaw.

The Ordering Party is DANTEX Sp. z o.o. with its registered office in Warsaw. Deadlines for completion: IIQ 2018 - IVQ 2019 Remuneration for the carrying out of the Investment is approximately net 42 million PLN. (RB 22/2018)

9) Signing an agreement for the carrying out of a logistics centre with a container terminal in Łapy in Podlaskie Province

On 11th May 2018, UNIBEP SA signed a general contractor agreement for the carrying out of a logistics centre with a container terminal at ul. Nilskiego-Łapińskiego in Łapy.

The Ordering Party is Kontrast Krzysztof Koc with its registered office in Białystok. Remuneration for the performance of the Agreement will amount to approximately net 25.0 million PLN. The Investment will see its completion in Q2 2019 (RB 23/2018)

10) Signing an agreement for the carrying out of an infusion fluid factory in Kutno

On 25th May 2018, UNIBEP SA signed a general contractor agreement for the carrying out of an infusion fluid factory at ul. Sienkiewicza in Kutno.

The Ordering Party is Fresenius Kabi Polska Sp. z o.o. With its registered office in Warsaw. Deadlines for investment completion: Q2 2018, Q2 2019 Remuneration for the performance of the Agreement amounts to approximately net 18.5 million PLN. (RB 26/2018)

11) Signing an agreement for the carrying out of a construction project at ul. Sielecka in Warsaw

On 5th June 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a construction project at ul. Sielecka in Warsaw.

The Ordering Party is OMIG SIELECKA Sp. z o.o. with its registered office in Warsaw. The deadline for completing the Investment is 20 months from the date of commencing construction work. The Company's remuneration for completing the Investment is approximately net 41.0 million PLN. (RB 28/2018)

12) Signing a conditional agreement for the carrying out of a construction project at ul. Gen. W. Sikorskiego w Warsaw

On 27th June 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a construction project at Al. Gen. W. Sikorskiego w Warsaw. The Ordering Party is Polskie Projekty Inwestycyjne Sp. z o.o. SKA with its registered office in Cracow. The deadline for completing the Investment is 25 months from the date of commissioning the construction

site. The Company's remuneration for completing the Investment is approximately net 89.6 million PLN. (RB 38/2018)

On 27th August 2018, the Company received a written order from the Ordering Party to commence construction on 3rd September 2018, which meant that the agreement came into effect. (RB 48/2018)

13) Annex to the agreement for the carrying out of the Ogrodowa Office investment in Łódź

On 12th July 2018, Unibep S.A. Signed an annex to the construction agreement, with WX OFFICE DEVELOPMENT 2 Sp. z o.o. with its registered office in Warsaw, for the carrying out of the Investment under the name Ogrodowa Office at ul. Ogrodowa and ul. Zachodnia in Łódź.

The subject matter of the Annex is to extend the scope of the Agreement by, inter alia, performing additional and replacement works and fit-out works commissioned to the Issuer, settlement of the increase in general construction costs and changes on the part of the appointed subcontractors, in the total amount of approximately net 4.7 million EUR, which corresponds to approximately net 20.3 million PLN. (RB 40/2018)

Information on the signing of the Agreement with the Investor was published in the content of current report No. 40/2017 of 12th July 2017.

14) Annex to the agreement for the execution of an agreement for the construction of a production plant in the Łódź Province

On 26th July 2018, Unibep S.A. signed an annex to the



Ogrodowa Office, Łódź



Bohema, Warsaw

construction agreement, with Animex Foods K3 Sp. z o.o. with its registered office in Kutno, for the carrying out of construction work as part of the Investment under the name "Construction of a poultry abbatoir and meat cutting plant", carried out in Koryta in the Łódź Province, which expanded the subject of the existing cooperation and, as a result, increased the Issuer's remuneration from approx. net 16.4 million PLN to approx. net 22.9 million PLN. (RB 41/2018)

On 19th October 2018, Unibep S.A. signed another annex to the construction agreement, with Animex Foods K3 Sp. z o.o., as part of the aforementioned Investment, which expanded the subject of the existing cooperation. As a result, the Issuer's remuneration increased by approximately net 27.3 million PLN, in relation to the value of remuneration indicated in the current report No. 41/2018 and amounts in total to approximately net 50.3 million PLN.

Under the Annex, the Ordering Party also granted the Issuer an advance payment of approximately net 7.7 million PLN. Completion of the works covered by the cooperation with the Contracting Authority, taking into account the content of the Annex, is planned for Q1 2019. (CR 53 /2018)

15) Signing an annex for the carrying out of Phase B of the housing investment at ul. Klasyków in Warsaw

On 9th August 2018, UNIBEP S.A. signed an annex to the construction agreement with YIT Development Sp. z o.o. with its registered office in Warsaw, for the carrying out of the housing investment at ul. Klasyków in Warsaw, pursuant to which the Ordering Party entrusted the Issuing Party with the carrying out of Stage B of the said Investment. Information on the signing of the agreement was published in the current report No.

2/2018. Net remuneration for the Issuer for the performance of Phase B of the Investment is net 16.37 million PLN. The deadline for completing Phase B of the Investment is 16 months from the date of commencing construction work. (RB 45/2018)

On 21st August 2018, in connection with the order to commence construction works, received from the Ordering Party and required to commence the works, the Company commenced the execution of the aforementioned investment. (RB 47/2018)

16) Signing an agreement for the carrying out of a shopping and service centre in Biała Podlaska

On 20th August 2018, UNIBEP S.A. signed a construction works agreement for the carrying out of a shopping and service centre located at ul. Łomaska in Biała Podlaska. The Ordering Party is Karuzela Biała Sp. z o.o. with its registered office in Warsaw. The deadline for completing the Investment has been set for Q4 2019. The Issuer's remuneration for the carrying out of the Investment will not exceed the net amount of approx. 60 million PLN. (RB 46/2018)

On 21st December 2018, UNIBEP SA informed that in connection with the issuance of an immediately enforceable decision by the Provincial Administrative Court in Lublin, overruling the decision on changing the building permit for the Shopping and Service Centre "Galeria Bialska" in Biała Podlaska, in both instances, being the basis for the performance of the Agreement, which resulted in the necessity of temporary suspension of construction works by the Issuer, the Company was informed that on 20th December 2018 the Ordering Party sent a declaration of withdrawal from the Agreement by the Ordering Party. The withdrawal had immediate effect and was due to reasons for which

the Issuer was not responsible. (RB 62/2018)

17) Signing two contracts for the carrying out of housing investments in Warsaw, at ul. Poborzańska

On 5th October 2018, UNIBEP S.A. signed two agreements with Home Invest Poborzańska I sp. z o.o. with its registered seat in Warsaw, for the carrying out of housing investments at ul. Poborzańska Street in Warsaw. The Issuer's remuneration for completing the subject of Agreement I will amount to approximately net 31.3 million PLN, and for completing the subject of Agreement II to approximately net 30.6 million PLN. The date of commencing the carrying out of Investments I and II was set for Q4 2018, and the date of completing for Q2 2020. (RB 51/2018)

18) Signing a conditional agreement for the carrying out of a housing investment at ul. Rydygiera / A. German in Warsaw

On 17th October 2018, UNIBEP S.A. signed a construction works agreement for the carrying out of a housing investment at ul. Rydygiera / A. German in Warsaw. The Ordering Party is Ruscus Sp. z o.o with its registered office in Warsaw. The Investment shall commence in Q4 2018, and see its completion in Q4 2020. The Issuer's remuneration for the carrying out of the Investment is approximately net 118.6 million PLN. (RB 52/2018)

On 22nd October 2018, the Issuer received an activation note from the Ordering Party, pursuant to which the Agreement came into effect on 22nd October 2018. (RB 54/2018)

19) Signing a conditional agreement for the carrying out of a construction project in Kiev

On 30th October 2018, Unibep S.A. signed a conditional general contractor agreement for the carrying out of an investment, consisting in the execution of a complex of construction and installation works related to the completion of the construction of a commercial and recreational complex in Kiev, Ukraine.

The Ordering Party is Martin Sp. z o.o., a Ukrainian company with its registered office in Kiev. The deadline for completing the Investment is 14 months from the date of commencing construction work, which requires prior acceptance of the construction site, payment of a part of the advance payment by the Ordering Party, and providing the Company with complete design and working documentation necessary to commence works. The Company's remuneration for the carrying out of the Investment is net 34.6 million EUR, which is an equivalent of approximately net 149.5 million PLN. (RB 56/2018)

On 11th December 2018, the Management Board of UNIBEP S.A. signed an annex to the Agreement. Pursuant to the annex, it was agreed that in order to regulate economic relations of the parties, during the execution and payment for part of the works, before the effective date of the loan agreement between the Ordering Party and Bank Gospodarstwa Krajowego S.A., the agreement entered into force with respect to a limited complex of construction and assembly works and supplies of materials and equipment, within the general scope of the works covered by the Agreement. The remuneration for the performance of the limited scope of the works will not exceed approx. net 8.75 million EUR, i.e. approximately net 37.6 million PLN. (RB 60/2018)

On 16th January 2019, Unibep SA received information that the loan agreement between the Bank and the Ordering Party came into effect. (Rb2/2019)



Livinn Student Hostel, Cracow



In Mokotów District, Warsaw

20) Signing a general contractor agreement for part of the construction work and management of a housing investment project at ul. Grzybowska in Warsaw

On 16th November 2018, Unibep SA concluded a collective agreement, consisting of a general contractor agreement for part of the construction work and a management agreement for the investment project under the name "Unique Tower" at ul. Grzybowska in Warsaw.

The Ordering Party is Marvipol Development Unique Tower Sp. z o.o. with its registered office in Warsaw. The deadline for completing the Investment has been set for Q2 2021. The Issuer's remuneration amounts to net 79.5 million PLN, of which net 68.5 million PLN constitutes remuneration for the carrying out of construction work, and net 11.0 million PLN for management activities. Moreover, in case that all contractually defined conditions are met cumulatively, in particular the ones related to the timely completion of the Investment and closing of the budget at the level expected by the Ordering Party, the Issuer's remuneration for management activities may be additionally increased by up to net 5.0 million PLN. (RB 59/2018)

INFRASTRUCTURE

21) Signing an agreement for the carrying out of a road project in Białystok

On 27th June 2018, UNIBEP SA signed an agreement for the carrying out of a road project, consisting in extending ul. Narodowych Sił Zbrojnych and Al. Jana Pawła II in Białystok, including their technical infrastructure, as part of the project under the name: "Improving the accessibility of the city of Białystok from the direction Warsaw - inclusion in the S8 expressway".

The Ordering Party is the City of Białystok. The initial cost estimate remuneration of the Issuer for the implementation of the subject of the agreement amounts to approx. net 42.6 million PLN, i.e. gross 52.4 million PLN. The Investment will see its completion in Q3 2019 (RB 37/2018)

22) Signing an agreement by the Consortium, with participation of Unibep S.A., an agreement for the design and construction of a section of S61 expressway between Szczuczyn and Elk Południe

On 6th August 2018, the Consortium of PORR S.A. with its registered office in Warsaw (Consortium Leader), Porr Bau GmbH with its registered office in Vienna (Consortium Partner) and UNIBEP S.A. (Consortium Partner) signed a contract (Contract) for the carrying out of a road project under the name "Design and construction of S61 expressway along the section from Szczuczyn to Budzisko (border of the country), divided into the following objectives: Objective No. 1: the "Szczuczyn - Elk Południe junction".

The Ordering Party is: General Directorate for National Roads and Motorways (GDDKiA), branch in Białystok. The Consortium's remuneration for completing the Investment is approximately net 568.7 million PLN, whereas the Issuer's share in the Consortium was defined at 30%, which corresponds to approximately net 172.5 million PLN. The Investment implementation period is 29 months from the date of signing the Agreement, with the stipulation that the work will be carried out outside the so-called winter period, i.e. the period from 15th December to 15th March, each year. (RB 43/2018)

23) Signing an agreement by the Consortium with the participation of Unibep S.A., for the carrying out of a

road project in Białystok

On 9th August 2018, a consortium of the following companies: PORR S.A. with its registered office in Warsaw (Consortium Leader), UNIBEP S.A. (Consortium Partner) and Value Engineering Sp. z o.o. with its registered office in Warsaw (Project Partner), signed an agreement for the carrying out of a road investment project under the name "Construction of a road junction in Porosty, at ul. Gen. F. Kleeberga - national road No. 8 - regional road No. 676 - ul. Aleja Jana Pawła II, as part of the following project: "Improving the accessibility of the city of Białystok from the direction Warsaw - inclusion in the S8 expressway".

The Ordering Party is: The City of Białystok. The Consortium's remuneration for the carrying out of the Investment is net 194.6 million PLN, of which approximately net 114.7 million PLN is remuneration for the Issuer. The deadline for completing the Investment is 22 months from the date of signing the Agreement. (RB 44/2018) Signing an agreement by the Consortium

24) Signing an agreement by the Consortium with the participation of Unibep S.A., for the carrying out of a road project in the region of Podlasie

On 7th November 2018, a consortium of the following companies: Przedsiębiorstwo Drogowo - Mostowe MAKSBUD Sp. z o.o. (Road and Bridge Construction Company) with its registered office in Bielsk Podlaski (Consortium Leader), UNIBEP S.A. (Consortium Partner 1) and Przedsiębiorstwo Robót Drogowo - Mostowych "TRAKT" (Road and Bridge Construction Company) Sp. z o.o. with its registered office in Wysokie Mazowieckie (Consortium Partner 2) signed an agreement for the

carrying out of a road investment project under the name "Construction and extension of regional road No. 690, including road engineering facilities and the necessary technical infrastructure, along the section from Ciechanowiec to Ostrożany."

The Ordering Party is: Podlaski Zarząd Dróg Wojewódzkich (Regional Roads Authority in Podlasie), branch in Białystok. The Consortium's remuneration for the carrying out of the Investment is net 124.7 million PLN, of which approximately net 40 million PLN is remuneration for the Issuer. The deadline for completing the Investment is 15 months from the date of signing the Agreement, with the stipulation that the work will be carried out outside the so-called winter period, i.e. the period from 15th December to 15th March, each year. (RB 57/2018)

REAL ESTATE DEVELOPMENT

25) Signing of a package of agreements between Unidevelopment SA and WIEPOFAMA SA in liquidation, with its registered office in Poznań, and its subsidiaries, concerning a joint investment project consisting in the carrying out of a development project in Jeżyce District, in Poznań

On 22nd February 2018, Unidevelopment SA (Unidevelopment) signed a package of agreements specifying the rules of carrying out a development project jointly with WIEPOFAMA entities, on a property at ul. Jana Henryka Dąbrowskiego in Poznań, the total area of which is approx. 7.5ha (the Property).

The aforementioned package of agreements consists in particular of an annex to the loan agreement signed



"Construction of a road junction in Porosty, at ul. Gen. F. Kleeberga - national road No. 8 - regional road No. 676 - ul. Aleja Jana Pawła II, as part of the following project: "Improving the accessibility of the city of Białystok from the direction Warsaw - inclusion in the S8 expressway" (source: www.bialystok.pl)



Osiedle Nowych Kosmonautów ("Nowi Kosmonauci" Housing Estate), Poznań

on 14th December 2017, about which the Company had already informed (the Annex) and an investment agreement (the Agreement).

In connection with the fact that WIEPOFAMA SA in liquidation (WIEPOFAMA) provided a contribution in kind to WIEPOFAMA Development sp. z o.o. spółka komandytowa (Limited Partnership), in the form of the right of perpetual usufruct of the Property, pursuant to the Annex, it was in particular agreed that the aforementioned loan agreement would come into effect on 22nd February 2018. At the same time, Unidevelopment shall be entitled to withdraw from the loan agreement until the end of June 2019, should the loan collaterals defined in the current report referred to above be not established until the end of 2018. All other terms and conditions of the loan remain unchanged.

As for the Agreement, it was signed between Unidevelopment S.A. and i) WIEPOFAMA, ii) WIEPOFAMA DEVELOPMENT Sp. z o.o. (WIEPOFAMA DEVELOPMENT) and iii) Limited Partnership.

The subject matter of the Agreement is to define the rules of taking joint control over the process of implementing a staged construction project, consisting in the construction of a complex of residential buildings together with associated services and infrastructure, started in 2017, by subsidiaries of WIEPOFAMA, on the Property the perpetual lessee of which will be the Limited Partnership, on the date it has been entered in the land and mortgage register, as well as to carry out marketing activities related to selling the resulting residential and commercial premises, with the potential to build more than 2,000 apartments on the Property (the Project).

In order to implement the Project, on 22th February 2018 Unidevelopment S.A. purchased 50 shares, which constitutes 50% of shares in WIEPOFAMA DEVELOPMENT Sp. z o.o., which is a general partner in WIEPOFAMA Development Sp. z o.o. Spółka Komandytowa (Limited Partnership). At the same time, in addition to WIEPOFAMA S.A. in liquidation, UNIDEVELOPMENT S.A. joined the aforementioned Limited Partnership as a limited partner. (RB 6/2018)

26) Acquisition by a subsidiary of rights to properties located in the District of Bielany, in Warsaw

On 27th February 2018, Warszawskie Przedsiębiorstwo Geodezyjne Spółka Akcyjna with its registered office in Warsaw (the Seller) and Kosmonautów Sp. z o.o. with its registered office in Poznań, in which 100% of shares are held by Unidevelopment SA (the Buyer), signed a sale agreement, concerning right to two properties located in the District of Bielany, in Warsaw.

The subject of the Agreement is the purchase of rights to the two neighbouring properties with the total area of approx. 0.5ha, located at ul. Sokratesa, in Warsaw, by the Buyer, i.e. the right of perpetual usufruct of a property (Property 1), and the ownership right to a property (Property 2), together with the ownership right to the building located within the premises of the aforementioned properties, for the total price of net 15 million PLN.

The properties are purchased for investment purposes related to the planned residential and commercial service investment, within the framework of which approx. 150 apartments are going to be built. Unidevelopment S.A. will be responsible for managing the afore-mentioned investments. (RB 8/2018)

27) Acquisition by a subsidiary of the ownership right to a property located in the Old Town, in Poznań

On 15th March 2018, Nowak-Investments Roman Nowak and MONDAY KOSMONAUTÓW MP Sp. z o.o. spółka komandytowa (limited partnership) with its registered office in Poznań, an indirect subsidiary of the Issuer, signed a package of documents concerning purchase of a property located in the Old Town in Poznań.

The subject matter of the Transaction is acquisition by the Buyer of ownership rights to undeveloped land property with the total area of approx. 1.1ha, located in Poznań at ul. Serbska and Naramowicka, for the net price of 13.0 million PLN. The Property is purchased for investment purposes related to the planned residential and commercial service investment, within the framework of which approx. 340 apartments are going to be built. (RB 11/2018)

28) Commencement of another joint development project in Warsaw

In April, Unidevelopment commenced implementing another project, which is a joint development project. In April 2018, a preliminary agreement for sale of shares was signed between Unidevelopment S.A. (the Buyer) and Natolin Park Sp. z o.o. (the Seller), based on which:

- A. the Selling Party agreed to establish a special purpose vehicle to which it will contribute the right of perpetual usufruct of the property located in Warsaw (Ursynów), the current perpetual lessee of which is Natolin Park sp. z o.o. B. strona Sprzedawca zobowiązała się sprzedać Kupującemu w nowo założonej spółce celowej 15 % udziałów w perspektywie do lipca 2018 r.

- B. The Selling Party undertook to sell 15% of the shares by July 2018, in the newly established special purpose vehicle, to the Buyer.

- C. The content of the final (promised) agreement shall also result in:

- i. an obligation of the Selling Company and the Buying Company to sign an agreement for sale of 35% of shares the Selling Company is entitled to in the share capital of the Special Purpose Vehicle, after obtaining the final decision on land development conditions;
- ii. and an obligation of the Selling Company and the Buying Company to sign an agreement for sale of the remaining 50% of shares the Selling Company is entitled to in the share capital of the Special Purpose Vehicle, at a fixed price, after completion and settlement of the investment.

29) Acquisition by a subsidiary of rights to a property located in the District of Bemowo, in Warsaw

On 29th June 2018, Unidevelopment S.A., a subsidiary of the Issuer, and a natural person, signed an agreement for purchase of a share in the property located at ul. Coopera, in Warsaw. The subject of the Agreement is purchase of a share in an undeveloped land property, the total area of which is approx. 3.7ha, located in the District of Bemowo district, at ul. Coopera in Warsaw, for the net price of 8.0 million PLN, to be used for investment purposes related to stage I of the housing investment carried out by Unidevelopment S.A., within the framework of which approx. 100 apartments are going to be built. The commencement of the 1st stage of the aforementioned investment is planned for Q4 2018.



Cooper Housing Estate, Warsaw



Student hostels built using the modular technology, Sopot

UNIBEP S.A. indicates that in connection with the acquisition of the aforementioned share in the land property, the Buyer has also made a pre-payment of 7.0 million PLN to the Seller towards the total price of 23.5 million PLN for the purchase of the remaining plots of land, within the Property, for the purposes of the subsequent two stages of the afore-mentioned investment project carried out by the Buyer, which are to be transferred to the Buyer no later than in Q1 2020. (RB 39/2018)

30) Amendment to the investment agreement signed between Unibep S.A. together with Unidevelopment S.A. and CPD Group of Companies, concerning a joint construction project in the District of Ursus, in Warsaw

On 26th October 2018, an amendment was made to an investment agreement related to a joint construction project, consisting in the building of a complex of multi-family residential buildings, including services and accompanying infrastructure, in the District of Ursus in Warsaw, in cooperation with entities being part of the CPD Group of Companies.

The amendment to the Agreement was signed between companies of the CPD Group of Companies, i.e. (i) CPD S.A. with its registered office in Warsaw, (ii) Challenge Eighteen Sp. z o.o. with its registered office in Warsaw (Challenge Eighteen), (iii) URSA PARK Smart City sp. z o.o. sp.k. with its registered office in Warsaw (previously known as 4/113 Gaston Investments sp. z o.o. sp. k. - hereinafter referred to as the Limited Partnership), (iv) Lakia Enterprise Ltd with its registered office in Nicosia (Cyprus) (Lakia Enterprise), and Unibep S.A., and a subsidiary of the Issuer, i.e. Unidevelopment S.A.

According to the current wording of the Investment

Agreement, its subject matter is joint execution of three consecutive construction projects on a property with the total area of 4.944ha, located at ul. Traktorystów in Warsaw, the perpetual lessee of which is the Limited Partnership.

Part of the Property, the area of which is approx. 1.36ha, is now undergoing a two-stage construction work of a complex of multi-family buildings, including services and associated infrastructure, with the total usable area of approx. 21,000 sq.m. for PUM - usable residential space/PUU - retail Usable Area (Project 1).

The two successive projects, each divided into two stages, will consist in the construction of a complex of multi-family buildings, including services and accompanying infrastructure, with the total usable area of over 40,000 sq.m. PUM - usable residential space/PUU - retail Usable Area (Project 2 and Project 3). (RB 55/2018)

On 8th November 2018, the agreement came into effect. (RB 58/2018)

MODULAR CONSTRUCTION

31) Signing an agreement for the carrying out a project under the name "Aamodthellinga" in Norway, using modular technology

On 9th March 2018, UNIBEP S.A. signed an agreement for the carrying out of an investment project under the name "Aamodthellinga" in Relingen, Norway, using modular technology.

The Ordering Party Aamodthellinga 2 AS with its registered office in Skjetten, Norway. The value of the Agreement is approximately net 29.6 million NOK,

which is an equivalent of approximately net 13.0 million PLN. The commencement of design work has been set for Q1 2018, commencement of construction work for Q4 2018, and completion for Q1 2019. (RB 10/2018)

32) Signing an agreement for the carrying out a project under the name "Sjusjoen" in Norway, using modular technology

On 12th June 2018, UNIBEP S.A. signed an agreement for the carrying out of an investment project under the name "Sjusjoen" in the Commune of Ringsaker, in Norway, using modular technology.

The Ordering Party is Sjusjoen Prima Utvikling AS with its registered office in Oslo, Norway. The value of the Agreement is approximately net 124.0 million NOK, which is an equivalent of approximately net 55.7 million PLN. The commencement of design work has been set for Q2 2018, commencement of construction work for Q1 2019, and completion for Q3 2020. (RB 32/2018)

33) Signing an agreement for the erecting of student hostels in Sopot, Poland

On 12th December 2018, Unihouse, branch of Unibep S.A. signed an agreement for the construction of student hostels in Sopot (building with the height of 4 overground storeys, housing the total of 84 residential rooms), using modular technology.

The Ordering Party is Eco Campus Sopot Sp. z o.o. with its registered office in Poznań, at ul. Przemysłowa 39. Net value of the agreement is approx. net 8.2 million PLN.

The commencement of design work has been set for Q4 2018, expected commencement of construction work for Q2 2019, and completion for Q3 2019. The pre-condition for starting the production of modules is obtaining a Building Permit by the Ordering Party.

6.2 Transactions with related entities

In the period covered by this report, agreements between UNIBEP S.A. and its subsidiaries were market-based and not different from other transactions of this type on the market.

Notwithstanding the above, below is a list of the major agreements entered into between the affiliated entities within the Group:

1) Signing an agreement for the carrying out of a housing investment at ul. Marywilska in Warsaw

On 28th May 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing investment at ul. Marywilska in Warsaw.

The Ordering Party is a subsidiary of Unidevelopment S.A., i.e. Osiedle Marywilska Sp. z o.o. with its registered office in Warsaw, which belongs to the Issuer's capital group. The Investment is scheduled to commence in Q2 2018, with its completion in Q3 2019. Remuneration for the carrying out of the subject of the Agreement is approximately net 69.4 million PLN. (RB 27/2018)

2) Signing an agreement for the carrying out of a housing investment at ul. Serbska/Naramowicka in Poznań

On 21st June 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing investment at ul. Serbska/Naramowicka in Poznań.

The Ordering Party is a subsidiary of Unidevelopment S.A., i.e. Monday Kosmonautów MP Spółka z o.o. sp. k. with its registered office in Poznań, which belongs to the Issuer's capital group. The date of commencing

the implementation of the Investment under Stage I was set for Q2 2018, with its completion in Q2 2020. As for the work under Stage II, it will commence in Q4 2018 and finish in Q3 2020. The Issuer's remuneration for the execution of the subject of the agreement amounts in total to approx. net 82.9 million PLN, of which approx. net 64.5 million PLN constitutes remuneration for the carrying out of Stage I, and approx. net 18.4 million PLN for the carrying out of Stage II. (RB 36/2018)

3) Signing an agreement for the carrying out of a housing investment at ul. Mickiewicza in Bielsk Podlaski

On 9th August 2018, Unihouse Branch of UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing investment at ul. Mickiewicza in Bielsk Podlaski.

The Ordering Party is a subsidiary of Unidevelopment S.A., i.e. Mickiewicza Idea Sp. z o.o. s.k with its registered office in Warsaw, which belongs to the Issuer's capital group. The Investment is scheduled to commence in Q3 2018, with its completion in Q3 2019. Remuneration for the carrying out of the subject of the Agreement is approximately net 7.1 million PLN. On 12th December 2018, the date of completion was changed to Q2 2019, by way of an annex to the aforementioned agreement.

Information on transactions with related parties has been additionally presented in the Consolidated Financial Statement in Note 6.31.

6.3 Material financial agreements

1) Signing an investment loan agreement by UNIBEP SA

On 5th January 2018, Unibep S.A. signed an agreement for an investment loan, with ING Bank Śląski S.A., for an outward extension of a prefab tower block factory in Bielsk Podlaski, for the amount of 15 million PLN. The loan will be repaid by the end of October 2022.

2) Signing of a loan agreement for the purpose of carrying out a development project in Warsaw

On 26th February 2018, Ursa Park Smart City Sp. z o.o. Sp.K. with its registered office in Warsaw signed a loan agreement with Bank Millennium S.A., under which the Bank granted the Company a revolving credit facility to finance construction work, in the amount of 25 million PLN. The purpose of the loan is to finance / refinance gross capital expenditures related to the implementation of Project II "URSA PARK SMART CITY Stage II" in the District of Ursus, in Warsaw, consisting in the construction of building C, with the total area of 10,218.30 sq.m. (excluding garage space and storage area). The project will be carried out, according to the principles specified in the Information Prospectus, hereinafter referred to as the "Development Project".

3) Signing a corporate loan agreement by UNIBEP SA

On 5th July 2018, UNIBEP S.A. signed an agreement with ING Bank Śląski S.A. for a corporate loan, in the amount of 10 million PLN. The loan was granted for a period of 66 months.

4) Signing of a loan agreement by Monday Kosmonautów MP Sp. z o.o. sp. k.

On 31st July 2018, Monday Kosmonautów MP Sp. z o.o. sp. k. with its registered office in Poznań, owned by UNIBEP Capital Group, in which Monday Development S.A. and MP Sp. z o.o. are the only shareholders, signed a loan agreement with Bank Zachodni WBK S.A., under which the Bank granted to Monday Kosmonautów a non-renewable construction loan in the maximum amount of approx. 49.8 million PLN, and a revolving VAT loan in the amount of 2.5 million PLN.

5) Signing of an annex to the loan agreement by Monday Kosmonautów MP Sp. z o.o. sp. k.

On 4th October 2018, Monday Kosmonautów MP Sp. z o.o. sp. k. signed an annex to the agreement with Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.). The subject matter of the Annex is to provide additional financing to Monday Kosmonautów through:

- a) granting a non-renewable development loan up to the maximum amount of approx. 32.6 million PLN, for the purpose of financing Stage II of the development project under the name "Nowych Kosmonautów, Stage II";
- b) granting a bridge construction loan in the amount of approx. 7.2 million PLN, for the purpose of financing the cost of building a parking garage, as part of Stage II of the afore-mentioned development project, whereas the value of the disbursed bridge loan shall decrease the available balance of the construction loan for Stage II, referred to in item a);

of approx. 7.2 million PLN, for the purpose of financing the cost of building a parking garage, as part of Stage II of the afore-mentioned development project, whereas the value of the disbursed bridge loan shall decrease the available balance of the construction loan for Stage II, referred to in item a);

- c) increase in the amount of the VAT revolving credit from 2.5 million PLN to 3.5 million PLN.

6) Signing of an annex to the overdraft agreement by UNIBEP S.A.

On 22nd August 2018, UNIBEP S.A. signed an annex to the overdraft agreement with BGK, thus increasing the amount of the loan to 30 million PLN, with the term of agreement until 17th November 2019.

7) Signing of a loan agreement by Osiedle Marywilska Sp. z o.o.

On 20th September 2018, Osiedle Marywilska Sp. z o.o., a company belonging to the UNIBEP Capital Group, with its registered office in Warsaw, in which Unidevelopment S.A. is the sole shareholder, signed a loan agreement with Bank Millennium S.A., under which the Bank granted Osiedle Marywilska a revolving credit for financing construction work, in the amount of 45 million PLN.

In 2018, there were no financial agreements in the Parent Company or the Capital Group that would have been terminated as a result of termination by either party.

All other significant financial agreements have been presented in item 5.6. Information on credits, loans, warranties, and guarantees.

The interest rate on the above loans consists of the base value increased by the margin constituting the lender's remuneration, which was determined on an arm's length basis, each time.

6.4 Other important events

1) New Member of the Management Board in Unidevelopment SA

By a resolution of the Supervisory Board of Unidevelopment S.A. of 25th January 2018, Ms. Ewa Przeździecka was appointed to the Management Board of Unidevelopment S.A. as of 1st February 2018.

2) Settlement of a dispute with a Norwegian investor Jessheim Bolig

With reference to the current reports on the court decision regarding the dispute between a Norwegian contractor and UNIBEP SA, on 7th February 2018, as a result of arrangements between the company and the Norwegian investor Jessheim Vest Bolig og Næring AS (Jessheim Bolig), the company withdrew an appeal, equivalent to a cassation appeal, filed on 3rd January 2018 to the Norwegian Supreme Court.

As a result, the decision of the Norwegian Court of Second Instance, about which the company had informed in the current report No. 60/2017, became legally binding, and UNIBEP SA became obliged to implement it with the stipulation that the final amount of payment to Jessheim Bolig will be reduced by the amount of the exemption from payment agreed with the investor, and it will ultimately amount to 32 million NOK, i.e. approximately 13.8 million PLN. At the same time, UNIBEP SA agreed with Jessheim Bolig that the payment of the afore-mentioned amount would be made in such a way that the amount of approx. 8.6 million PLN was settled on 7th February 2018, while the remaining amount, i.e. approx. 5.2 million PLN, was settled on 27th July 2018. (RB 5/2018)

3) Changes in the Management Board of UNIBEP S.A.

16th March 2018 The Management Board of Unibep SA informed that Marcin Piotr Drobek resigned as member of the Management Board and as Vice President of the Management Board of Unibep SA, effective from 30th April 2018. According to a statement of Marcin Piotr Drobek, reasons for resignation are of personal nature. (RB 12/2018)

On 4th April 2018, the Management Board of Unibep SA informed that the Supervisory Board of the company adopted a resolution on appointing Krzysztof Mikołajczyk as a member of the Management Board of the Company for the current 5th term of the Management Board of Unibep SA, effective from 1st May 2018. Krzysztof Mikołajczyk holds a position of a construction director. (RB 16/2018) On 1st November 2018, by a resolution of the Supervisory Board of Unibep SA, Krzysztof Mikołajczyk was promoted from the position of Member of the Management Board, Director of Construction to Vice-President of the Management Board, Director of Construction of Unibep SA.

4) Withdrawal from the contract for the carrying out of

a road project

On 23rd March 2018, a consortium of companies (Consortium) of UNIBEP

S.A. (the Consortium Leader) and Most Sp. z o.o. (Member of the Consortium) withdrew from an agreement signed with Podlaskie Zarząd Dróg Wojewódzkich (Regional Roads Authority in Podlasie) in Białystok, regarding the carrying out of an investment under the name "Construction and extension of regional road No. 673, including road engineering facilities and the necessary technical infrastructure, along the section from Dąbrowa Białostocka to Sokółka, including by-passes around the towns." UNIBEP SA informed that the Consortium withdrew from the afore-mentioned agreement in part not yet performed.

The reason for withdrawal is that the Ordering Party failed to provide complete and defect-free design documentation within the specified time limit, which includes, among others, subsurface and groundwater conditions of the Investment, thus enabling proper performance of the works covered by the agreement. (RB 14/2018)

5) PZDW's withdrawal from the agreement for the carrying out of a road project along a section from Dąbrowa Białostocka to Sokółka

On 19th April 2018, the Company received a letter from Podlaski Zarząd Dróg Wojewódzkich (Regional Roads Authority in Podlasie), which contained a declaration of cancellation of the Agreement for the carrying out of the investment project under the name "Construction and extension of regional road No. 673, including road engineering facilities and the necessary technical infrastructure, along the section from Dąbrowa Białostocka to Sokółka, including by-passes around the towns," regarding a part not yet executed due to the Consortium's fault, together with a debit note for the amount of approx. 8.3 million PLN, issued as a contractual penalty for withdrawal from the Agreement (RB 20/2018).

6) Decision to start the process of analysing perspectives for business activities, regarding segments of the Unibep Capital Group

On 4th April 2018, the Supervisory Board of Unibep S.A. issued a directional recommendation to the Management Board of the Company, concerning commencement of the process of analysing perspectives for business activities for individual segments of the Unibep Capital Group. Pursuant to the recommendation of the Supervisory Board, the Management Board of the Company was obliged to define and indicate strategic directions for future development, individual areas of activity for the Unibep Capital Group, taking into account financial results, market and macroeconomic trends, regulatory and market environment, and individual perspectives for each segment.

7) The first zero-energy building for testing purposes in Podlaskie Province

On 20th July 2018, the first zero energy building for testing purposes in Podlaskie Province was erected, within the premises of the Unihouse Modular Houses Factory in Bielsk Podlaski. It is a facility made using modular technology. The building consists of 12 modules and has 4 floors - each floor is comprised of three modules. This is a result of the agreement signed on 10th August 2017, between Unibep SA and the Podlaskie Province Government, for the carrying out of such a research and development project. The total value of the project amounts to PLN 4.5 mln. Financial support from the Regional Operational Programme of the Podlaskie Province amounts to PLN 2.4 mln. The project is expected to be completed in November 2019.

8) Appointment of a plenipotentiary of the Management Board for public-private partnership

On 1st September 2018, Adam Poliński joined Unibep SA. He became a plenipotentiary of the Management Board of Unibep SA for public-private partnership. Previously, Adam Poliński was a Vice-President of Białystok for 11 years, in which capacity he was responsible for investments, among other things.

9) Adam Poliński becomes Director of the Infrastructure Division of Unibep SA

Starting on 1st February 2019, Adam Poliński was appointed Director of the Infrastructure Division of Unibep SA, responsible for the development of this segment within the Unibep Group.

10) New section of S8 is opened

On 17th September 2018, the S8 expressway was officially opened, along the section from the Poręba junction (without the junction itself) to the Ostrów Mazowiecki bypass. The general contractor was Unibep SA, in consortium with PORR SA. This was the first infrastructural investment carried out by the Infrastructure Division of Unibep SA in the expressway standard.

11) Début on the Polish market

During the Building Industry Solutions 2018 fair in Nadarzyn near Warsaw (26-28 September 2018), Unihouse Unibep SA presented their residential and hotel modules, which marked an official début of their products on the Polish market. So far, Scandinavia had been

the main market for Unihouse (primarily Norway). Unihouse has developed residential modules in the so-called economical version, which means that the cost of erecting a multi-family building using this technology is comparable to the cost of erecting the same building using the traditional technology.

In addition, Unihouse organised a seminar and a discussion panel under the title "Green prefabricated building units by Unihouse: quality, innovation, and benefits", attended by several dozen people: investors, developers, architects, and engineers.

12) The first investment of this kind in Poland

On 25th October 2018, a ceremony of decorating the ridgepole to celebrate the ending of building operations in the first of the two buildings, as part of the Mickiewicz Apartment project, in Bielsk Podlaski. The investor, Unidevelopment SA, planned to build two buildings containing the total of 48 flats. The general contractor is Unihouse Branch Unibep SA. Ecological buildings are built using wood technology. This is the first residential investment of this type carried out by Unihouse Branch Unibep SA, on the Polish market.

13) Information about completing the process of analysing perspectives for business activities, regarding segments of the Unibep Capital Group

On 12th December 2018, the Management Board of Unibep S.A. completed the process of analysing the perspectives of business operations for segments of the Unibep Capital Group, based on which it was possible to define strategic directions of development for each individual area of the Unibep Capital Group's business activity. At the same time, the Supervisory Board of the Company approved the presented directions of development, based on the conclusions of the completed process of analysis presented on the same day. (RB 61/2018)

Look for more detailed information on the directions of development in item 4.2. Future prospects for the Group

In addition to the agreements described in this Report, companies of the UNIBEP Group did not sign any significant agreements, regarding collaboration, cooperation, or insurance.

6.5 Zdarzenia i umowy zawarte po dniu bilansowym

1) Resignation of a member of the Management Board of Unibep SA

On 7th January 2019, Jan Piotrowski resigned as member of the Management Board of Unibep S.A., effective

on the same day. According to a statement made by Jan Piotrowski, his reasons for resignation were of personal nature. (RB 1/2019)

2) Establishing a Bond Issuance Programme

On 17th January 2019, the Management Board of UNIBEP S.A. adopted a resolution on the establishing a Bond Issuance Programme issued by the Company. The Supervisory Board of the Company also gave their consent to implement such a Programme. (RB 3/2019)

3) Signing an agreement for the carrying out of another stage of erecting a housing development in Warsaw

On 28th January 2019, UNIBEP S.A. entered into an agreement with YIT Development Sp. z o.o., concerning the carrying out of Stage III of a housing development project in Warsaw, at ul. Sikorskiego/Pory.

Remuneration for the performance of the Agreement amounts to approximately net 34.6 million PLN. The Investment will see its completion in Q2 2020 (RB 5/2019).

This is a continuation of cooperation with this developer (RB 2/2018).

4) Adam Poliński becomes Director of the Infrastructure Division of Unibep SA

Starting on 1st February 2019, Adam Poliński was appointed Director of the Infrastructure Division of Unibep SA, responsible for the development of this segment within the Unibep Group.

5) Signing an agreement for a manufacturing project under the name "Saffransgatan", in Sweden, using modular technology

On 5th February 2019, UNIBEP S.A. signed an agreement for the carrying out of an investment project under the name "Saffransgatan" in Gothenburg, Sweden, using modular technology.

The Ordering Party is Gothenburg Egnahems AB with its registered office in Gothenburg. Remuneration for the carrying out of the Investment is net 41.8 million SEK, which is an equivalent of approximately net 17.2 million PLN. The commencement of design work has been set for Q1 2019, and construction work is expected to start in Q3 2019, with its completion set for Q1 2020. (RB 7/2019)

6) Signing an agreement for the carrying out of a housing development project in the District of Targówek, in Warsaw

On 7th February 2018, UNIBEP S.A. signed a general contractor agreement for the carrying out of a housing development project in the District of Targówek, in Warsaw.

The Ordering Party is Towarzystwo Budownictwa Społecznego Warszawa Północ Sp. z o.o. with its registered office in Warsaw. The Investment shall commence in Q1 2019, and see its completion in Q4 2020. The Issuer's remuneration for the carrying out of the Investment is approximately net 62.0 million PLN. (RB 8/2019)

7) Signing an agreement for the construction of a ho-

meless shelter in Katowice

On 7th February, UNIBEP SA signed an agreement for the carrying out of design services and construction work related to the objective under the name "Building a shelter for homeless men in the city of Katowice".

The Ordering Party is the City of Katowice. The deadline for completing the project was agreed to be 9 months from the date of signing the agreement. Net remuneration for the performance of the agreement amounts to approx. 3,450 thousand PLN.

8) Signing a conditional agreement for a manufacturing project under the name "HeimdalsPorten" in Norway, using modular technology

On 12th February 2019, UNIBEP S.A. signed an agreement for the carrying out of an investment project under the name "HeimdalsPorten" in the Commune of Trondheim, in Norway, using modular technology.

The Ordering Party is Rostendal AS with its registered office in Ranheim. The value of the Agreement is approximately net 193 million NOK, which is an equivalent of approximately net 85 million PLN. (RB 9/2019)

9) Information on the issuance of series F bonds by Unibep S.A., and redemption of a part of series D bonds issued by Unibep S.A

On 15th February 2019, UNIBEP S.A. issued 340,000 zero-coupon bonds with a unit issue price of 100 PLN. Thus, the nominal value of the issue reached the value of 34,000,000 PLN. First of all, the proceeds from the issue of the Bonds will be used to refinance the Issuer's financial debt, resulting from the issue of series D bonds issued by the Issuer on 8th July 2016 and maturing on 8th July 2019. The remaining funds from the issue of Bonds will be used to finance development activities conducted by the Group. The Bonds will be redeemed on 15th February 2022.

On 15th February 2019, it purchased 15,000 items of series D ordinary bearer bonds with the total nominal value of 1.5 million PLN for redemption purposes, based on a resolution of the Management Board adopted on 15th February 2019. Thus, the value of series D bonds remaining to be redeemed is 28,500,000 PLN. (RB 11/2019)

10) Signing an agreement for the manufacturing of holiday homes for a water park in the commune of Mszczonów, using modular technology

On 7th March 2019, UNIBEP S.A. signed an agreement for the manufacturing of holiday homes, as part of the "Suntago" water park project (stage I of the investment under the name "Park of Poland"), in the commune of Mszczonów in Mazovia Province, using modular technology.

The Ordering Party is Moyome Sp. z o.o., a company belonging to the Global City Holdings B.V. Capital Group. Remuneration for the performance of the Agreement amounts to approximately net 14.6 million PLN. The commencement of the manufacture of modular holiday homes is scheduled for Q1 2019, and the deadline for the performance of the Agreement for Q3 of 2019 (RB 14/2019)

11) Signing another agreement on the Norwegian market

On 13th March 2019, UNIBEP S.A. received information about signing an agreement by the other party for the design and construction of a 3-storey residential building containing 24 apartments, using modular technology, as a turkey solution.

The Ordering Party is BOLIGUTVIKLING SØR AS with its registered office in Storgata 31, 9300 FINNSNES, Norway. The value of the Agreement is approximately net 2.3 million EUR, which is an equivalent of approximately net 9.7 million PLN. The commencement of design work has been set for Q1 2019, and construction work is expected to start in Q3 2019, with its completion set for Q4 2019.

7. STATEMENT REGARDING THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY UNIBEP SA IN 2018

7.1 Definition of the applicable set of corporate governance principles

In 2018, the Company applied the corporate governance principles under the name "Good Practices of Companies Listed on the WSE 2016" adopted by the Stock Exchange Council by means of a resolution of 13th October 2015, effective from 1st January 2016. In connection with the entry into force of the aforementioned set of corporate governance principles, the Company published a statement on the status of the Company's application of the recommendations and principles contained in the set. The content of this statement is available on the Company's website at the following address www.unibep.pl (in the Investor Relations section). The full text of the applicable corporate governance principles contained in the aforementioned documents is available on a dedicated website dedicated to corporate governance principles at the

WSE, under the following address: https://www.gpw.pl/lad_korporacyjny_na_gpw.

The Company provides all shareholders with equal access to information about the Company, in particular by publishing current and periodic reports, which are then published on the corporate website. The Management Board of the Company constantly undertakes actions aimed at providing equal and full access of all investors to the information about the situation and events taking place in the Company.



Nordic Mokotów, Warsaw

7.2 Principles waived by the Issuer

According to the current status of applying of Good Practices, the Company does not apply one recommendation: IV.R.2 and 3 detailed principles: I.Z.1.20., I.Z.2., and IV.Z.2.

IV. General Meeting and relations with shareholders

Recommendations

IV.R.2. Where justified by the shareholder structure or the shareholders' expectations signalled to the Company, and provided that the company is able to provide the technical infrastructure necessary for the smooth running of the general meeting by electronic means, it should make it possible for shareholders to participate in the general meeting by such means, in particular by means of:

1. real-life broadcasting of a general meeting,
2. real-time bilateral communication, where shareholders may take the floor during a general meeting from a location other than the location where the general meeting takes place,
3. exercising, in person or by proxy, the right to vote during a general meeting.

The Company does not apply this principle, due to insufficient technical capabilities to support a general meeting, which could guarantee the technical and legal security of two-way communication in real time, and also resulting from insufficiently widespread practice in this respect, among companies listed on the WSE. Moreover, the company's articles of association and the bylaws of the general meeting do not provide for the possibility to participate in the general meeting using electronic means of communication. At the same time, in the Company's opinion, the fulfilment of information obligations, i.e. publication of relevant current reports and providing information on the website, ensures that shareholders have access to all the most important information, concerning general meetings organised by the Company. The Company does not exclude the possibility of applying this principle in the future.

I. Information policy and communication with investors

I.Z.1.20. a record of the course of the general meeting, in an audio or video form.

The Company estimates that the current manner of informing the interested parties about the course of the general meeting (publishing the content of adopted resolutions and information about votes against, etc.) ensures transparency of the Company's operations and protects the rights of shareholders. The Company also informs that if there is any interest on the part of shareholders in recording the proceedings of the Ge-

neral Meeting of Shareholders in an audio/video form, the Management Board of the Company will consider taking steps towards the introduction of this principle.

I.Z.2. A company, whose shares are classified in WIG20 or mWIG40 exchange indices, shall ensure that its website is also available in English, at least to the extent specified in Principle I.Z.1. This rule should also be applied by companies from outside the aforementioned indices, if their shareholder structure or the nature and scope of their business so warrants.

The Company's shares are not classified in the WIG20 or mWIG40 stock exchange indices. The Company's shareholder structure does not support the application of the principle. The Company operates on foreign markets, although, at the moment, its main area of activity is focused on the domestic market. Having foreign contractors in mind, the Company provides a corporate website version in English, which is a reproduction of the Polish language version, although not to the full extent of the scope required based on Principle I.Z.1. In the Company's opinion, the scope of information translated by the Company is sufficient.

IV. General Meeting and relations with shareholders

IV.Z.2. If justified by the shareholder structure of the Company, the Company shall ensure that the general meeting is broadcast in real time, which will be available to the general public.

The Company does not apply this principle, due to insufficient technical capabilities to support a general meeting, which could guarantee the technical and legal security of two-way communication in real time, and also resulting from insufficiently widespread practice in this respect, among companies listed on the WSE. Moreover, the company's articles of association and the bylaws of the general meeting do not provide for the possibility to participate in the general meeting using electronic means of communication. At the same time, in the Company's opinion, the fulfilment of information obligations, i.e. publication of relevant current reports and providing information on the website, ensures that shareholders have access to all the most important information, concerning general meetings organised by the Company. The Company does not exclude the possibility of applying this principle in the future.

7.3 Description of the key features of internal control systems and risk management systems implemented at the Issuer's Company with respect to the process of drawing up financial statements

The Company's Management Board is responsible for maintaining an internal control system and its effective operation in the Company; control functions are also the responsibility of the Supervisory Board. The Financial Director is responsible for organising the work related to the preparing of annual and interim financial statements. Only designated employees from the following departments take part in the preparing of such reports: Financial, Accounting, Controlling, Legal, and Communication.

The financial data constituting the basis for financial statements and periodic reports comes from the accounting and financial system used to register transactions, according to the accounting policy of the Company (approved by the Management Board), based on the International Financial Reporting Standards. UNIBEP SA keeps its accounting books in an integrated IT system Microsoft Dynamics AX 2012. The modular structure of the system ensures a clear division of competences, consistency of operations entered in the account books, and controllability. The flexibility of the system allows it to be adapted to changing accounting principles or other legal standards, on an ongoing basis. The access to information resources of

an IT system shall be restricted by the relevant authorizations granted to authorised employees, solely for the purpose of performing their duties.

Annual and mid-year financial statements are subject to audit and review by an expert auditor, respectively. The tasks performed by the expert auditor include in particular: preliminary audit and basic audit of an annual financial report and review of a mid-year financial report. The expert auditor is selected by the Supervisory Board, on recommendation of the Management Board and the Audit Committee of the Supervisory Board, after collecting of offers from audit firms guaranteeing high standards of services and the required independence, beforehand. Results of both the audit and review are presented by the auditor to the Company's management and published in the auditor's report.

The Company implements the changes required by external regulations and provisions related to stock exchange reporting requirements, on an ongoing basis.

7.4 Information on shares and ownership

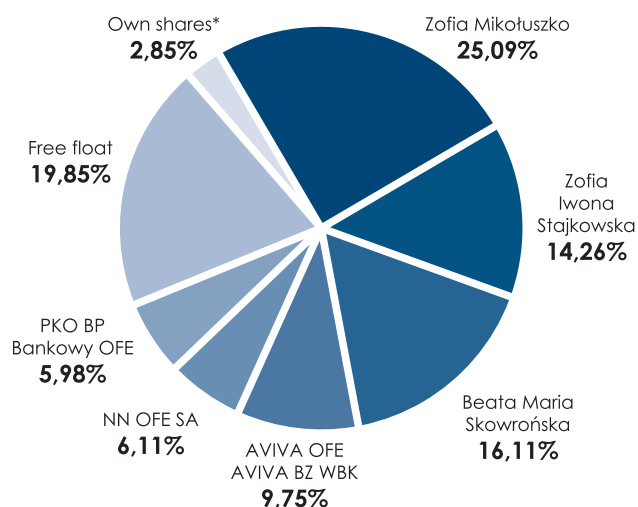
SHARE CAPITAL STRUCTURE

As on 31st December 2017, the share capital of UNIBEP SA amounted to 3,507,063.40 PLN and was divided into 35,070,634 shares, each with a nominal value of 0.10 PLN, including:

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

All shares of the Company are book-entry and traded on the regulated market of the Warsaw Stock Exchange.

In the period from the date of publishing the previous interim report to the date of drawing up this report, the Company did not receive any notifications from significant shareholders, other than those indicated below, concerning changes in the Company's shareholder structure.



LIST OF STOCKS AND SHARES OF THE CAPITAL GROUP ENTITIES HELD BY MANAGING AND SUPERVISING PERSONS. AS ON 31ST DECEMBER 2018 AND ON THE DATE OF PUBLISHING THIS REPORT

Name and surname	The number of shares held equals the number of votes	Share nominal value [PLN]	Share in the capital and the total number of votes [%]
Zofia Mikołuszek	8,800,000	880,000.00	25,09%
Zofia Iwona Stajkowska	5,000,000	500,000.00	14,26%
Beata Maria Skowrońska	5,650,000	565,000.00	16,11%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	3,418,920	341,892.00	9,75%
NN OFE SA	2,142,359	214,235.90	6,11%
PKO BP Bankowy OFE	2,098,756	209,875.60	5,98%
Free Float	6,960,599	696,059.90	19,85%
Own shares*	1,000,000	100,000.00	2,85%
TOTAL	35,070,634	3,507,063.40	100%

* Own shares were purchased on the basis of resolution No. 1 of the Management Board of the Company dated 20th January 2017 on the purchase of own shares for the purpose of redemption, by the Company, and resolution No. 20 of the Ordinary General Meeting of Unibep S.A. of 18th May 2016 on the creation and use of reserve capital.

The nominal value of the purchased own shares - 0.10 PLN per share, which gives the total of 100,000 PLN. Goal: own shares were purchased for the purpose of redemption, according to art. 362 § 1 item 5 of the

Commercial Companies Code. The percentage share in the share capital is 2.85%. Own shares purchased at a uniform price of 10.72 PLN per share, i.e. for the total amount of 10,720,000 PLN.

POTENTIAL CHANGES IN THE SHAREHOLDER STRUCTURE AND AGREEMENTS SIGNED BETWEEN SHAREHOLDERS OR BONDHOLDERS

The Issuer is not aware of any agreements, which might result in future changes in the proportions of shares held by the existing shareholders and bondholders.

LIST OF STOCKS AND SHARES OF THE ENTITIES OF THE CAPITAL GROUP HELD BY MANAGING PERSONS. AS ON 31ST DECEMBER 2018

Name and surname	Position	The number of shares held equals the number of votes	Share nominal value [PLN]	Share in the capital and the total number of votes (above 5%)
MANAGEMENT BOARD				
Leszek Marek Gołębicki	President of the Management Board	690,000	69,000.00	---
Stawomir Kiszycki	Vice-President of the Management Board	0	0	---
Jan Piotrowski	Member of the Management Board	36,100	3,610.00	---
Krzysztof Mikołajczyk	Vice President of the Board (since 1st November 2018)	0	0	---
Zbigniew Gościcki	President of the Management Board of a subsidiary Unidevelopment S.A.	217	21.70	---
Mariusz Chabrowski	President of the Management Board of a subsidiary, Strojimp Sp. z o.o.	5,130	513.00	---

WYKAZ AKCJI I UDZIAŁÓW PODMIOTÓW Z GRUPY KAPITAŁOWEJ W POSIADANIU OSÓB ZARZĄDZAJĄCYCH. STAN NA DZIEŃ PUBLIKACJI NINIEJSZEGO RAPORTU

Name and surname	Position	The number of shares held equals the number of votes	Share nominal value [PLN]	Share in the capital and the total number of votes (above 5%)
MANAGEMENT BOARD				
Leszek Marek Gołębicki	President of the Management Board	690,000	69,000.00	---
Stawomir Kiszycki	Vice-President of the Management Board	0	0	---
Krzysztof Mikołajczyk	Vice President of the Board (since 1st November 2018)	0	0	---
Zbigniew Gościcki	President of the Management Board of a subsidiary Unidevelopment S.A.	217	21.70	---
Mariusz Chabrowski	President of the Management Board of a subsidiary, Strojimp Sp. z o.o.	5,130	513.00	---

LIST OF STOCKS AND SHARES OF THE CAPITAL GROUP ENTITIES HELD BY SUPERVISING PERSONS. AS ON 31ST DECEMBER 2018 AND THE DATE OF PUBLISHING THIS REPORT

Name and surname	Position	The number of shares held equals the number of votes	Share nominal value [PLN]	Share in the capital and the total number of votes (over 5%)
SUPERVISORY BOARD				
Jan Mikołuszko	Chairman of the Supervisory Board	21,620	2,162.00	---
Beata Maria Skowrońska	Vice-President of the Management Board	5,650,000	565,000.00	16,11 %
Wojciech Jacek Stajkowski	Member of the Management Board	0	0	---
Jarosław Mariusz Bełdowski	Member of the Management Board	0	0	---
Michał Kotosowski	Member of the Management Board	0	0	---
Paweł Markowski	Member of the Management Board	0	0	---
Dariusz Marian Kacprzyk	Member of the Management Board	0	0	---

Managing and supervising persons do not hold any shares in any entities from the UNIBEP Group.

RESTRICTIONS ON VOTING RIGHTS OR TRANSFERRING OF OWNERSHIP OF SECURITIES

The Issuer is not aware of any limitations regarding the execution of voting rights by the owners of a specific part or number of shares, as well as of limitations regarding the transfer of ownership rights to the securities of the Company.

HOLDERS OF SECURITIES GIVING SPECIAL CONTROL RIGHTS

The Company did not issue any securities, which give special control rights.

INFORMATION ON THE CONTROL SYSTEM REGARDING EMPLOYEE STOCK OWNERSHIP PLANS

There is no employee stock ownership plan implemented at the Company.

7.5 Management of UNIBEP SA

MANAGEMENT BOARD

The Management Board of UNIBEP SA acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the bylaws of the Management Board. In its capacity, the Management Board shall also apply the principles of "Good Practices of Companies Listed on the WSE." According to the Articles of Association, the Company's Management Board shall consist of one or more members. Members of the Management Board, including the President of the Board, are appointed and dismissed by the Supervisory Board for a joint three-year term of office. The number of members of the Management Board shall be determined by the Supervisory Board.

In 2018, the composition of the Management Board of the Company underwent the following changes:

- on 16th March 2018, Marcin Drobek, acting in the capacity of a Vice-President of the Management Board, Director of Construction, resigned from his membership in the Management Board of the Company, effective on 30th April 2018;
- on 4th April 2018, Krzysztof Mikołajczyk was appointed as a Member of the Management Board of the Company, effective on 1st May 2018;
- as from 1st November 2018, Krzysztof Mikołajczyk became Vice President of the Management Board and Director of Residential Construction.

As on 31st December 2018, the composition of the Company's Management Board was the following:

- Leszek Marek Gołębicki - President of the Management Board, at the same time acting as the Managing Director of the Company,
- Stawomir Kiszycki - Vice-President of the Management Board, at the same time holding the position of the Financial Director,
- Krzysztof Mikołajczyk - Vice-President of the Management Board, at the same time acting as the Director of Residential Construction,
- Jan Piotrowski - Member of the Management Board and Commercial Director.

As on the day of drawing up this report, the Management Board of the Company is composed of the following persons:

- Leszek Marek Gołębicki - President of the Management Board, at the same time acting as the Managing Director of the Company,
- Stawomir Kiszycki - Vice-President of the Management Board, at the same time holding the position of the Financial Director,
- Krzysztof Mikołajczyk - Vice-President of the Management Board, at the same time acting as the Director of Residential Construction.

On 7th January 2019, Jan Piotrowski resigned as member of the Management Board of the Company, effective on the same day, for health reasons.

The Management Board handles all matters and issues of the Company and represents it before third parties. All matters related to the management of the Company's affairs, which are not reserved by a law or the Articles of Association for the competence of the General Meeting of Shareholders or the Supervisory Board, are part of the scope of activities of the Management Board.

Resolutions of the Management Board of the Company are adopted by an absolute majority of votes. In the event of an equal division of votes, President of the Management Board shall have a casting vote.

The Management Board is entitled to make an advance payment to shareholders against the predicted dividend at the end of the financial year, provided that the Company has sufficient funds to make such a payment. Making the advance payment shall require consent of the Management Board.

The following persons shall be entitled to submit declarations of will and sign documents on behalf of the Company: President of the Management Board, acting on their own, or two members of the Management Board acting jointly, a member of the Management Board acting jointly with a plenipotentiary or two plenipotentiaries acting jointly. The Company's Article of Association do not provide for any special rights for persons managing the Company, and persons managing the Company are particularly not authorised to make decisions on the issuance or redemption of shares.

The bylaws of the Management Board specify in detail the procedure of the Management Board's operation. The bylaws shall be adopted by the Management Board and approved by the Supervisory Board.

Regarding agreements between the Company and a member of the Management Board, as well as in a dispute with a member of the Management Board, the Company is represented by the Supervisory Board, or by a plenipotentiary appointed pursuant to a resolution of the General Meeting. The same procedure shall apply to other actions related to an employment relationship or any other legal relationship between a member of the Management Board and the Company.

Competences of the Supervisory Board also include signing of agreements with members of the Management Board of the Company, and specifying remuneration of the President of and members of the Management Board of the Company, as well as their bonus schemes, and exercising the rights resulting from the employment relationship towards members of the Management Board, on behalf of the Company. The Management Board of the Company does not have any special rights related to the issuance or redemption of shares.

AGREEMENTS SIGNED BETWEEN UNIBEP S.A. AND MEMBERS OF THE MANAGEMENT BOARD

The President of the Management Board and the Members of the Management Board of UNIBEP S.A., in connection with their work and function on the Management Board, are employed by UNIBEP S.A. on the basis of managerial contracts concluded for the duration of the term of office of the Management Board (fixed-term employment contract).

Currently, Leszek Marek Gołqbiecki, President of the Management Board and Company Director, and Sławomir Kiszycki, Vice-President of the Management Board and Financial Director, are bound by employment contracts signed on 12th June 2017 for the period of three years of the fifth term of office of the Management Board.

Jan Piotrowski, Member of the Management Board and Commercial Director, was bound by an employment contract signed on 12th June 2017 for the period of three years of the fifth term of office of the Management Board. As on 7th January 2019, Jan Piotrowski, member of the Management Board and Commercial Director, resigned as member of the Management Board of the Company.

Krzysztof Mikołajczyk, Vice-President of the Management Board and Director of Residential Construction, is bound by an employment contract signed on 27th April 2018. As for Krzysztof Mikołajczyk, he was appointed as of 1st May 2018, as a member of the Company's Management Board of the fifth term of office. Starting on 1st November 2018, the position of Krzysztof Mikołajczyk changed from member of the Management Board to Vice-President of the Management Board of the Company.

Jan Piotrowski, member of the Management Board and Director of Construction, was bound by an employment contract signed on 12th June 2017 for the period of three years of the fifth term of office of the Management Board. As of 30th April 2018, his employment contract was terminated by mutual agreement of the parties.

Pursuant to the provisions of the aforementioned contracts, President of the Management Board and Members of the Management Board of UNIBEP S.A. are entitled to an annual bonus for 2018, calculated on the basis of consolidated net profit of the UNIBEP Capital Group, subject to the fulfilment of additional conditions, for each financial year, in the amount of:

- President of the Management Board, Director of the Company – 2%
- Vice-President of the Management Board, Financial Director – 2%
- Vice-President of the Management Board, Director of Residential Construction – 1.5%
- Member of the Management Board, Commercial Director – 1.5 %
- Vice President of the Management Board, Director of Construction – 2 %

In addition to their remuneration, the President, Vice-Presidents, and Member of the Management Board,

in addition to the remuneration, the employer guarantees payment of compensation in the amount of 3 times the average monthly remuneration of the employee, in the event of termination of their employment contract by notice of the employer, for reasons not attributable to the President, Vice-President, or Member of the Management Board. The President, Vice-Presidents, and Member of the Management Board shall not be entitled to other remuneration components specified in the Corporate Collective Labour Agreement.

In addition, the President of the Management Board, Vice Presidents of the Management Board, and Member of the Management Board of UNIBEP S.A. also signed non-competition agreements with the

Company for the duration of their employment relationship (the prohibition of competition applies for the entire duration of the employment relationship) and non-competition agreements applicable after termination of employment (the prohibition of competition applies for 6 months after termination of their employment relationship). For the duration of the non-competition clause (for a period of 6 months), the President of the Management Board, Vice-Presidents of the Management Board, and Member of the Management Board shall be entitled to compensation amounting to 25% of the remuneration received by such persons before termination of their employment relationship, which shall be paid in six equal instalments.

MANAGEMENT BOARD	Remuneration	Sickness benefit	Medical packages	Company Social Benefits Fund	Total
Gołbiewski Leszek	516,000.00		926.88	400.00	517,326.88
Kiszycki Sławomir	444,000.00		0	749.20	444,749.20
Drobek Marcin	180,813.66		308.96	200.00	181,322.62
Piotrowski Jan	290,504.27	67,099.77	926.88	400.00	358,930.92
Mikołajczyk Krzysztof	304,491.16		695.16	200.00	305,386.32
TOTAL	1,735,809.09	67,099.77	2,857.88	1,949.20	1,807,715.94

Managing persons do not receive remuneration for performing functions in subsidiaries of UNIBEP S.A.

SUPERVISORY BOARD

The Supervisory Board of UNIBEP SA acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the by-laws of the Management Board. In its capacity, the Supervisory Board also applies the principles of "Good Practices of Companies Listed on the WSE."

The Supervisory Board is composed of 5 to 7 members, appointed and dismissed by the General Meeting for a joint three-year term of office. In the case of group voting, the General Meeting determines the number of members of the Management Board for a given term of office, by adopting a resolution prior to their election.

At least two independent members should be appointed to the Management Board. Independent members of the Management Board are persons fulfilling jointly:

- independence criteria, within the meaning of corporate governance principles applicable to companies admitted to trading on the domestic regulated market, and
- independence criteria, within the meaning of the regulations governing the functioning of an audit committee.

Each shareholder may propose in writing candidates for an independent member of the Supervisory Board,

to the Management Board of the Company, not later than in 7 working days before the date of the General Meeting during which such a member is to be elected. Such an application shall contain personal data of a candidate and justification for their candidacy, together with a description of the candidate's qualifications and professional experience. The application shall be accompanied by a written statement of the interested person, in which they have expressed consent to be a candidate to the Supervisory Board and confirmed meeting the independence criteria, as well as their commitment to immediately notify about losing such independence qualities. In the event of failure to propose candidates meeting the criteria of independence, following the afore-mentioned procedure, a candidate for an independent member of the Supervisory Board shall be proposed by the Management Board of the Company, during the General Meeting.

As on the day of drawing up this report, the Supervisory Board of the Company is composed of the following persons:

- Jan Mikołuszko – President of the Management Board,
- Beata Maria Skowrońska – Vice-President of the Supervisory Board,
- Wojciech Stajkowski – Member of the Supervisory Board
- Jarosław Mariusz Bełdowski – Member of the Supervisory Board (independent),
- Michał Kotosowski – Member of the Supervisory Board (independent),

6. Paweł Markowski – Member of the Supervisory Board (independent),
7. Dariusz Marian Kacprzyk – Member of the Supervisory Board (independent).

The current members of the Supervisory Board of the fifth term of office were appointed by the General Meeting of Shareholders on 13th June 2017.

The Supervisory Board shall hold meetings at least once every 3 months. The Chairman of the Supervisory Board or their deputy shall also be obliged to convene a meeting of the Supervisory Board, upon a written request of a member of the Supervisory Board or the Management Board of the Company. Such a meeting should be held within 2 weeks, after receiving the request. A member of the Supervisory Board may cast their vote in writing, through another member of the Supervisory Board. Votes cast in writing cannot pertain to issues included in the agenda at the meeting of the Supervisory Board. The Supervisory Board may pass

resolutions by correspondence or by means of direct remote communication. Such a resolution shall be valid, if all members of the Supervisory Board have been notified of the content of the draft resolution.

For resolutions of the Supervisory Board to be valid, all members of the Supervisory Board must be invited in writing to the meeting, and at least half of its members must be present at the meeting, unless the provisions of the Commercial Companies Code provide otherwise. Resolutions of the Supervisory Board shall be adopted by an absolute majority of votes. In the event of an equal number of votes, the Chairman of the Supervisory Board shall have a casting vote. The Supervisory Board shall adopt its internal bylaws by way of a resolution.

The Company communicates all changes in the composition of the Supervisory Board by means of current reports.

SUPERVISORY BOARD	Revenue	Revenue of a member of the Management Board under an employment contract in UNIBEP S.A.	Medical packages	Total
Mikołuszko Jan	456,000.00		975,60	456,975.60
Skowrońska Beata	144,000.00		0,00	144,000.00
Stajkowski Wojciech	60,000.00	70,301.36	0,00	130,301.36
Betdowski Jarosław	60,888.48		0,00	60,888.48
Kołosowski Michał	85,169.78		0,00	85,169.78
Markowski Paweł	60,000.00		0,00	60,000.00
Kacprzyk Dariusz	60,606.33		0,00	60,606.33
TOTAL	926,664.59	70,301.36	975,60	997,941.55

COMMITTEES OF THE MANAGEMENT BOARD

In accordance with the bylaws of the Supervisory Board, permanent or ad hoc committees acting as collective advisory and opinion-forming bodies of the Supervisory Board may be appointed within the Supervisory Board. In particular, a permanent Audit Committee and Strategy Committee can operate within the structure of the Supervisory Board.

Committees are appointed by the Supervisory Board, from among its members, by way of a resolution. The Committee shall elect a Chairman of the Committee, from among its members. The committee shall be composed of 3 to 5 members. The majority of members of the Audit Committee, including the Chairman of the Audit Committee, must meet the independence criteria within the meaning of the bylaws governing the functioning of the audit committee. Individual members of the Audit Committee must demonstrate knowledge and skills in the field of the industry in which the Company operates, as well as in accounting and

auditing of financial statements.

Such committees shall submit an annual report on their activities, to the Management Board.

As on the day of drawing up this report, the composition of the Audit Committee is as follows:

1. Michał Kołosowski - Chairman of the Committee, an independent member, within the meaning of Article 129(3) of the Act on Auditors of 11th May 2017;
2. Wojciech Jacek Stajkowski,
3. Dariusz Marian Kacprzyk - an independent member, within the meaning of Article 129(3) of the Act on Auditors of 11th May 2017.

Wojciech Jacek Stajkowski and Michał Kołosowski have knowledge and skills in the industry in which the Company operates, regarding the fifth term of office of the Audit Committee, which started on 20th June 2017. In addition, Michał Kołosowski possesses knowledge and skills in the field of accounting or auditing

financial statements.

Wojciech Jacek Stajkowski is a graduate of the Faculty of Foreign Trade at the SGH Warsaw School of Economics. He has been involved in foreign trade since the very beginning of his professional career. He has held managerial positions in representative offices and subsidiaries of Polimex Cekop on the markets in the Middle East and Germany, for many years. From 1996 to 2008, he worked for Grundig Polska, where he was the Managing Director and member of the Management Board, at the same time being the Director of Distribution of the Grundig Group for Central and Eastern Europe, and member of the Management Board in Grundig Magyarország. Later on, he ran his own business and collaborated with Unibep S.A. as representative of the Management Board for new markets. He was also Chairman of the Audit Committee of the Management Board of Unibep S.A. for the fourth term, and has been member of the Supervisory Board of Unibep S.A. since 22nd May 2012.

Michał Kołosowski received a master's degree in Economics with a major in Accounting and Finances, and holds a Diploma in International Financial Reporting awarded by the Association of Chartered Certified Accountants. In the years 2000-2004, he worked as an assistant of an expert auditor at Roedl&Partner, and then gained experience as a Senior Associate at PricewaterhouseCoopers, in the years 2004-2007. Since 2007, Michał Kołosowski has worked as a partner in the Audit Department of the UHY ECA Group. He has extensive experience in auditing financial statements, preparing consolidation packages, preparing financial due diligence analyses, transforming financial statements into documents compliant with the IAS/IFRS and US GAAP standards. He is an expert in providing services for real estate companies and closed-end investment funds. He is an author of numerous articles and lecturer in the field of accounting. Mr. Kołosowski has been a member of the Management Board of Unibep S.A. since 12th June 2012.

The Audit Committee advises the Management Board on the proper implementation of the principles of budget and financial reporting, internal control of the Company and its Capital Group, as well as on matters related to cooperating with the Company's expert auditors.

Do zadań Komitetu Audytu należy w szczególności:
The obligations of the Audit Committee include in particular:

- submitting the recommendation referred to in art. 16(2) of Regulation No. 537/2014, to the Supervisory Board;
- discussing the nature and scope of an audit with the Company's expert auditors, prior to the commencement of each audit of the annual financial statement;
- informing the Supervisory Board about results of the audit, and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as of the role played by the Au-

dit Committee during the audit;

- reviewing periodic and annual financial statements of the Company, both individual and consolidated, • discussing any and all problems or reservations, which may arise from auditing financial statements;
- analysing comments addressed to the Management Board and made by the Company's expert auditors, and replies made by the Management Board;
- reviewing transactions made with related entities;
- monitoring the effectiveness of the internal control system, risk management, supervision of legal compliance, and the internal audit functions;
- accepting internal audit programmes;
- analysing reports of the Company's internal auditors and replies made by the Management Board in relation to the observations contained in such reports;
- cooperating with the Company's organizational units responsible for audit and control, and periodic evaluation of their work, as well as providing opinions on the level of remuneration of the people employed in these organizational units;
- carrying out an annual assessment of the need to separate the internal audit function within the Company - in the event that this function has not been separated in the Company;
- monitoring the performance of financial reviews, in particular a review performed by an audit firm, taking into account any and all conclusions and findings of the Audit Supervisory Commission resulting from an audit carried out in the audit firm;
- reviewing and monitoring the independence of an expert auditor and audit firm, in particular when the audit firm renders other services for the Company, than reviewing itself;
- assessing the independence of an expert auditor, and giving consent to their rendering of permitted services, which do not constitute audits in the Company;
- developing a policy and procedure for the selection of an audit firm to perform the audit;
- monitoring the process of financial reporting;
- submitting recommendations aimed at ensuring reliability of the financial reporting process in the Company;
- making decisions on any other issues related to the Company's audit, which were brought to the attention of the Audit Committee or Supervisory Board.

In 2018, the Audit Committee held 4 meetings on the following days: 21st March 2018, 10th July 2018, 24th August 2018, and 3rd December 2018, which were aimed at carrying out the tasks entrusted to it, such as, among others, analysis of the Company's financial statements, as well as evaluation of the risk management system, and evaluation of the effectiveness of the internal control system.

As on the day of drawing up this report, the composition of the Audit Committee is as follows:

1. Jan Mikotuszko – President of the Committee

2. Beata Maria Skowrońska
3. Jarosław Mariusz Bełdowski
4. Paweł Markowski

The task of the Strategy Committee is to give opinions and recommendations to the Supervisory Board on planned investments and divestments having a significant impact on the Company's assets.

The tasks of this Committee include in particular:

- assessment of the impact of the planned and undertaken investments and divestments on the shape of the Company's assets;
- evaluation of actions, agreements, letters of intent, and other documents related to the activities aimed at acquiring, disposing of, encumbering, or disposing of significant assets of the Company in any other way;
- providing opinions on all strategic documents submitted to the Supervisory Board by the Management Board;
- providing opinions on the Company's strategy of development, including long-term financial plans.

In 2018, the Strategy Committee held 2 meetings on the following days: 27th June 2018 and 19th July 2018, during which activities related to the implementation of the tasks entrusted to the Committee were undertaken, in particular those related to the evaluation of the reviewing of the strategic options of the Unibep Group, and the directions of development of individual businesses of the Capital Group in the future years.

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

Description of the procedures of the General Meeting.

The General Meeting of UNIBEP SA acts in compliance with the Commercial Companies Code, the Company's Articles of Association, the bylaws of the General Meeting, and also takes into account the principles contained in the corporate governance principles adopted by the Warsaw Stock Exchange. All corporate documents and information related to the date, agenda, and adopted resolutions are available on the Company's website www.unibep.pl (in the Investor Relations section).

An Ordinary General Meeting of Shareholders shall be convened by the Management Board, within 6 months after the end of each financial year.

An Extraordinary General Meeting of Shareholders shall be convened by the Management Board, the Supervisory Board, or shareholders representing at least half of the share capital, or at least half of all votes in the company. A shareholder or shareholders representing at least 1/20 (one-twentieth) of the share capital may request that the Management Board convene an Extraordinary General Meeting and put certain matters on its agenda. The request to convene an Extraordinary General Meeting and put certain

issues on its agenda should be submitted to the Management Board in writing or in the electronic form. The Management Board should convene the Extraordinary General Meeting within two weeks from the date of submitting the request.

There is a special email address (wza@unibep.pl) provided on the Company's website, which may be used in the cases specified in the Commercial Companies Code related to the General Meeting.

The Meeting of Shareholders shall be held at the Company's registered office or in Warsaw.

The General Meeting may adopt resolutions only on matters included on the agenda. The Supervisory Board, a shareholder, or shareholders representing at least 1/20 (one-twentieth) of the share capital may request putting certain matters on the agenda of a coming General Meeting. Such a request should be submitted to the Management Board not later than within 21 days before the scheduled date of the Meeting. The request must contain a justification or a draft resolution, concerning the proposed item on the agenda. The request may be submitted in an electronic form.

In addition to other matters reserved by applicable laws, the competences of the General Meeting include the following:

1. reviewing and approving a report of the Management Board on the Company's activities and a financial statement for the previous financial year;
2. adopting a resolution on the division of shares or on covering losses;
3. acknowledging the fulfilment of duties by members of the company's bodies;
4. adopting a resolution on amending the Company's Articles of Association;
5. adopting a resolution on merging with another Company and transformation of the Company;
6. adopting resolutions to dissolve and liquidate the Company;
7. adopting a resolution on the issue of subscription warrants, convertible bonds and bonds with priority rights;
8. adopting a resolution on selling or leasing an enterprise or its organised part, and on establishing a limited property right on such an enterprise or its organised part;
9. making all decisions concerning claims for compensation for damage caused during the formation of the Company, or in the course of exercising management or supervision over it;
10. adopting a resolution on a compulsory buyout of shares, pursuant to art. 418 of the Commercial Companies Code;
11. appointing and dismissing members of the Supervisory Board.

In the event that the General Meeting adopts a resolution on allocating part or all of the profit as payment for shareholders, the General Meeting is competent to determine the date in relation to which a list of share-

holders entitled to dividend for a given financial year will be made (record day) and the date of paying dividend. Acquisition or disposal of a real estate, the right of perpetual usufruct, or a share in a real estate does not require adopting a resolution by the General Meeting of Shareholders.

Other rights of shareholders and the manner of exercising them

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may submit to the Company draft resolutions, concerning items put on the agenda of the General Meeting or items to be put on the agenda, in writing or via electronic means, before the date of the General Meeting of Shareholders.

During the General Meeting, each shareholder may present draft resolutions, concerning items put on the agenda.

Only persons being shareholders of the Company on the Registration Day have the right to participate in the General Meeting. The day of registering as a participant of the General Meeting is the day falling on sixteen (16) days before the General Meeting.

Persons with registered provisional certificates, pledgees or users with the right to vote are entitled to participate in the General Meeting, provided that they had been entered in the share register at least a week before the General Meeting took place.

A shareholder, who is a natural person, may participate in the General Meeting and exercise their voting right in person or by a proxy. A shareholder, who is not a natural person, may participate in the General Meeting and exercise their voting right by a person authorised to make representations on their behalf, or by a proxy.

Description of the principles of amending the Articles of Association of the Issuer

In addition to other matters reserved by applicable laws, the competences of the General Meeting include adopting a resolution on amending the Company's Articles of Association. Resolutions of the General Meeting shall be adopted by an absolute majority of votes, unless the Articles of Association or the Commercial Companies Code provide for stricter requirements. The Company's Articles of Association do not provide for stricter requirements with respect to voting on a resolution amending the Company's Articles of Association.

The General Meeting may adopt a resolution on a significant change in the scope of the Company's business without the obligation to buy out the shareholders who do not agree to the change, if the resolution is adopted by a majority of 2/3 of votes, in the presence of shareholders representing at least half of

the share capital.

REMUNERATION POLICY

UNIBEP S.A. adopted a document titled "Remuneration policy of the supervisory and managing body of UNIBEP S.A. and key managers" (Remuneration Policy). At least once a year, implementation of the Remuneration Policy is subject to a review. Throughout 2018, there were no material changes in the remuneration policy. The Management Board positively assesses the adopted Remuneration Policy from the point of view of its objectives, in particular the long-term increase in value for shareholders and the stability of the company's operations.

Remuneration of supervisory personnel

With respect to supervisory persons, the Remuneration Policy specifies that the principles of remuneration for members of the Supervisory Board are part of the competences of the General Meeting of the Company. The level of remuneration for members of the Supervisory Board should be sufficient to attract, keep, and motivate the people necessary to ensure the correct supervision over the Company. Remuneration for such persons should be compatible with the scope of tasks entrusted to individual members of the Management Board, and also take into account the performing of additional functions. At the same time, remuneration for members of the Supervisory Board should not depend on options and other derivative instruments, or any other variable components, and should not depend on the Company's results. The main components of the remuneration system for members of the Supervisory Board include:

- a fixed monthly salary,
- additional benefits.

Remuneration of managing personnel

With respect to managing persons, the Remuneration Policy stipulates that the Supervisory Board is the body authorised to determine the rules of remuneration regarding members of the Management Board. The remuneration for members of the Management Board should correspond to the size of the enterprise and be reasonable in relation to the Company's economic results, while the level of remuneration for members of the Management Board should be sufficient to attract, keep, and motivate the people necessary to ensure the proper management of the Company. When determining and verifying the amount of remuneration for 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 a similar position applied by other entities operating on the market. Incentive programs should make the level of remuneration for members of the Management Board dependent on the actual long-term financial situation of the Company and on a long-term increase of value for shareholders, as well as on the stability of the

Company's operations.

The main components of the remuneration system for members of the Management Board include:

- a fixed monthly base salary,
- an annual bonus,
- compensation resulting from termination of an employment contract with a member of the Management Board for reasons beyond their control,
- compensation under the non-competition clause after termination of employment,
- additional benefits.

Members of the Management Board are entitled to an annual bonus in the amount determined as a percentage, depending on the achievement of the financial or material goals defined by the Supervisory Board, calculated on the basis of consolidated net profit of the UNIBEP SA Capital Group for each financial year, determined on the basis of consolidated financial statements of the UNIBEP SA Capital Group, approved by an authorised body. The Supervisory Board determines the amount of a bonus and the conditions for granting it to individual members of the Management Board, by means of a resolution. Additional benefits for members of the Management Board may include a company car, tools and technical equipment necessary to perform the duties of a member of the Management Board, covering the costs of business travel and representation, to the extent and in the amount appropriate to the functions entrusted to them, civil liability insurance agreement for members of the Management Board, private medical insurance, and training to improve qualifications.

Remuneration of key managers

With respect to key managers, the Remuneration Policy indicates that the body authorised to determine the principles of remuneration of key managers is the Management Board, which determines the remuneration on the basis of the Corporate Collective Labour Agreement implemented in the Company, the rules of awarding bonuses to white-collar workers, and the rules of awarding bonuses to managers. The remuneration for key managers should correspond to the size of the enterprise and be reasonable in relation to the Company's economic results, while the level of remuneration for key managers should be sufficient to attract, keep, and motivate the people necessary to ensure the proper management of the Company.

When determining and verifying the amount of 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 a similar position applied by other entities operating on the market. Incentive programs should make the level of remuneration for key managers dependent on the actual long-term financial situation of the Company and on a long-term increase of value for shareholders, as well as on the stability of the Company's operations.

The main components of the remuneration system for key managers include:

- a fixed monthly base salary,
- a monthly bonus,
- an annual bonus,
- additional benefits.

Key managers are entitled to a monthly bonus, depending on the timely and qualitative performance of tasks determined by the scope of activities, granted and paid, in accordance with the principles set out in detail in the rules of awarding bonuses to white-collar workers. At the same time, key managers are entitled to an annual bonus, depending on the financial or material objectives defined by the Management Board, within the supervised areas, granted and paid, in accordance with the principles set out in detail in the rules of awarding bonuses to managers. Additional benefits

for key managers may include a company car, tools and technical equipment necessary to perform their duties, reimbursement of travel expenses and representation to the extent and in the amount appropriate to the functions entrusted to them, private medical insurance, or training to improve qualifications. The Management Board of the Company is responsible for carrying out performance appraisal of key managers.

The Company does not apply separate retirement benefits, as well as benefits of a similar nature, regarding former managing and supervising persons. Moreover, the Company does not have any administrative bodies referred to in par. 70 section 7 item 18 of the Regulation of the Minister of Finance on current and periodic information (...).

7.6 Policy of diversity vis-à-vis the managing and supervising authority

The Company has not drawn up a formally documented policy of diversity, in the form of a single document. However, certain principles of conduct in this respect have been developed over the years, including written principles of conduct under the title "A Community of Principles and Objectives," which every

new employee in the company must get familiar with.

Resulting from the location of the company's headquarters in Podlasie Province, which is considered to be a melting pot of various nations, cultures, and societies, employees and members of the Company's

governing bodies are people coming different backgrounds and cultures, representing different mindsets and points of view, as well as having different life and professional experiences. There are age differences among the Company's employees and governing bodies. In addition to employees between the ages of thirty and fifty constituting the largest age group, the Company employs a number of people over fifty and under thirty. The Company employs both women and men in various capacities.

The Company tries to make a skilful use of the diversity in the labour market, as it believes that activities promoting diversity help to create a team of people, who cooperate with and complement each other.

In line with the principles adopted in Unibep, any discrimination in employment, whether direct or indirect, in particular regarding sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, denomination, sexual orientation, and with regard to being employed on a fixed-term contract or a permanent contract, or on a full-time or part-time basis, is considered unacceptable.

The Company places great emphasis on the policy of equal treatment and diversity management, especially in the area of recruiting, evaluating of performance, training, promoting, and remunerating. The activities carried out in the area of diversity include, among others, inclusion of its principles in internal documents, such as its organisational culture or the Corporate Collective Labour Agreement. Creating the right atmosphere at work is an important part of the implementation of the principles of diversity, thus making employees feel appreciated, respected, and have an opportunity to develop and realize their professional potential in full.

The Company declares that the composition of the Management Board and Supervisory Board of the Company is diversified, in terms of education, age, and professional experience, with regard to the management and supervisory bodies. At the same time, the Management Board of the Company lacks differentiation in terms of sex.

7.7 Information on the auditing firm

Deloitte Audyt Spółka z o.o. sp. k. is the entity auditing financial statements of UNIBEP S.A. and the UNIBEP Capital Group for the years 2017 - 2018 (formerly known as Deloitte Polska Sp. z o.o. S.k) with its registered office in Warsaw. Cooperation in this area is based on an agreement on the provision of financial review services and other attestation services of 29th May 2017, subsequently amended by an annex of 15th November 2017, which extended the scope of the agreement with reviewing and auditing of financial statements of UNIBEP S.A. and the UNIBEP Group, in the period from 1st January 2018 to 31st December 2018.

Deloitte Audyt Spółka z o.o. sp. k. (currently Deloitte Audyt Spółka z o.o. S.k) with its registered office in Warsaw, was selected as an entity responsible for reviewing financial statements, on 16th May 2017, by the Supervisory Board of UNIBEP S.A., based on a recommendation given by the Audit Committee. The recommendation concerning the selecting of the auditing firm met all the conditions in force on the day of adopting the resolution on this subject, and in particular was consistent with the "The procedure of selecting an auditor for a separate financial statement of UNIBEP S.A. and a consolidated financial statement of the UNIBEP Group", adopted by the Supervisory Board by means of a resolution of 31st March 2016, and then amended and adjusted on 6th February 2018, to the content of the Act on Auditors of 11th May 2017 (...).

The subject matter of the agreement originally included:

- reviewing of an interim financial statement of Unibep S.A. and a consolidated financial statement

of the Unibep Group for the period ended on 30th June 2017;

- auditing the financial statement for the fiscal year ended on 31st December 2017;
- auditing the consolidated financial statement for the fiscal year ended on 31st December 2017.

An annex to the agreement assumed carrying out the afore-mentioned activities also for the annual and semi-annual financial statements for the year 2018.

The total amount of remuneration under this agreement is net 175,000 PLN (including 95,000 PLN for audits, and 80,000 PLN for reviews).

The entity authorized to audit financial statements was also involved in auditing financial statements for subsidiaries - on the basis of separate agreements signed in 2017. The total cost of audits amounted to net 115,300 PLN.

The entity authorized to audit financial statements did not render any other services to the Parent Company or the Capital Group.

The Company implemented the "Policy regarding the selection of an audit firm to carry out a statutory audit of financial statements of UNIBEP S.A. and the UNIBEP Capital Group", drawn up by the Audit Committee and adopted by the Supervisory Board by way of a resolution on 6th February 2018. The aforementioned policy stipulates that the appointment of an audit firm shall be made by the Supervisory Board on the basis of a recommendation of the Audit Committee, which (with the exception that such an audit was ordered again) shall submit to the Management Board at least two proposals of audit firms, at the same time recom-

mending one of them and justifying their preference. The recommendation of the Audit Committee must not be influenced by third parties. Other objectives of the policy include defining the following: criteria for verification of audit firms and the duration of cooperation with a selected audit firm.

In addition, the Supervisory Board adopted the "Policy on the provision of permitted non-audit services to UNIBEP S.A., by an audit firm conducting an audit, by entities affiliated with that audit firm, and by a member of the audit firm's network," on 6th February 2018. The main objective of this policy is to eliminate the risk of lack of independence, when rendering certain services other than a statutory audit, by expert auditors, audit firms, or members of their network. The aforementioned policy provides for listing prohibited services, which do not constitute financial audit activities, as well as permitted services, which are not financial audit activities, and also specifies that the provision of permitted services, which do not constitute financial audit activities is only possible after prior approval by the Audit Committee. The policy is in force at the Company and in the Capital Group of the Company.

8. OTHER INFORMATION

8.1 Description of risks and hazards

Risk, interpreted as an uncertain event, is an inherent part of every business activity. Each of the risks discussed below may have, if any, a material adverse effect on the operations, financial position, and development prospects of the Unibep Group, as well as on the results of its operations.

RISK RELATED TO THE MACROECONOMIC SITUATION

A deterioration of the economic situation in Poland may be accompanied by a number of negative macroeconomic phenomena, which may have a negative impact on sectors of the economy, including the construction sector. The Polish economy is strongly connected with the European Union, both politically and economically. In connection with the globalisation of national economies, and in particular with the liberalisation of capital and labour flows, the occurrence of the effects of the global crisis may also have a negative impact on the Polish economy. Such events are manifested by an economic downturn or economic crisis, phenomena that are not conducive to increasing consumer and business investment expenditure. The industry in which the Group operates depends on, among others, the economic situation in Poland. Factors such as the rate of economic growth, capital expenditures, interest rates, inflation, tax policy, foreign exchange rates, and the level of consumption have a significant impact on the scale of operations in the construction industry, which directly affects the financial position and development prospects of the Group. A slower economic growth rate, lower capital expenditures of companies and lower salaries, higher taxes and interest rates, as well as a limited access to debt financing may adversely affect the operations, results, financial position or development prospects of companies from the industries in which the Group operates.

FOREIGN EXCHANGE RISK

Within the framework of their operating activities, companies of the Group sign contracts, which are (or may be) denominated or expressed in foreign currencies. In terms of export earnings, hedging against currency risk is primarily effected through a natural hedging mechanism, which consists in signing agreements with subcontractors in the currency of the agreement, thus transferring the risk to them. In view of the aforementioned, the Group's foreign currency risk is limited to an amount similar to the margin used in export agreements - it corresponds to agreements executed in Belarus and Ukraine. In the case of contracts executed in Norway, the natural hedging mechanism is estimated at approx. 20%. It is the Group's intention to close the foreign currency position by balancing foreign currency transactions related to revenues and costs.

The Company has signed agreements with banks, concerning foreign currency transactions, which offers the possibility of using hedging instruments, provided that closing a natural position in a given period is not possible.

The Group's strategy for financial instruments hedging foreign exchange risk is based on the following two main assumptions:

1. hedging amounts not greater than the planned foreign exchange flows,
2. using simple and predictable tools, e.g. Forward or unrealistic forward.

The Group enters into specific transactions denominated in foreign currencies. As a result, there is a risk of exchange rate fluctuations. This risk is managed as part of an approved procedure of managing foreign exchange risk. The Group is particularly exposed to fluctuations of NOK/PLN and EUR/PLN exchange rates, hence it continuously analyses fluctuations of such exchange rates. The Group enters into derivative transactions, in order to hedge its exposure to foreign exchange risk. The rules governing the use of derivatives are included in the foreign exchange risk management procedure.

CREDIT RISK

In the event of default, banks have grounds to terminate loan agreements and may enforce their repayment, or use the possibility to satisfy against the assets put up as collateral. However, one cannot eliminate the possibility that due to failing to pay liabilities, the creditor banks may exercise their right to file a petition for bankruptcy with the court. Failure by the Group to meet its credit obligations will result in the increasing of interest rates, which will increase its debt and this may determine the maturity of other liabilities of the Issuer. The Group applies a moderate credit exposure policy towards individual financial institutions, while cooperating with highly reliable institutions. The Group has multi-purpose loans and credit facilities in several banks, where it maintains significant unused credit limits, in order to secure current liquidity for the future. In addition, the Group carries out development projects through special purpose vehicles directly financed by financial institutions. The Group is not afraid of losing the availability of financing, despite the fact that financial institutions analyse the company's financial results on an ongoing (quarterly) basis. Loan agreements contain provisions on maintaining minimum financial ratios, such as solvency, interest coverage, capitalisation, and EBITDA, which are subject to reviewing and analysing. The Group monitors the aforementioned provisions on an ongoing basis and in good time, in order to renegotiate said limitations, in the event of

an emerging possibility of "coming closer" to the required thresholds. This provides the Group with financial security, should it meet the risks related to, among others, deterioration of the market situation, limitation of the banks' credit activity, and also makes it possible to take advantage of market opportunities (e.g. acquisitions).

CREDIT RISK FOR COUNTERPARTIES

Trade receivables are also among the Group's assets exposed to an increased credit risk. Before signing a contract, each counterparty is evaluated for their ability to meet financial obligations. Most of the current contracts are performed for tried and reliable partners (subsequent contracts). In the event of doubt as to the counterparty's ability to pay, accession to the contract is subject to the provision of appropriate security (financial or on property). In addition, contracts signed with investors include clauses providing for the right to suspend the performance of works, if there is a delay in the payment of amounts due for the services provided. If possible, contractual provisions are also established, which condition payments to subcontractors on receiving funds from the investor. However, one cannot exclude the possibility of a downturn in the real estate market, which will affect the payment capacity of investors, thus increasing credit risk for the Group's counterparties.

LIQUIDITY RISK

There is a risk that the Group's employer will not make the agreed payments, despite completing a given stage of work, which may lead to reducing the Group's financial liquidity and, in extreme cases, to financial losses. In order to mitigate the liquidity risk, the Group maintains an adequate amount of cash and enters into credit facility agreements with banks, which serve as additional liquidity protection. In addition, the Group held issued bonds with a total value of 60 million PLN, in order to secure adequate liquidity. It is the intention of the Group's companies to sign contracts only with reliable and financially sound partners, who have access to bank financing. The Group uses its own funds and long-term bank credits, ensuring appropriate durability of the financing structure for this type of assets, in order to finance investment purchases. In view of the fact that the investment programme is also implemented through subsidiaries (the majority of shares in the companies belong to UNIEBP S.A. or a daughter company, i.e. UNIDEVELOPMENT S.A.), the Group grants internal loans for its implementation. Large residential and commercial projects are and will be implemented in the form of special purpose vehicles. New projects are financed from the company's own funds, bank loans or bond issues. Liquidity management is supported by the current system of monitoring expected revenues and expenditures, by means of an appropriate IT system module. Liquidity risk should be considered as negligible, taking into account the actions taken as described above, the financial condition of the Group and the security with credit lines.

THE POLITICAL RISK OF THE EASTERN MARKETS

In connection with the situation in Ukraine, the Group is more exposed than ever to the political risk regarding the Eastern markets. The current political situation between Poland and Russia poses a real risk of not signing further contracts on the Russian market, at least in the next few years.

However, the Company assumes that the situation in Ukraine will normalise and this market remains in the scope of its interests. In 2018, the Group executed three contracts in Belarus. Schedules of works and expenditures in all of the contracts, have been designed in such a way, as to minimize the Group's risk related to the potential necessity to complete works earlier.

RISK RELATED TO THE COMMENCEMENT OF OPERATIONS IN NEW MARKETS

The Group strives to diversify its operations and seek new sources of profit. Operating in new markets entails the need to know in detail the principles of functioning in and cooperating with local authorities, institutions, and business partners, for example. A company launching operations on a new market is usually exposed to greater operating costs (e.g. costs of promoting the company or its products) and costs of removing various barriers at the initial stage of operations. As a result, the first periods of operations on a new market may involve greater costs or losses, and it may take longer to achieve the expected profitability. Entering a new market also entails tax risks arising from the need to get familiar with new principles and regulations characteristic for a given country. Recently, the Ukrainian market has been in the area of interest, among others.

RISK RELATED TO LAUNCHING NEW SEGMENTS AS PART OF THE BUSINESS LINES NOW OPERATING IN THE CURRENT MARKETS

Apart from operations on new markets in geographical terms, the Group introduces new products/services in markets where it is operating now. An example of that can be the operations in the segment of real estate development projects, in the area of commercial investments (office buildings), and working on new products in the modular house production plant (e.g. nursing homes, nurseries, or kindergartens). Therefore, there is a number of different types of risks related to launching new products on the market. The Group aims to minimise the above risks e.g. by careful preparation before entering a new area, 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 NON-ACTION OR LACK OF FINANCIAL IMPACT OF THE PUBLIC-PRIVATE PARTNERSHIP

Assuming that actions will be taken within the frame-

work of a public-private partnership (PPP), the Group counts on achieving measurable economic benefits in this area. However, it cannot be excluded that the scenario of actions will be so unfavourable that expenditures will be incurred, while the Group will not make any efforts to be an active participant in this process. On the other hand, the activities related to the development of PPP activities carry risks similar to the emerging of a new market, or introducing a new product on the market. Entry barriers, getting familiar with market principles, operating costs - these and other aspects may give rise to the risk of lower than expected profitability of a new business. Undertaking activities within the framework of PPP, however, is basically in line with the strategy of diversifying activities and ultimately reducing risks. The Group's activities are based on several pillars, which allows reducing temporary risks and lower efficiency in particular areas.

RISK RELATED TO THE INABILITY TO CONTINUE COMMENCED PROJECTS AND THE INABILITY TO PERFORM THE CONTRACT DESPITE THE SIGNED AGREEMENTS, DUE TO DIFFICULTIES EXPERIENCED BY THE CONSTRUCTION AND DEVELOPMENT SECTORS, AND STRICTER REQUIREMENTS REGARDING THE FINANCING OF DEVELOPMENT PROJECTS

Performance of a contract often depends on obtaining financing by the Investor, which is reflected in the contractual provisions. Hence, signing an agreement alone does not guarantee that an investment project will be implemented (or completed in its entirety). This may lead to a loss of some of the anticipated revenues and profits. A vast majority of domestic contracts, currently under implementation, is provided with appropriate financing. This risk also covers operations carried out on international markets.

RISK RELATED TO THE LEGAL ENVIRONMENT

In recent years, the Polish legal system has undergone frequent changes in regulations and produced inconsistent judicial decisions, which continues today. Attention should also be paid to the process of adapting Polish law to the requirements of the European Union and the impact of European case-law on court decisions in individual cases. It is impossible to predict the influence of changes in law, both ones that are currently under way and those expected to happen in the future, on activities of the Issuer. Undoubtedly, these factors constitute a potential element of risk and may have a serious impact on the legal environment of business operations, including the Group's operations. This applies in particular to the regulations governing the property development market, securities market, employment relations, social insurance, and the broadly-defined civil law system. It is also possible that the catalogue of activities requiring appropriate permits or concessions may be extended. There is a risk of unfavourable changes in regulations or their interpretation, in the future. This may have a negative impact on the Group's operations, its market position, sales, financial results, and development prospects.

While operating on foreign markets, the Group is also exposed to the risk corresponding to the results of audits carried out by various central and local government agencies and institutions. At present, it is difficult to clearly determine the potential impact of such proceedings on the Group's results and operations, although one cannot exclude the occurrence of such events. The Group enters into permanent cooperation with local advisers, in the area of accounting, taxes and human resources, as well as with reputable law firms, in order to mitigate the afore-mentioned risk.

RISK RELATED TO CHANGES IN THE TAX, CUSTOMS, AND ADMINISTRATIVE SYSTEM, AND RELATED TO INTERPRETATIONS OF TAX REGULATIONS

One of the most important factors affecting operations of the Group are changes in the tax system and changes in tax regulations, aimed at adapting the law to the requirements of the European Union law. Moreover, many of the tax regulations currently in force have not been formulated in a sufficiently precise manner, and there is no clear interpretation of them, which may result in a situation, where they are interpreted differently by the Groups and revenue authorities. In the case of a Polish entity, divergences in interpretations of tax regulations entail a greater risk, than in the case of entities operating in more stable tax systems. Tax authorities may consider activities of the Group and their recognition in income statements and tax returns to be inconsistent with tax regulations. There is a risk that tax regulations may change and tax authorities adopt a different interpretation of tax regulations than the one used as a basis for calculating the tax liability by the Group's companies. This may have a negative impact on the Group's operations, its market position, sales, financial results, and development prospects.

INTEREST RATE RISK

The Group has and will have financial liabilities dependent on current interest rates. Therefore, the Group is exposed to interest rate risk, due to changes in the valuation of incurred liabilities, which is particularly important in the event of high volatility of market interest rates (e.g. significant uncertainty or crisis on financial markets). An increase in the level of interest rates may also increase the cost of financing, and thus reduce the Group's profitability. The afore-mentioned factor may have a material adverse effect on the Group's development prospects, achieved results, and the ability to service its debt.

Interest rate risk is mainly related to the use of bank loans, leasing, issued bonds, and bank deposits, by the Group.

The afore-mentioned transactions are based mainly on a variable interest rate, which exposes the Group to the risk of changes in its results and cash flows. Leasing is not a decisive factor in the financing of the Group (it mainly concerns investments smaller in value).

The Group invests its financial surpluses in the form of short-term deposits. Such deposits are based on fixed interest rates

and usually established for a period of 3-7 days. The amount of interest obtained will depend, among other things, on the level of interest rates.

The Group carried out one IRS-type transaction securing the payment of interests on three-year bonds maturing in July 2019, in order to hedge against the interest rate risk.

The mentioned instruments are valued as on the balance sheet date and at a reliably determined fair value. The effects of periodical valuation of derivative instruments are recognized either as financial income or expenses for the reporting period, respectively.

RISK OF COMPETITION

Activities of the UNIBEP Group are exposed to the risk of competition. The Group's financial results may be materially affected by the pricing policy of its competition, which consists in offering general contractor agreements at lower margins. This may result in the necessity to lower the prices of offered products and services, lower margins and, consequently, lower financial results of the Group. Construction of residential and commercial buildings constitutes the basic segment of the Issuer's activity, which generates over 50% of its income. In this basic segment of activity, the following entities are considered to be the main competitors of the Group: Erbud, Budimex, Skanska, Hochtief, Strabag, or Warbud.

RISKS ASSOCIATED WITH THE LIABILITY UNDER ENVIRONMENTAL PROTECTION LAW

Entities using land, on which pollutants or unfavourable transformations of natural topography occur, may be obliged to remove them, bearing the costs of reclamation or paying administrative penalties, in accordance with the regulations governing environmental protection. The Group cannot exclude the possibility that companies of the Group will be obliged to pay compensation, administrative penalties, or to perform land reclamation, should any pollution be detected on the land used by such companies. This may have a material adverse effect on the Group's operations, financial position, or results. The Group performs technical and legal surveys of land for future projects, in order to mitigate this risk. The occurrence of this risk may expose the Group to negative impacts, including an impact on its operating and financial activities, and on development prospects.

RISK OF SOCIAL, ADMINISTRATIVE, AND INVESTMENT DIFFICULTIES IN THE IMPLEMENTATION OF CONSTRUCTION PROJECTS

During the implementation of a construction project, protests of residents, associations, or non-governmental organizations may occur hindering the implementation of the investment. Administrative bodies and

companies involved in management and supply of utilities may attempt to impose costs on developers for the construction of additional infrastructure not directly related to the development project being carried out or, alternatively, set long deadlines for the construction of infrastructure as part of their own objectives. Moreover, when constructing the infrastructure provided for in the development project, developers may face difficulties in obtaining permits to dispose of properties necessary to run utility networks (energy, water, sewage, heat), and even obstruction during formal and legal proceedings, on the part of utility providers. Such events may cause difficulties during administrative proceedings, construction of infrastructure (including utilities) and the investment as a whole, which may lead to delaying or, in extreme cases, suspending of the investment, or to a significant increase in the costs of a given project. The factors discussed above may have a significant negative impact on the perspective of development, achieved results, and financial condition of construction companies, including the Group's.

RISK OF NEGATIVE IMPACT OF WEATHER CONDITIONS ON THE SCHEDULE OF DEVELOPER INVESTMENTS

Activities in the construction industry are marked by a noticeable susceptibility to weather conditions. Typical weather conditions for a given season of the year are assumed to occur, when preparing a schedule for construction projects and budgeting their financial results. The best conditions for construction work usually occur during the summer months, and they deteriorate significantly in the winter months, especially when snow and frost are present (from December to February, it is usually impossible to carry out construction work as part of a development project). In addition, construction work may become impossible resulting from irregular weather phenomena for a given period, including torrential rains in the summer or very low negative temperatures in the winter months, which also hinders finishing work.

Similarly to other entities operating in the industry, the Group cannot exclude the occurrence of the aforementioned risk, i.e. the occurrence of unusual or extremely unfavourable weather conditions which may prolong the construction process and delay the date of handing apartments over to customers, which in turn may delay the date of posting revenues in the profit and loss account, and at the same time have a significantly negative impact on the perspective of development, achieved results, and financial condition of construction companies, including companies of the Group.

RISK OF IMPEDED CONTINUITY OF LAND ACQUISITION

The possibility to acquire new land in advance provides developers with the ability to maintain regularity in running operations, including profits. One cannot eliminate the risk that the quantity of land acquired in good locations will be insufficient to ensure smooth operation and sustainable development. In particu-

lar, one cannot exclude the risk of concentrating demand in the most attractive locations, by other developers, the risk of unfavourable trading conditions, as well as delays or difficulties in obtaining financing for a given land.

Despite the mitigation of risks, purchased land may be burdened with defects, including geological defects in the form of e.g. lack of ground bearing capacity, discovering archaeological findings during the carrying out of an investment, or soil contamination. It is also possible that owners of adjacent properties will express their objections, during the proceedings related to land development and management conditions, and obtaining a construction permit. The mentioned factors may slow down or limit development for developers, including companies of the Group, which may have a negative impact on their scale of operations, results, and financial situation.

The Group actively searches the real estate markets on which it operates and analyses market offers on an ongoing basis, in order to mitigate the mentioned risk. Co-implementation of investments with land owners has a positive impact on the minimising of the indicated risk, as it makes it possible to obtain attractive land with much lower expenditures.

RISK RELATED TO LEGAL DEFECTS OF REAL ESTATE AND THEIR UNREGULATED LEGAL STATUS

This risk refers to situation, in which real estates purchased or planned to be purchased by companies of the Group are encumbered with legal defects, i.e. they were the property of an entity other than the seller or encumbered with rights of third parties, and the cases in which the legal status of a real estate is not regulated, i.e. when potential sellers are not able to prove their legal title to a given real estate, in particular when no land and mortgage register was established for it. The existence of the afore-mentioned legal defects is related to the possibility of pursuing claims concerning such properties against companies of the Group, by third parties, while an unregulated legal status is related to significant difficulties or inability to carry out the process of purchasing a real estate for the purposes of development activities. Moreover, if companies of the Group sell apartments or buildings located on land encumbered with legal defects, there is a risk that the buyers will make warranty claims for legal defects of the land on which individual facilities are located. This may have a material adverse effect on the Group's operations, in particular its financial situation or results. The Group conducts title searches, regarding properties selected for acquisition. The occurrence of such a risk may expose the Group to negative impacts on its operating and financial activities, and on its development prospects.

RISK OF AN INCREASE IN THE COSTS OF IMPLEMENTING CONSTRUCTION PROJECTS

To a large extent, financial results and margins corresponding to development projects carried out by

companies of the Group depend on the transaction prices of the purchased land properties. In the event of a significant increase in prices, the Group may be exposed to a decrease in the level of margins on development activity, which may have a significant negative impact on the development prospects, achieved results, and financial situation of the Group. In view of the afore-mentioned, there is a risk of an increase in the costs of construction projects, such as: land prices, prices of services provided by subcontractors, prices of building materials, forced changes in the design, soil contamination, archaeological findings or unexploded bombs and ordnances, and other similar events with a potential impact on the increase in costs.

An increase in the prices of construction materials and subcontractors' services, which constitute a significant component of the project cost estimate, may adversely affect the profitability of individual construction projects. Such changes are not easily foreseeable, and may be caused by factors related to demand or supply. Should the afore-mentioned circumstances occur, there is a risk that the Group will not be able to fully compensate for their negative impact with the prices of apartments for sale. Should an increase in prices occur for demand-related reasons, one should also take into account the risk of a hindered access to materials and subcontractors' services, resulting from over-demand, and at the same time with the risk of delays in performing contracts.

Developers, including companies of the Group, will be significantly exposed to negative effects affecting the development perspective, operating activities, achieved results, and their financial situation, should the afore-mentioned risk occur.

PRICE RISK OF MATERIALS

The Group is exposed to a price risk related to the increase in prices of the most frequently purchased building materials, such as steel and concrete, for example. The prices specified in agreements signed with investors remain fixed throughout the entire term of the agreement, usually from 6 to 36 months, while agreements with subcontractors are signed at a later date, depending on the progress of individual elements of work. The Group monitors prices of the most frequently purchased building materials on an ongoing basis, and signed agreements have parameters adjusted to the situation on the market situation, regarding, for example, duration of the agreement and its value, in order to limit the price risk. The Group has a growing influence on the security of supplies and stability of prices offered by its regular trade partners, thanks to the dynamically growing scale of operations.

Each time, the afore-mentioned factors and tendencies are taken into account, when calculating a contract price and negotiating with investors and subcontractors. However, regardless of the above, there is a risk that a significant upward trend (approx. 25%) (i.e. sudden increases in prices of materials and services of

subcontractor, and labour costs) may result in the currently obtained contracts failing to reach their planned profitability.

RISK ASSOCIATED WITH JOINT AND SEVERAL LIABILITY FOR THE PAYMENT OF REMUNERATION FOR WORKS PERFORMED BY SUBCONTRACTORS

As part of the implementation of construction projects, the UNIBEP Group uses the services of specialised contractors of construction work, who often employ their own subcontractors. One cannot exclude the risk related to non-performance or improper performance of the obligations of such contractors and/or subcontractors, which may adversely affect the performance of construction projects and, consequently, the financial results achieved by the UNIBEP Group, in the future. Moreover, in view of the joint and several liability of the investor and the contractor for the payment of subcontractor's remuneration, one cannot eliminate the risk that failing to fulfil the obligations in this scope, by contractors or subcontractors, will result in the creating of responsibility in this respect for companies of the Group, acting as the investor.

The Group verifies its counterparties, in terms of procedures, quality control, capacity to deliver, and also implements the policy of diversification of subcontractors, acts in accordance with the implemented internal tender procedures, as well as applies provisions in contracts to ensure effective and rapid replacement of unreliable subcontractors, all of that in order to minimize the risk. In addition, each time companies of the Group enter into contracts with subcontractors, they are secured by introducing provisions concerning liability for improper performance of works, their timeliness, as well as liability during the warranty period. The occurrence of this risk may expose the Group to negative impacts, including an impact on its operating and financial activities, and on development prospects.

THE RISK ASSOCIATED WITH UNAUTHORISED CONTRACTUAL CLAUSES

Ryzyko uznania, że stosowane wzorce umowne zawierają klauzule zabronione. The risk of recognising that the applied contract templates contain prohibited clauses corresponds to the provisions of the Act on Competition and Consumer Protection of 16th February 2007. The President of the Office for Competition and Consumer Protection may impose a penalty not exceeding 10% of the income earned in the financial year preceding the year in which the penalty is imposed, on an entrepreneur, if the entrepreneur, even if unintentionally, resorted to a practice infringing on the collective interests of consumers. A practice infringing the collective interests of consumers is understood as an unlawful activity of the entrepreneur, which infringes on such interests.

First of all, the catalogue of behaviours considered to be practices infringing the collective consumer interests is not finite, and the practices listed in the Act are only examples. This means that the Office for Competition and Consumer Protection may recognise certain

in market behaviour of developers as practices infringing the collective interests of consumers and impose a penalty, even though it is not expressly provided for in the Act.

Secondly, the risk lies in the possibility that contractual clauses contained in model contracts used by developers are recognised as prohibited clauses. The vast majority of contracts signed by developers are contracts with consumers. The provisions included in the register of prohibited provisions should be interpreted broadly, and not only decisions with the same wording as the decision included in the register, but also similar decisions should be considered as prohibited, according to the evolving line of jurisprudence, in particular of the Supreme Court. The extent to which a provision in a contract used by an entrepreneur is similar to a provision quoted in the register, may determine whether that particular provision is regarded as prohibited. Even if the position of the Group is that the contractual provisions used in its contracts signed with consumers are not similar to those listed in the register, there is a risk that the Office for Competition and Consumer Protection will classify a specific provision as prohibited and, on this basis, impose a penalty on the developer. Companies of the Group thoroughly analyse the contract templates they use, in terms of the possibility of considering the provisions contained therein as prohibited contractual clauses infringing on the interests of consumers.

RISK RELATED TO THE CONSTRUCTION PROCESS

The main feature of construction activities is the necessity to engage significant resources, throughout the whole period of carrying out an investment, until the moment of handing the facility over object to a counterparty. The services provided by the Group are based on individual agreements, drawn up taking into account given conditions and using available procedures and technologies. Due to the length of the entire construction process, there may be various changes, regarding the initial terms and conditions negotiated at the beginning of the process.

The entire process of manufacture and execution process involves various types of risk. During this time, the following hazards may occur:

- on-going changes regarding design and construction, at almost every stage of the process,
- inadequate initial estimation of the project implementation costs,
- significant changes of costs during project implementation,
- errors in managing the entire construction process,
- errors related to the technical and technological solutions applied.

All of the afore-mentioned may have an impact on extending the entire process of manufacturing the product, resulting in an increase in costs and deferral of payments, which in consequence leads directly to a decrease in the Group's result for a given contract,

and may have a negative impact on the Group's financial situation.

RISK RELATED TO INFRASTRUCTURE

Completing a project depends on the provision of the required infrastructure, such as access to public roads, access to utilities, mapping out appropriate internal roads, etc. However, there are situations in which the provision of the necessary infrastructure depends on factors beyond the control of the Group's companies (e.g. providing access to the appropriate road or utility network often depends on a decision given by the relevant municipal or communal office). In some cases, the status of the roads required to carry out the investment may be unregulated, or unforeseen complications may occur during the implementation of the project, resulting in delays and additional costs. It may also happen that the competent administrative authorities require companies of the Group to perform additional work related to infrastructure, as part of the works included in the carrying out of the investment. Administrative bodies may also expect or even require the investor to carry out some work related to infrastructure, which is not necessary for the implementation of a given project, but such bodies may expect it to be carried out as the investor's contribution to the development of the local community, resulting from the investment in progress.

Should any of the afore-mentioned factors occur, it may have a significant adverse impact on the operations, financial position, and development prospects of the companies of the UNIBEP Group, by delaying projects already in progress or generating additional project costs.

RISK RELATED TO SELLING REAL ESTATE DEVELOPMENT PROJECTS

The UNIBEP Group offers flats/apartments for sale, built as part of their own real estate development projects. Real estate development projects involve a number of risks. There is a risk that the Group sells fewer business/housing units than anticipated, and as a consequence its cash receipts will be reduced. It could also affect the level of sales/profits in a given financial year. The need for a quick cash recovery could entail the need to adjust prices of flats and/or bring about greater expenditures on promotion, thus affecting the profitability of a project. From the perspective of the Group, there is currently no pressure for a quick cash "recovery" at the expense of further price reductions (the cash level is stable, while liquidity is additionally secured with the available credit facilities). Thus, it is not necessary to either urgently adjust prices, or to significantly increase the costs of promotion, although one cannot exclude taking such steps in the future.

RISK RELATED TO COLLATERALS ESTABLISHED ON UNIBEP ASSETS

The companies of the UNIBEP Group take out loans to finance the construction projects in progress. Signing

credit agreements involves the establishment of collaterals for banks, i.e. on land where investments are planned to be carried out, in order to repay liabilities. The Group is aware of the fact that one cannot exclude the possibility that in the future, when faced with an extremely negative financial situation, the Group could cease to repay its loan liabilities on time, or violate the terms and conditions of loan agreements, although loans taken by special purpose vehicles established by the Group are repaid in a timely manner. Consequently, banks would be entitled to satisfy their rights by exercising the rights related to the established collaterals, e.g. by taking over the ownership of the encumbered assets. Such a situation could result in a decrease in the number of assets owned by individual special purpose vehicles of the Group, and in an overall depreciation of assets.

To mitigate the risk, the Group pays special attention to the rational management of the financial structure, to forecasting the demand for debt financing before making any decision on the carrying out of each development project, while at the same time manages and forecasts the level of financial liquidity, in a reasonable manner. The occurrence of the mentioned risk may expose the Group to negative impacts, including an impact on its operating and financial activities, and on development prospects.

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

Last year, the Group also undertook acquisition activities in the public sector (public procurement). With respect to the public procurement procedure, the date of signing an agreement and commencement of an investment project may be postponed for reasons such as verification of a contract award procedure by the Public Procurement Office, or appeals and complaints lodged by other bidders. Such circumstances may lead to rescheduling an investment, which may affect the size of the portfolio of contracts in the reporting period.

The Group is also exposed to the risk of disputes with a public investor, resulting from different interpretations of contractual provisions, lack of willingness to settle disputes amicably, lack of sufficient ability to make decisions during implementation, etc. (it is mainly applicable to the road construction sector). Potential disputes may result in additional costs for the company and/or impediments to participating in tender procedures, according to the public procurement law.

Currently, the road works division of the Group has the greatest share in the public procurement sector, while the share of the division of residential and commercial buildings significantly reduced its share of public procurement in the portfolio to the benefit of the private sector (two projects are currently in progress, according to the public procurement procedure).

RISKS ASSOCIATED WITH THE EMERGENCE OF DISPUTES

The UNIBEP Group strives to perform contracts, in accordance with the contractual terms and conditions. There may be events related to various or non-uniform interpretation of contractual provisions, during the implementation period. This may result in untimely payments from investors or claims challenging their legitimacy. In such cases, it cannot be excluded that our rights would be finally enforced by means of court proceedings. The company monitors potential disputes, which might arise while performing contracts. Legal services are provided for each segment on an individual basis and preventive measures are taken, if necessary and in advance, in order to minimise the risk of a dispute.

RISKS RELATED TO THE EMPLOYMENT OF WORKERS AND KEEPING PROFESSIONAL STAFF

In an effort to provide high quality products and services, the Group requires that the company is managed by professional staff and hires qualified employees. The Group's competitive position and strength has been built with the help of talented and experienced staff. Nevertheless, there is a risk of losing or reducing the pool of experienced and professional management staff. To mitigate that risk, the Group applies an appropriate human resources policy aimed at minimising staff turnover. The occurrence of such a risk could expose the Group to negative effects on its operating activities.

RISK OF FAILURE OF IT SYSTEMS

The risk of potential loss of data, be it partial or total, resulting from failure of the Group's computer system, could delay performance of agreements and contracts. In an effort to mitigate the risk, security procedures have been implemented in the entire Group, in the form of data archiving and protection against unauthorized access or loss. The occurrence of this risk may expose the Group to negative impacts, including an impact on its operating and financial activities, and on development prospects.

RISK OF PENALTIES FOR FAILURE TO PERFORM OR DELAYED PERFORMANCE OF ORDERED WORK

The Group is exposed to penalties for non-performance or delayed performance of orders, resulting from the fact that it carries out projects in the construction sector. When carrying out construction projects, companies of the Group negotiates such schedules with the ordering parties, which minimise the poten-

tial risk of delays. However, the Issuer assumes the risk of suffering such sanctions or penalties. In the case of receiving non-standard orders or signing a contract involving extreme terms and conditions (e.g. limited in time), companies of the Group demand a higher margin from the project, in order to compensate for the incurred investment risk, and to protect themselves against possible contractual penalties.

RISK RELATED TO GRANTED GUARANTEES

As on the balance sheet date of 31st December 2018, the Group had contingent liabilities amounting to 463.2 million PLN. The contingent liabilities were mainly related to performance bonds and retention bonds, which companies of the Group use in the course of their operations, mainly in the scope of construction services. Should companies of the Group fail to perform their contracts, there is a risk that the performance of warranty services will create liabilities. There was only one case, in which the Group received a request for payment under the granted guarantee, and it was approved. The amount of the claim was 0.5 million PLN. The Company assesses the risk of materialisation of the granted guarantees as limited.

RISK RELATED TO CONCENTRATION OF SALES REVENUES

The sources of the Group's sales revenues are concentrated to a great extent on its residential and commercial building activities. In recent years, over 50% of the UNIBEP Group's revenues have been generated from sales in that segment. In the event of a slowdown in the sector of residential and commercial construction, there is a risk that sales revenues will drop, which may have a negative impact on the financial condition and the implementation of the Group's strategy.

The Group reduces the risk related to the concentration of sales revenues, by increasing the scale of operations in other segments. In an effort to take advantage of the favourable economic situation in the real estate development segment, it invested in new projects in Warsaw and Poznań, the effects of which should manifest increasingly in the coming years, in the form of higher revenues and profits. Additionally, the Group is developing a segment of modular houses and a road segment. Entering new markets, such as the Swedish and Ukrainian markets, also constitutes a significant component of diversifying sources of income.

8.2 Court proceedings

As on the date of drawing up these Report, the Parent Company and the UNIBEP Group are parties to pending court proceedings, concerning liabilities and receivables.

At the same time, as on the date of drawing up this

Report, the total value of proceedings in the group of liabilities amounts to 33,041 PLN (the total value of proceedings amounts to 32,552 PLN for the Parent Company).

The Company identifies a number of significant pro-

ceedings. Proceedings of the highest value include the proceedings between UNIBEP SA and Podlaskie Province, i.e. the Regional Roads Authority in Podlasie (the Investor), and between UNIBEP SA and Backe Romerike (the Investor) (formerly Agathon Borgen AS, or rather the Community and the Investor, the latter of which has a claim recourse against Unibep). Both cases have been described below.

Podlaskie Province - the Regional Roads Authority in Podlasie On 12th October 2018, the Consortium of UNIBEP S.A. and Most Sp. z o.o. filed a lawsuit with the Regional Court in Białystok, 1st Civil Department, for payment of 8,286 PLN in contractual penalties, in connection with withdrawing from the contract, and 23,243 PLN in auxiliary investment claims. The case has been referred to the Economic Department. The date of the hearing has not been set yet.

Backe Romerike (formerly Agathon Borgen AS) - The first part of the dispute concerned the claims filed by

UNIBEP and Backe Romerike. Under the settlement reached in January 2018, UNIBEP paid the amount of 5,750 NOK. In addition, UNIBEP undertook to pay the amount awarded in favour of the Community. The second part of the dispute concerned community claims against Backe Romerike, which ended on 18th December 2017. On 31st January 2018, the court delivered a judgement, in which it awarded payment of 927,000 NOK in favour of the community, including a portion of court fees - in total 1,037 NOK. The community has lodged an appeal. The total amount of the community claims amounts to 30-40 million NOK. The hearing began in March 2019. The verdict is expected to arrive in the second quarter of 2019.

For a detailed description of other court proceedings, see note No. 6.38 to the Consolidated Financial Statement for 2018.

8.3 Information on charity and sponsorship activities

For many years, Unibep has focused not only on increasing its capital, but also on promoting initiatives in the region where it was established, i.e. Podlasie. Corporate social responsibility is important to the whole company. That is the reason for promoting sports, financing cultural activities, institutions in need of help, and supporting young talents in achieving success.

More information on charity and sponsorship activities can be found in the Sustainability Report, which is a separate component of the Consolidated Annual Report for 2018.

8.4 Distinctions, awards

Unidevelopment SA with awards

Zbigniew Gościcki, President of the Management Board of Unidevelopment SA, was awarded the title of Personality of the Year 2017, and Unidevelopment SA won the title of the Construction Company of the Year 2017. The titles were awarded by the Builder monthly at its annual gala, which took place on 23rd January 2018, in Warsaw.

A honourable mention in Sweden

Unibep SA was awarded the Mercurius statuette, during the 2nd edition of the Polish-Swedish Business Gala at the Embassy of the Republic of Poland in Stockholm. The Mercurius Awards are awarded to companies, which have contributed to promoting Polish business in Sweden. The Unibep SA branch of Unihouse is one of only a few Polish general contractors in the construction sector, which operate in Sweden.

The Podlasie Brand of the Year Award for multi-family buildings made in the Unihouse modular technology

On 24th April 2018, multi-family buildings manufactured by Unihouse Branch of Unibep SA in Bielsk Podlaski were awarded the title of the Podlasie Brand of the Year. The buildings are made using modular wooden technology, and exported mainly to Scandinavian markets. The ceremony took place at the Podlasie Opera and Philharmonic Concert Hall in Białystok. The Podlasie Brand of the Year Award is the most important ranking organized by the Marshal's Office of Podlasie Province. Multi-family buildings manufactured by Unihouse won an award in the "Functional Product" category.

The CONSTRUCTION SITE OF THE YEAR Awards for investment projects carried out by UNIBEP SA

On 25th June 2018, "Galeria Północna" (shopping arcade) in Warsaw and the Mlekovița 3 dairy powder factory in Wysokie Mazowieckie received the title of the "Construction Site of the Year 2017" (1st degree award). The Aura Sky Stage I building in Warsaw at pl. Marii Rodziewiczówny (Maria Rodziewiczówna Square) won a 3rd degree award. Unibep SA is the general contractor for all the three projects. The "Construc-

tion Site of the Year" competition is one of the most important events in the construction industry, organized annually by the Polish Association of Construction Engineers and Technicians (PZITB), with the participation of the Ministry of Construction and the Main Construction Supervision Office (GUNB).

Unibep Group among the largest companies in the region of Podlasie

Unibep Group ranked third in Podlasie Province, in terms of incomes for 2017 - it was featured in a ranking titled "Podlaska Złota Setka Przedsiębiorstw" ("The Golden Hundred Enterprises in Podlasie") published by "Kurier Poranny" daily, which is one of the most important business rankings in North-East Poland.

Unidevelopment SA - a developer with high profitability

Unidevelopment S.A. is the second most profitable company among the residential developers from the capital market, taking into account the gross margin on sales in the first three quarters of 2018. These were the results found in a list published by "Rzeczpospolita" daily. It was published on 7th December. Unidevelopment SA recorded the greatest growth in this respect and outdistanced many of the largest companies in this sector, by reaching 34.1%.

An award in the "PFR Nieruchomości (Real Estate)" competition

The Unibep SA branch of Unihouse was awarded in the "PFR Nieruchomości" national competition. The results were announced on 14th December, in Warsaw.

As part of the "Mieszkanie Plus" programme, PFR Nieruchomości advertised a competition for developing a system of prefabricated residential development. The development of modern, repeatable technological solutions will allow the whole market to increase the scale of investments and reduce their costs. It was a two-stage competition and the following companies were qualified for the finals: BBGK Architects, Unibep SA Branch of Unihouse, Urba Architects, and HM Inwest. The jury decided not to award the first prize. The second place was awarded to BBGK Architects, and the third place to Unibep SA Branch of Unihouse. The competition was organized by PFR Nieruchomości, in cooperation with the Polish Association of Construction Employers and the Concrete Producers Association.

9. STATEMENTS OF THE MANAGEMENT BOARD

To the best of our knowledge, financial statements of UNIBEP S.A. (separate and consolidated, respectively) for the 12-month period ending on 31st December 2018, and the comparable data, were prepared in compliance with the applicable accounting principles and reflect in a true, fair, and transparent manner the economic and financial position, and financial result of Unibep and the Unibep Group, and this Management Report offers a true picture of the development, achievements, risks and hazards, and the situation of the Issuer and its Group, including a description of the primary hazards and risks.

Information of the Management Board on the entity authorised to audit financial statements.

Based on the statement of the Supervisory Board of Unibep S.A. on the selection of the audit firm responsible for auditing an annual financial statement, in accordance with the regulations, including the selection and procedure of selecting the audit firm, the Management Board of Unibep S.A. hereby declare that:

- a) the audit firm and members of the audit team meet the conditions for drawing up impartial and independent audit reports on annual financial statements (separate and consolidated, respectively), in accordance with the applicable laws, professional standards, and principles of professional ethics;
- b) the applicable principles related to the rotation of the audit firm and the key expert auditor, and the mandatory grace periods are complied with;
- c) Unibep S.A. has a policy regarding the selection of an audit firm, and a policy regarding the provision of additional non-audit services to Unibep S.A. (the Issuer), by an audit firm, an entity affiliated with an audit firm, or a member of its network, including services that are conditionally exempt from the prohibition of providing by an audit firm.

SIGNATURES OF MANAGEMENT

This Management Report on operations was drawn up and accepted for publication by the Management Board of UNIBEP SA, on 28th March 2019.

The Management Board of UNIBEP S.A.

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Leszek Marek Gołąbiecki
 President of the
 Management Board

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Sławomir Kiszycki
 Vice-President of the
 Management Board

.....
Krzysztof Mikołajczyk
 Vice-President of the
 Management Board



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