



UNIBEP GROUP

MANAGEMENT BOARD REPORT

ON OPERATIONS IN 2019

(In compliance with disclosure requirements for Dominant Entity operations for the above-mentioned period)

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1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders

The Unibep Capital Group ended 2019 with a net profit of PLN 30 million, i.e. a 9% increase from 2018, on sales of PLN 1.66 billion, a level comparable with the previous year. These results are in line with the Management Board's expectations and our plans for 2019 as a whole. The order portfolio in the construction and infrastructure segments totals approx. PLN 1.9 billion (including approx. PLN 1.3 billion for 2020). We are actively seeking to build up our order book in each business segment for 2021 and beyond. At the end of the year, we significantly improved our cash balance compared with the previous year.

2019 was not an easy year for the construction industry, although it was much calmer than 2018. The prices of construction materials and services stopped soaring and labour shortages eased, which bodes well for the future. Like many companies in the industry, we had to deal with the completion of unprofitably priced projects contracted in 2016-2017. Even so, our ability to meet schedules and deliver high-quality work helped us persuade many investors to revise the pricing of these signed agreements.

The residential and non-residential building construction sector recorded better results on Poland's domestic market than the year before. Moreover, orders were more diversified by construction type and geographical location. Unibep operated more construction sites in 2019 than in any other year in the company's history. This was a logistical and organisational challenge. It is worth adding that we acquired a group of new investors with whom we are completing some valuable projects. Return customers have also entrusted us with next-stage implementations (for example, in housing estates) or new business, which is a token of their confidence in us as business partners.

Our building construction business recorded good results in export to the Belarusian and Ukrainian markets. In Belarus, we successfully delivered a tennis and medical facility in Minsk, a logistics centre in Bolbasovo, and, late in the year, a large shopping centre in Grodno. Two more Belarusian projects are on tap for 2020. We are embarking on completion of next two projects.

In Ukraine, we are building large shopping centres in Kiev and Kharkov. In both countries, our construction projects are on schedule and we conduct intensive acquisition work leading to signing new orders.

In 2019, our real estate development subsidiary, Unidevelopment SA, successfully completed housing estates in Warsaw (Ursa Park stage II and Marywilka

Osiedle Kameralne) and in Poznań (Zielony Sołacz Tarasy and Osiedle Nowe Kosmonautów stage I). In terms of unit sales, last year set a new record for the company – over 700 apartments, meeting the anticipated financial results.

Unidevelopment entered 2020 with some very noteworthy housing investments increasingly more popular with customers. We are currently constructing two housing estates in Warsaw (Coopera and Ursa Home housing estates), and in Poznań - the next stages of the Nowe Kosmonautów housing estate. In the latter city, we are also preparing to break ground on a large housing project at the former Wiepofama factory, which will potentially deliver about 2,200 units in several stages.

The results of our infrastructure business also improved significantly last year. This was due in part to the completion of older projects started before the rapid price surge of construction inputs and services, and also to new contracts signed on new, market-adjusted terms. As planned, we have completed or are entering the final stages of many road projects in Podlasie province, and we have begun work as part of a consortium building a section of the S 61 expressway from Szczuczyn to Etk. Importantly, our infrastructure segment has a solid order book of more than PLN 300 million for 2020. We intend to be an active participant in future tenders for national and regional highways, mainly in north-eastern Poland.

Unibep's modular construction operations – organised around a new company, Unihouse SA – are currently focused on product development and securing new business on the Polish and Scandinavian markets. Orders for 2020 and subsequent years now total approx. PLN 280 million. Besides projects underway in Norway, Unihouse's main market, the company is signing more contracts in Poland. It should also be noted that the Norwegian Krone has recently weakened against the zloty, which makes exports of our products less profitable. Our Management Board's predictions that prefabricated construction will gain popularity in Poland are coming true – as shown by the growing number of investor inquiries and exploratory talks with Unihouse SA. It is therefore evident that we will be paying greater attention to the Polish market.

I would like to note that owing in part to the growing diversification of its business, the Unibep Group ended 2019 in sound financial condition, with an ample cash cushion and a solid backlog of orders for 2020.

I should stress that we are carefully monitoring the economic impact of the COVID-19 pandemic in Poland and abroad, while taking a number of measures

to reduce coronavirus-related risks. At the beginning of March, the Unibep Group formed a Crisis Management Team. Its main purpose is to analyse and monitor all events that could affect group operations, and to devise recommendations and procedures that will allow us function more or less normally. At the same time, we are responding on a day-to-day basis to developments in Poland and abroad – providing employees with the necessary protective equipment, consulting with investors, monitoring markets, and responding instantly to new regulations. It is important to note that, as of the submission date of this report, all domestic and foreign operations in the Unibep group – including at our modular housing factory in Bielsk Podlaski – have continued without serious disruption.

Unibep enters 2020 on stable and solid foundations. In the current situation, our primary goal for this year is to uphold the stability and financial liquidity of the entire Unibep Group, while ensuring the timely implementation of all agreements and maintaining the highest quality. We will also keep a sharp eye on operating costs in every segment of the Unibep Group.

I invite you to read our 2019 annual report.

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



2. INTRODUCTION

2.1 Introductory information

The Unibep group ranked sixth in terms of revenue in a Deloitte report on Poland's construction sector in 2019 in the ranking "Polish construction companies 2019 - the most important players, key growth factors and industry development perspectives". This is an advance by two positions from the 2017 edition of the report, which examines the financial results of 15 biggest construction companies operating in Poland.

Unibep SA is a company with a predominance of domestic capital. It has been listed on the Warsaw Stock Exchange since 2008. According to estimates, Unibep SA has the leading share of Poland's biggest housing construction market – Warsaw.

In 2020, Unibep SA celebrated its 70th year in operation. The company has always been headquartered in Podlasie region, in the city of Bielsk Podlaski, but it also maintains offices in Warsaw, Białystok, Łomża, Minsk, and Kiev. It operates mainly on the Polish market but is also a significant exporter of construction services to Norway, Sweden, Belarus, and Ukraine. Exports account for about 23% of the group's revenue.

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

- **General Contracting in Poland (Unibep SA)**, of which residential construction is the key component. The company enjoys a strong position on the Warsaw market. It also implements projects related to commercial construction (hotels, offices, retail and service facilities). Recently, Unibep has focused greatly on building and developing competence in its industrial construction business (including manufacturing, processing, and logistics facilities). General contracting is carried out by the dominant entity, Unibep SA.
- **General Contracting Abroad (Unibep SA)** focuses mainly on commercial construction in Belarus and Ukraine (hotels, shopping centres, logistics centres). Exports of construction services are carried out mainly by the dominant entity, Unibep SA.
- **Road and bridge infrastructure (Unibep SA and Budrex Sp. z o.o.)**. - These activities are conducted mainly in north-eastern Poland by the Infrastructure Branch of Unibep SA. Since July 2015, Unibep SA has been a 100% shareholder of Budrex Sp. z o.o., a Białystok-based specialist firm that builds bridges and road culverts throughout Poland.
- **Modular Construction (Unihouse SA)**. This technology has been broadly recognised and applied for many years in Europe, performing strongly, among other places, on the demanding Scandinavian market. Modular construction is still gaining popularity in Poland. It is implemented by a subsidiary of the Unibep, the Unihouse SA which pioneered prefabricated wooden frame construction

on the Polish market. These modules are designed for use in the construction of hotels and motels, multi-family dwellings, office buildings, dormitories, preschools, and retail outlets.

- **Real estate development (Unidevelopment SA)** is carried out through the Unidevelopment Group. Current investments are being carried out in Warsaw, Poznań, and Radom. In 2019, Unidevelopment completed an ecological multi-family residential building in Bielsk Podlaski, using modular technology developed by Unihouse.

For years, the Capital Group has consistently diversified its operations and continued to develop.

Unibep has completed many ambitious construction projects in Poland and abroad. In 2019, the Company completed few important investments, among others in Warsaw for YIT DEVELOPMENT Sp. z o.o. and for the own developer, Unidevelopment SA. It completed the student dormitory in Krakow and several industrial facilities, such as a sewage treatment plant in Łask and an infusion fluid production facility for Fresenius Kabi in Kutno. Building construction investments on export markets have also been successful, including the Retroville in Ukraine. At the end of 2019, three new agreements were acquired on the Ukrainian and Belarusian markets.

In 2019, Unibep SA carried out the construction of important road sections and interchanges in Podlaskie voivodship and the city of Białystok. Two out of four sections of the National Road No. 66 were completed under the design-and-build formula. The road section of the Łapy-Markowszczyzna regional highway (DW682) was also transferred for use. The know-how and experience acquired earlier during the completion of the S8 expressway section connecting Białystok and Warsaw are paying off.

Significant organisational changes have taken place in the modular construction segment. Some business activities were spun off into the independent subsidiary Unihouse SA. The company is working on new markets and products. Investments in expanded production capacity and improved efficiency are part of the group's stability-oriented strategy.

2019 was another good year for Unidevelopment SA, the development arm of the Unibep Group. Robust sales and financial results allow us to contemplate the next few years with cautious optimism. The company is active mainly in the Warsaw, Poznań, and Radom markets. A joint venture with the Wiepofama Group, aiming at the construction of more than 2,000 apartments, buttresses the stable business outlook. Further cooperation with CPD SA on a construction project

NET PROFIT

30,053

9%

1,430,093

AGREEMENTS SIGNED IN 2019

55,841

EBITDA

REVENUE

1,659,658

0,1%

ORDER BOOK (TO BE COMPLETED IN 2020)

1,279,211**1,523**
employees

AVERAGE EMPLOYMENT IN 2019

288,280MARKET CAPITALISATION
ON WSE (DEC. 31, 2019)

CASH EQUIVALENTS

178,374

218%

DEVELOPER HOUSING SALES IN 2019

716
units

(All figures in thousand Polish zloty, unless otherwise noted)

in the Ursus district of Warsaw and in-house development projects are important, too.

The goal of the Unibep Capital Group is to consistently increase efficiency in every area of activity, in part by

taking advantage of natural synergies between the businesses.

2.2 Calendar of events

Below are selected events that took place in 2019.

January

- On 17 January 2019, the Management Board of Unibep SA adopted a resolution on the Bond Issue Program implemented by the Company.
- On 28 January 2019, Unibep SA concluded with YIT Development Sp. z o.o. an agreement concerning the implementation of the third stage of a residential investment in Warsaw at Sikorskiego and Pory Streets.

February

- On 1 February 2019, Adam Poliński assumed the position of Director of the Infrastructure Branch

of Unibep SA. Previously, he was the authorised representative of the Management Board of Unibep SA for the public-private partnership.

- A Logistics Centre was officially opened in the Republic of Belarus in the locality of Bolbasovo. The general contractor of the investment was Unibep SA and the ordering party was Bremino Group Sp. z o.o. with its registered office in Minsk.
- Unibep SA signed yet another agreement on the Swedish market, this time for the implementation of the "Saffransgatan" housing project, worth approx. PLN 17.2 million net.

March

- On 7 March 2019, Unibep SA signed an agreement



The "Bremino-Orsha" multimodal industrial and logistics complex in Bolbasovo, Belarus



Bridge structures and retaining walls on the Trasa Niepodległości in Białystok, Poland

for the design and turnkey implementation of 92 modules for Europe's largest tropical water park, in the municipality of Mszczonów, Poland. The scope of works included the delivery of an all-season bungalow housing estate in the first stage of the "Park of Poland" project, along with the "Suntago" water park and recreational holiday houses in modular technology.

April

- In an annual contest "Podlasie Brand of the Year" (held by the Podlaskie Voivodship Marshal's Office), Unibep SA took the podium in the "Investment" category with its first zero-energy test building in the voivodship. This prototype was constructed using technology developed by the Unihouse, a branch of Unibep SA. It is an energy-efficient multi-family residential building which was co-financed from European Union funds.
- On 11 April 2019, Unibep signed an agreement concerning the most representative part of the

city of Kutno. According to the agreement, the general contractor will be responsible for reclaiming the historical layout of the city centre.

May

- Maciej Żywno joined Unibep SA's Management Board as authorised representative for the public-private partnership.
- Leszek Gołqbiecki, in his capacity as president of the Construction Safety Agreement and president of Unibep SA's Management Board, and Chief Labour Inspector Wiesław Łyszczek signed on 13 May 2019 in Warsaw a letter of intent on future cooperation between the National Labour Inspectorate and signatories of the Agreement. The letter specifies the scope of cooperation between the parties, including the fostering of safe work practices in the construction industry, local cooperation, educational activities, and the sharing of know-how and best practices.

- 13 May also marked the beginning of annual Safety Week – an initiative of the Construction Safety Agreement, which aims to improve safety at Polish construction sites.
- On 29 May 2019, Unibep SA's share buyback was completed. As part of the offer, 1 million shares of a par value of PLN 0.10 were repurchased. The shares were acquired at a fixed price of PLN 6.80 per share.

June

- The Unibep Group placed 197th in the newspaper Rzeczpospolita's ranking of Poland's 500 largest companies. Companies were ranked based on their 2018 revenue. Unibep advanced six places from its ranking in 2017.
- At the XXII Polish-Belarusian Economic Forum, Unibep SA received an award "for outstanding contributions to the development of Polish-Belarusian economic relations in construction". The forum's organisers were the Belarusian Chamber of Commerce and Industry in Minsk, the Polish-Belarusian Chamber of Commerce and Industry, and the Polish Investment and Trade Agency SA.

July

- On 4 July 2019, Unibep SA and Unidevelopment SA officially opened their new Warsaw offices on Kondratowicza Street. The new facility provides 2,000 m² of office space, divided into functional sectors. Unidevelopment SA is located on the ground floor, and Unibep SA on the first floor.
- The cornerstone for the new NSM Missile Manufacturing and Service Centre was laid on 25 July 2019 in the city of Zielonka. The general contractor for the investment is Unibep SA. The event was attended by Defence Minister Mariusz Błaszczak and other officials. It marked Unibep SA's first investment project for the Polish military.

August

- The Trasa Niepodległości (Independence Route) in Białystok, one of city's most important thoroughfares, was completed. One of the project's main subcontractors was Budrex-Kobi, part of the Unibep Group. Work on the project lasted two years - from June 2017 to June 2019.

September

- Unibep SA was the general contractor for the LivinnX project to build a new student dormitory on Romanowicza Street in Kraków. The project's investor was Golub GetHouse. The facility was adapted from a seven-storey factory building, which formerly housed Telpod, a manufacturer of electronic components. LivinnX is now one of the most modern student residences in Poland.

- Unibep SA was designated an Ambassador of the Polish Economy in a competition organised by the Business Centre Club in Warsaw. The aim of the contest is to promote Poland on the international stage as a reliable economic partner, to distinguish and promote entrepreneurs successful on international markets, and to encourage high economic and financial standards and good business practices in international cooperation.

October

- Construction of Podlasie province's first combined logistics centre-container terminal in Łapy was completed after more than a year of work. The project was carried out by Unibep SA. The container terminal was built on the site of a former rolling stock repair yard that had been defunct for years.
- Unibep SA was chosen as general contractor for the construction of a big shopping centre in Kharkov, Ukraine. Poland's Bank Gospodarstwa Krajowego (BGK) granted the Ukrainian investor Nikol'sky LLC a credit to help finance this EUR 44.8 million investment. It is the second shopping centre to be constructed by Unibep SA in Ukraine.

November

- Unihouse SA became a new, independent company within the Unibep Group. The new entity continues the activities of Unibep SA's Unihouse Branch – a modular housing factory in Bielsk Podlaski that manufactures innovative, high-quality, and environmentally-friendly prefabricated housing components using wooden skeleton technology, for later assembly in Norway, Sweden, and Poland. The members of Unihouse's Management Board include Sławomir Kiszycycki (president), Przemysław Pruszyński (vice president), Roman Jakubowski, and Marcin Gołębiowski (Management Board members).
- Akwa Minsk, as the ordering party, signed with Unibep SA an agreement for the design and implementation in the general contracting system of a sports and recreation complex in Minsk in the Republic of Belarus.

December

- Unibep SA signed an agreement for the turnkey design and construction in the general contracting system of a sports and recreation facility called FOK Luchiny in Minsk, Belarus.
- Unibep SA concluded an agreement as a subcontractor to build two garages, shell and core, within the task called "Preparation of infrastructure for the needs of LEOPARD tanks".



Modernisation of the historic town centre (Freedom Square and Potter's Market) in Kutno, Poland

2.3 Summary of selected financial data of the Unibep Group

SELECTED FINANCIAL DATA OF THE PROFIT AND LOSS ACCOUNT

	in thousands PLN, as of		in thousands EUR, as of	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net revenues from sales	1 659 658	1 658 622	385 805	388 718
EBITDA	55 841	45 312	12 981	10 619
EBIT	39 968	34 781	9 291	8 151
Net profit	30 053	27 564	6 986	6 460

SELECTED BALANCE SHEET FINANCIAL DATA

	in thousands PLN, as of		in thousands EUR, as of	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Fixed assets	246 568	224 873	57 900	52 296
Current assets	858 868	731 358	201 683	170 083
Assets/Liabilities	1 105 437	956 231	259 584	222 379
Equity	276 728	263 656	64 983	61 315
Third party equity	828 708	692 575	194 601	161 064
Cash at the end of period	178 374	56 182	41 887	13 066

SELECTED FINANCIAL DATA OF THE CASH FLOW STATEMENT

	in thousands PLN, as of		in thousands EUR, as of	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Operating activities cash flow	185 527	-111 037	43 128	-26 023
Investment activities cash flow	-19 093	-17 952	-4 438	-4 207
Financial activities cash flow	-44 292	18 460	-10 296	4 326
Total net cash flow	122 141	-110 528	28 393	-25 904

Accepted conversion principles

Profit and loss account and cash flow statement items were converted at the exchange rate of PLN/ EUR 4.3018 for the period from 01.01. 2019 to 31.12.2019, and PLN/EUR 4.2669 for the period from 01.01.2018, to 31.12.2018.

Balance sheet items were converted at the rate of PLN/EUR 4.2585 as of 31 December 2019 and PLN/EUR 4.3000 as of 31 December 2018.

SELECTED FINANCIAL INDICATORS

	31.12.2019	31.12.2018	Indicators calculation principles
EBIT profitability	2,41%	2,10%	= EBIT for the period/sales revenue for the period
Return on sales (ROS)	1,81%	1,66%	= net profit for the period/sales revenue for the period
Return on equity (ROE)	11,12%	10,58%	= net profit for the period/average equity for the period
Management costs to revenue ratio	3,24%	2,79%	= management costs for the period/sales revenues for the period
Total debt ratio	0,75	0,72	= long and short-term liabilities/total liabilities
Current liquidity ratio	1,35	1,35	= current assets/current liabilities
Cash ratio	0,28	0,10	= cash/current liabilities

Definitions of alternative measures and calculation methodologies for financial results are given below and are consistent with the selected alternative measures of historical results. These indicators are regularly examined and presented in subsequent periodic reports.

As expected by the Management Board, 2019 brought improved earnings results for the Unibep Group. Sales were virtually unchanged in relation to 2018, while net profit increased by approx. 9%.

By business segment, the biggest revenue growth from 2018 was noted in development and modular construction.

Residential and non-residential building construction showed a slight decrease in sales compared with 2018, but the gross profit on sales almost doubled. Export sales within this segment remained unchanged. A slight decrease in business activity in this segment can be explained by conditions on the domestic market. Lower sales were offset by a higher margin, which increased by 2.65 percentage points from the previous year. This is mainly the result of new domestic contracts. The 2019 results were less affected by

agreements signed in previous years, when profitability was significantly decreased by rising prices of materials and services.

Sales in the infrastructure segment were similar to the previous year's, but margins were significantly increased. Projects implemented in 2019 were based on promising and profitable contracts. In 2018, the company withdrew from the Dąbrowa Białostocka-Sokółka road section contract, removing any associated opportunities or risks from further consideration.

The real estate development segment noted an increase in sales, but at a lower gross profit. Some projects and their results are reported in the Group's financial activities – this applies to projects implemented as joint ventures, yielding an annual result of approx. PLN 9.2 million.

The modular construction segment performed below our forecasts and its potential in 2019. Compared with the previous year, sales increased by approx. 30%, but the gross profit on sales was much lower. A better (than in the previous year) book of orders helped improve the turnover. Depreciation of the Norwegian Krone posed a significant problem for the profitability

of contracts signed on the Norwegian market.

Liquidity ratios are at safe levels. The Group's cash condition is also stable and secure.

Unibep's 2019 results show that the group's management costs remain stable, although they increased year to year. This growth is predictable due to a systematic approach to planning and cost control. The ratio of management costs to revenues exceeded 3%, but this is still one of the smallest ratios among the company's peers.

The main factors that influenced 2019 results include:

- a solid portfolio of contracts implemented on the domestic market;
- a growing share of industrial construction orders;
- good relations with investors based on timely completion and quality of performance;
- timely and effective completion of contracts on eastern markets;
- implementation of large infrastructure projects;
- budgetary discipline and strict cost and cash control in every area of business activity;
- implementation of in-house development and joint venture projects on time and on budget;
- careful supervision of the Group's management costs and planning;
- The unfavourable NOK/PLN and SEK/PLN exchange rates limiting the otherwise good results of the modular construction segment
- limited use of production capacity and sales potential within the modular construction segment;
- continuous improvement of production and organisational processes in all segments of the Group, including back office operations;
- review of own structures, process optimisation and constant supervision of fixed costs;
- good financial liquidity, access to external sources of financing;
- continuous process improvement using IT tools;
- claims for contractual penalties by Polaqua;
- unfavourable court decisions concerning the Kjelergard contract on the Norwegian market.

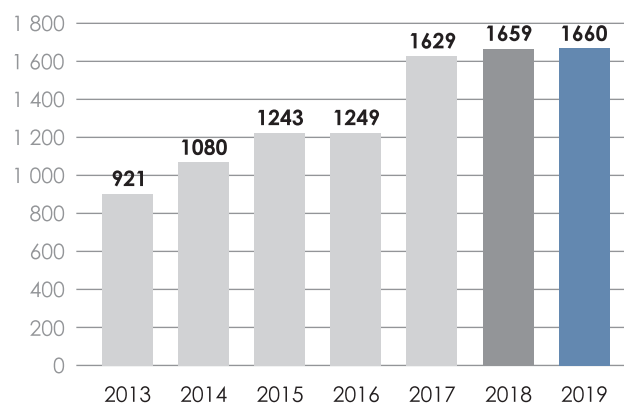
External factors played an equally important role in achieving the results. Especially noteworthy was fierce price competition on the domestic market, both in residential and non-residential building construction and the infrastructure segment. Realised margins were invariably affected by the price volatility of building materials and services.

The unfavourable NOK/PLN and SEK/PLN exchange rates once again limited the otherwise good results of the modular construction segment.

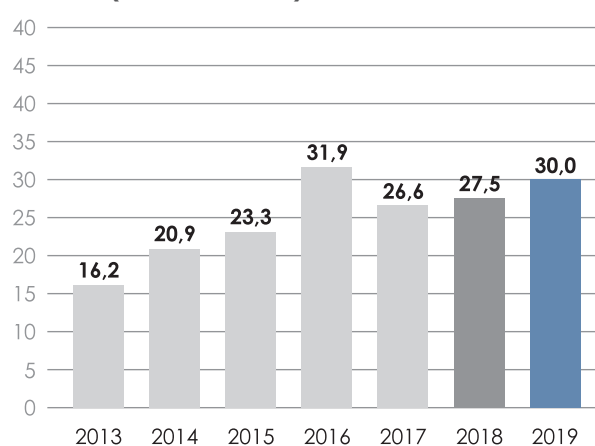
On the other hand, favourable conditions on the Belarusian and Ukrainian markets raise hopes for growing export sales. Good progress is being made on contracted projects in both countries.

The individual business units of the Unibep Group are all working hard to secure new business orders.

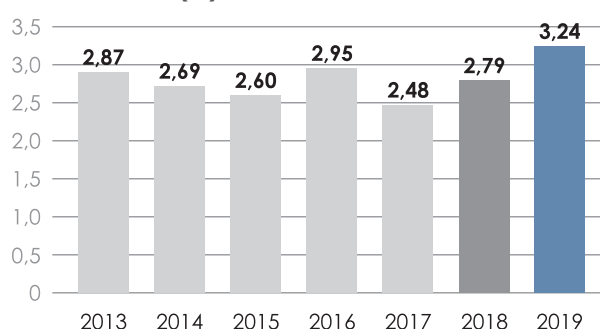
REVENUE (IN PLN MILLION)



NET PROFIT (IN PLN MILLION)



MANAGEMENT COSTS TO REVENUE RATIO - UNIBEP GROUP (%)



3. UNIBEP GROUP OPERATIONS

3.1 Company's business

Markets

Unibep Group's business operations are based on the following activities:

- **General contracting (domestic).** Residential construction accounts for the lion's share of this segment (approx. 75% in 2019), but commercial and public facilities, along with industrial construction, are gaining in importance. The bulk of the revenue is generated in the Warsaw and Poznań markets. Investors in some projects started in 2019 have entrusted us with new projects, generating important new business.



Wileńska Expres, Warszawa, Polska

- **General contracting (export).** Our activity is focused on the eastern markets of Belarus and Ukraine. In Belarus, contracts signed in previous years have been delivered or are nearing completion. At the end of 2019, two new agreements were reached in Belarus and another was signed in Ukraine. Other new projects are also being discussed.
- **Modular housing.** Unihouse SA focuses on production of ecological modular houses at its factory in Bielsk Podlaski and assembly of these structures on-site. In Norway, the company's business is built on long-term cooperation with the biggest developers in this market and completion of subsequent orders. Sweden is considered a promising market for future development. However, current efforts to diversify the business are concentrating on Poland. A number of agreements have been signed, with some already implemented and others in the preparatory stages. The Polish market remains an important geographical area.
- **Infrastructure (road and bridge construction).** In recent years, the Group has developed expertise in motorway projects, implementing several contracts as an independent consortium partner or subcontractor. Activities have been focused on local, regional, and high-speed roadways in north-eastern Poland. The bridge-building business is conducted throughout Poland by Budrex Sp. z o.o. (formerly Budrex-Kobi Sp. z o.o.), which Unibep Group acquired in 2015.
- **Real estate development** is the responsibility of Unidevelopment SA and its special purpose vehicles. Residential projects focus on multi-family housing for individual customers, with operations concentrated in Warsaw, Poznań, and Radom. In addition, a project in Bielsk Podlaski was completed in 2019 (implemented jointly with Unihouse Branch of Unibep SA). Unidevelopment SA also conducts joint venture projects with business partners.

GROUP'S DEPENDENCE ON CUSTOMERS

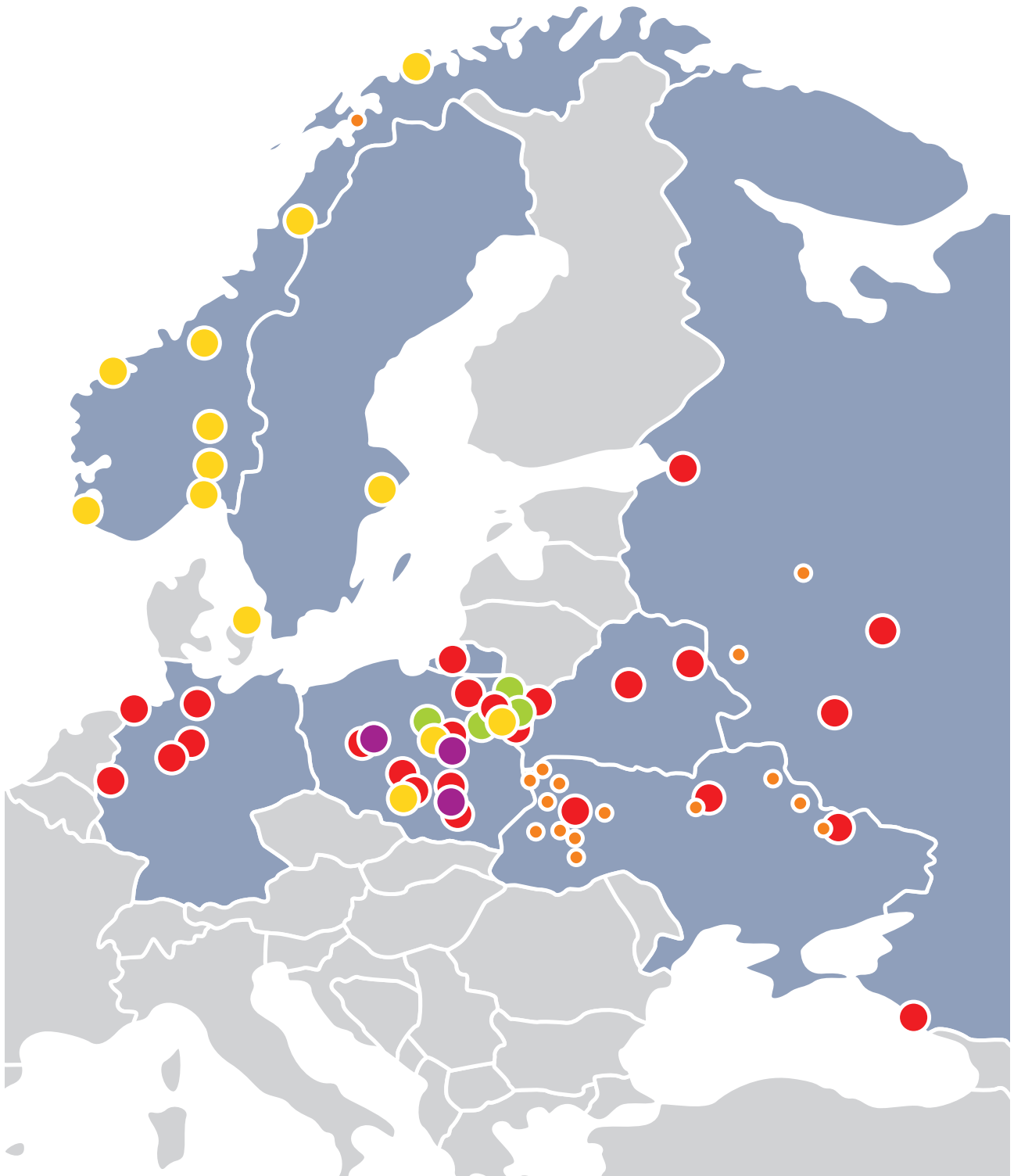
Owing to the diversified nature of Group's business activity, no excessive dependence on any single customer occurred during the reporting period.

No investor accounted for more than 10% of Dominant Entity's and Unibep Group total revenue in 2019.

UNIBEP GROUP: OPERATING IN MANY MARKETS

Legend:

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

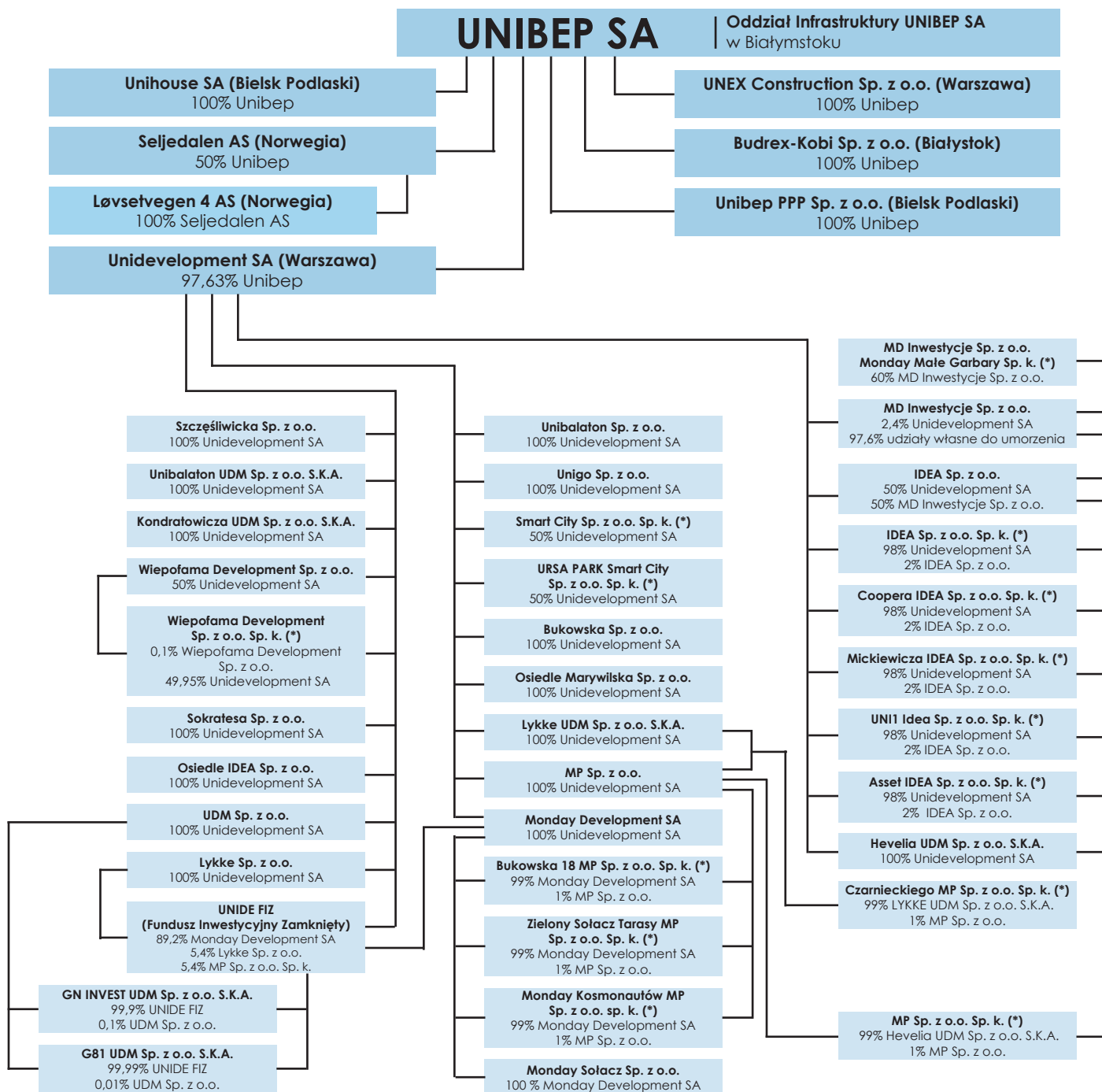


3.2 Description of the Unibep Group

As of 31 December 2019, the Unibep Group consists of the Dominant Entity and five direct subsidiaries of Unibep SA: UNEX Constructions Sp. z o.o., Budrex-Kobi Sp. z o.o., Unibep PPP Sp. z o.o., Unidevelopment SA and Unihouse SA. The company Seljedalen AS is a jointly controlled company. Additionally, the Unibep Group

includes indirect subsidiaries in which Unidevelopment SA and Seljedalen AS hold shares. Unibep SA also has a branch located in Białystok.

ORGANISATIONAL CHART OF THE UNIBEP GROUP (AS OF 31 DECEMBER 2019)



■ Entities of the UNIDEVELOPMENT CAPITAL GROUP

* Share in profit and loss of the limited partnership in accordance with the company's articles of partnership.

INFORMATION ON THE COMPANIES INCLUDED IN THE GROUP ON THE DATE THIS REPORT WAS COMPILED

Name of the entity specifying legal status	Registered office	Business activity	Character of relationship	Applied method of consolidation	Date of acquisition	Balance sheet value of shares	% of owned share capital	% of votes at the company's general meeting
Unidevelopment S.A.	Warsaw	property development	subsidiary	full method	09.04.2008	60 555 486,00*****)	97,63%	97,63%
UNEX Costrution Sp. z o.o.	Warsaw	construction projects	subsidiary	full method	04.07.2011	16 959,80	100%	100%
Budrex-Kobi Sp. z o.o.	Białystok	works related to construction of bridges and tunnels	subsidiary	full method	01.07.2015	18 000 150,00	100%	100%
UNIBEP PPP Sp. z o.o.	Bielsk Podlaski	construction projects	subsidiary	full method	06.11.2017	5 000,00	100%	100%
Unihouse S.A.	Bielsk Podlaski	construction projects	subsidiary	full method	01.04.2019	48 738 969,48	100%	100%
Seljedalen AS	Trondheim, Norway	property development	jointly controlled entity	equity method	10.09.2013	7 986,00	50%	50%
Lovsetvegen 4 AS	Melhus, Norway	property development	indirectly jointly controlled entity	equity method	23.09.2015	6 493 178,84	50%	50%
MP Sp. z o.o.	Poznań	property development	Indirect subsidiary	full method	10.08.2011	10 000,00	97,63%	97,63%
MP Sp. z o.o. Sp. k.	Poznań	property development	Indirect subsidiary	full method	10.08.2011	4 434 100,00	97,63%**)	97,63%****)
IDEA Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	09.09.2011	25 000,00	97,63%	97,63%
IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	09.09.2011	2 340 000,00	97,63%*)**)	97,63% ****)
UDM Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	06.06.2012	15 000,00	97,63%	97,63%
Lykke Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	28.06.2012	14 398 210,00	97,63%	97,63%
Czarnieckiego MP Sp. z o.o. Sp. k.	Poznań	property development	Indirect subsidiary	full method	31.08.2012	6 610 811,90	97,63%**)*)	97,63%
Unigo Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	26.10.2012	5 000,00	97,63%	97,63%
UNIDE FIZ (Fundusz Inwestycyjny Zamknięty)	Warsaw	investment funds	Indirect subsidiary	full method	11.09.2012	40 556 358,19	97,63%	97,63%
GN INVEST UDM Sp. z o.o. S.K.A.	Warsaw	property development	Indirect subsidiary	full method	18.05.2010	209 790,21	97,63%	97,63%
G81 UDM Sp. z o.o. S.K.A.	Bielsk Podlaski	property development	Indirect subsidiary	full method	22.06.2011	8 083 574,02	97,63%	97,63%
Unibalaton Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	08.08.2013	50 000,00	97,63%	97,63%
Unibalaton UDM Sp. z o.o. S.K.A.	Warsaw	property development	Indirect subsidiary	full method	03.10.2013	50 000,00	97,63%	97,63%
Lykke UDM Sp. z o.o. S.K.A.	Warsaw	property development	Indirect subsidiary	full method	03.10.2013	6 660 810,00	97,63%	97,63%
Kontratowicza UDM Sp. z o.o. S.K.A.	Warsaw	property development	Indirect subsidiary	full method	03.10.2013	50 000,00	97,63%	97,63%
Hevelia UDM Sp. z o.o. S.K.A.	Warsaw	property development	Indirect subsidiary	full method	03.10.2013	4 484 000,00	97,63%	97,63%
Szczęśliwicka Sp. z o.o.	Warsaw	property development	Indirect subsidiary	full method	04.02.2014	50 000,00	97,63%	97,63%
Smart City Sp. z o.o. Sp.k.	Warsaw	property development	indirect associate	equity method	09.06.2015	1 000,00	48,82%**)*)	0%****)

Name of the entity specifying legal status	Registered office	Business activity	Character of relationship	Applied method of consolidation	Date of acquisition	Balance sheet value of shares	% of owned share capital	% of votes at the company's general meeting
Monday Development S.A.	Poznań	property development	Indirect subsidiary	full method	05.01.2016	55 813 090,65	97,63%	97,63%
Bukowska Sp z o.o.	Poznań	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Sokratesa Sp z o.o.	Warsaw	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Osieble Idea Sp z o.o.	Warsaw	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Osieble Marywińska Sp z o.o.	Warsaw	property development	Indirect subsidiary	full method	08.12.2016	13 500 000,00	97,63%	97,63%
Monday Sotacz Sp z o.o.	Poznań	property development	Indirect subsidiary	full method	27.10.2016	240 000,00	97,63%	97,63%
Bukowska 18 MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
Zielony Sotacz Tarasy MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
Monday Kosmonautów MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
URSA PARK Smart City Sp z o.o. Sp.k.	Warsaw	property development	indirect associate	equity method	03.08.2017	29 000 000,00	48,82%**)	0%**)
Wiepofama Development Sp z o.o.	Poznań	property development	indirect associate	equity method	22.02.2018	2 500,00	48,82%**)	48,82%**)
Wiepofama Development Sp z o.o. Sp.k.	Koszalin	property development	indirect associate	equity method	22.02.2018	5 001 000,00	48,82%**)	48,82%**)
Coopera IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	03.07.2018	10 000,00	97,63%**)	97,63%**)
Mickiewicza IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	11.07.2018	10 000,00	97,63%**)	97,63%**)
Asset IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	10.07.2018	10 000,00	97,63%**)	97,63%**)
UNIT Idea Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	29.11.2018	10 000,00	97,63%**)	97,63%**)
MD Inwestycje Sp. z o.o.	Poznań	property development	Indirect subsidiary	full method	17.04.2019	5 000,00	97,63%**)*)	97,63%**)*)
MD Inwestycje Sp. z o.o. Monday Mate Gabaryty Sp.k.	Poznań	property development	Indirect subsidiary	full method	17.04.2019	100	58,58%**)*)	96,65%**)*)

* total share including share in the general partner company

** share in Company profits/losses

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

**** share in Company profits/losses. Profit distribution takes place in two stages: first, partners' contributions are returned. The remaining profit is then divided between the partners, with 48.82% going to the Unibep Group

***** Does not include additional equity and other contributions

***** MD Inwestycje holds own shares (97,6%) intended for redemption. After registration of the reduction in share capital by the KRS (National Court Register), Unidevelopment SA will be the sole shareholder. Therefore, it was assumed that 100% of shares of this company are attributable to Unidevelopment.

CHANGES IN THE STRUCTURE OF THE UNIBEP GROUP IN 2019

Information about significant changes in the structure of the Unibep Group that took place in 2019:

1. On 1 April 2019, Unihouse SA was established as a wholly owned subsidiary of Unibep SA. The establishment of the company was part of an effort to convert the modular construction segment into an independent business.
2. In the second quarter of 2019, the shares of a subsidiary of Unidevelopment SA, MD Inwestycje Sp. z o.o., were acquired by Unidevelopment SA. The transactions also included the purchase and redemption of own shares of MD Inwestycje Sp. z o.o. As of the date of this report, the redemption of own shares is pending. Ultimately, as a result of these transactions, Unidevelopment will hold a 100% stake in MD Inwestycje Sp. z o.o.
3. In April 2019, the Unidevelopment Group acquired rights and obligations to the company Asset Idea Sp. z o.o., Sp. k., previously exercised by Monday Development SA.
4. On 1 July 2019, a new company, Unihouse SA, was registered in the National Court Register. 100% of its shares belong to Unibep SA. Unihouse SA has been established to continue the business operations of Unibep SA's Unihouse Branch.

As part of the spinoff of its modular construction business, Unibep SA concluded an agreement on 31 October 2019 with its subsidiary Unihouse SA, transferring ownership of the organised part of Unibep SA's Unihouse Branch in Bielsk Podlaski with a total value of PLN 38.7 million to a Subsidiary. (Current Report No. 51/2019)

5. On 11 October 2019, Unibep SA sold a 100% stake in OOO StrojImp, a company registered in Kaliningrad (Russian Federation).

This transaction had no significant impact on the Group's liquidity or financial results.

6. Merger of two companies from the Unidevelopment Group and increase in the share capital.

On 20 August 2019, a merger agreement was reached in which Monday Development SA acquired UDM2 Sp. z o.o.

On 6 November 2019, the Extraordinary General Meeting of Monday Development SA shareholders adopted resolutions approving the merger with Warsaw-registered UDM2 Sp. z o.o. and an increase of share capital.

The merger was conducted pursuant to art. 492 § 1(1) of the Commercial Companies Code of 15 September 2000 (Journal of Laws of 2000, No. 94,

item 1037 as amended), i.e. by transferring all assets of UDM2 Sp. z o.o. to Monday Development SA. As a result of the merger, the acquired company was dissolved without liquidation on 13 December 2019, when the merger was entered in the National Court Register. All its rights and obligations were assumed by the acquiring company through universal succession.

The increase in equity of Monday Development SA was recorded in the National Court Register's register of entrepreneurs on 16 December 2019.

Changes in Group structure after the balance sheet date

1. Change of company name

On 28 January 2020, the District Court in Poznań - Nowe Miasto i Wilda considered a request by Wiepofama Development Sp. z o.o. to change its name to Fama Development Sp. z o.o.

2. Change of company name

On 5 February 2020, a General Shareholders' Meeting adopted a resolution to change the name of Wiepofama Development Monday Palacza Sp. z o.o., Sp. k. to Fama Development Sp. z o.o., Sp. k.

The change became effective on 5 February 2020.

3. Merger plan for two companies from the Unidevelopment Group

On 24 February 2020, a merger plan was agreed in which Idea Sp. z o.o. is the company acquiring MD Inwestycje Sp. z o.o., registered in Poznań.

The transaction will take the form of a reverse merger because the Acquiring Company is a subsidiary of the Acquired. The merger will be carried out pursuant to art. 492 § 1(1) of the Commercial Companies Code of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037 as amended, CCC), i.e. by transferring all assets of MD Inwestycje Sp. z o.o., to Idea Sp. z o.o. As a result of the merger, the acquired company will be dissolved without liquidation. All its rights and obligations will be assumed by the acquiring company through universal succession.

4. Purchase of shares of companies from the Unidevelopment Group

On 28 February 2020, Unidevelopment SA acquired from the UNIDE Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (non-public closed-end investment fund) 19,000,000 registered common shares of G81 UDM Sp. z o.o., S.K.A. registered in Bielsk and 50,000 registered common shares of GN INVEST UDM Sp. z o.o., S.K.A. registered in Warsaw. As a result of this transaction,

Unidevelopment owns 99.99% of all shares in G81 UDM and 99.9% of all shares in GN INVEST UDM.

5. Merger plan for 12 companies from the Unidevelopment Group

On 28 February 2020, a merger plan was agreed and signed, in which Szczęśliwicka Sp. z o.o. acquired 11 companies from the Unidevelopment Group, including:

- UNIBALATON UDM Sp. z o.o., S.K.A. registered in Warsaw;
- KONDRATOWICZA UDM Sp. z o.o., S.K.A. registered in Warsaw;
- UDM Sp. z o.o. registered in Warsaw;
- LYKKE Sp. z o.o. registered in Warsaw;
- GN INVEST UDM Sp. z o.o., S.K.A. registered in Warsaw;
- G 81 UDM Sp. z o.o., S.K.A. registered in Bielsk Podlaski;
- UNIBALATON Sp. z o.o. registered in Warsaw;
- Bukowska Sp. z o.o. registered in Poznań;
- Monday Sołacz Sp. z o.o. registered in Poznań;
- Czarnieckiego MP Sp. z o.o., S.K.A. registered in Poznań;
- MP Sp. z o.o., S.K.A. registered in Poznań.

The merger of the companies will be carried out pursuant to art. 492 § 1(1) of the Commercial Companies Code of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037 as amended), i.e. by transferring all assets of the acquired companies. As a result of the merger, the acquired companies will be dissolved without liquidation. All their rights and obligations will be assumed by the acquiring company, Szczęśliwicka Sp. z o.o., through universal succession. The transaction will significantly simplify the organisational structure of the Unidevelopment Group.

6. Plan to convert a joint-stock company into a limited liability company

On 28 February 2020, a plan was signed to convert Monday Development SA (the company undergoing transformation) into Monday Development Sp. z o.o. (the transformed company), whose sole shareholder, Unidevelopment SA, will hold:

- a) 639,500 series A1 shares;
- b) 98,985 series B shares;
- c) 10,000,000 series C shares;
- d) 535,833 series D shares.

The nominal value of each share is PLN 0.14. The total nominal value of share capital is PLN 1,578,404.52. Unidevelopment SA's contribution is the equity of the transformed company, attributable to its shares. Share capital of the transformed company will amount to PLN 1,500,000, divided into 100 shares with a nominal value of PLN 15,000 each.

7. On 22 January 2020, the District Court in Białystok, XII Commercial Division of the National Court Register, changed the name of Budrex-Kobi Sp. z o.o. to Budrex Sp. z o.o.

In 2019, after the balance sheet date, there were no significant changes in the management principles of the Capital Group or the Dominant Entity.

3.3 Information on supply

The Group's purchases of materials and services are governed by internal quality management procedures.

Responsibility for services purchases under construction projects rests mainly with the project managers directly involved in supervising contract implementation. Such purchases are always supervised by directors responsible for a particular market or at a higher level, depending on the scale of the contract.

Purchase of construction materials constitutes a separate process developed and improved within the Group and the Dominant Entity. Materials are divided into several categories. Responsibility for purchases – from a determination of needs, through initial inquiries, negotiations, signing of the purchase agreement and monitoring of its implementation – varies by material category, resting either with the managers of the project or market segment, or the Main Procurement Of-

fice, with support from the Management Board and the Group's legal team. The role of the Main Procurement Office is becoming more prominent. Central purchases of key materials (steel, concrete, milled rock files, stone, mineral wool, etc.) have helped curb production costs. The Main Procurement Office also continuously monitors market prices.

Ensuring the steady supply of key construction materials is an important part of our business. We are continually working both on the process improvement and its integrity.

In the analysed period, there was no dependence of the Dominant Entity or the Capital Group on any supplier of materials and services. No supplier accounted for more than 10% of Group purchases.

Risks related to procurement prices are described in Section 8.1. *Description of risks and threats.*

3.4 Development activities

With respect to the matters discussed above, the following activities in 2019 could influence future operations of the Dominant Entity and the Capital Group:

- The spin-off of the Group's modular construction activity into an independent company, Unihouse SA;
- Continuing efforts to improve supervision and efficiency by adopting a process-oriented approach to construction project (from initial offer to post-completion warranty service);
- The creation of structures fostering the development of competences in industrial construction;
- Work on human resources programmes to hire, retain and develop staff; development of new incentive systems;
- Continuation of stabilisation measures to improve or maintain efficiency in all areas of the Group's operations;
- Establishing strategies for digitising and automating operational processes;
- Expanding the use of BIM (Building Information Modelling) technology;
- Structuring the Technical Office to play a leading role in acquiring know-how for the entire Group and optimising implementation of individual contracts;
- Expanding the expertise of the Main Procurement Office to make purchases of materials and services more cost-efficient throughout the Unibep Group;
- Further improvements in occupational health and safety through stricter standards and active participation in the Construction Safety Agreement;
- Completion of investments to enhance production capacity and efficiency in the infrastructure and modular housing segments (Unihouse SA);
- Continued efforts to standardise output at Unihouse SA;
- Strengthening of Unihouse SA's sales efforts on the Polish market;
- Building contracting skills that will allow the Group to bid independently for expressway contracts;
- Introducing a "land bank" of accumulated properties as an important element of the Unidevelopment's strategy for coping with changing business conditions and client needs over the next few years;
- Continuing joint development investment programmes with partners from outside the Group, e.g. multi-stage joint venture to build 2,000 apartments with Wiepofama entities;
- Coordinating activities of the Group's businesses to achieve synergies, optimise costs, and take advantage of market opportunities;
- Further development of quality management systems in Unibep units.

4. MARKET AND DEVELOPMENT PROSPECTS

4.1 Current economic situation and forecasts

Situation in 2019

It is estimated that Poland's economy expanded by about 4.0% in 2019, slowed from 5.1% in 2018. Domestic demand remained the main driver of growth, especially in terms of investments. A slowdown in import and export growth was noticeable, due to less favourable global conditions. According to preliminary estimates, average annual inflation (HICP) accelerated to 2.1% in 2019, from 1.2% in 2018.

Forecast for 2020

At the beginning of February 2020, the European Commission published forecasts for the Polish economy. At that time, the Commission projected that Poland's gross domestic product would expand by approx. 3.3%.

The recent announcement of an epidemiological emergency in Poland due to the spread of the COVID-19 coronavirus, along with the effects of that pandemic in other countries, have made the above forecasts obsolete.

Economic forecasting is extremely difficult when faced with events taking place on an unprecedented scale. Europe and the rest of the world have restricted individual travel; commercial activities have been virtually shut down in some regions. Many economic institutes are projecting a 30% contraction of GDP during the lockdown period under worst-case scenarios. The response to the pandemic is radical. A key business risk is serious disruption of supply chains. The baseline scenario assumes a significant slowdown in economic growth.

4.2 Group outlook and directions for strategic development

The strategic goal of the Dominant Entity and the Unibep Group is systematic growth of shareholder equity.

Entire collective of both Unibep SA and Unibep Group design and implement activities strengthening the Group's position in all business segments. This means acquiring the essential know-how, diversifying activities, and exploring new markets.

This development outlook and timeline have been partially limited by the declaration of an epidemiological emergency in Poland. As a result, negative consequences cannot be precluded for the Issuer and the entire industry. Concerns include possible reductions in output, rising absenteeism, supply chain disruptions, raw materials and goods shortages, transport restrictions, delayed deliveries to construction sites, slower construction work leading to failure to meet contractual deadlines, foreign exchange volatility, reduced or postponed investment orders, and a limitation of the Group's own investments – any and all of which could inhibit internal growth. We are closely monitoring these risks and taking steps to minimise their potential impact on the Group.

RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION

Residential and non-residential construction operates within the Dominant Entity. Its geographic scope co-

vers Poland and Eastern Europe. Financially, this operational segment generates over 60% of the Group's revenue.

Unibep has had a well-established position in central Poland for years. The company is a market leader in residential construction in Warsaw. Good business relations with developers pay off with subsequent contracts. Sales efforts are focused on sustaining current investments in 2020 and ensuring a smooth transition to 2021. However, in light of current events, some goals have been redefined.

Domestically, increased efforts have been made to acquire industrial contracts. Our business structures have been adjusted to meet this objective. The company completed several industrial projects in 2019. We expect to add more non-residential projects to our order book and will continue to stress non-residential construction in the future.

Poznań is a highly significant market – especially in the development segment, where Unibep SA is the main general contractor. The company is also present in other urban areas, including Krakow, Łódź, and Kutno. The importance of markets other than Warsaw and Poznań may increase as the Group increases its exposure to the industrial segment.

Currently, opportunities to generate new business have diminished drastically. We expect the market to recover once the coronavirus pandemic is under control. The situation is volatile, but the construction market may rebound if the contagion can be curbed.

Crucial to the development of this business sector was the decision to introduce BIM technology. Since the company regards this technology as decisive to the future of the construction industry, we must participate in these changes. Some projects are already being implemented with this technology, while others are in the planning stages.

2019 was another good year for Unibep's export business, both in terms of market position and financial results. Sales matched those in 2019, while the profitability of investments stayed above 5%. Our business model on these markets continues to show its effectiveness.

Both the Belarusian and Ukrainian markets are important. The export office stepped up its efforts in 2019 to drum up attractive new projects. This resulted in three construction contracts signed in the fourth quarter, one on the Ukrainian market and two in Belarus. Other new contracts are being negotiated. The company recognition, especially on the Belarusian market, is high.

Unibep is not yet active on the Russian and German markets.

In late 2018, we decided to terminate operations in Germany and deregister our local subsidiary. This was accomplished in cooperation with local authorities. Settlements with investors and subcontractors have not yet been completed. Liability guarantees and collateral remain intact in accordance with prior agreements. In addition, enforcement of receivables withheld by investors and settlement of unrecognised parts of contractual works are yet to be finalised.

MODULAR CONSTRUCTION

Numerous changes were planned for the modular construction segment in 2019. The general aim was to streamline the organisation, increase flexibility, and sharpen the focus on market positioning.

An Extraordinary General Shareholders Meeting on 28 February 2019 approved the conversion of the Unihouse branch into an independent company. This decision was preceded by consultations between Unibep SA's Management and Supervisory Boards, during which the former presented strategic analyses of Unihouse's development opportunities and prospects. An expert team worked on making Unihouse fully independent in the legal, organisational, economic, and financial sense. The formal spin-off occurred on 31 October 2019, when Unibep SA signed an agreement to transfer the ownership of its Unihouse Branch in Bielski Podlaski to its new subsidiary, Unihouse SA.

On 4 November 2019, management of Unihouse SA was taken over by a four-member Management Board. The spin-off of Unihouse gives the company an opportunity for faster growth and specialisation, while not closing the way to synergies within the companies and branches of the Unibep Group. Unihouse SA aspires to be a serious player on the modular construction market, both in Poland and abroad. The company's order book is currently valued at more than PLN 280 million.

Efforts continue to improve efficiency and make better use of existing and planned production capacity. However, there is a risk that these measures may be stymied by the pandemic. The expansion of the Modular Housing Factory in Bielski Podlaski has provided a springboard to develop new markets. The first projects on the Polish market are underway or have been completed. Comfortable, fully furnished bungalows manufactured by Unihouse have been installed at the Park of Poland, Europe's largest indoor water park. Unihouse SA is also interested in participating in Polish housing initiatives such as Mieszkanie Plus (state housing programme), Polskie Domy Drewniane (Polish Wooden Houses – state company), etc. Other opportunities include public-private partnerships in Poland and similar, well-established programmes in Sweden.

In Norway, the Unihouse Branch had completed several real estate development projects with a local partner over the past few years. Financially, this nicely complements Unibep SA's core operations on the Scandinavian market. Currently, Unihouse SA does not have any pending contracts in this region.

Foreign exchange rates, especially that of the Norwegian Krone, have an important influence on the profitability of the modular construction business. The Krone has traded at exceptionally low levels for an extended period. This unfavourable situation has negatively affected profitability and sales results. It is extremely important to reverse this negative trend and thus minimise the associated risks.

INFRASTRUCTURE SEGMENT

The outlook for growth in the infrastructure construction segment is assessed as moderately good. Both the Unibep Infrastructure Branch and the Budrex company are prepared to implement their objectives for 2020. The order book of the road and bridge business should allow activity to remain at the 2019 level.

In recent years, the Group has built up competences in building high-speed roads, acquired several expressway contracts. Geographically, the road segment focuses on local, county (powiat), and regional highways in north-eastern Poland. The bridge business, which is being developed under the aegis of the Budrex company, has more of a nation-wide presence. It is being developed by the Budrex company.

Several important construction investments are scheduled for completion in 2020. Performance in

subsequent years will depend greatly on adapting to changing market rules and conditions.

The Infrastructure Branch is working to acquire stable orders but simultaneously it strives to sustain output and make effective use of its entire potential.

In 2019-2020, one of its biggest investments was the National Road 66 (DK 66) contract awarded under the design and build formula. Two of the project's four road sections have already been completed. Using the same formula, Unibep also won (as part of a consortium) a tender to build a section of the S61 expressway, part of the trans-European Via Baltica route. This contract will be one of the most important in the company's road and bridge building business in 2020.

Pandemic-related market disruptions, rising prices, and possible shortages of materials and services could curb sales and financial results. This situation may affect the Unibep Group's infrastructure segment and the wider construction industry.

An event that may affect future periods is the withdrawal from the Dąbrowa Białostocka-Sokółka highway contract. This decision was made on 23 March 2018 by Unibep SA, as the consortium leader, and was communicated in the company's Current Report No. 14/2018.

In addition, in the first quarter of 2019, there were differences of interpretation concerning the scope of responsibility for the final settlement of a project subcontracting engineering structures commissioned by the general contractor Polaqua in 2016-2018. As a result of the above, Polaqua Sp. z o.o. charged Budrex-Kobi Sp. z o.o. a contractual penalty of approx. PLN 6 million. Then, in April 2019, Polaqua Sp. z o.o. asked InterRisk TU SA. to make a guarantee payment of approx. PLN 2.1 million due to the situation described above. In June 2019, InterRisk paid Polaqua the guarantee in full, and in July 2019, Budrex-Kobi reimbursed InterRisk for that amount. In November 2019, Budrex-Kobi filed a lawsuit against Polaqua Sp. z o.o. over the unauthorised guarantee payment seeking damages of PLN 2.6 million. Court proceedings are pending.

REAL ESTATE DEVELOPMENT

The development business is a key component of the Unibep Group's financial results, thanks to good performance in recent quarters.

The business development strategy of our Unidevelopment SA subsidiary invariably assumes a continued focus on building an offer attractive for customers in the Warsaw and Poznań markets, where the company and their subsidiaries are present. The Group is also active in Radom.

The Unidevelopment Group ended 2019 on a strong note. Over the course of the year, the Group delivered 607 finished units to customers – a significant incre-

ase from 445 in 2018. Net apartment sales totalled 716 units, up from 445 a year earlier.

The volume of sales of the group reached 716 apartments, i.e. 221 more than in 2018.

Unidevelopment's operations on these markets are conducted within its own group and through special

Market	Developer sales	Delivered to clients
Warsaw	497	450
Poznań	175	127
Other	44	30
TOTAL	716	607
<i>including JV</i>	172	195

PROJECTS COMPLETED IN 2019

	Residential units	Commercial units
Marywilska Osiedle Kameralne	333	
Ursus stage IV (JV2)	196	
Warsaw market	529	-
Zielony Sotacz Tarasy	74	
Nowych Kosmonautów stage I	102	
Poznań market	176	-
Osiedle Idea Ogrody (MDM 3)	12	
Mieszkania Mickiewicza	48	
Other markets	60	-
TOTAL	765	-

PROJECTS UNDER CONSTRUCTION AS OF DEC. 31, 2019

	Residential units	Commercial units
Osiedle Coopera stage 1	100	-
Osiedle Coopera Stage 2 ¹⁾	127	-
URSUS stage V (JV3)	153	8
URSUS stage VI (JV3)	188	10
Warsaw market	568	18
Nowych Kosmonautów stage 2	112	-
Nowych Kosmonautów stage 3	130	3
Poznań market	242	3
Osiedle Idea Alfa (EIF1)	51	-
Other markets	51	-
TOTAL	861	21

PROJECTS IN PREPARATION AS OF DEC. 31, 2019

	Residential units	Commercial units	Start date
Osiedle Coopera stage 3 ¹⁾	178	-	3Q 2020
Osiedle Coopera stage 4	82	3	4Q 2023
URSUS stage 7 (JV4) ²⁾	206	3	3Q 2020
URSUS stage 8 (JV4) ²⁾	195	10	2Q 2021
Sokratessa	124	5	2Q 2021
Warsaw market	785	21	
Osiedle Idea Gemini (EIF2)	92	-	suspended
Osiedle Idea Omega (E2)	130	-	3Q 2020
Osiedle Idea Ogrody (MDM12)	48	-	3Q 2020
Radom market	270	-	
Wiepofama stage 1 (JV) ²⁾	251	11	3Q 2020
Wiepofama stage 2 (JV) ²⁾	270	5	1Q 2021
Wiepofama stage 3-8 (JV) ²⁾	1 634	38	3Q 2022 ³⁾
Bukowska ¹⁾	170	5	3Q2020
Poznań market	2 325	59	
TOTAL	3 380	80	

1) preliminary agreement to purchase real estate

2) joint venture

3) start date for stage 3 only

purpose vehicles. The company also has apartments for sale in Bielsk Podlaski, where Unihouse constructed and delivered 48 apartments using modular technology. Residential projects currently underway include the Coopera and Ursus housing estates in Warsaw, the Nowych Kosmonautów development in Poznań, and the Idea Alfa complex in Radom.

On the Poznań market, we are preparing a large, multi-stage investment in a joint venture with a local machine tool manufacturer, Wiepofama SA. This joint venture proposes to build more than 2,000 apartments on a 7.5 hectare downtown site (J. H. Dąbrowskiego Street) over the next few years.

Willing to provide an attractive offer, the Group still intends to build up a land bank of attractive properties, concentrated on markets where the Group's brand is firmly established (i.e. Warsaw and Poznań). Acquisition of these properties should help ensure a

steady pipeline of new development projects and satisfactory financial results, given prevailing market conditions. Another key element in this strategy is securing stable financing for land purchases.

These performance goals will have to be verified against risks that affect the whole real estate development sector. Risk factors considered in Unibep projects include escalating construction costs, higher land prices, adverse regulatory changes, and limited access to development properties. The short-term collapse in consumer demand caused by the coronavirus pandemic has also contributed to a high level of uncertainty.

BACK OFFICE

The main role of back office is to support the planning, organisation, and supervision of all business activities. In 2019, a number of steps were taken to improve and optimise processes in all areas of Group operations. These efforts will continue in the future.

The most important measures include:

- redoubling sales and marketing efforts while reinforcing elements of the business responsible for acquiring new contracts;
- close supervision of quality control, procurement, and occupational safety on all current contracts;
- ensuring the proper functioning of internal controls, quality coordination, risk management, and internal auditing procedures;
- improving IT systems to provide management with needed analytical data (Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, IBM Cognos, Consoia);
- participating in the development of BIM technology;
- prioritising financial liquidity to ensure operational efficiency and build trust among business partners.

MAIN FACTORS THAT MAY AFFECT THE FUTURE FINANCIAL RESULTS OF THE DOMINANT ENTITY AND THE CAPITAL GROUP

External factors:

- spread of the COVID-19 coronavirus pandemic - looming economic crisis;
- intensifying market and price competition;
- greater openness to new investments on the Belarusian and Ukrainian markets;
- volatility on the foreign exchange market (large short-term currency fluctuations);
- higher costs of materials and subcontracting services;
- the impact of the Polish government's Mieszkanie Plus family housing programme on the residential sector;
- risk of decreased orders from domestic developers and public procurement;
- acquisition of modular construction contracts on new markets – especially in Sweden, Poland, and Germany;

- limited access to external financing;
- temporary shutdowns of selected industries;
- opportunities to tap EU funding for research and development;
- low interest rates allowing for relatively cheap external financing;
- exclusion from price escalation clauses for goods and services in public procurement contracts;
- labour shortages and high employee turnover;
- a glut of public procurement tenders, especially for infrastructure investments;
- great uncertainty about the reliability of basic macroeconomic indicators and forecasts for markets on which the Issuer and its companies are active.

Internal factors:

- temporary restrictions on the Polish economy caused by the coronavirus pandemic;
- the company's stable financial condition, financial liquidity, access to credit lines and guarantees in banks and insurance companies;
- difficult conditions on the domestic bond market, leading to higher debt issuance costs;
- order books in all business segments of the Group;
- a shift in domestic general contracting to non-residential segments, especially industrial construction;
- a growing presence on the Belarusian and Ukrainian markets;
- efforts to diversify geographically the modular construction business by bolstering its presence on the Polish market;
- establishing a land bank to enhance the company's ability to launch its own development projects as needed;
- optimising the Microsoft Dynamics AX 2012 enterprise management system and other platforms, such as Microsoft Dynamics CRM, AX People, and IBM Cognos, to support operational processes in all companies of the group;
- introduction of BIM technology;
- improving process and output efficiencies through better use of internal know-how through the company's Technical Office, Quality and Implementation Technology Office, and R&D Department;
- relatively high dependence on large-scale construction, including residential construction;
- relatively high dependence on the Warsaw market;
- the spinoff of Unihouse SA as an independent entity within the Group.

5. FINANCIAL STANDING OF THE UNIBEP GROUP

5.1 Basic financial data and economic figures

As of 31 December 2019, the consolidated value of assets of the Unibep Group increased by PLN 149.2 million compared to 31 December 2018. This resulted from an almost 10% increase in the value of fixed assets (to PLN 21.7 million) and an increase in current assets by 17% (to PLN 127.5 million).

Fixed assets

The change in the value of fixed assets as of 31.12.2019, year to year, was mainly attributable to:

- a PLN 23.7 million increase in the value of fixed assets;
- a PLN 20.0 million increase in investments in equity-accounted entities;
- a PLN 12.7 million decrease in contract-related customer deposits.

Current assets

The change in the value of current assets was mainly attributable to:

- a PLN 122.2 million increase in the value of cash and cash equivalents;
- a PLN 36.1 million increase in inventories;
- a PLN 21.8 million increase in the value of advanced loans;
- a PLN 39.2 million decrease in the value of trade liabilities and other receivables
- a PLN 19.1 million decrease in customer deposits on construction agreements

Liabilities

On the liabilities side, changes included:

- a PLN 13.1 million increase in equity;
- a PLN 42 million increase in long-term liabilities, of which:
 - o credits, loans, and other financial liabilities rose by PLN 35 million;
 - o deferred tax provisions increased by PLN 3.24 million;
- a PLN 94.2 million increase in short-term liabilities, of which:
 - o contractual liabilities increased by PLN 78 million;
 - o short-term provisions rose by PLN 17.1 million;
 - o trade payables and other liabilities increased by PLN 15.2 million;
 - o credits, loans, and other financial liabilities decreased by PLN 20.8 million.

Most of the Unibep Group's financial indicators were

at a similar or slightly higher level on a year-to-year basis. Profitability improved, both at the level of EBIT and net profit. The year 2019 was difficult for the construction industry, but calmer than in 2018.

The return on equity (ROE) ratio remains good at 11.12%, improved by 0.54 percentage points from the previous year.

Group sales revenues were virtually unchanged from the previous year.

Analysed by business segment, the real estate development and modular construction groups noted a significant increase in revenues from 2018. Infrastructure sales remained similar to the year before, but margins significantly increased. Sales in the residential and non-residential construction segment fell slightly from 2018, yet the pre-tax profit on sales almost doubled.

While there was a slight decrease in sales costs in 2019 (by PLN 846,000), this was more than offset by a 16% increase in administrative expenses. The key takeaway, however, is the operational result (EBIT) and profitability are improved from 2018.

The Dominant Entity also improved its net results compared with the previous year. Unibep SA's net profit increased by approx. 84% from the previous year, on a 1.3% increase in sales. Cash at the end of the year totalled a relatively high PLN 142.6 million, with surplus cash flows from operating activities of approx. PLN 158 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN THOUSANDS)

	31.12.2019	31.12.2018	Change	% Change
ASSETS				
Long-term fixed assets				
Fixed assets	117 655	93 915	23 740	25.3%
Intangible assets	25 131	27 094	-1 963	-7.2%
Financial assets available for sale	0	258	-258	-100.0%
Investments in equity-accounted entities	28 843	8 839	20 004	226.3%
Deposits due from contracts with customers	34 095	46 765	-12 670	-27.1%
Loans advanced	0	6 458	-6 458	-100.0%
Financial assets (FVPL/FVOCI)	32	1 688	-1 656	-98.1%
Long-term accruals	3 085	2 510	575	22.9%
Deferred income tax assets	37 728	37 346	382	1.0%
Total fixed assets (long-term)	246 568	224 873	21 695	9.6%
Short-term current assets				
Inventories	261 264	225 183	36 081	16.0%
Trade receivables and other receivables	213 342	252 493	-39 151	-15.5%
Deposits due from contracts with customers	23 062	42 120	-19 058	-45.2%
Contract assets	124 445	104 818	19 627	18.7%
Current income tax receivables	2 507	16 005	-13 498	-84.3%
Financial assets (FVPL/FVOCI)	628	2 089	-1 461	-69.9%
Loans advanced	51 709	29 878	21 831	73.1%
Short-term accruals	3 537	2 589	948	36.6%
Cash and cash equivalents	178 374	56 182	122 192	217.5%
Total current assets (short-term)	858 868	731 358	127 510	17.4%
TOTAL ASSETS	1 105 437	956 231	149 206	15.6%
LIABILITIES				
Equity				
Share capital	3 507	3 507	0	0.0%
Exchange differences on converting foreign operations	0	-4	4	-100.0%
Other capitals, including:	215 438	207 083	8 356	4.0%
Share premium	60 905	60 905	0	0.0%
Retained profit (loss)	51 893	47 921	3 972	8.3%
Equity attributable to shareholders of the dominant company	270 838	258 506	12 332	4.8%
Equity attributable to non-controlling shares	5 890	5 149	741	14.4%
Total equity	276 728	263 656	13 073	5.0%
Long-term liabilities				
Credits, loans, and other financial liabilities - long-term	102 983	67 952	35 031	51.6%
Long-term provisions	32 853	30 891	1 962	6.4%
Deposits due from contracts with customers	50 185	48 745	1 440	3.0%
Deferred long-term revenue	897	609	289	47.4%
Deferred tax provisions	5 071	1 827	3 244	177.6%
Total long-term liabilities	191 990	150 023	41 967	28.0%
Short-term liabilities				
Trade liabilities and other liabilities	250 341	235 106	15 235	6.5%
Deposits due from contracts with customers	47 479	46 954	525	1.1%
Contract liabilities	168 426	90 389	78 037	86.3%
Credits, loans, and other financial liabilities - short-term	30 718	51 470	-20 752	-40.3%
Current income tax liabilities	4 854	827	4 027	487.2%
short-term provisions	134 812	117 759	17 053	14.5%
Deferred short-term revenue	88	48	40	84.6%
Total short-term liabilities	636 718	542 551	94 166	17.4%
TOTAL LIABILITIES	1 105 437	956 231	149 206	15.6%

SEPARATE FINANCIAL STATEMENT IN THOUSANDS – UNIBEP SA

	31.12.2019	31.12.2018	Change	% Change
ASSETS				
Fixed assets				
Fixed assets	45 531	78 305	-32 774	-41.9%
Intangible assets	8 834	16 042	-7 208	-44.9%
Investments in equity-accounted entities	8	8	0	0.0%
Long-term Investments in other entities	155 961	107 370	48 591	45.3%
Financial assets (FVPL/FVOCI)	32	1 688	-1 656	-98.1%
Deposits due from contracts with customers	35 861	47 489	-11 628	-24.5%
Loans advanced	57 554	19 999	37 555	187.8%
Long-term accruals	2 609	2 234	375	16.8%
Deferred income tax assets	30 211	29 577	633	2.1%
Total fixed assets	336 601	302 712	33 889	11.2%
Current assets				
Inventories	18 684	32 811	-14 126	-43.1%
Trade receivables and other receivables	194 700	232 815	-38 115	-16.4%
Deposits due from contracts with customers	25 257	42 312	-17 055	-40.3%
Contract assets	86 550	103 689	-17 139	-16.5%
Current income tax receivables	2 417	15 916	-13 499	-84.8%
Financial assets (FVPL/FVOCI)	628	2 089	-1 461	-69.9%
Loans advanced	497	31 459	-30 962	-98.4%
Short-term accruals	2 353	1 853	499	26.9%
Cash and cash equivalents	142 522	43 571	98 951	227.1%
Total current assets	473 608	506 516	-32 908	-6.5%
TOTAL ASSETS	810 210	809 229	981	0.1%

	31.12.2019	31.12.2018	Change	% Change
LIABILITIES				
Equity				
Share capital	3 507	3 507	0	0.0%
Other capital	183 428	203 346	-19 918	-9.8%
including share premium	62 154	62 154	0	0.0%
Retained profit (loss)	16 589	-2 937	19 526	-664.9%
Equity attributable to shareholders of the dominant company	203 524	203 916	-392	-0.2%
Minority capital				
Total equity	203 524	203 916	-392	-0.2%
Long-term liabilities				
Credits, loans, and other financial liabilities	80 724	51 646	29 078	56.3%
Long-term provisions	30 194	29 634	560	1.9%
Deposits due from contracts with customers	48 678	48 254	424	0.9%
Deferred revenue	19	609	-590	-97.0%
Total long-term liabilities	159 614	130 142	29 472	22.6%
Short-term liabilities				
Trade liabilities and other liabilities	192 430	216 780	-24 349	-11.2%
Deposits due from contracts with customers	46 437	45 916	521	1.1%
Contract liabilities	73 324	66 615	6 709	10.1%
Credits, loans, and other financial liabilities	12 909	40 805	-27 896	-68.4%
Current income tax liabilities	1 332	383	949	247.6%
Short-term provisions	120 616	104 624	15 992	15.3%
Deferred revenue	24	48	-24	-49.7%
Total short-term liabilities	447 071	475 170	-28 099	-5.9%
TOTAL LIABILITIES	810 210	809 229	981	0.1%

CONSOLIDATED INCOME STATEMENT IN THOUSANDS PLN

	31.12.2019	31.12.2018	Change	% Change
OPERATING ACTIVITY				
Revenue from contracts with customers, including:	1 659 658	1 658 622	1 035	0.1%
From sales transactions for which the value was not finally determined at the end of the reporting period (IFRS 15)	-4 644	-592	-4 052	684.8%
Costs of sold products, goods, and materials	1 530 483	1 562 508	-32 025	-2.0%
Gross profit (loss) on sales	129 175	96 115	33 060	34.4%
Distribution costs	8 428	9 274	-846	-9.1%
Administrative costs	53 743	46 296	7 446	16.1%
Other operating revenue	7 149	8 608	-1 459	-16.9%
Other operating costs	21 831	8 044	13 787	171.4%
Expected credit loss	12 354	6 326	6 028	95.3%
Operating profit (loss)	39 968	34 781	5 186	14.9%
Financial revenue, including:	4 827	4 789	38	0.8%
Income on interest calculated with the effective interest rate method	3 594	3 588	7	0.2%
Financial costs	12 472	5 955	6 517	109.4%
Share in net profit (loss) of equity-accounted subsidiaries	6 506	3 754	2 752	73.3%
Pre-tax profit (loss)	38 828	37 369	1 459	3.9%
Income tax	8 775	9 804	-1 030	-10.5%
Net profit (loss) from continued operations	30 053	27 564	2 489	9.0%
Net profit (loss)	30 053	27 564	2 489	9.0%

CONSOLIDATED CASH FLOW STATEMENT IN THOUSANDS PLN

	01.01 – 31.12.2019	01.01 – 31.12.2018
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
I. Gross profit (loss)	38 828	37 369
II. Total adjustments:	146 699	-148 406
1. Depreciation:	15 874	10 530
2. Profit (loss) due on foreign exchange	-255	-650
3. Interest and share in profit (dividends)	4 438	3 994
4. Profit (loss) from investing activities	829	-948
5. Change in provisions	18 677	4 520
6. Change in inventories	-28 399	-31 723
7. Change in receivables	50 472	-19 840
8. Change in short-term liabilities, except for financial liabilities	73 818	-26 441
9. Change in accruals	-917	-60 492
10. Other adjustments	-129	-377
11. Income tax paid/returned	12 292	-26 979
Net cash from operating activities	185 527	-111 037
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible and fixed assets	-4 869	-18 781
Inflows from disposal of intangible and fixed assets	913	514
Inflows from the sale of shares	2 056	6 950
Purchase of shares, interests, and other capital assets (including equity contribution)	-8 330	-2 501
Interest received	2 289	3 211
Dividends received	11 202	16 617
Paid loans	962	17 298
Loans advanced	-23 904	-40 922
Other (including the implementation of derivatives)	587	-337
Net cash from investing activities	-19 093	-17 952
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Inflows from loans, credits, bonds, bills of exchange	141 130	79 459
Repayment of loans, credits, bonds, bills of exchange	-153 440	-42 090
Net inflows from issuance of shares (incentive program), additional equity contributions and other equity instruments		
Own shares purchase	-7 190	-
Payment of liabilities under financial lease	-7 730	-4 186
Interest paid	-9 547	-7 908
Dividends paid	-7 516	-6 814
Net cash from financing activities	-44 292	18 460
NET CHANGE IN CASH	122 141	-110 528
including:		
Exchange differences	186	141
CASH AT THE BEGINNING OF THE PERIOD	56 047	166 570
CASH AT THE END OF THE PERIOD	178 188	56 042
of which restricted cash	23 280	10 448

SEPARATE INCOME STATEMENT IN THOUSAND PLN – UNIBEP SA

OPERATING ACTIVITY	31.12.2019	31.12.2018	Change	% Change
Revenue from contracts with customers, including:	1 382 105	1 364 772	17 333	1.3%
From sales transactions for which the value of revenue has not been finally determined at the end of the reporting period (IFRS 15)	-12 019	25 579	-37 598	-147.0%
Costs of sold products, goods, and materials	1 293 705	1 323 382	-29 676	-2.2%
Gross profit (loss) on sales	88 400	41 390	47 010	113.6%
Distribution costs	0	11	-11	-100.0%
Administrative costs	39 752	31 972	7 780	24.3%
Other operating revenue	4 703	4 318	385	8.9%
Other operating costs	2 592	3 834	-1 242	-32.4%
Expected credit loss	13 087	1 339	11 747	877.0%
Operating profit (loss)	37 672	8 552	29 120	340.5%
Financial revenue, including:	4 739	12 776	-8 036	-62.9%
Income on interest calculated with the effective interest rate method	4 016	4 543	-527	-11.6%
Financial costs	10 468	6 232	4 236	68.0%
Pre-tax profit (loss)	31 944	15 096	16 848	111.6%
Income tax	6 111	3 176	2 935	92.4%
Net profit (loss) from continued operations	25 833	11 920	13 913	116.7%
Profit (loss) on discontinued operations	-9 244	-2 877	-6 367	221.3%
Net profit (loss)	16 589	9 042	7 547	83.5%

SEPARATE CASH FLOW STATEMENT IN THOUSAND PLN – UNIBEP SA

	01.01 – 31.12.2019	01.01 – 31.12.2018
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
I. a. Gross profit (loss) from continued operations	31 944	15 096
I. b. Gross profit (loss) from discontinued operations	-10 188	-2 581
I. Gross profit (loss)	21 756	12 515
II. Total adjustments:	135 921	-67 062
1. Depreciation:	12 429	9 199
2. Profit (loss) due on foreign exchange	-3	-629
3. Interest and share in profit (dividends)	3 181	-4 488
4. Profit (loss) from investing activities	-1 002	266
5. Change in provisions	19 432	7 204
6. Change in inventories	8 605	-2 914
7. Change in receivables	56 201	-33 321
8. Change in short-term liabilities, except for financial liabilities	25 455	-31 461
9. Change in accruals	-972	200
10. Other adjustments	52	-438
11. Income tax paid/returned	12 543	-10 681
Net cash from operating activities	157 677	-54 547
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Purchase of intangible and fixed assets	-2 678	-18 097
Proceeds from disposal of intangible and fixed assets	844	354
Purchase of shares, interests, and other capital assets (including equity contribution)	-100	-5
In-kind contribution of an organised part of the entity	-30 056	-
Interest received	3 618	5 633
Dividends received	-	6 443
Paid loans	10 962	54 019
Loans advanced	-17 000	-24 162
Other (including the implementation of derivatives)	-18	-194
Net cash from investing activities	-34 428	23 991
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Inflows from loans, credits, bonds, bills of exchange	40 075	55 000
Repayment of loans, credits, bonds, bills of exchange	-36 449	-33 136
Own shares purchase	-6 837	0
Payment of liabilities under financial lease	-6 402	-3 476
Interest paid	-7 224	-7 233
Dividends paid	-7 276	-6 814
Net cash from financing activities	-24 112	4 342
NET CHANGE IN CASH	99 137	-26 214
including:		
Exchange differences	-39	146
CASH AT THE BEGINNING OF THE PERIOD	43 425	69 640
CASH AT THE END OF THE PERIOD	142 562	43 425
of which: restricted cash	15 181	2 123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN THOUSAND PLN

Attributable to shareholders of the dominant entity

ITEM	Exchange differences on converting foreign operations	Other capital				Retained profit (loss)		Total	Non-controlling shareholders' equity	Total own equity
		Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net			
01.01.2019	-4	2 286	35 614	108 278	60 905	21 667	26 254	258 506	5 149	263 656
Previous year results carry-over to retained earnings						26 254	-26 254	0	0	0
Distribution of profit				31 286		-31 286		0	0	0
Distribution of profits per dividend						-7 276		-7 276		-7 276
Allocation of spare capital to cover loss				-13 206		13 206		0	0	0
Own shares purchase from reserve capital			-6 837					-6 837	15	-6 822
Current year result	4	-2 887					29 328	29 328	725	30 053
Other comprehensive income	0	-602	28 777	126 358	60 905	22 565	29 328	-2 883	5 890	-2 883
31.12.2019	0	-602	28 777	126 358	60 905	22 565	29 328	270 838	5 890	276 728

Attributable to shareholders of the dominant entity

ITEM	Exchange differences on converting foreign operations	Other capital				Retained profit (loss)		Total	Non-controlling shareholders' equity	Total own equity
		Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net			
STATE AS OF 31.12.2017	-4	4 872	35 614	94 505	60 905	28 589	25 778	253 766	3 838	257 604
Effect of IFRS 9 applied						-2 674		-2 674		-2 674
Effect of IFRS 15 for the first time						-9 439		-9 439		-9 439
01.01.2018	-4	4 872	35 614	94 505	60 905	16 476	25 778	241 653	3 838	245 491
Previous year results carry-over to retained earnings						25 778	-25 778	0	0	0
Distribution of profit				24 694		-24 694		0	0	0
Distribution of profits per dividend				0		-5 518		-5 518		-5 518
Allocation of spare capital to cover loss				-9 625		9 625		0	0	0
Allocation of spare capital for dividend payment				-1 296				-1 296		-1 296
Current year result	0	-2 586		0			26 254	26 254	1 311	27 564
Other comprehensive income	-4	2 286	35 614	108 278	60 905	21 667	26 254	-2 586	5 149	-2 586
31.12.2018	-4	2 286	35 614	108 278	60 905	21 667	26 254	258 506	5 149	263 656

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

ITEM	Equity basic share	Other capital				Retained profit (loss)		Total own equity
		Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net	
01.01.2019	3 507	31 183	35 100	74 909	62 154	-11 979	9 042	203 916
Previous year results carry-over to retained earnings						9 042	-9 042	0
Profit distribution, pursuant to the resolution				1 767		-1 767		0
Distribution of profit per dividend						-7 276		-7 276
Allocation of spare capital to cover loss from previous years				-11 979		11 979		0
Own shares purchase from reserve capital			-6 837					-6 837
Net profit		-2 868					16 589	16 589
Other comprehensive income								-2 868
31.12.2019	3 507	28 315	28 263	64 696	62 154	0	16 589	203 524

ITEM	Equity basic share	Other capital				Retained profit (loss)		Total own equity
		Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net	
STATE AS OF 31.12.2017	3 507	33 761	35 100	76 205	62 154	0	5 518	216 245
Effect of IFRS 9 applied						-2 541		-2 541
Effect of IFRS 15 applied						-9 439		-9 439
STATE AS OF 01.01.2018	3 507	33 761	35 100	76 205	62 154	-11 979	5 518	204 265
Previous year results carry-over to retained earnings						5 518	-5 518	0
Distribution of profit per dividend						-5 518		-5 518
Allocation of previous years' spare capital for dividend payment				-1 296				-1 296
Net profit							9 042	9 042
Other comprehensive income		-2 578						-2 578
STATE AS OF 31.12.2018	3 507	31 183	35 100	74 909	62 154	-11 979	9 042	203 916

5.2 Financial results of operating segments

CONSOLIDATED STATEMENT BY SEGMENTS AS OF 31.12.2019 IN THOUSAND PLN

ITEM	Residential and non-residential construction	Infrastructure	Development activities	Modular construction	Adjustments of sales to other segments	Total amounts related to the entire
Revenue from contracts with customers	entity	338 957	165 920	183 436	-123 202	1 659 658
External sales	976 240	338 897	165 920	178 600		1 659 658
Sales to other segments	118 307	60	0	4 836	-123 202	0
Costs of sold products, goods, and materials	1 036 267	302 656	128 557	182 080	-119 078	1 530 483
Gross profit on sales	58 280	36 301	37 363	1 356	-4 125	129 175
% of gross profit on sales	5.32%	10.71%	22.52%	0.74%	3.35%	7.78%
Distribution costs						8 428
Administrative costs						53 743
Result on other operating activities						-27 036
Profit from operating activities						39 968
Financial revenue						4 827
including interest revenue	47	33	2 671	180		2 930
<u>Derivatives</u>	<u>81</u>			<u>141</u>		<u>222</u>
Financial costs						12 472
of which: interest costs	4 704	896	633	924		7 157
<u>Derivatives</u>	<u>22</u>			<u>164</u>		<u>186</u>
Share in net profit (loss) of equity-accounted entities						6 506
Pre-tax profit						38 828
Income tax						8 775
Net profit						30 053

CONSOLIDATED STATEMENT BY SEGMENTS AS OF 31.12.2018 IN THOUSAND PLN

ITEM	Residential and non-residential construction	Infrastructure	Development activities	Modular construction	Adjustments of sales to other segments	Total amounts related to the entire
Revenue from contracts with customers	entity	337 189	137 510	142 044	-69 290	1 658 622
External sales	1 051 417	337 134	137 510	132 561		1 658 622
Sales 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 profit on sales	29 658	15 684	47 732	4 750	-1 710	96 115
% of gross profit on sales	2.67%	4.65%	34.71%	3.34%	2.47%	5.79%
Distribution costs						9 274
Administrative costs						46 296
Result on other operating activities						-5 762
Profit from operating activities						34 781
Financial revenue						4 789
of which: interest revenue	536	2	871	90		1 499
<u>Derivatives</u>	<u>-479</u>			<u>-814</u>		<u>-1 293</u>
Financial costs						5 955
of which: interest costs	4 716	685	196	176		5 773
<u>Derivatives</u>	<u>160</u>			<u>-1 102</u>		<u>-942</u>
Share in net profit (loss) of equity-accounted entities						3 754
Pre-tax profit						37 369
Income tax						9 804
Net profit						27 564

SEPARATE STATEMENT BY SEGMENTS AS OF 31.12.2019 IN THOUSAND PLN – UNIBEP SA

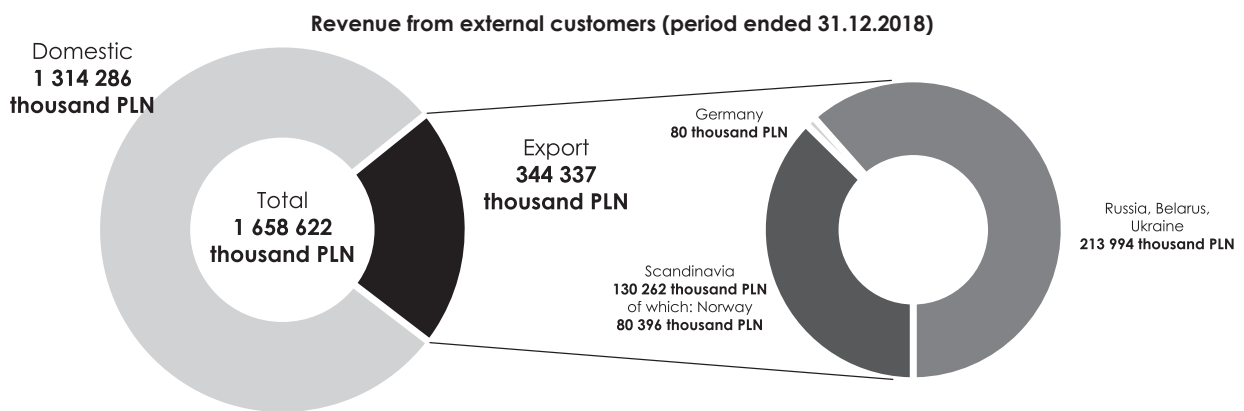
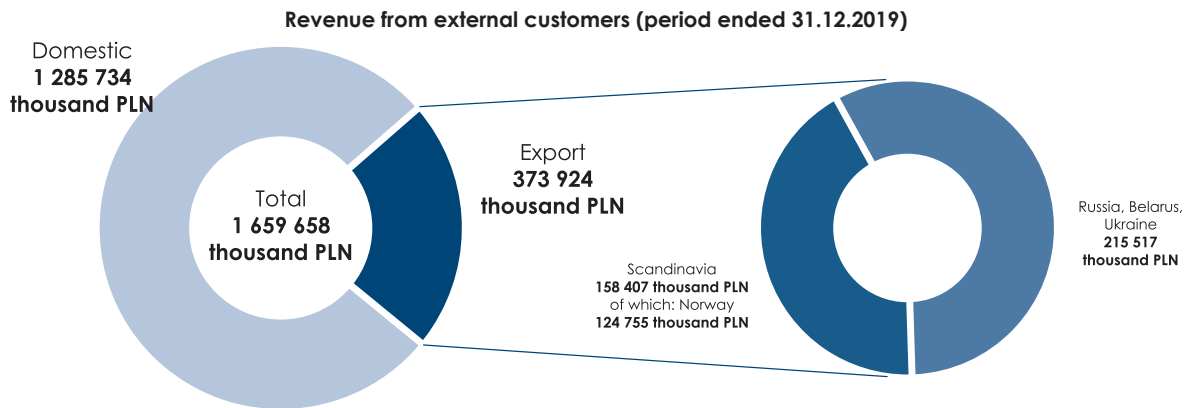
ITEM	Residential and non-residential construction	Infrastructure	Property development	Total amounts related to the entire entity
Revenue from contracts with customers	1 094 577	287 528	0	1 382 105
External sales	1 094 577	287 528	0	1 382 105
sales to other segments	0	0	0	0
Costs of sold products, goods, and materials	1 036 267	257 435	3	1 293 705
Gross profit on sales	58 310	30 093	-3	88 400
% of gross profit on sales	5.33%	10.47%		6.40%
Distribution costs				-
Administrative costs				39 752
Result on other operating activities				-10 976
Profit from operating activities				37 672
Financial revenue				4 401
of which: interest revenue	2 900	33		2 934
Derivatives	81			81
Financial costs				10 129
of which: interest costs	4 931	547	5	5 483
Derivatives	22			22
Pre-tax profit				31 944
Income tax				6 111
Net profit (loss) from continued operations				25 833
Net profit (loss) from discontinued operations				-9 244
Net profit (loss)				16 589

SEPARATE STATEMENT BY SEGMENTS AS OF 31.12.2018 IN THOUSAND PLN – UNIBEP SA

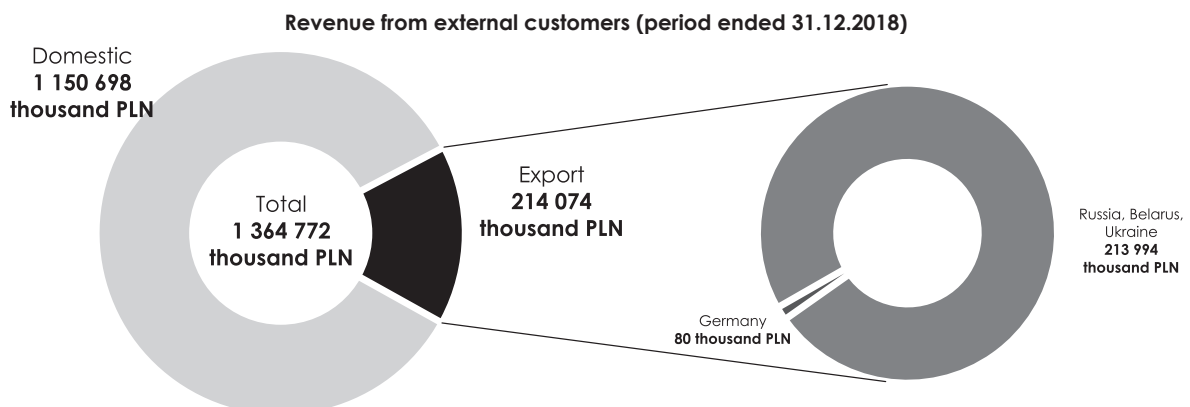
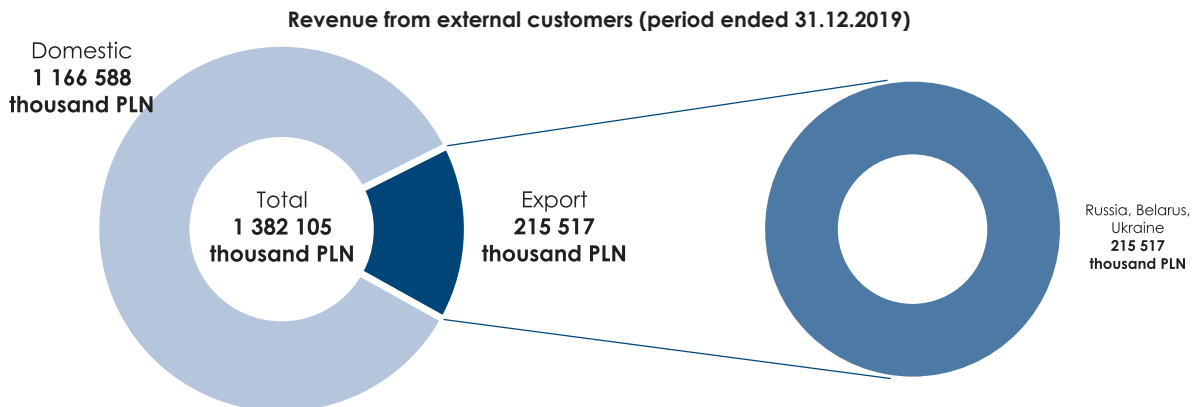
ITEM	Residential and non-residential construction	Infrastructure	Property development	Total amounts related to the entire entity
Revenue from contracts with customers	1 111 198	252 888	686	1 364 772
External sales	1 111 198	252 888	686	1 364 772
Sales to other segments	0	0	0	0
Costs of sold products, goods, and materials	1 081 497	241 167	717	1 323 382
Gross profit on sales	29 701	11 721	-31	41 390
% of gross profit on sales	2.67%	4.63%	-4.55%	3.03%
Distribution costs				11
Administrative costs				31 972
Result on other operating activities				-855
Profit from operating activities				8 552
Financial revenue				12 694
of which: interest revenue	2 733	1		2 734
Hedging instruments	-479			-479
Financial costs				6 150
of which: interest costs	4 716	278	0	4 994
Hedging instruments	160			160
Pre-tax profit				15 096
Income tax				3 176
Net profit (loss) from continued operations				11 920
Net profit (loss) from discontinued operations				-2 877
Net profit (loss)				9 042

Due to the in-kind contribution of the organised part of the entity to the independent subsidiary Unihouse SA, the modular construction segment is treated as discontinued operations.

GEOGRAPHICAL DISTRIBUTION OF SALES - CAPITAL GROUP



GEOGRAPHICAL DISTRIBUTION OF SALES – DOMINANT ENTITY UNIBEP SA



FIXED ASSETS IN THOUSAND PLN.

	Capital Group		Dominant Entity Unibep SA	
	state as of 31.12.2019	state as of 31.12.2018	state as of 31.12.2019	state as of 31.12.2018
DOMESTIC	90 617	72 118	53 735	45 457
EXPORT, of which:	52 169	48 891	631	48 891
Scandinavia, of which:	51 768	48 607	229	48 607
Norway	51 621	48 607	229	48 607
Russia, Belarus, Ukraine	401	284	401	284
TOTAL	142 786	121 009	54 366	94 348

5.3 Unusual events affecting the financial result

In the opinion of the Management Board, there were no unusual events in 2019 that had a significant effect on the results of the Dominant Entity and the Unibep Group or the way these figures were presented.

All events and results occurring during the year were subject to ongoing monitoring, and the company's final sales and net results are in line with the Management Board's expectations in this area.

The Group operates mainly on Poland's domestic market, in Norway and Sweden, and on the eastern

markets of Belarus and Ukraine. These operations entail risks characteristic for companies operating on so-called developing markets, including risk associated with frequent changes in laws and regulations and their inconsistent interpretation, inefficient courts, fluctuations of exchange rates, interest rates, and prices of goods and services, and many others, including political risk.

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

5.4 Capital management – assessing how financial resources are managed

The main goal of the Group's capital management is to maintain a good credit rating and sound capital indicators, supporting the operating activities of the Group's companies and increasing their value for shareholders.

The Group manages its capital structure and makes adjustments in response to changing economic conditions. To maintain or adjust the capital structure, the Group's companies may purchase their own shares, return capital to shareholders, issue new shares, and pay dividends. In 2019, no changes were made to the goals and procedures applicable in this area.

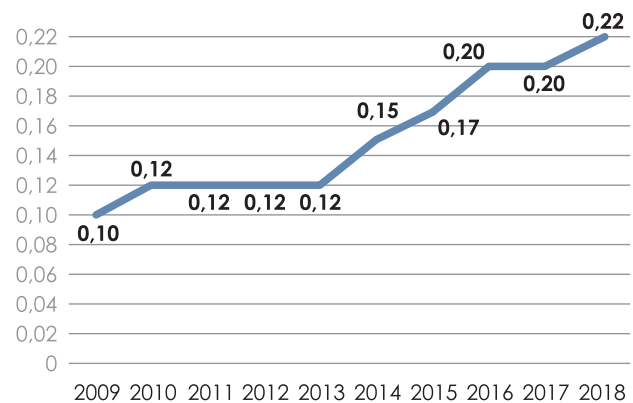
The Group monitors its capital balances using the leverage ratio, calculated as the ratio of the net debt to the sum of its capital plus net indebtedness. The Group's net indebtedness includes interest-bearing credits and loans and other external sources of financing, trade liabilities and other liabilities,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

CAPITAL MANAGEMENT (THOUSAND PLN)	31.12.2019		31.12.2018	
	Group	Entity	Group	Entity
Interest-bearing credits, loans, bonds	133 702	93 633	119 422	92 451
Trade liabilities and other liabilities	521 285	362 200	422 020	377 948
Cash and cash equivalents	178 374	142 522	56 182	43 571
Net indebtedness	476 613	313 311	485 260	426 828
Equity	276 278	203 524	263 656	203 916
Net capital and debt	753 341	516 835	748 915	630 743
	63.27%	60.62%	64.79%	67.67%

5.5 Information on dividend policy and the dividend paid in 2019

On 12 June 2019, The General Shareholders Meeting of Unibep SA adopted a resolution to pay shareholders a 2018 dividend of PLN 0.22 per share (excluding 2 million own shares). According to the GSM resolution, the dividend day (D) was 25 June 2019, and the dividend payment day (P) 9 July 2019. The total dividend for 2018 was PLN 7,275,539.48.

ANNUAL DIVIDEND PER 1 SHARE IN PLN



5.6 Information on credits and loans, sureties, and guaranties

In 2019, the Issuer signed the following financial agreements:

- On 8 January 2019, Unibep SA signed with Gothe-ar TU SA a guarantee agreement worth PLN 10 million, binding until 7 January 2020.
- On 17 September 2019, Unibep SA signed with Credendo Express & Surety SA an indefinite-term agreement providing contractual guarantees worth PLN 20 million.
- On 12 December 2019, Unihouse SA signed with BNP Paribas Bank Polska SA an indefinite-term agreement concerning currency and derivative transactions with a limit of PLN 5 million.

Agreements which were extended in 2019:

- On 31 January 2019, Annexe No. 3 was signed with Bank Santander SA to Loan Agreement No. K00502/18 of 31 July 2018, extending the Period of Availability of the Stage I Developer Credit in the amount of PLN 49,763,880.00 and VAT Credit in the amount of PLN 3,500,000.00 from 31 January 2019 until 28 February 2019.
- On 25 February 2019, Unibep SA extended with mBank SA a current account credit agreement and a guarantee line of credit in the total amount of PLN 45 million. The agreement was extended until 25 February 2020.
- On 26 June 2019, Budrex-Kobi Sp. z o.o. and ING Bank Śląski SA extended a current account credit agreement and limit for purchase of suppliers' receivables in the total amount of PLN 7 million. The agreement was extended until 29 June 2020.
- On 26 June 2019, Unidevelopment SA extended with mBank SA a current account credit agreement in the amount of PLN 3 million. The agreement was extended until 29 June 2020.

- On 26 September 2019, Unibep SA and Santander Bank Polska SA signed an annexe extending the current account credit agreement and a guarantee line of credit in the total amount of PLN 40 million. The agreement was extended until 21 September 2020.
- On 26 September 2019, Budrex-Kobi Sp. z o.o. and Santander Bank Polska SA signed an annexe renewing the current account credit agreement and a guarantee line of credit in the total amount of PLN 8.1 million. The agreement was extended until 30 September 2020.
- On 18 November 2019, Unibep SA and BGK extended agreements for the current account credit agreement and a guarantee line of credit in the total amount of PLN 60 million. The agreements were extended until 17 and 22 November 2020.
- On 25 November 2019, Unibep SA and BNP Paribas Bank Polska SA extended a current account credit agreement, a guarantee line of credit, and a reverse factoring credit line in the total amount of PLN 153 million. The agreements were extended until 30 June 2020.
- On 29 November 2019, Unibep SA and PKO BP SA signed an annexe renewing a current account credit agreement and guarantee line of credit in the total amount of PLN 75 million. Pursuant to the annexe, Unihouse SA also became a party to the Agreement, with a credit limit in the total amount of PLN 25 million. The agreement was extended until 30 November 2019.
- On 22 December 2019, Unibep SA signed with Santander Bank Polska SA an annexe to the current account credit agreement and a guarantee line of credit. Pursuant to the annexe, Unihouse SA also became a party to the agreement, and the

total credit limit of PLN 40 million became available to both companies.

In addition to the aforementioned agreements concluded or renewed in 2019, the Issuer also had the following agreements:

1. credit agreements:
 - Agreement between Unihouse SA and ING Bank Śląski SA for an investment loan to expanding the modular housing factory in Bielsk Podlaski in the amount of PLN 15 million. The loan will be repaid by the end of October 2022.
 - Agreement between Unihouse SA and ING Bank Śląski SA for a corporate loan in the amount of PLN 10 million. The loan was granted until the end of December 2023.
 - Agreement between Budrex-Kobi Sp. z o.o., and Santander Bank Polska SA for an investment loan in the amount of PLN 900,000. The loan will be repaid by the end of July 2021.
2. Contractual guarantee agreements with the following Insurance Companies:
 - Europa SA for the amount of PLN 15 million;
 - Euler Hermes SA for the amount of PLN 50 million over an indefinite period;
 - Generali SA for the amount of PLN 30 million through 31 December 2020;
 - Hestia SA for the amount of PLN 30 million over an indefinite period;
 - KUKE SA for the amount of PLN 75 million over an indefinite period;
 - AXA SA for the amount of PLN 42 million through 31 January 2021;
 - TUIR Allianz Polska SA for the amount of PLN 70 million through 31 May 2020;
 - Zurich Insurance plc for the amount of EUR 15 million over an indefinite period;
 - Warta SA for the amount of PLN 2 million through 23 September 2020.
3. Agreements on treasury transactions over an indefinite period with:
 - BNP Paribas Bank Polska SA in the amount of PLN 3 million;

- mBank SA in the amount of PLN 5 million;
- PKO BP SA in the amount of PLN 37.5 million;
- Santander Bank Polska SA in the amount of PLN 5 million;
- BGK in the amount of PLN 3 million.

As part of its operations, and due to its nature, Unibep SA and its subsidiaries provide performance guarantees for construction work and receive such guarantees from subcontractors and investors. As of 31 December 2019, the value of guarantees issued on behalf of Unibep Group companies was PLN 420.5 million. At the same time, the companies of the Unibep Group possessed guarantees issued to them with a total value of PLN 96.2 million.

The total nominal value of foreign exchange FX Forward agreements as of 31 December 2019 was NOK 100 million and EUR 3 million. The settlement time for open derivatives, as of 31 December 2019, ranged from 91 to 366 days.

As of 31 December 2019, Unibep Group companies had the following credit agreements, in which they were the lender (loans granted to entities from outside the Group):

- Unibep SA to GEMICH AS, in the amount of NOK 555,000 until 31 December 2018;
- Unidevelopment SA to Wiefofama Development Sp. z o.o., Sp. k., in the amount of PLN 49 million until 30 June 2020;
- Unidevelopment SA to Internal Finance Sp. z o.o., in the amount of PLN 14.2 million until 31 December 2020 (fully reflected in a revaluation write-off).

Apart from the aforementioned guarantees granted and received for best effort and remedial work, and sureties for the obligations of subsidiaries, companies from the Unibep Group, as of the balance sheet date, did not have any significant off-balance-sheet items.

More information on the off-balance-sheet items is provided in note 6.38 of the Consolidated Financial Statement for 2019.

5.7 Investments

Description of the structure of main capital deposits and investments for the Capital Group in the financial year

In 2019, the Unibep Group did not have any capital investments (did not purchase any investment or capital fund units). Short-term financial surpluses were invested in bank deposits or allocated to loans to the Group companies or external entities.

Assessment of ability to achieve investment goals

The Group's current financial standing has supported the implementation of investment plans. The growth

potential of individual business units and their ability to meet financial goals allowed the Group to set up targeted investment programmes. However, these original plans for 2020 may have to be curtailed or postponed due to the pandemic's effects on construction markets.

The modular construction business was spun off into an independent company in 2019. It is now being run by the Unihouse SA. Planned investment outlays will mainly focus on optimising output and improving efficiency. The expansion of the Modular Housing Factory in Bielsk Podlaski was a response to the need to increase production capacity and seize opportunities on

the Scandinavian and, more recently, Polish markets. Spinning off Unihouse was intended to strengthen the Group's activities in this area. However, investment outlays planned and provisioned for in 2020 will be significantly reduced.

The infrastructure segment achieved very good financial results in the reporting period, and its outlook for the coming years remains good. Experience and references gained on projects to date should allow the company to compete for construction work on a national scale. We trust that such contracts will materialise. Investment plans will focus on maintaining and acquiring heavy equipment that will allow us to take on large contracts. Even so, the top priority is to execute current contracts in timely and effective fashion. Efficiency and maximising use of existing production capacity is vital. Carefully targeted investments in essential equipment and facilities will also allow us to reduce dependence on subcontractors and react faster to changing conditions and requirements.

The real estate development sector in 2019 again showed its importance for the Unibep Group's overall fi-

ancial results. We expect this to continue in coming years. The development business is now analysing its needs for land or shares in development projects to maximise future sales and financial results.

Computerisation, digitisation, and process automation is becoming the global norm and applies to all businesses and key processes in the Unibep Group. We will continue to encourage the use of Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, IBM Cognos, intranet applications and other platforms within the Group. The decision to embark on the development of BIM technology is of strategic importance. Programmes initiated earlier will carry over into subsequent reporting periods, but progress will depend on how the pandemic situation develops. Our original plans were in response to the growing need of our personnel for access to cutting-edge information technologies. Often, demands for more sophisticated use of IT also came from our investors and customers.

Ensuring financial liquidity is a priority.

5.8 Use of proceeds from the emission of securities

All issuances, redemptions, or repayments of debt and equity securities for the reporting period are listed below:

- On 15 February 2019, Unibep SA issued 340,000 coupon series F bonds at a par value of PLN 100. The nominal value of the sale was PLN 34 million. These series F bonds were listed on the Warsaw Stock Exchange's Catalyst alternative trading system as of 9 August 2019.
- On 15 February 2019, Unibep SA purchased 15,000 ordinary series D bearer bonds with a total nominal value of PLN 1.5 million for redemption based on a Management Board resolution adopted on 15 February 2019. The value of series D bonds remaining for redemption is PLN 28.5 million.
- Proceeds from the issue of Series F Bonds were intended to refinance the Issuer's Series D bonds issue on 8 July 2016. On 8 July 2019, Unibep SA purchased all outstanding Series D bonds for PLN 28.5 million (after this operation the company PLN 64 million of bonds outstanding). Remaining funds from the bond sale will be allocated to finance the Group's real estate development activities. The bonds will be redeemed on 15 February 2022.
- On 14 May 2019, The Company's Supervisory Board adopted a resolution authorising the Management Board to purchase dematerialised ordinary bearer shares, code PLUNBEP00015 (Current Report No. 23/2019). On 15 May 2019, Unibep SA's Management Board adopted a resolution concerning the purchase of own shares. Proposed conditions for the buy back and an invitation to submit offers were announced in Current Report No. 25/2019. On 29 May 2019, the purchase of own shares was completed. Within the framework of transaction, 1 million own shares with a par value PLN 0.10 were purchased. The fixed transaction price was PLN 6.80 per share, yielding a total transaction price of PLN 6.8 million (Current Report No. 28/2019). Purchase costs amounted to PLN 37,000.

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

MANAGING FINANCIAL RISKS

In its business activities, the Group is exposed to various types of financial risk: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Management

Board verifies and approves principles for managing each of the aforementioned risks.

FOREIGN EXCHANGE RISK

As part of its operations, the Group concludes contracts that are (or may be) denominated or expressed in foreign currencies. In terms of revenues from export activities, hedging against foreign exchange risk is primarily performed through a natural hedging mechanism of paying subcontractors in the currency of the contract, thereby transferring the risk to them. Therefore, the Company's foreign exchange risk on export contracts in the case of Belarus is limited to a sum approximating the realised margin. For contracts in Norway and Sweden, natural hedging is estimated to be approx. 20%. The natural hedging for contracts implemented in Poland and expressed in EUR does not exceed 10%.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative transactions to hedge against currency risk. Derivative instruments are valued as of the balance sheet date at a credibly determined fair value. The fair value of derivative instruments is estimated by a model based on, among other things, exchange rates (average NBP rates) as of the balance sheet date and interest rate differentials between the quoted and base currency. Periodic valuation of financial instruments is partly recognised in equity (intrinsic value of derivative instruments) and partly in financial revenues or costs in the reporting period (time value of derivative instruments). Profits and losses determined as of the settlement date are recognised in the income statement.

INTEREST RATE RISK

Interest rate risk occurs primarily in the Group's use of bank loans, leases, bond issues and bank deposits. All of these financial instruments are usually based on a variable interest rate, which exposes the Group to the risk of changing financial results and cash flows. To hedge against the risk of interest rate fluctuations, the Company uses interest rate swaps to hedge interest payments on long-maturity liabilities. Leasing does not play a significant role in Group financing (being main-

ly restricted to smaller investments). The Group places any financial surpluses in short-term deposits. These deposits are based on fixed interest rates and are usually concluded for a period of 3-7 days. The amount of interest received will depend, among other things, on current interest rates.

CREDIT RISK

The Group follows a policy of limiting credit exposure to individual lenders and choosing to cooperate with only the most reputable financial institutions. In order to secure current and future liquidity, the Group has multi-purpose and other credit lines in selected banks. The Group also conducts real estate development projects through special purpose vehicles directly financed by financial institutions. The Group has no concerns about losing access to financing, even though its quarterly performance is closely monitored by financial institutions.

LIQUIDITY RISK

To limit the risk of losing liquidity, the Group maintains an adequate amount of cash on hand, and also enters into credit line agreements intended to serve as an additional guarantee of liquidity (e.g., with PKO BP SA, Santander Bank Polska SA, mBank SA, BNP Paribas Bank Polska SA, and BGK). Additionally, entities of the Group can issue bonds to secure adequate liquidity. As of the end of 2019, the entire Group had outstanding bonds with a total value of PLN 64 million.

A detailed description of risks and risk-abatement measures, designed to minimise any impact on operations, is presented in the Group's Financial Statements.

Actions taken by the Dominant Entity to manage financial risk are consistent with those taken 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 2019.

5.11 Policy on financial statements and publication

This Management Board Report on the activities of the Unibep Capital Group in 2019 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 published by issuers of securities [...] (Regulation).

The consolidated annual report, which includes the consolidated financial statements and this report on operations, has been prepared on the basis of § 70 and § 71 § 60(2) of the Regulation. The rules applied to draw up the annual financial statements are presented in the subsequent notes to these statements.

Pursuant to § 71 (8) of the Regulation, as part of this report, there are also enclosed disclosures required for the Report on the operations of the Dominant Entity.

The declaration on non-financial information referred to in Art. 55 (2b), in relation to Art. 49b of the Accounting Act, has been prepared in the form of a separate Sustainable Development Report for 2019. At the same time, considering the aforementioned § 71 (8) of the Regulation, the Sustainable Development Report also contains disclosures required for the Dominant Entity, referred to in Art. 49b (2) of the Accounting Act, necessary to assess the development, results, and condition of the Dominant Entity and the impact of its activities on the matters referred to in Art. 49b (2)(3) of the Accounting Act. Therefore, no separate statement on financial information dedicated solely to the Parent Company was made.

6. OVERVIEW OF IMPORTANT EVENTS

6.1 Important Agreements Concerning Operating Activities

RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION

1) Conclusion of an agreement for construction of the next stage of a housing estate in Warsaw

On 28 January 2019, Unibep SA concluded with YIT Development Sp. z o.o. an agreement to implement the third stage of a residential investment project in Warsaw on Sikorskiego and Pory Streets.

The remuneration for executing the Agreement is PLN 34.6 million net. The investment will be completed in Q2 2020. (Current Report No. 5/2019)

2) Conclusion of an agreement to implement a residential investment in Warsaw's Targówek district

On 7 February 2019, Unibep SA concluded a construction agreement to implement as general contractor a residential investment in the Targówek district of Warsaw.

The ordering party is Towarzystwo Budownictwa Społecznego Warszawa Północ Sp. z o.o., based in Warsaw. Work on the project was scheduled to begin in

Q1 2019 and be completed in Q4 2020. The Issuer is to receive remuneration of approx. PLN 62.0 million net. (Current Report No. 8/2019)

3) Annexe to the agreement to expand a production plant in Łódź Voivodship

On 8 April 2019, the Management Board of Unibep SA concluded with Animex Foods K3 Sp. z o.o., based in Kutno, a subsequent annex to the construction agreement for completion of construction works under the investment called "Construction of a slaughter and poultry cutting plant", implemented in the town of Krężelewice (formerly Koryta) in Łódzkie Voivodship. Pursuant to the annexe, the scope of previous cooperation was extended, resulting in an increase in the Issuer's remuneration of approx. PLN 23.4 million net from the amount given in Current Report No. 53/2018, bringing the current total to approx. PLN 73.7 million net. (Current Report No. 17/2019)

Construction was completed in Q4 2019 and the final remuneration was approx. PLN 84.2 million.

4) Conclusion by Unibep SA of a construction



Nordic Mokotów, Warsaw, Poland



Flisac Apartamenty Powiśle, Warsaw, Poland

agreement in Kutno within the project called "Revitalisation of the oldest historic part of city of Kutno"

On 11 April 2019, Unibep SA concluded an agreement to renovate and redevelop Plac Wolności (Freedom Square) and Rynek Zduńskiego (Potter's Market) in Kutno as part of a project called "Revitalisation of the oldest historic part of city of Kutno".

The ordering party is the City of Kutno. The Issuer's remuneration for completing the investment amounts to approx. PLN 26.0 million net. The implementation period is 15 months from the date of site handover to the contractor. (Current Report No. 18/2019)

5) Conclusion of an agreement for construction work on Wileńska Street in Warsaw

On 29 April 2019, Unibep SA concluded an agreement to serve as general contractor (excluding preparatory works specified in the agreement) for a construction project on Wileńska Street in Warsaw.

The ordering party is Bouygues Immobilier Polska Sp. z o.o., based in Warsaw. The Issuer's remuneration is approx. PLN 67.0 million net. The investment scheduled to begin in Q2 2019 and is to be completed in Q1 2021. (Current Report No. 20/2019)

6) Conclusion of a construction agreement for construction work on Równoległa Street in Warsaw

On 30 April 2019, Unibep SA concluded a conditional agreement to serve as general contractor for a construction project on Równoległa Street in Warsaw.

The ordering party is Bolero Investments 2 Sp. z o.o., based in Warsaw. The Issuer's basic remuneration for im-

plementing the project is approx. PLN 17.2 million net. The agreement also specifies additional remuneration of up to approx. PLN 2.8 million net for further contractual work if requested by the ordering party. Work was scheduled to begin in Q2 2019 and was to be completed in Q2 2020. (Current Report No. 21/2019)

On 28 June 2019, Unibep SA received a written order to start work from the ordering party, which resulted in the agreement entering force on the same day. (Current Report No. 37/2019)

7) Conclusion of an agreement for a construction project in Mazowieckie Voivodship

On 31 May 2019, Unibep SA concluded a construction agreement to serve as general contractor for a project at the NSM Missiles Maintenance Centre in Mazowieckie Voivodship.

The ordering party is Wojskowe Zakłady Elektroniczne SA based in the city of Zielonka. The Issuer's remuneration for completing the investment is PLN 28.5 million net. Implementation is from Q2 2019 to Q1 2020. (Current Report No. 30/2019)

8) Conclusion of a subcontracting agreement for a construction investment in the Powiśle district of Warsaw

On 11 June 2019, Unibep SA received information that the other party signed the subcontractor's agreement dated 10 June 2020 for completion of a construction investment in the Powiśle district in Warsaw.

The agreement was concluded with Ghelamco Poland Sp. z o.o., an entity of the Ghelamco Group, which is serving as general contractor of the invest-

ment. The Issuer's remuneration for completion of the subcontracting agreement is PLN 49.75 million net. The agreement also grants the Issuer the right to additional remuneration for work requested by tenants (if ordered by the ordering party). The implementation period lasts from Q2 2019 to Q1 2021. (Current Report No. 31/2019)

9) Conclusion of a conditional agreement to construct a shopping centre in Konstancin Jeziorna

On 27 June 2019, Unibep SA signed an agreement to serve as general contractor for construction of a shopping centre in the city of Konstancin Jeziorna. The ordering party is RDM Management Konstancin I Sp. z o.o., Sp. k. based in Warsaw. The implementation period is 12 months from the construction site handover date. Remuneration for completion of the project is PLN 37 million net. (Current Report No. 36/2019)

On 27 September 2019, Unibep SA signed an annexe to the agreement with RDM Management Konstancin I Sp. z o.o., Sp. k. Pursuant to the annexe, the parties modified the conditions for the agreement entering into force. (Current Report No. 46/2019)

On 30 March 2020, Unibep SA signed an annexe to the agreement, pursuant to which the parties again modified the conditions for the agreement's entering into force. Pursuant to the annexe, the agreement shall take effect on the day that the ordering party submits a statement from its financing bank of fulfilment of the credit conditions for the investment, along with a so-called Term Sheet document, which should take place by 30 June 2020. The completion dates and commercial conditions, including the Issuer's remuneration, will be renegotiated in light of the

current market situation. Failure to reach agreement on these points will entitle the contractor to withdraw from the agreement within the time specified in the annexe without any consequences. (Current Report No. 11/2020)

10) Conclusion of an annexe to an agreement to build a shopping centre in Grodno, Belarus

On 5 July 2019, Unibep SA signed an annexe to an agreement to build a shopping centre in Grodno in the Republic of Belarus. The annexe narrows the scope of the agreement and, as a consequence, the Issuer's remuneration is reduced by approx. EUR 2.88 million net, equivalent to approx. PLN 12.2 million net.

The ordering party is Triniti Invest Sp. z o.o., based in Grodno. The work is scheduled to be completed in Q1 2020. (Current Report No. 40/2019) Part of the project has already been handed over to the ordering party for use. In line with the subsequent annexe No. 13 of 18 January 2020, as the ordering party agreed the conditions with the bank, all work is expected to be completed by the end of 2020.

11) Conclusion of an agreement for implementation of stage C of a residential project on Szwedzka Street in Warsaw

On 30 July 2019, Unibep SA concluded an agreement to serve as general contractor for stage C of a residential investment on Szwedzka Street in Warsaw.

The ordering party is Szwedzka C Sp. z o.o., based in Warsaw, a company owned by Okam Capital Group. Work on the project was scheduled to start in Q4 2019 and be completed in Q3 2021. The Issuer's remunera-



Triniti, Shopping and recreational complex, Grodno, Belarus



Bohema, Warsaw, Poland

tion for completing the investment is PLN 70.0 million net. (Current Report No. 43/2019)

As of the date of publication of this report, the ordering party has not authorised work to begin.

12) Conclusion of an agreement to implement a residential investment in the Włochy district of Warsaw

On 7 August 2019, Unibep SA signed an agreement to serve as general contractor for a construction project on 1 Sierpnia Street in Warsaw.

The ordering party is SG Development Sp. z o.o., seated in Warsaw. The perpetual usufructuary of the property is Ochota, a Warsaw-based housing cooperative. Implementation is to last 19 months from the start date. The Issuer's remuneration for completion of the project is PLN 22.5 million net. (Current Report No. 44/2019)

13) Conclusion of an agreement on a residential investment on Puławska Street in Warsaw

On 1 October 2019, Unibep SA signed an agreement to serve as general contractor for a residential project on Puławska Street in Warsaw.

The ordering party is Matexi Poland I Sp. z o.o., Puławska Investment Sp. k. based in Warsaw. The Issuer's remuneration is approx. PLN 42.0 million net. Work on the investment is to run from Q4 2019 to Q3 2021. (Current Report No. 47/2019)

14) Conclusion of a conditional agreement to implement a residential project on Nałęczowska Street in Warsaw

On 7 October 2019, Unibep SA signed an agreement to serve as general contractor for a residential investment on Nałęczowska Street in Warsaw.

The ordering party is YIT Development Sp. z o.o., based in Warsaw. The Issuer's total remuneration for completion of the investment (stages I and II) amounts to PLN 98.8 million net. The project implementation time is 25 months from the start date. (Current Report No. 48/2019)

On 12 November 2019, the Management Board of Unibep SA received a written order from the ordering party to commence work on Stage II of the project. Therefore, the agreement entered into force on the same day. (Current Report No. 52/2019)

15) Conclusion of an agreement to implement a residential project on Mińska Street in Warsaw

On 25 October 2019, Unibep SA signed an agreement to act as general contractor for a residential investment on Mińska Street in Warsaw

The ordering party is Yawa Sp. z o.o. 4 Sp. k. based in Warsaw, a unit of Yareal Polska Sp. z o.o. The Issuer's remuneration is approx. PLN 36.5 million net. Work on the project is scheduled to run from Q4 2019 to Q2 2021. (Current Report No. 49/2019)

16) Conclusion of a conditional agreement to implement a construction project in Kharkiv, Ukraine

On 30 October 2019, Unibep SA concluded a conditional agreement to serve as general contractor for the turnkey construction of a multifunctional shopping and service complex in Kharkiv, Ukraine.

The ordering party is Nikolsky SEC LLC (ООО ТПЦ Никольский), a Ukrainian company based in Kharkiv. The investment completion time is 18 months from the start date, which will depend on prior handover of the construction site, a partial advance payment from the ordering party, and delivery of a complete set of architectural, engineering, and construction documentation necessary to commence work. The Issuer's remuneration for completing the investment is approx. EUR 44.8 million net, equivalent to approx. PLN 191.0 million net. A condition for the agreement entering into force is written confirmation by the bank of a finalised loan agreement with the ordering party. (Current Report No. 50/2019)

On 23 December 2019, Unibep SA received written confirmation from the bank that a loan agreement concluded between the bank and the ordering party had taken effect on 19 December 2019. As a result, the agreement entered into force. (Current Report No. 58/2019)

17) Conclusion of a conditional agreement to construct a sports and recreation complex in Minsk, Belarus

On 20 November 2019, Unibep SA signed an agreement to design and build as general contractor a sports and recreation complex in Minsk in the Republic of Belarus.

The ordering party is Akwa Minsk, a municipal enterprise based in Minsk. The remuneration for completing the project amounts to approx. EUR 10.9 million net, equivalent to approx. PLN 46.6 million net.

The agreement is divided into two parts, design (part 1) and construction (part 2). The part 1 entered into

force on the day the agreement was signed. Part 2 will take effect upon receipt of written confirmation that a loan agreement was finalised between the ordering party and the bank. The implementation period is 24 months from the date Part 2 of the agreement takes effect. (Current Report No. 53/2019)

As of the publication date of this report, the loan agreement for this investment project has not been concluded. Unibep SA is completing the design portion of the contract (Part 1).

18) Conclusion of a conditional agreement to construct the FOK Luchiny sports and recreation facility in Minsk, Belarus

On 11 December 2019, Unibep SA signed an agreement to act as general contractor for the turnkey design and construction of the FOK Luchiny sports and recreation facility in Minsk, Belarus.

The Ordering party is Akwa Minsk, a Minsk-based municipal enterprise. Remuneration for completing the project is approx. EUR 7.4 million net, equivalent to PLN 31.8 million net.

The agreement is divided into two parts, design (Part 1) and construction (Part 2). Part 1 entered into force on the day the agreement was signed. Part 2 will take effect upon receipt of written confirmation that credit agreement has been concluded between the ordering party and the bank. The implementation period is 24 months from the date Part 2 the agreement takes effect. (Current Report No. 55/2019)

As of the publication date of this report, the loan agreement for this investment project has not been concluded. Unibep SA is completing the design por-



Nordic Sadyba, Warsaw, Poland



Osiedle Coopera, Warsaw, Poland

tion of the contract (Part 1).

19) Conclusion of an agreement to implement Stage 1 of a residential investment on Jana Kazimierza and Karlińskiego Streets in Warsaw

On 12 December 2019, Unibep SA signed an agreement to act as general contractor for the first stage of the "Wola Gabriela" residential development on Jana Kazimierza and Karlińskiego Streets in Warsaw.

The ordering party is Sokratesa Development Sp. z o.o., based in Warsaw. The Issuer's remuneration amounts to approx. PLN 43.5 million net. The implementation period is 18 months from the construction site handover date, which should take place within 14 days of the agreement's signing. (Current Report No. 56/2019)

Completion of the agreement has begun.

20) Conclusion of an agreement to construct Leopard tank garages, shell and core, within the task called "Preparation of infrastructure for the needs of LEOPARD tanks"

On 20 December 2019, Unibep SA entered a subcontracting agreement to build two garages, shell and core, as part of a larger Polish military contract on "Preparation of infrastructure for the needs of Leopard tanks".

The agreement was signed with AMW Sinevia Sp. z o.o., based in Nowy Dwór Mazowiecki, acting as general contractor for the investment. The Issuer's remuneration is based on a cost estimates and amounts

to approx. PLN 20.7 million net. The implementation period is to run 10 months from the agreement signing date. (Current Report No. 57/2019)

INFRASTRUCTURE

In 2019, the infrastructure segment concluded numerous minor agreements for road and bridge work. Considered individually, none of these contracts were of major operational importance, but taken together, they account for work valued at approx. PLN 110 million to be performed in 2019-2020. Supervising these contracts requires considerable organisational and logistical efficiency from Company management.

REAL ESTATE DEVELOPMENT

21) Acquisition of real estate by a subsidiary to implement the next stage of a project in Warsaw's Bemowo district

In reference to current report No. 39/2018 of 29 June 2018, concerning the agreement to purchase a share in a property located at Coopera Street in Warsaw in connection with the implementation of the first stage of a residential investment, Unibep SA's Management Board of Unibep SA informs that an agreement was concluded on 3 July 2019 between an indirect subsidiary of the Issuer, Coopera Idea Sp. z o.o., Sp. k., based in Warsaw, and natural persons, to purchase an undeveloped property on Coopera Street in Warsaw, with an area of approx. 1.0 ha (real estate).

The property was acquired in connection with intention to extend the Investment by subsequent stage (i.e. stage 4) of a project to build a multi-family resi-

dential building. The development project is underway, and work will continue over the next few years. (Current Report No. 38/2019)

MODULAR CONSTRUCTION

22) Conclusion of an agreement to build the "Saffransgatan" project in modular technology in Sweden

On 5 February 2019, Unibep SA signed an agreement to build the project called "Saffransgatan" in modular technology in Gothenburg, Sweden.

The ordering party is Göteborgs Egnahems AB, based in Gothenburg. Issuer's remuneration for completing the project is approx. SEK 41.8 million net, equivalent to PLN 17.2 million net. The design portion of the contract was scheduled for Q1 2018. Construction was expected to start in Q3 2019. (Current Report No. 7/2019)

As of the reporting date, the Company has completed part of the design work, allowing the investor to apply for a construction permit. The municipality of Gothenburg has refused to issue a permit, and consultations between the investor and the municipality to adapt the investment to the requirements of the municipality are under way.

23) Conclusion of a conditional agreement for production of the "HeimdalsPorten" project in modular technology in Norway

On 12 February 2019, Unibep SA signed an agreement with the Norwegian municipality of Trondheim to implement the "HeimdalsPorten" project.

The ordering party is Rostendal AS, based in Ranheim. The value of the agreement is approx. NOK 193 million net, equivalent to approx. PLN 85 million net. (Current Report No. 9/2019)

The entry into force of the agreement was announced in the Current Report No. 22/2019.

24) Conclusion of an agreement to build guest houses for a water park in Mszczonów, Poland using modular technology

On 7 March 2019, Unibep SA signed an agreement for production in modular technology of guest houses for Stage 1 of the "Suntago Park of Poland" water park project in the municipality of Mszczonów in Mazowieckie Voivodship.

The ordering party is Moyome Sp. z o.o., a company owned by Global City Holdings B.V. Capital Group. Issuer's remuneration for completing the agreement is approx. PLN 14.6 million net. (Current Report No. 14/2019)

The investment was completed in 2019. Settlement of the agreement was scheduled for Q1 2020.

25) Agreement to construct student housing in Tron-



HeimdalsPorten, Trondheim, Norway



Vestbyen B1, Jesheim, Norway

dheim, Norway, using modular technology

On 16 May 2019, the Management Board of Unibep SA was notified of the signing by an authorised representative of the ordering party on 7 May 2019 of an agreement to build student housing in Trondheim, Norway, using modular technology.

The ordering party is Trondheim-based Nardobakken AS, a company owned by Heimdal Bolig AS and ØVRE ROTVOLL AS. Issuer's remuneration for completing the agreement is NOK 96.6 million, which as of the date of the agreement was equivalent to approx. PLN 42.5 million net. Design work was scheduled for Q2 2019 and completion of the project is expected in Q3 2020. (Current Report No. 27/2019)

26) Conclusion of an agreement on the Vestbyen B1 project in Jesheim, Norway

On 19 June 2019, Unibep SA signed an agreement to construct modular residential buildings in Jesheim, Norway. The ordering party is Bekkefaret Bolig AS, ba-

sed in Oslo. Issuer's remuneration for completing the agreement is NOK 166.8 million net, equivalent to approx. PLN 72.7 million net. (Current Report No. 35/2019)

Design work started in Q4 2019. The investor confirmed production is to start in Q2 2020. Completion of the investment is planned for Q2 2021.

27) Conclusion of an agreement for implementation of the Jesheim Sør project in Jesheim, Norway

On 9 September 2019, Unibep SA concluded an agreement to construct residential buildings using modular technology in Jesheim, Norway. The ordering party is Bunde Bygg AS, based in Oslo. The remuneration for completing the agreement is NOK 79.3 million net, equivalent to PLN 34.6 million net. (Current Report No. 45/2019)

Design work was scheduled for Q4 2019, production is to start in Q2 2020, and completion is scheduled for Q2 2021.

6.2 Transactions with affiliates

In the period covered by this report, the agreements concluded between Unibep SA and its subsidiaries were market-based and did not differ from other similar transactions on the market.

Notwithstanding the above, the most significant agreements concluded between entities of the group are listed below:

1) Conclusion of an agreement to implement residential investment on Coopera Street in Warsaw

On 4 July 2019, Unibep SA signed an agreement to act as general contractor for a residential construction project on Coopera Street in Warsaw.

The ordering party is an indirect subsidiary of the Issuer, Coopera Idea Sp. z o.o., Sp. k. based in Warsaw, in which Unidevelopment SA holds shares. The commencement date of the investment was scheduled for Q3 2019 and completion for Q3 2020. The Issuer's remuneration was set at approx. PLN 27.6 million net. (Current Report No. 39/2019)

2) Conclusion of an agreement and annexe on residential joint construction project in Warsaw's Ursus district

On 16 July 2019, Unibep SA signed an agreement to serve as general contractor for construction work on Dyrekcyjna Street, Quo Vadis Street, and National Highway 47KD-D in Warsaw as part of the Ursa Home real estate development. The project is a joint undertaking with entities belonging to the CPD Capital Group. It involves construction of a complex of multi-family buildings with accompanying services and infrastructure. The Company announced amendments to the investment agreement on joint construction projects in Current Reports 55/2018 and 58/2018.

The ordering party is Ursa Park Smart City Sp. z o.o. Sp. k., based in Warsaw, in which the Issuer's subsidiary Unidevelopment SA is a limited partner. Commencement of the first stage is scheduled for Q3 2019, with completion in Q4 2020. Work on the second stage is scheduled to start in Q3 2019 and be completed in Q1 2021.

Remuneration for completing the first stage is approx. PLN 41.3 million net. Remuneration for the second stage is approx. PLN 43.5 million net. (Current Report No. 42/2019)

3) Conclusion of an agreement on second stage of a residential development on Coopera Street in Warsaw

On 4 December 2019, Unibep SA signed an agreement to serve as general contractor for the second stage of a housing investment on Coopera Street in Warsaw.

The ordering party is an indirect subsidiary of the Issuer, Coopera Idea Sp. z o.o., Sp. k., based in Warsaw, in which Unidevelopment SA is a shareholder. The project's start date was set for Q4 2019 and completion for Q4 2020.

The issuer's estimated remuneration is approx. PLN 35.7 million net. Actual net remuneration will be the sum of direct costs, general costs, and the margin. It cannot exceed the maximum remuneration understood as the aforementioned estimate increased by the provision of approx. PLN 0.6 million specified in the agreement. (Current Report No. 54/2019)

Information on transactions with related entities is also presented in the Consolidated Financial Statement in Note 6.31.

6.3 Important financial agreements

1) Inclusion of Unihouse SA in loan agreements of Unibep SA

a) On 22 December 2019, Unibep SA signed with Santander Bank Polska SA an annexe to a current account credit agreement and a guarantee line of credit. Pursuant to the annexe, Unihouse SA also became a party to the agreement, and the total credit limit of PLN 40 million became available for both companies.
b) On 29 November 2019, Unibep SA and PKO BP SA signed an annexe renewing the current account credit agreement and a guarantee line of credit in the total amount of PLN 75 million. Pursuant to the annexe, Unihouse SA also became a party to the agreement, with a credit limit of PLN 25 million. The agreement was extended until 30 November 2020.

2) New guarantee line of credit agreement

On 17 September 2019, Unibep SA signed with Credo Express & Surety SA an indefinite-term agreement providing contractual guarantees worth PLN 20 million.

3) Signing of annexes to loan agreements with Wiepofama Development Sp. z o.o., Sp. k.

a) On 30 June 2019, Unidevelopment SA concluded an Annexe to the loan agreement of 31 January 2018 with Wiepofama Development Sp. z o.o., Sp. k. extending the reimbursement deadline from 30 June 2019 to 30 June 2020. The agreement amounts to PLN 9 million.
b) On 25 September 2019, Unidevelopment SA concluded an annexe to the loan agreement of 14 Decem-

ber 2017 with Wiefopama Development Sp. z o.o., Sp. k. increasing the loan limit from PLN 28.5 million to PLN 40 million and extending the reimbursement deadline from 30 June 2019 to 30 June 2020.

In 2019, the Dominant Entity and the Capital Group had no financial agreements terminated by either of the parties.

6.4 Other important events

1) Resignation of a Management Board member of Unibep SA

On 7 January 2019, Jan Piotrowski resigned from membership in the Management Board of Unibep SA effective immediately. (Current Report No. 1/2019)

2) Entry into force of the agreement on a construction investment in Kiev

On 16 January 2019, Unibep SA was notified that a credit agreement between the bank and the ordering party had taken effect. It was a requirement for entry into force of the agreement in general contracting system for construction and installation works related to completion of the shopping and recreation complex in Kiev, Ukraine. As a result, excepting work covered by a separate annexe to the aforementioned agreement, (Current Report No. 60/2018), the agreement took effect. (Current Report No. 2/2019)

3) Establishment of the Bond Issuance Programme

On 17 January 2019, the Management Board of Unibep SA adopted a resolution on the Bond Issue Programme implemented by the company. The supervisory board approved the programme. (Current Report No. 3/2019)

4) Adam Poliński appointed as director of the Infrastructure Branch of Unibep SA

On 1 February 2019, Adam Poliński took the position of the Director of Infrastructure Branch of Unibep SA with responsibility for developing this business segment within the Unibep Group. Prior to his appointment, Mr. Poliński was the authorised representative of Unibep SA's Management Board for public-private partnership.

5) Conclusion of a follow-up agreement on the Norwegian market

On 13 March 2019, Unibep SA was notified that the counterparty had signed a turnkey agreement to design and build a 3-storey residential building of 24 apartments using modular technology.

The ordering party is Boligutvikling Sør AS, based in Storgata, 9300 Finnsnes, Norway. The value of the agreement is approx. 2.3 million EUR net, roughly

Other significant financial agreements are presented in section 5.6 *Information on credits and loans, surties, and guarantees*.

The interest rate of the aforementioned credits consists of a base rate increased by a margin reflecting the lender's remuneration, which is always defined by the market conditions.

equivalent to PLN 9.7 million net. The investment was completed in 2019. Settlement of the agreement was to occur in Q1 2020.

6) New authorised representative of the Management Board for public-private partnership

On 6 May 2019, Maciej Żywno took the post of authorised representative of the Unibep SA Management Board for public-private partnership. Mr. Żywno has extensive experience of cooperation with local governments. Since 1997, he has worked in various local government institutions, where he initiated cooperation with non-governmental institutions, developed local initiatives, and worked with the business sector. He has been an academic lecturer since 2002, specialising in the functioning of local communities.

7) Disputed claims between Polaqua Sp. z o.o. and Budrex-Kobi Sp. z o.o.

In the first quarter of 2019, differences arose over interpretation of the assigned scope of responsibility in the final settlement of a subcontracting agreement on engineering structures commissioned by the general contractor Polaqua in 2016-2018. According to its interpretation of the agreement, Polaqua Sp. z o.o. charged Budrex-Kobi Sp. z o.o. a contractual penalty of approx. PLN 6 million. Later, in April 2019, Polaqua Sp. z o.o. submitted to InterRisk TU SA a guarantee payment call for approx. PLN 2.1 million due to the situation described above. In June 2019, InterRisk paid Polaqua the guarantee payment in full. In July 2019, Budrex-Kobi reimbursed InterRisk the received amount. In November 2019, Budrex-Kobi filed a lawsuit against Polaqua over what it regarded as an unwarranted guarantee payment. Budrex-Kobi is seeking PLN 2.6 million from Polaqua. Court proceedings are pending.

8) Information on implementation of a road-building contract in Ukraine

On 15 May 2019, Unibep SA was notified by Poland's Ministry of Finance of its acceptance on 14 May 2019 of a construction agreement concluded between the Company and road authorities in the Lviv Oblast. It concerns a road investment completed according to the design and construct formula (the Company informed about it in Current Report 50/2017). In accordance with a procedure outlined in the agreement,

prior approval was required by the Ministry of Finance of Ukraine. As a result of the above notification, the agreement entered into force on 29 May 2019.

Subsequently, the Company updated the project timetable. Simultaneously, after the end of the reporting period, the Company terminated the aforementioned agreement for reasons attributable to the ordering party. We do not expect significant negative consequences from termination of this project.

9) Reappointment of Unidevelopment SA Management Board to a third term; change in board member's responsibilities

On 22 May 2019, the Supervisory Board of Unidevelopment SA approved resolutions to reappoint the Management Board to a third term of office from 23 May 2019. The board's composition has not changed. Mariusz Przystupa was promoted from Management Board member to Vice President.

10) Reappointment of Unidevelopment SA Supervisory Board to a third term

On 19 June 2019, The Ordinary General Shareholders Meeting of Unidevelopment SA adopted resolutions on the appointment of the supervisory board to a third term of office from 19 June 2019. The composition of the board has not changed.

11) Dissolution of co-ownership of real estate in Warsaw's Bemowo district in Warsaw and its purchase by a company of the Unidevelopment Group

In June 2019, the sale of property on Coopera Street in Warsaw was agreed by Unidevelopment SA (the seller) and Coopera Idea Sp. z o.o., Sp. k. (the buyer) for approx. PLN 9.1 million net. The agreement was preceded by an agreement between Unidevelopment and a natural person (the previous co-owner) to dissolve co-ownership of the property without reimbursement or surcharge. Unidevelopment SA now owns a plot of approx. 0.9638 ha, while the natural person owns a separate 2.7533 ha parcel.

12) Fulfilment of precondition for a contract to build a checkpoint on the Ukrainian-Polish border

On 12 July 2019, Unibep SA received from the Ministry of Finance of the Republic of Poland a notification of immediate acceptance of content of the construction agreement for reconstruction of a border checkpoint in the locality of Shehyni on the Ukrainian-Polish border. The Company concluded the agreement with the State Fiscal Service of Ukraine. In accordance with the procedure provided for in the agreement, it required a prior approval of the Ministry of Finance of Ukraine

According to the updated investment timetable, the project is scheduled completion in Q1 2022. (Current Report No. 41/2019)

The Issuer notified investors about the signing of the conditional agreement in current report 15/2018 of 23 March 2018. Design work for the project is under way.

13) Ownership transfer of the Unihouse Branch of Unibep SA to a subsidiary company

As part of a restructuring of the Company's modular construction business around a new entity, Unibep SA concluded an ownership transfer agreement with its subsidiary Unihouse SA on 31 October 2019. The organised part of the enterprise, the Unihouse Branch of Unibep SA, was incorporated into a separate subsidiary, Unihouse SA, with share capital of PLN 38.7 million. (Current Report No. No 51/2019)

14) Purchase of shares in the Bukowska development project in Poznań

On 2 December 2019, the company Bukowska 18 MP Sp. z o.o., Sp. k., a subsidiary of Unidevelopment SA, signed agreements with third parties to acquire shares in real estate. These acquisitions are preliminary to a planned residential project to be built by a subsidiary of Unidevelopment SA. Construction of approx. 170 residential units is planned.

Besides the agreements described in this Report, the Unibep Group and its subsidiaries did not enter into any significant cooperative or insurance agreements.

6.5 Events and agreements concluded after the balance sheet date

1) Acquisition by a subsidiary of real estate in Bemowo district in Warsaw

With reference to current report No. 39/2018 of 29 June 2018, concerning the purchase of a share in property located in the Bemowo district in Warsaw, the Management Board of Unibep SA announces that a purchase agreement concerning the property of Bemowo was reached on 15 January 2020 between

the Issuer's subsidiary, Unidevelopment SA, based in Warsaw, and a natural person.

The subject of the agreement is an approx. 2.8 ha property located in Warsaw's Bemowo district, Warsaw, which was purchased for approx. PLN 23.5 million (the buyer prepaid PLN 7.0 million, of which the Company informed in Current Report No. 39/2018). The property is intended for use in Stages 2 and 3 of a

residential project under development by a subsidiary of Unidevelopment SA. Plans call for the construction of about 300 residential units. Concurrently, based on the same agreement, Unidevelopment SA sold the property to a purpose vehicle subsidiary. (Current Report No. 1/2020).

2) Deregistration of the Moscow representative office

On 27 January 2020, the company deregistered its representative office in Moscow.

3) Unibep SA Supervisory Board consent to purchase own shares

The Management Board of Unibep SA announced that on 3 February 2020, the supervisory board of the company, acting pursuant to §1 (12) of Resolution No. 32 of the Ordinary GSM of 13 June 2017, concerning the authorisation of the Management Board to acquire Company own shares and the acceptance of Unibep SA share buy-back programme, amended by Resolution No. 4 of the Extraordinary GSM of 28 February 2019, adopted a resolution approving purchase of the Company's own shares. (Current Report No. 3/2020)

On 4 February 2020, Unibep SA's Management Board adopted a resolution on the share buy-back. (Current Report No. 4/2020)

On 27 February 2020, Unibep SA bought back 1.5 million own shares at a price of PLN 9.20 per share. The transaction value was PLN 13.8 million and the operational cost PLN 34,500. (Current Report No. 7/2020)

The buy-back's purpose was: (i) redemption of own shares or (ii) offering own shares to employees or associates of the company or the capital group as part of the incentive programme. Allocation of own shares for each purpose will be determined by an appropriate resolution of the GSM concerning redemption or incentive programme.

4) Unihouse SA agreement with the municipality of Mszczonów concerning Stage 1 of a hotel construction project using modular technology

On 18 February 2020, a subsidiary of Unihouse SA based in Bielsk Podlaski concluded an agreement for implementation in modular technology of Stage 1 of a hotel investment in Olszówka, municipality of Mszczonów.

The ordering party is Warsaw-based Expo Apartments Sp. z o.o., a company owned by the Adept Investment Group. Remuneration for completion of the agreement is PLN 6.3 million net. Design work is scheduled to begin in Q1 2020, production in Q3 2020, and completion in Q4 2020. (Current Report No. 6/2020)

5) Declaration of a state of epidemic in Poland. Information on the possible impact of the COVID-19 pandemic on operations of the Unibep and the Capital

Group

The global spread of the novel COVID-19 coronavirus concerns the Unibep and the Capital Group. Therefore, the Management Board conducted a thorough analysis of the Company's current condition and environment, along with the possible impact of the emergency on the future operations and outlook of the Unibep Group. Risks and opportunities for each aspect of the Company's business were examined, along with the feasibility of current business plans and the pandemic's potential impact on the Company's tangible and intangible resources, development of business relations, sales opportunities, activities on core markets, and effects of decisions made by policymakers and business partners. Credit and liquidity risks were also assessed. Implications for the Company in each of these areas were considered both in the short- and long-term perspective.

Company management judges that the situation requires no adjustments to the 2019 financial statement. However, as an event occurring after the balance sheet date, it does require additional disclosures. Despite the volatile and highly dynamic market situation, no significant event was identified that could affect either the sales or supply chains of entities belonging to the Group. However, the future financial impact of the COVID-19 pandemic remains uncertain.

The conducted analysis of the Group assets indicates that at present there are no substantive grounds to adjust for possible future impairment of fixed or current assets. It was assessed that these assets will be used to fulfil current and future contracts.

Currently, no supplies of materials or services have hindered the timely fulfilment of our contractual obligations. Such disruptions cannot, however, be ruled out for the future. The closure of international borders may limit imports from the rest of Europe and the world. It may also limit our subcontractors' access to human resources, especially to employees from beyond the eastern border. In addition, other restrictions affecting communities and organisations introduced by the Polish authorities may slow down or restrict the business activities of companies in the Unibep Group. The possible effects of disruptions in supply chains and labour markets are difficult to estimate. They may coincide with the states of emergency or epidemic currently in place in Poland and other countries. The Unibep Group has made intensive efforts to ensure uninterrupted supplies of raw materials and products necessary to ensure output and fulfilment of construction contracts.

Sales targets have been adjusted for our businesses and stress tests updated to the current situation. Our to date analysis leads the Management Board to conclude that there is no risk to the continuity of Group operations at this time. Even so, we are assuming some decline in revenue across our various business segments, caused by less efficient construction work, delays in announcing tenders, and weaker demand on the housing market. Among investors, we have

observed great sensitivity and caution about the current situation, with any new investments being very closely scrutinised. Therefore, we are expecting the pandemic to result in some project postponements. We expect that within several months, the investment trend will return to acceptable levels. This situation is encouraging sales teams to redouble their efforts to identify customer needs and lay the groundwork for new projects. As a result, the Management Team regards that the overall situation is under control.

The markets on which Unibep SA and the Capital Group operate remain open. Government restrictions on transport and movement are being continually monitored and analysed. For now, they are not regarded as a significant impediment. Being prepared for various contingencies has thus far allowed us to fulfil our contractual obligations without serious difficulty.

Some constraint may be posed by the slower pace of work within the central and local government administrations. Similarly, counterparty supervision of construction work could be hindered by the shift to remote work arrangements. The same problem could affect the efficiency of our own Group's back office operations.

We define the current liquidity as good. We are not concerned about any significant impact of potential payment disruptions concerning the investments which are underway. Every agreement currently underway in the residential and non-residential building, modular construction, and infrastructure segment has secure financing. Our real estate development group operates through special purpose vehicles, which require financing guarantees to be provided before any investment is launched. Unibep SA's credit position is also in order. No corporate bonds are maturing in 2020, and there is no unusual cumulation of loan or lease payments. Some banks have already declared their readiness to provide further financing if needed. The relatively large amount of cash on hand is sufficient to meet our immediate needs. Nevertheless, the Unibep Group plans to mitigate the risk of deteriorating financial liquidity (due to payment arrears) by adopting even more stringent rules for monitoring receivables.

Management will continue to monitor the potential business impact of the coronavirus epidemic and, depending on how the situation develops, it will take all possible steps to mitigate any negative effects on individual units. However, based on current data, we see no risk to business continuity.

Additionally, a crisis team was set up under the leadership of the Management Board president to monitor the impact of the epidemic. This team continually assesses possible risks to the Company's smooth operations, implementation schedule, and increase in costs. Concurrently, the Unibep Group follows all decisions and recommendations of the public authorities and keeps abreast of the situation on an ongoing basis. A basic guide to our decisions is concern for the health

of our employees and the long-term value of the Unibep Group.

The above assessment was made according to the best knowledge of the Unibep SA Management as of the publication date of this report. The actual scale of the COVID-19 pandemic's future impact on Group operations is currently unknown and impossible to estimate, since it depends on fast-changing variables that are beyond the control of the Unibep Group. With that in mind, it is currently impossible to determine unequivocally what impact the COVID-19 pandemic will have on the Unibep Group's operations, indicators, forecasts, and financial situation.

6) Conclusion of a revolving credit agreement for financing construction activities

On 31 March 2020, Coopera Idea Sp. z o.o., Sp. k., a subsidiary of Unidevelopment Group, concluded a revolving credit agreement for financing construction activities with Warsaw-based Bank Millennium SA.

The two-year loan, for PLN 28 million, is repayable on 31 March 2022.

The loan's purpose is to finance, or refinance gross investment expenditures related to Stage 2 of the "Osiedle Coopera" housing project on gen. Meriana C. Coopera Street in Warsaw. The project involves construction of a complex of multi-family buildings (2A, 2B, 2C, 2D, and 2E) with a total area of 7,335.67 m² (not including underground and above-ground parking).

During the implementation of the project, i.e. until 31 March 2021, the loan will take the form of a revolving credit line. This means that any loan repayments can be recycled to finance future development work, provided that the disbursed funds do not exceed an investment financing ceiling of PLN 53 million.

7. DECLARATION ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY UNIBEP SA IN 2019

7.1 Definition of corporate governance principles applied in the Company

In 2019, the Company applied the principles of corporate governance contained in the Warsaw Stock Exchange's **"Best Practice for Listed Companies 2016"**, adopted by the Supervisory Board of WSE in a resolution on 13 October 2015 and effective from 1 January 2016. In reference to these principles, Unibep SA published a statement on their application by the Company along with related WSE recommendations. The statement is available on Investor Relations section of the Company's website (https://unibep.pl/images/Relacje_inwestorskie/Lad_korporacyjny/GPW_dobre_praktyki_UNIBEP_SA.pdf). The full text of applicable corporate governance principles contained in the above-mentioned documents is available on the WSE's website (for English version, see: https://www.gpw.pl/pub/GPW/files/PDF/Podrecznik_DPSN_2016_9_03_16.pdf).

The Company provides all Shareholders with equal access to information about the Company by publishing current and periodic reports on its website. The Company's Management Board constantly takes steps to ensure all investors get equal and full access to information about the Company's condition and activities.



Bridge on the Narew River, Uhowo, Poland

7.2 Corporate government principles the Issuer does not follow

As to the current state of best practice, the Company departed from one recommendation (IV.R.2.) and three detailed principles (I.Z.1.20., I.Z.2., IV.Z.2.) contained in the WSE document.

Recommendation on General Meetings, Shareholder Relations

IV.R.2. If justified by the shareholding structure or shareholder expectations, companies should endeavour to enable shareholders to participate in general meetings by the following electronic means, provided that the company is in a position to provide the necessary technical infrastructure:

1. Live transmission of the general meeting;
2. Two-way communication links allowing shareholders to speak in real time at the general meeting from remote locations;
3. The ability to vote, either directly or by proxy, at the general meeting.

The company does not apply this rule due to insufficient technical capabilities to hold a general meeting ensuring technical and legal safety of such remote two-way communications during real-time general meetings. One reason for this is that such practices are not widespread among WSE-listed companies. Moreover, the Company's statute and the regulations for general meetings do not provide for remote electronic participation. The Company remains convinced that it fulfils its disclosure obligations by providing comprehensive access to information on shareholder meetings and business activities through the regular publication of current reports and other information on its website. Even so, the Company does not rule out future implementation of this principle.

I. Disclosure Policy, Investor Communication

Principle I.Z.1.20. on providing an audio or video recording of general meetings.

The Company believes its current practice of describing the course of general meetings (disclosing the content of adopted resolutions and voting tallies, etc.) ensures adequate protection of the transparency of Company operations and shareholders' rights. Even so, the Company is willing to consider making available such audio or video recordings of GSM meetings if shareholders express an interest in receiving them.

Principle I.Z.2. Companies whose shares trade on the WSE's WIG20 or mWIG40 indexes should also ensure their websites are available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if warranted by their shareholding structures or the nature and scope of their business activities.

vities.

Unibep SA shares do not qualify for WIG20 or mWIG40 stock indices, nor does the Company's shareholding structure support the application of this principle. While the Company does operate on foreign markets, its core business is now focused on the Poland domestic market. Because the Company has many foreign business partners, it provides a corporate website in English that reproduces much of the information contained in the Polish version, though not in the complete form required by the I.Z.1. principle. In the Company's view, the scope of information provided by this translation is sufficient.

IV. General Meeting, Shareholder Relations

Principle IV.Z.2. If justified by the shareholding structure or shareholder expectations, companies should endeavour to enable shareholders to participate in general meetings by the following electronic means.

The Company does not apply this rule due because it is technically unable to the technical and legal safety of such remote two-way communications during general meetings. One reason for this is that such practices are not widespread among WSE-listed companies. Moreover, the Company's statute and the regulations for general meetings do not provide for remote electronic participation. The Company remains convinced that it fulfils its disclosure obligations by providing comprehensive access to information on shareholder meetings and business activities through the regular publication of current reports and other information on its website. Even so, the Company does not rule out future implementation of this principle.

7.3 Description of the main features of internal control and risk management systems used by the Company when preparing financial statements

The Company's Management Board is responsible for internal control systems in the Company and their effectiveness. Certain control functions are also performed by the Supervisory Board. The Financial Director is responsible for preparing quarterly and annual financial statements. Authorised employees from Groups finance, accounting, controlling, communication, and legal departments also participate in this process.

Financial data that form the basis of financial statements and periodic reports are generated by the Company's accounting and financial system, which records transactions in accordance with the Company's accounting policy, which is approved by the Management Board and based on International Financial Reporting Standards. Unibep SA keeps accounts in the integrated Microsoft Dynamics AX 2012 IT system. The system's modular structure ensures a clear division of responsibilities, a consistent accounting of business operations, and adequate control. Its flexibility allows it to be continuously adapted to changing accounting rules and legal standards. Access to the data stored in the IT system is restricted solely to properly authorised employees and only within the appropriate scope of their duties.

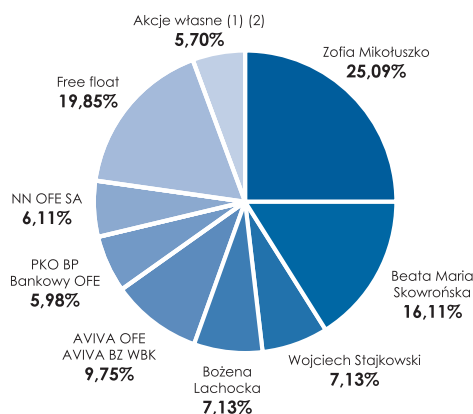
Annual and quarterly financial reports are subject to review and audit by a certified auditor. The auditor's responsibilities include a preliminary and basic audit of Group's annual report and a preliminary audit of the semi-annual report. The auditor is selected by the Company's Supervisory Board, based on a recommendation by its Audit Committee. The committee is responsible for collecting prior bids from multiple auditors to ensure high standards and impartiality. The certified auditor presents preliminary and final audit results to Company Management and published in the certified auditor's report.

The Company implements in changes in its disclosure policies as required by security laws and regulations on an ongoing basis.

7.4 Shares and shareholders

SHAREHOLDING STRUCTURE AS OF 31.12.2019

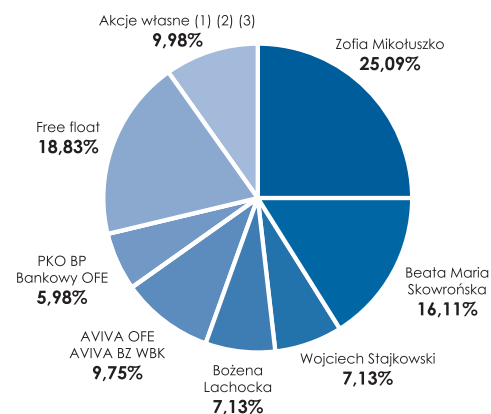
Name and surname	Shares held (all are voting shares)	Nominal value of shares [PLN]	Share in capital and votes [%]
Zofia Mikołuszko	8 800 000	880 000.00	25.09%
Beata Maria Skowrońska	5 650 000	565 000.00	16.11%
Wojciech Stajkowski	2 500 000	250 000.00	7.13%
Bożena Lachocka	2 500 000	250 000.00	7.13%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	3 418 920	341 892.00	9.75%
PKO BP Bankowy OFE	2 098 756	209 875.60	5.98%
NN OFE SA	2 142 359	214 235.90	6.11%
Free Float	5 960 599	596 059.90	17.00%
Own shares (1) (2)	2 000 000	200 000.00	5.70%
TOTAL	35 070 634	3 507 063.40	100%



(1), (2) – 1,000,000 own shares were acquired on 7 February 2017, as reported in Current Report No. 10/2017. Subsequent acquisition of 1,000,000 own shares took place on 29 May 2019, as reported in Current Report No. 28/2019.

SHAREHOLDERS' STRUCTURE AS OF THE DATE OF PUBLICATION OF THE REPORT

Name and surname	The number of shares held equals the number of votes	Nominal value (In PLN)	Share in capital and votes [%]
Zofia Mikołuszko	8 800 000	880 000,00	25,09%
Beata Maria Skowrońska	5 650 000	565 000,00	16,11%
Wojciech Stajkowski	2 500 000	250 000,00	7,13%
Bożenna Lachocka	2 500 000	250 000,00	7,13%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	3 418 920	341 892,00	9,75%
PKO BP Bankowy OFE	2.098.756	209 875,60	5,98%
Free Float	6.602.958	660 295,80	18,83%
Own shares (1) (2) (3)	3 500 000	350 000,00	9,98%
TOTAL	35 070 634	3 507 063,40	100%



(3) 1,500,000 own shares were acquired on 27 February 2020, as reported in Current Report No. 7/2020

In a transaction conducted on 29 May 2019, the Company purchased 1,000,000 of its own shares with a par value of PLN 0.10. The shares were acquired at a fixed price of PLN 6.80 per share, for a total transaction value of PLN 6,800,000. The total par value of own shares acquired in 2019 amounts to PLN 100,000 and represents 2.85% of the Issuer's share capital, which corresponds to 1,000,000 votes at the Company's General Meeting. The purpose of the buy-back was: (i) redemption of own shares and (ii) offering own shares to employees or associates of the Company or the Capital Group as part of the incentive program. The proportion of shares to be allocated for each purpose will be determined by an appropriate resolution of the General Meeting.

The nominal value of shares bought back by the Company (PLN 0.10 per share) totals PLN 350,000, or 9.98% of share capital.

SHARE CAPITAL STRUCTURE

As of 31 December 2019, Unibep SA's share capital amounted to PLN 3,507,063.40, divided into 35,070,634 shares with a nominal value of PLN 0.10 each, including:

- 27,277,184 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 dematerialised and traded on the regulated market of the Warsaw Stock Exchange.

In the interval between the publication of the previous report (Q3 2019) and this report, the Company was notified of the following changes in major shareholdings:

- Current Report No. 60/2019: information on shares held by Wojciech Stajkowski and Bożenna Lachocka.
- Current Report No. 7/2020: completion of purchase of own shares.
- Current Report No. 8/2020: notice of reduction of stake held by Nationale-Nederlanden OFE to less than 5% of the total number of votes in Unibep SA.

POTENTIAL CHANGES IN THE SHAREHOLDING STRUCTURE AND CONTRACTS CONCLUDED BETWEEN SHAREHOLDERS OR BONDHOLDERS

The Issuer is not aware of any agreements that may result in future changes in the proportions of shares held by existing shareholders or bondholders.

SHARES IN THE GROUP HELD BY MANAGEMENT AND SUPERVISORY BOARD MEMBERS AS OF 31.12.2019 AND THE PUBLICATION DATE OF THIS REPORT

Name and surname	Position	Shares held (all are voting shares)	Nominal value (in PLN)	Share in capital and votes (if over 5%)
MANAGEMENT BOARD				
Leszek Marek Gołbiewski	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 Management Board	0	0	---

Name and surname	Position	Shares held (all are voting shares)	Nominal value (in PLN)	Share in capital and votes (if over 5%)
SUPERVISORY BOARD				
Jan Mikołuszko	President of the Supervisory Board	21 620	2 162.00	---
Beata Maria Skowrońska	Vice-President of the Supervisory Board	5 650 000	565 000.00	16.11 %
Wojciech Jacek Stajkowski	Member of the SB	2 500 000	250 000.00	7.13 %
Jarosław Mariusz Bełdowski	Member of the SB	0	0	---
Michał Kotosowski	Member of the SB	0	0	---
Paweł Markowski	Member of the SB	0	0	---
Dariusz Marian Kacprzyk	Member of the SB	0	0	---

Management and Supervisory Board members do not hold any shares in entities of the Unibep Group.

RESTRICTIONS ON VOTING RIGHTS OR OWNERSHIP TRANSFER OF SECURITIES

The Issuer is not aware of any restrictions on the exercise of voting rights by holders of a certain part or a number of shares, nor of any restrictions on the transfer of ownership of Company shares.

HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS

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

INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE OWNERSHIP PLAN

The Company has no employee share ownership plan.

7.5 The management of Unibep SA

MANAGEMENT BOARD

The Management Board of Unibep SA operates based on the provisions of the Commercial Companies Code, the Company statute, and the Management Board's rules of procedure. The Management Board applies the principles of "**Best Practice for WSE Listed Companies**". Pursuant to its statute, the Management Board of the Company consists of one or more members. Members of the Management Board, including its President, are appointed for a three-year term of office by the Supervisory Board, which also decides the number of members in the Management Board.

In 2019, the following changes took place in the composition of Unibep SA's Management Board:

- On 7 January 2019, Jan Piotrowski resigned (with immediate effect) from his membership in the Management Board for health reasons.

On 31 December 2019, and as of the date of this report, the composition of the Company's Management Board is as follows:

- Leszek Marek Gołbiewski - President of the Management Board and Managing Director;
- Sławomir Kiszycki - Vice President of the Management Board and Financial Director;
- Krzysztof Mikołajczyk - Vice President of the Management Board and Construction Director.

Leszek Marek Gołbiewski and Sławomir Kiszycki were appointed by the Supervisory Board to the Management Board for a fifth term of office on 16 May 2017. Krzysztof Mikołajczyk was appointed to the Management Board on 4 May 2018, effective from 1 May 2018.

The Management Board manages the affairs of the Company and represents it outside. All matters relating to Company operations not reserved by law or the Company Statute to the General Shareholders Meeting or Supervisory Board fall within the scope of the Management Board's duties.

The Management Board adopts its resolutions by an absolute majority of votes. In case of a tie, the President of the Management Board casts the deciding vote.

The Management Board is entitled to pay shareholders an advance on the expected dividend at the end of the financial year, provided the Company has sufficient means for payment. Advance payments require the consent of the Supervisory Board.

The following persons are authorised to make pledges and sign agreements on behalf of the Company: the President of the Management Board acting alone; two members of the Management Board jointly; or a member of the Management Board jointly with one or two commercial proxies. The Company's Statute does not invest the Management Board with special rights. In particular, the Management Board is not entitled to make decisions on the issue or purchase of shares.

The Management Board's rules of procedure set forth in detail how the Management Board should operate. The rules are adopted by the Management Board and approved by the Supervisory Board. In any legal agreement between the Company and a member of the Management Board, or in a any dispute between

them, the Company is represented by the Supervisory Board or an authorised representative appointed by a resolution of the General Meeting. This procedure applies to other activities related to the employment or other legal relationship between a member of the Management Board and the Company.

The Supervisory Board is responsible for concluding agreements with members of the Management Board and deciding the remuneration of the President and members of the Management Board. It also sets the criteria for bonus payments and exercises for the Company all rights resulting from the employment relationship with Board members. The Company's Management Board has no special rights connected with the issue or purchase of shares.

AGREEMENTS CONCLUDED BETWEEN UNIBEP SA AND MANAGEMENT BOARD MEMBERS

The President and other members of the Management Board are employed by Unibep SA through managerial contracts lasting for the board's term of office (fixed-term employment agreement).

Currently, Leszek Marek Gołqbiecki, the President of the Management Board and Company Director, and Sławomir Kiszycki, the Vice-President of the Management Board and Financial Director, are employed under agreements reached on 12 June 2017 for the board's fifth three-year term of office.

Jan Piotrowski, the Management Board member and Commercial Director, had also been employed since 12 June 2017 for the board's fifth three-year term of office. On 7 January 2019, he resigned from the Management Board.

Krzysztof Mikołajczyk, the Vice President of the Management Board and Construction Director, has been

employed since 27 April 2018. Krzysztof Mikołajczyk was appointed as a member of the Management Board for the board's fifth term on 1 May 2018. Krzysztof Mikołajczyk was promoted to Vice-President of the Management Board on 1 November 2018.

Pursuant to provisions of the agreements mentioned above, the President and members of Unibep SA's Management Board are entitled to an annual bonus for 2019. The bonus is calculated as a percentage of the Unibep Capital Group's consolidated net profit for each year, upon fulfilment of further conditions, on the following basis:

- President, Company Director - 1.5%
- Vice-President, Financial Director - 1.5%
- Vice-President, Residential and Industrial Construction Director - 1.5 %
- Board Member, Commercial Director - 1.5 %

In the event a Management Board member's employment is terminated for reasons not attributable to that member, he or she is entitled to guaranteed compensation equivalent to three times their average monthly remuneration. The President, Vice-President, and other members of the Management Board are not entitled to any other remuneration specified in the Company's Collective Labour Agreement.

All members of the Management Board of Unibep SA have also signed non-compete agreements with the Company for the duration of their employment (remaining in force for the whole period of employment) and post-employment non-compete agreements (remaining in force for six months after the termination of employment). During the non-compete period, all members of the Management Board are entitled (for six months) to compensation equivalent to 25% of their employment remuneration disbursed in six equal instalments.

REMUNERATION OF UNIBEP SA MANAGEMENT BOARD FROM 01.01.2019 TO 31.12.2019

MANAGEMENT BOARD	Remuneration	Sickness benefit	2018 bonus paid in 2019	Total
Gołqbiecki Leszek	744 000.00		551 288.51	1 295 288.51
Kiszycki Sławomir	664 079.15		551 288.51	1 215 367.66
Piotrowski Jan	0.00	5 576.34	413 466.38	419 042.72
Mikołajczyk Krzysztof	612 000.00		277 532.23	889 532.23
TOTAL	2 020 079.15	5 576.34	1 793 575.63	3 819 231.12

President Sławomir Kiszycki received a salary of PLN 39,500.00 for his position at Unihouse. Management Board members do not receive any other remuneration for positions held in Unibep Group subsidiaries.

SUPERVISORY BOARD

The Supervisory Board of Unibep SA operates based

on the provisions of the Commercial Companies Code, the Company statute, and the Management Board's rules of procedure. The Supervisory Board also applies the principles of "**Best Practice for WSE Listed Companies**". The Supervisory Board consists of five to seven members, appointed for a three-year term or dismissed by the General Shareholders Meeting. In the event of group voting, the General Meeting determi-

nes in a resolution the number of members of the Supervisory Board for a given term of office before the Supervisory Board is elected. The Supervisory Board should contain at least two independent members. The independent members of the Supervisory Board are persons who:

- a) satisfy the criteria for independence as understood by the corporate governance principles applicable to companies traded on the domestic regulated market; and
- b) satisfy the criteria for independence as defined by the principles governing the audit committee.

Any shareholder may submit to the company's Management Board a written nomination of candidates for independent members of the Supervisory Board, no later than 7 business days before the date of the General Meeting electing such members. This nomination must contain personal details of the candidates, along with a covering letter justifying the candidacy and describing the candidate's qualifications and professional experience. It should also be accompanied by a written statement by the nominee, expressing his or her agreement to stand for a position on the Supervisory Board, confirming fulfilment of the independence criteria, and pledging to immediately notify the Company in the event these criteria are no longer met. If the aforementioned procedure does not yield candidates meeting these requirements, the Company's Management Board will submit a candidate or candidates for independent members of the Supervisory Board during the General Meeting.

As of the date of this report, the company's Supervisory Board consists of:

1. Jan Mikołuszko – President of the Supervisory Board;
2. Beata Maria Skowrońska – Vice-President of the Supervisory Board;
3. Wojciech Stajkowski – Member of the Supervisory Board;
4. Jarosław Mariusz Bełdowski – Independent member of the Supervisory Board;
5. Michał Kołosowski – Independent member of the Supervisory Board;
6. Paweł Markowski – Independent member of the Supervisory Board;
7. Dariusz Marian Kacprzyk – Independent member of the Supervisory Board.

Members of the Supervisory Board's current, fifth term were appointed by the General Shareholders Meeting on 13 June 2017.

In 2019, there were no changes in the Supervisory Board's composition.

The Supervisory Board meets at least once every three months. The Supervisory Board president or their deputy is obliged to convene a meeting at the written request of any member of the Supervisory or Management Boards. The meeting should take place no longer than two weeks after receipt of the request. Supervisory Board members may cast their votes in

writing through another member of the Board. Casting a vote in writing does not apply to items introduced to the agenda during the Supervisory Board meeting. The Supervisory Board may adopt resolutions in writing or by using means of direct remote communication. Resolutions are valid if all members of the Supervisory Board have been notified of their content in draft form.

To be valid, Supervisory Board resolutions must be preceded by a written invitation to all Board members to attend the meeting and the presence of at least half of the Board, unless specified otherwise by the Commercial Companies Code. The Supervisory Board adopts resolutions by an absolute majority. In case of a tie, the President of the Supervisory Board will cast the deciding vote. The Supervisory Board adopts its internal regulations by resolution. The Company communicates all changes in the composition of the Supervisory Board in current reports.



186 Puławska Street, Warsaw, Poland

REMUNERATION OF UNIBEP SA SUPERVISORY BOARD FROM 01.01.2019 TO 31.12.2019

Supervisory Board	Remuneration	Remuneration under employment contract with Unibep SA	Total
Mikołuszko Jan	456 000.00		456 000.00
Skowrońska Beata	145 439.87		145 439.87
Stajkowski Wojciech	60 000.00	60 000.00	120 000.00
Betdowski Jarosław	62 059.23		62 059.23
Kotosowski Michał	85 314.52		85 314.52
Markowski Paweł	60 000.00		60 000.00
Kacprzyk Dariusz	60 783.27		60 783.27
Total	929 596.89	60 000.00	989 596.89

SUPERVISORY BOARD COMMITTEES

Pursuant to the regulations of the Supervisory Board, standing or ad hoc committees may be established to act as collective advisory and consultative bodies within the Board. In particular, the Audit Committee and the Strategy Committee may operate as standing committees of the Supervisory Board.

Committees are appointed by a Supervisory Board resolution from among members of the Board. The committee, in turn, elects a chairman from among members of the committee. A committee is made up of three to five members. A majority of the audit committee, including its chairman, should meet the independence criteria as set by the principles of the audit committee. Individual members of the audit committee should have knowledge and skills of the industry in which the company operates, as well as in accounting and auditing financial statements.

The committees submit annual reports on their activities to the Supervisory Board.

The composition of the audit committee as of the date of this report:

1. Michał Kotosowski – Chairman of the Committee, independent member as specified by Art. 129 (3) of the Certified Auditors Act of 11 May 2017;
2. Wojciech Jacek Stajkowski;
3. Dariusz Marian Kacprzyk, independent member as specified by Art. 129 (3) of the Certified Auditors Act of 11 May 2017.

As members of the audit committee for its fifth term of office since 20 June 2017, Wojciech Jacek Stajkowski and Michał Kotosowski possess knowledge and skills in the industry in which the company operates. Michał Kotosowski additionally has knowledge and skills in accounting and auditing financial statements.

Wojciech Jacek Stajkowski is a graduate of the faculty of foreign trade at the Warsaw School of Economics (SGH). He has been involved in foreign trade since the beginning of his professional career. For many years, he held managerial positions at representative offices and subsidiaries of Polimex Cekop in the Middle

East and Germany. From 1996 until 2008, he worked for Grundig Polska as executive director and management board member, while also serving as sales director of the Grundig group in Central and Eastern Europe and a member of Grundig Magyarország's supervisory board. In subsequent years, he managed his own business and cooperated with Unibep SA as its authorised representative for new markets. He served as chairman of the Audit Committee of Unibep SA's Supervisory Board during its fourth term and has held a Supervisory Board seat since 22 May 2012.

Michał Kotosowski holds a master's degree in economics with a specialisation in finance and accounting. He is certified with a Diploma in International Financial Reporting issued by the Association of Chartered Certified Accountants (an international organization of finance, accounting, and management specialists). In 2000-2004, he worked as an assistant certified auditor at Roedel & Partner, and in 2004-2007 as a Senior Associate at PricewaterhouseCoopers. Since 2017, he has been a partner in the audit department of the UHY ECA Group. He possesses extensive experience in auditing financial statements, preparing consolidation packages, conducting financial due diligence, and compiling IAS/IFRS and US GAAP compliant financial statements. Mr. Kotosowski is a specialist in dealing with real estate investments and closed-end investment funds. He is lecturer in accounting and the author of numerous articles in the field of accounting. Michał Kotosowski has been a member of Unibep SA's Supervisory Board since 12 June 2014.

The Audit Committee advises the Supervisory Board on the proper implementation of budgetary and financial reporting principles, internal control of the Company and its capital group, as well as on matters related to cooperation with the Company's certified auditors.

In particular, the tasks of the Audit Committee include:

- Presenting the Supervisory Board with the recommendation referred to in Art. 16 (2) of Regulation No. 537/2014;
- Discussing with the Company's auditors, prior to the commencement of each audit of annual financial statements, the nature and extent of the

- audit;
- Notifying the Supervisory Board of the audit results and explaining how the audit contributes to the accuracy of the Company's financial reporting, including the Audit Committee's role in the audit process;
 - Reviewing of periodic and annual, both separate and consolidated financial statements of the company;
 - Discussing any issues or reservations that may result from auditing financial statements;
 - Analysing the remarks delivered by the certified auditors to the Management Board and the Board's response;
 - Reviewing transactions with affiliates;
 - Monitoring the effectiveness of internal control systems, risk management, legal compliance and functioning of the internal audit;
 - Approving the internal audit program;
 - Analysing the reports of the Company's internal auditors and the Management Board's response to these reports;
 - Cooperation with departments of the Company responsible for audit, control, and regular appraisals of its operations, and assessment of the remuneration of persons employed in these departments;
 - Annual assessment of the need for organisational separation of the internal audit function (if such function has not been separated in the Company);
 - Monitoring financial audits, especially the conduct of inquiries by the auditing firm for their compliance with conclusions and findings of the Audit Supervision Authority arising from the audit conducted by the audit firm;
 - Controlling and monitoring the independence of the statutory auditor and the auditing firm, in particular when the audit firm provides other services to the Company;
 - Assessing the independence of the statutory auditor and authorising their allowed non-audit services in the company;
 - Developing the policy and procedure for selecting the audit company;
 - Monitoring the financial reporting process;
 - Submitting recommendations to ensure the reliability of the financial reporting process;
 - Deciding on any other matter concerning Company audits indicated by the Audit Committee or the Supervisory Board.

In 2019, the Audit Committee held four meetings – on 21 March, 27 August, 4 November, and 19 December – to accomplish the assigned tasks. These tasks included the analysis of financial statements, risk management, and internal control assessment.

The composition of the Strategy Committee as of the date of this report:

1. Jan Mikołuszko - Chairman
2. Beata Maria Skowrońska
3. Jarosław Mariusz Bętdowski
4. Paweł Markowski

Strategy Committee reviews and presents recommendations to the Supervisory Board on planned investments or disinvestments that could potentially have a significant impact on Company assets.

The Committee is particularly responsible for:

- Evaluating the impact of planned and current investments and disinvestments on the Company's assets;
- Evaluating activities, agreements, letters of intent, and other documents related to the purchase, sale, encumbrance, or any other means of disposing of significant Company assets;
- Assessing all strategic documents submitted to the Supervisory Board by the Management Board;
- Reviewing the company's development strategy, including long-term financial plans.

In 2019, the Strategy Committee held two meetings, on 4 July 2019 and 17 September 2019, during which were undertaken activities related to performance of tasks assigned to the Committee. These included the appraisal of the development strategies of individual businesses in the Capital Group, their competitive advantages, and innovative potential.

DESCRIPTION AND PREROGATIVES OF THE GENERAL MEETING, SHAREHOLDERS RIGHTS, AND CHANGING THE STATUTE

Description of operation of the General Meeting

General Meetings of Unibep SA operate in accordance with the Commercial Companies Code, the Company Statute, and General Meetings regulations, and also follow the corporate governance principles adopted by the Warsaw Stock Exchange. The Company's website (www.unibep.pl, investor zone section) provides all relevant corporate documents and information on the date, agenda, and resolutions to be discussed at the General Meeting. Ordinary General Meetings are convened by the Management Board within six months after the end of each financial year. Extraordinary General Meetings are convened by the Management Board or the Supervisory Board or shareholders representing at least half of the share capital or at least half of the total votes in the Company. A shareholder or shareholders representing at least 1/20 (one-twentieth) of the Company's share capital may request that the Management Board convene an Extraordinary General Meeting and include particular items on its agenda. The request to convene the Extraordinary General Meeting and to include particular items on its agenda should be submitted to the Management Board in written or electronic form. The Management Board should convene the Extraordinary General Meeting within two weeks of receiving the request. The e-mail address to be used in appropriate cases (as described in the Code of Commercial Companies for general meetings) is wza@unibep.pl. General Meetings take place at the Company's seat or in the Warsaw office. The General Meeting may adopt resolutions solely concerning items on its agenda. The Supervisory Board or a shareholder or shareholders re-

presenting at least 1/20 (one-twentieth) of the share capital may request that the upcoming General Meeting include particular items on its agenda. The request should be submitted to the Management Board no later than 21 days before the date of the meeting. The request should include a justification or a draft resolution concerning the proposed item on the agenda. The request can be submitted in electronic form.

The prerogatives of the General Meeting, in addition to other matters specified in applicable law, include:

1. Review and approval of the Management Board's report on the Company's operations and financial statements for the preceding financial year;
2. Adopting resolutions on the distribution of profits or coverage of losses;
3. Approving senior Company managers' performance of their duties in the previous year;
4. Amending the Company's statute;
5. Adopting resolutions on mergers with another company or transformation of the Company;
6. Adopting resolutions on the Company's dissolution or liquidation;
7. Approving issues of subscription warrants, convertible bonds, and bonds with pre-emptive rights;
8. Adopting resolutions on the sale and lease of Company subsidiaries or units and establishing limited property rights to these assets;
9. Deciding on provisions for damage compensation claims deriving from formation of Company or exercising management or supervision;
10. Adopting resolutions on the compulsory buyout of shares pursuant to art. 418 of the Commercial Companies Code;
11. Appointing and dismissing members of the Supervisory Board.

Should the General Meeting resolve to allocate a portion or the entire profit of the Company for a shareholder dividend, it is empowered to set the date on which the list of shareholders eligible for the annual dividend and the date of payment are determined. Acquisition or sale of properties, a right to perpetual usufruct or property shares do not require a resolution of the General Meeting.

Other shareholders rights and the mode they are exercised

A shareholder or shareholders representing at least one-twentieth of the share capital may, before the date of the General Meeting, submit to the Company, either in writing or by electronic means of communication, draft resolutions regarding items on the agenda of the General Meeting or items to be included in its agenda.

At the General Meeting, any shareholder may submit draft resolutions concerning items placed on the agenda.

Only persons who are shareholders of the Company as of the registration date for the General Meeting have the right to participate. The registration date for

participation in the General Meeting is sixteen (16) days before the General Meeting.

Holders of temporary certificates, pledgees, and usufructees entitled to voting rights may participate in the General Meeting if they have been entered in the share register at least one week before the General Meeting.

A shareholder who is a natural person may participate in the General Meeting and exercise the right to vote in person or by proxy. A shareholder who is not a natural person may participate in the General Meeting and exercise the right to vote through a person authorised to make declarations of will on their behalf or by proxy.

Terms of amending issuer's statute

The General Meeting's prerogatives, among others specified in applicable laws, include adopting resolutions to amend the Company's Statute. Resolutions of the General Meeting are adopted by an absolute majority of votes unless the Statute or the Commercial Companies Code specify stricter requirements. The Company's Statute does not stipulate stricter requirements for resolutions amending the Company's Statute.

The General Meeting may adopt a resolution to significantly change the scope of the Company's activities without any obligation to buy out shareholders who do not agree to such a change, provided the resolution passes by a majority of two-thirds of shareholders representing at least half of Company's share capital.

REMUNERATION POLICY

Unibep SA has adopted an official "Remuneration Policy for Supervisory and Management Board Members and Key Managers" (Remuneration Policy). The policy's implementation is reviewed at least once a year. In 2019, there were no significant changes in the Remuneration Policy. The Management Board considers that the Remuneration Policy has achieved its objectives of increasing the long-term value for shareholders while enhancing the Company's operational stability.

Remuneration of the Supervisory Board

The Remuneration Policy specifies that the General Meeting is responsible for determining the remuneration of Supervisory Board members. Financial compensation should be sufficient to attract, retain and motivate people with the qualifications necessary to properly supervise the Company. Their remuneration should be adequate to the scope of responsibilities entrusted to individual Supervisory Board members as well as to any additional duties. At the same time, the remuneration of Supervisory Board members should not depend on options or other financial derivatives, or on any other variable components, and should not be tied to the Company's results. The main components of remuneration for Supervisory Board members

include:

- a fixed monthly salary;
- additional benefits.

Management remuneration

The Remuneration Policy specifies that the Supervisory Board is responsible for determining the remuneration principles for members of the Management Board. Remuneration of Management Board members should correspond to the size of the enterprise and remain in a reasonable relation to the Company's economic results. The remuneration should be sufficient to attract, retain and motivate competent managers. When determining and verifying remuneration of Management Board members, the Supervisory Board should closely consider the scope of their duties and responsibilities, the amount of work necessary to properly perform their assigned duties, and the remuneration offered by peer companies and competitors for similar positions. Incentive programmes should correlate the remuneration of Management Board members with the Company's real, long-term financial condition and the long-term improvements in shareholder value and the stability of the business.

The main components of remuneration for Management Board members include:

- a fixed monthly base salary;
- an annual bonus;
- a severance payment upon termination of employment for reasons not attributable to the individual Management Board member;
- the post-employment non-competition compensation;
- additional benefits.

Management Board members are entitled to a prorated annual bonus based on financial or material targets set by the Supervisory Board, calculated from the consolidated net profit of the Unibep SA Capital Group for each financial year, determined by duly approved and authorised consolidated financial statements of the Group. The size of the bonus and the conditions for granting it to individual Management Board members are determined by a resolution of the Supervisory Board. Additional benefits for Management Board members may include a company car, equipment, and technical devices necessary to perform their duties, reimbursement of business travel and business entertainment expenses of a size and scope appropriate to their positions, a civil liability insurance agreement, private health insurance, and professional training courses aiming to improve qualifications.

Remuneration of key managers

7.6 Diversity policy

The Company has not developed a diversity policy in the sense of a single formal document. Over the years,

The Remuneration Policy specifies that the Management Board is authorised to determine the principles for remuneration of key managers. The Management Board sets remuneration based on the Company's Collective Labour Agreement, the White-collar Bonus Policy, and the Management Bonus Policy. The remuneration of key managers should correspond to the size of the enterprise and remain in reasonable relation to the Company's economic results. It should be sufficient to attract, retain and motivate people necessary for appropriate management of the Company. When determining and verifying remuneration of key managers, the Company should closely consider the scope of their duties and responsibilities, the amount of work necessary to properly perform their assigned duties, and the remuneration offered by peer companies and competitors for similar positions. Incentive programmes should correlate the remuneration of key managers with the Company's real, long-term financial condition and the long-term improvements in shareholder value and the stability of the business.

The main components of remuneration 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 effective performance of their assigned tasks, awarded, and paid based on provisions defined in detail in the White-collar Bonus Policy. Key managers are also entitled to an annual bonus tied to financial or material objectives specified by the Management Board within their assigned areas of responsibility, awarded and paid based on provisions defined in detail in the Management Bonus Policy. Additional benefits for key managers may include a company car, equipment, and technical devices necessary to perform their duties, reimbursement of business travel and business entertainment expenses of a size and scope appropriate to their positions, private health insurance, and professional training courses aiming to improve qualifications. The performance of key managers is evaluated by the Management Board.

The Company offers no separate retirement pensions or any similar benefits to former executives in managerial or supervisory roles. Moreover, the Company possesses no administrative bodies such as those referred to in § 70 para. 7 (18) of the Regulation of the Minister of Finance on current and periodic reports.

however, certain rules of conduct have evolved in this respect, including those described in the "Community

of principles and objectives" guidelines that every new employee of the Company learns about.

Because the Company's main office is located in Podlasie, a region historically considered to be a social, cultural, and ethnic melting pot, Company employees and managers tend to come from diverse cultures and backgrounds. They represent different ways of thinking and points of view stemming from different professional and life experience. There are also significant age variances. The biggest age cohort is made up of employees between 30 and 50 years of age, but the Company also employs many employees over 50 and under 30. The Company employs both women and men in various positions.

Labour market diversity is something the Company tries to turn to its advantage. We believe that actions to promote diversity help to create a closely-knit, well-rounded team.

Unibep SA holds the principle that any discrimination in employment, whether direct or indirect, based on

sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, religion, or sexual orientation, is unacceptable in any form and under any type of employment.

The Company places great emphasis on equal treatment and diversity management, especially in recruitment, performance evaluation, training, promotion, and remuneration. Steps taken by management in this area include the incorporation of diversity principles into internal Company documents on corporate culture or the Collective Labour Agreement. An important aspect of fostering diversity has been the creation of a work environment that lets employees feel they are appreciated, respected, and free to realise fully their professional potential.

As for the Company's management and supervisory bodies, the Company explains that their composition is diverse in terms of education, age, and professional experience. At present, however, there is no gender diversity on the Company's Management Board.

7.7 Auditing company

Unibep SA, and the following subsidiaries: Unidevelopment SA, Monday Development SA, G81 UDM Sp. z o.o., S.K.A., Szcześliwicka Sp. z o.o., Unigo Sp. z o.o., Budrex-Kobi Sp. z o.o., and Unihouse SA, concluded with Deloitte Audyt Sp. z o.o., Sp. k. based in Warsaw at Al. Jana Pawła II St. 22 an agreement for auditing and reviewing financial statements.

The total annual remuneration for 2019 is PLN 541,000 plus additional costs (including, as regards Unibep SA, PLN 195,000 for audits and PLN 97,000 for reviews).

The cooperation in the field of auditing of Unibep SA's separate and consolidated statements is governed by an agreement for financial auditing services and other assurance services dated 26 July 2019. This agreement provides for performance of audit/review activities by the appointed entity for the annual and semi-annual separate and consolidated financial statements of Unibep SA for the years 2019-2021.

The total annual remuneration for the implementation of agreements with Unibep SA and its subsidiaries for 2018 was PLN 290,300.

The auditing firm was chosen by the Company's Supervisory Board based on the Audit Committee's recommendation. The Committee's recommendation of auditor met the applicable conditions and was prepared in accordance with the Company's "Policy for selecting the audit company to conduct the statutory audit of financial statements of Unibep SA and the Unibep Capital Group".

On 21 January 2019, the Dominant Entity concluded another agreement with Deloitte AS, Dronning Eufe-

mias gate 14, NO-0103 Oslo, to audit financial statements of Unibep SA's activities on the Norwegian market, in accordance with Norwegian standards, for NOK 237,000 plus additional costs. Since the agreement concerned the performance of services as part of the audit of the financial statements by the above-mentioned entity of the Deloitte Group, it did not require additional consent.

The entity authorised to audit financial statements did not provide other services to the Dominant Entity or the Capital Group in 2019.

However, the appointed entity conducted audits/reviews of the financial statements of Unibep SA for the years 2017-2018.

The Company has implemented a "Policy for selecting the audit company to conduct the statutory audit of financial statements of Unibep SA and the Unibep Capital Group". This document was drafted by the Audit Committee and adopted by resolution of the Supervisory Board on 6 February 2018. The policy specifies that the Supervisory Board selects the auditing company based on the Audit Committee's recommendation. Except in cases of renewals the Committee must submit at least two audit companies for review to the Supervisor Board, with a justified recommendation of one. The Audit Committee's recommendation must be free of third-party influence. Other provisions of the policy concern the criteria for verifying audit companies and the duration of cooperation with the selected auditor.

Moreover, on 6 February 2018, The Supervisory Board adopted a "Policy on the provision of authorised non-

-audit services by the auditing company, related entities, and network partners in Unibep SA". The main purpose of this policy is to eliminate the threat of lack of independence in the provision of certain services other than statutory audit services provided by the statutory auditors, audit firms or their members. The aforementioned policy helps distinguish authorised and unauthorised services that are not audit-related. It also specifies that authorised non-audit services may only be provided with prior approval by the Audit Committee. The policy is in force in the Company and in the Capital Group.

8. OTHER INFORMATION

8.1 Description of risks and threats

Risks as an uncertain event is an inherent part of all business operations. Any of the risks discussed below could, if they occurred, have significant adverse effects on the Unibep Group's business, financial condition, and development prospects, as well as on its operational results.

RISK ASSOCIATED WITH THE EPIDEMIOLOGICAL SITUATION

One of the risks that may limit the activity of the Issuer and the Capital Group and have a negative impact on its current and future financial results is the occurrence of an epidemic or the declaration of an epidemic emergency.

Such a situation might have a whole range of adverse effects. It may result in large-scale absenteeism on the part of employees or subcontractors, leading to a significant reduction in the Company's production capacity. Border closures could cause outflows of workers employed by subcontractors at the Issuer's construction sites. It may also cause disruptions of supply chains and restrict the availability of raw materials and goods from Europe and other parts of the world. Supply chain disruptions, in turn, could create problems for transport companies and slow down deliveries to construction sites. It may result in limited pace of construction work, leading to failure to meet contractual deadlines. This would subsequently lead to penalties despite that the ordering parties express their understanding in response to information provided by the Issuer about possible changes in construction schedules caused by the progressing epidemic in the Poland.

An additional risk factor for operations would be a decline in production or even a downtime at the factory or other plants and facilities of the company.

The epidemic could cause fluctuations in the exchange rates of currencies used in Company transactions. It might significantly influence financial results, especially of agreements concluded on foreign markets. Currently, the Company is active mainly in Norway, Belarus, and Ukraine - markets which are still considered promising. However, there is a risk that our offers will become less competitive.

Another possible scenario is that investors will cut back on new orders or postpone projects. That may result in scaled-back operations, smaller sales, and reduced profits in individual affected business segments.

Even if only a few of these unfavourable events were to occur, the Company might be forced to reduce its own investments, potentially stalling growth. In our view, all investment plans would then either be su-

spended or postponed.

The Issuer has established an Emergency Response Team led by the President of Management Board to continually monitor pandemic-related risks and their potential impact on Company operations, project timetables, and costs.

RISK RELATED TO POLAND'S MACROECONOMIC SITUATION

An economic downturn in Poland would produce a cascade of negative effects across all economic sectors, including construction sector. The Polish economy has strong political and economic links with the European Union. The globalisation of national economies, and particularly the free flow of capital and labour, makes the Polish economy more vulnerable to the impact of the global crisis. The outcome could be slower economic growth or even a crisis, both of which would curb consumer demand and investment spending. The construction industry in which the Group operates depends, among others, on the domestic business cycle. Factors such as the economic growth rate, investment spending, interest rates, inflation, tax policy, exchange rates, and consumption levels have a significant impact on business activity in the construction industry, directly affecting the Group's bottom line and growth prospects. Slower economic growth, sluggish private investment, lower wages, higher taxes and interest rates, and reduced access to credit may all have a negative impact on the operations, results, financial condition, and development prospects of companies in the construction industry.

FOREIGN EXCHANGE RISK

As part of their operations, companies from the Group conclude agreements that are (or might be) denominated (or expressed) in foreign currencies. In terms of export revenues, hedging against foreign exchange risk is primarily effected through a natural hedging mechanism of concluding agreements with subcontractors in the currency of the agreement – thus transferring these risks to them. Owing to the above, the Company's foreign exchange risk in export agreements in Belarus and Ukraine is close to the executed margin. In the case of agreements executed in Norway, the natural hedging mechanism is estimated to be at the level of approx. 20%. The Group's intention is to close its foreign currency position by balancing the gains and losses of foreign exchange transactions. The Company has concluded agreements with banks on foreign exchange forward transactions, which allows the use of hedging instruments whenever it is not possible to close a natural position in a given period.

The Company's strategy on using financial instruments to hedge foreign exchange risk is based on two primary assumptions:

1. Securing amounts no larger than the planned net currency flows;
2. Using simple and predictable instruments, e.g. forwards or non-deliverable forwards.

The Group concludes agreements denominated in foreign currencies. Therefore, there is a risk of exchange rate fluctuations. This risk is managed as part of the approved foreign exchange risk management procedure. The Group is particularly exposed to fluctuations in NOK/PLN and EUR/PLN currency pairs; therefore, the fluctuations of these currency pairs are subject constant analysis. The Group uses derivative transactions to hedge against currency risk. Rules for using derivative instruments are set forth in the foreign exchange risk management procedure.

CREDIT RISK

When credit obligations are not honoured, financial institutions have grounds to terminate loan agreements and may enforce repayment or collateralise assets. It cannot be excluded that failure to discharge credit obligations may prompt creditor banks to have the debtor company placed in receivership. Failure by a company to properly service its debt will increase the interest costs and outstanding principal, and therefore threaten foreclosure on other liabilities. The Group follows a policy of moderating its credit exposure to individual financial institutions and works with highly reputable lenders. To safeguard its financial liquidity, the Group maintains multi-purpose loans and largely untapped credit lines in several banks. The Group also conducts real estate development projects through special purpose vehicles directly financed by financial institutions. The Group has no concerns about losing access to financing, even though financial institutions analyse its financial results on a regular (quarterly) basis. Loan agreements specify minimum financial benchmarks, such as solvency ratios, interest payments, capitalisation, and EBITDA, which are constantly verified and analysed. The Group constantly and pre-emptively monitors the aforementioned provisions with an eye towards renegotiating any restrictions if indicators approach trigger thresholds. This practice gives the Group an additional safety margin in case the market situation deteriorates, or banks tighten their lending policies. It also allows to seize market opportunities (e.g., acquisitions).

CONTRACTORS' CREDIT RISK

The assets of the Group which are also exposed to increased credit risk are trade receivables. Every supplier of goods or services, before signing an agreement, is assessed for their ability to meet financial obligations. Most current agreements have been signed with partners that have proven themselves reliable over several contracts. In case of any doubt as to the contractor's ability to pay, agreements are finalised only after appropriate collateral is established (financial or proper-

ty). Additionally, agreements with investors contain clauses providing for the right to suspend work if there is any delay in payment for services rendered. When possible, we insert contractual clauses making sub-contractors' payments conditional on the cash inflows from the investor. However, it cannot be ruled out that a possible downturn in the property market could affect investors' capacity to pay, thus increasing the Company's credit risk.

LIQUIDITY RISK

There is a risk that the ordering party will not make the agreed payments, even when a given stage of work is completed. This might affect the Group's financial liquidity and in extreme cases lead to a financial loss. In order to limit such risk, the Group maintains an adequate cash cushion and has negotiated credit lines with banks to provide an extra liquidity guarantee. Moreover, the Group issued bonds with a total value of PLN 64 million with the aim of ensuring liquidity. The Group seeks to sign agreements solely with reputable partners in good financial standing and having with access to bank financing. The Group uses its own funds to make investment purchases, ensuring durable financing for such assets. Since the investment programme is also implemented through subsidiaries (majority owned by Unibep SA or its subsidiary, Uni-development SA), the Group grants internal loans for its implementation. Big residential property and commercial development projects are implemented through special purpose vehicles. New projects are financed from the Company's own funds, bank credits, or bond issues. Liquidity management and monitoring of expected revenues and expenses are assisted by a specialised module of the Company's IT system. Considering the actions described above, along with the Group's financial condition and access to credit lines, liquidity risk is considered limited.

POLITICAL RISK ON EASTERN MARKETS

Concerning the situation in Ukraine, the Group's operations there are particularly exposed to the political risks associated with eastern markets. In the long term, since the Company assumes the political situation in Ukraine will become normalised, and that this market remains within the scope of interest of the Company.

In 2019, the Group worked on three agreements in Belarus and three in Ukraine. In each case, the material and financial schedules are designed to minimise the Group's risk related to the possible necessity of early completion of work.

RISK RELATED TO OPERATIONS STARTED ON NEW MARKETS

The Group seeks to diversify its operations and find new sources of income. Entering new markets, however, requires the Company to learn a new, complex rules of operating and cooperating with local authorities, institutions, and commercial partners. Companies starting operations on a new market are usually

exposed to higher operating costs (i.a. company and product marketing) as well as the cost of removing various types of barriers in the initial phase of operation. As a result, early operations will suffer higher costs and perhaps even financial losses, delaying the moment when the anticipated levels of profitability are achieved. Operations on new markets also involve tax risks associated with the need to learn different rules and regulations specific to a particular country.

RISK RELATED TO THE LAUNCH OF NEW SEGMENTS WITHIN THE EXISTING BUSINESS

In addition to operations on geographically new markets, the Group introduces new products and services on markets where it currently operates. An example would be the real estate development segment, for both commercial investments (office projects) and new modular housing products (e.g., for public nursing homes). Various types of risk are associated with placing such new products on the market. The Group strives to minimise these risks by carefully preparing these new activities and working with experienced partners and advisers. As a rule, these types of projects (depending on their scale or specific conditions) are conducted through special purpose vehicles, which help reduce the Group's risk.

RISK OF DISCONTINUED OPERATIONS OR POOR RESULTS OF PUBLIC-PRIVATE PARTNERSHIP

The Group expects to achieve measurable economic benefits from participating in public-private partnerships (PPP). However, we cannot rule out a scenario of operations which might be so unfavourable that the Group will decide not to take active part in such ventures despite incurring initial outlays. Moreover, the operations related to the development of PPP are exposed to risks similar to those in exploring a new market or developing a new product. Barriers to entry, new market rules, and operating costs – these and other aspects of such ventures may create a risk of lower-than-expected profitability. On the other hand, getting into the PPP business is an integral part of the company's diversification strategy, which inherently reduces risks. Group operations based on several pillars limit the short-term risk and improves efficiency in individual sectors.

RISK OF INABILITY TO CONTINUE OR COMPLETE COMMENCED INVESTMENTS DESPITE SIGNED AGREEMENTS DUE TO THE DIFFICULTIES IN CONSTRUCTION AND DEVELOPMENT SECTORS AND STRICTER FINANCING REQUIREMENTS FOR DEVELOPMENT PROJECTS

Project implementation often depends on obtaining financing by an investor, which is reflected in contractual provisions. Therefore, signing of an agreement often does not guarantee complete realisation. This may result in loss of some portion of the planned revenue and profit. Financing for the vast majority of current domestic agreements has been secured. This risk also applies to operations on foreign markets.

Currently, the financial parameters of transactions require increased scrutiny.

RISK RELATED TO THE LEGAL ENVIRONMENT

In recent years, the Polish legal system has been characterised by frequent regulatory changes and inconsistent judicial decisions. Particular attention should be paid to the process of adapting Polish law to EU standards and the impact of European case law on Polish court decisions. It is hard to predict what impact these current or pending legal changes will have on the Issuer's operations. Undoubtedly, the aforementioned factors constitute a potential element of risk and may have a serious impact on the legal aspects of doing business, including the activities of the Group. This applies particularly to regulations on real estate development, the securities market, labour law, social insurance, and broadly understood civil law. It is also possible that the directory of activities requiring appropriate permits or concessions will be extended. There is a risk of adverse changes in regulations or their unfavourable interpretation in the future. This may affect the operations, market position, sales, financial results, and development prospects of the Group.

While operating on foreign markets, the Group is also exposed to the risk related to the results of inspections conducted by variety of central and local authorities and state institutions. At present, it is difficult to unequivocally determine the potential impact of such proceedings on the Group's results and operations. However, this eventuality cannot be excluded. In order to minimise this risk, the Group remains in constant contact with local advisors on accounting, taxes, and human resources, as well as with renowned law firms.

RISK LINKED TO CHANGES IN TAX, CUSTOMS, AND ADMINISTRATIVE SYSTEMS AND INTERPRETATION OF TAX LAWS

One of the most important factors affecting the Group's operations are changes in the tax system to make its provisions conform with EU law. Moreover, many current tax regulations are vaguely worded and liable to contradictory interpretations, which may result in a situation where the Capital Group and the tax authorities interpret them differently. Such divergences involve greater risk for Polish companies than for entities operating under more stable tax systems. The tax authorities may consider the Group's operations and their presentation in tax returns and declarations as inconsistent with the tax regulations. The tax authorities may change tax regulations or adopt an interpretation different from that applied by the Group to determine the tax base for the tax liability. This may negatively affect the Group's operations, market position, sales, financial results, and development prospects.

INTEREST RATE RISK

The Group has and will have financial liabilities that depend on current interest rates. Consequently, it is exposed to interest rate risk caused by changes in the

valuation of incurred liabilities, which become particularly significant when market interest rates are highly volatile (as happens in periods of uncertainty or crisis on financial markets). Rising interest rates can increase the cost of financing, thus reducing the Group's profitability. This may have a significant negative impact on the Group's financial results, growth prospects, ability to service its debt.

Interest rate risk occurs mainly in the Group's use of bank loans, leases, outstanding bonds, and bank deposits.

Such transactions are usually based on a variable interest rate, which exposes the Group to the risk of variable financial results and cash flows. Leases do not play a significant role in Group financing, being restricted mainly to smaller investments.

The Group allocates any financial surpluses to short-term deposit accounts. These term deposits are based on fixed interest rates and are usually concluded for a period of 3–7 days. The interest received will depend, among other factors, on the level of interest rates.

The aforementioned instruments are valued as of the balance sheet date at a reasonably calculated fair value. The effects of periodic valuation of derivative instruments are included in the financial revenues or costs of the reporting period.

RISK OF COMPETITION

The operations of the Unibep Group are exposed to the risk of competition. The Group's financial results may be significantly affected by the pricing policy of competitors who are willing to offer general contracting services at lower margins. This may lead to lower prices of products and services offered, decreasing the margins, and consequently, the financial results of the Group. The Issuer's core business segment is residential and non-residential construction, which generates over 50% of its revenue. Its main competitors in this business segment include Erbud, Budimex, Skanska, Hochtief, Strabag, and Warbud.

RYZKO ZWIĄZANE Z ODPOWIEDZIALNOŚCIĄ WYNIKALIA BILITY RISK FROM ENVIRONMENTAL PROTECTION LAWS

In accordance with the applicable environmental regulations, entities using land where pollutants are stored or degradation of the natural landscape occurs may be required to remove or remedy them, incur the re-cultivation costs or to pay administrative penalties. The occurrence of the aforementioned risk may have adverse effects on the Group's business operations, financial standing, results, and development prospects. To minimise the aforementioned risk, the Group conducts technical and legal analyses of land earmarked for future projects. Occurrence of the above risk may have adverse effects on operations of the Group, its financial standing, and development prospects.

RISK OF SOCIAL, ADMINISTRATIVE, AND INVESTMENT PROBLEMS IN COMPLETING CONSTRUCTION PROJECTS

Some construction projects may spur protests by local communities, associations, or NGOs that may hinder completion of the investment. Administrative authorities and utilities networks or suppliers may try to impose additional infrastructure costs on developers not directly related to the project. Alternatively, they may set late deadlines for delivering infrastructure they are responsible for building. Moreover, while building infrastructure required for a development project, developers may struggle to obtain property-related permits necessary to access utilities networks (electricity, water, sewage, heating). Developers may even face stonewalling from media suppliers during administrative or legal proceedings. Such events could hinder the administrative process, the completion of infrastructure (including utilities) and of the whole investment – leading to delays or, in extreme cases, severe cost overruns or cancellation of the investment. The aforementioned factors may have significant adverse effects on the development prospects, financial condition, operating results of construction firms, including the Group.

RISK OF WEATHER-RELATED DELAYS

The construction industry is clearly sensitive to weather conditions. When scheduling the implementation of construction projects and budgeting financial results, general contractors assume typical seasonal weather conditions. Optimal conditions for construction work usually occur in the summer months, whereas they significantly worsen in winter months. Snowfall and freezing temperatures usually make construction work impossible from December to February. Any abnormal weather conditions, such as torrential rainfall in summer or temperatures well below zero in winter, will often halt heavy construction and may hamper the fit-out work.

Like other companies in the industry, the Group cannot rule out weather-related risk. The occurrence of unusual or extremely adverse weather conditions may prolong the construction process and delay hand-over dates to customers. This, in turn, may delay the entry of revenue in the income statement. This may have significant adverse effects on development prospects, achieved results and financial condition of construction companies, including the Group.

RISK OF IMPAIRMENT OF CONTINUITY IN LAND ACQUISITION

For real estate developers, the ability to acquire new land in advance ensures the continuity of operations and secures future revenue. Insufficient acquisition of land in attractive locations may thus impair the continuity of operations and hamper sustainable development. This risk may arise from unfavourable commercial conditions, delays, or difficulties in obtaining financing for a given property. The concentration of demand by other developers on a few of the most

attractive locations poses a particular kind of competitive risk.

Even with efforts to minimise such risks, purchased land may turn out to be defective. The potential shortcomings could involve geological defects (e.g., insufficient load-bearing capacity), archaeological discoveries made during excavation work, or soil contamination. Owners of neighbouring properties may also object to development plans or the granting of building permits. These factors may slow down or limit the growth of real estate developers, including the Group's companies, by affecting their scale of operations, operating results, and financial condition.

To minimise the aforementioned risk, the Group actively investigates the real estate markets on which it operates, and continually analyses the market offer. The practice of forming joint ventures with land owners also reduces risk, enabling the acquisition of attractive properties at significantly lower cost.

RISK RELATED TO DEFECTIVE TITLE OR UNDEFINED LEGAL STATUS OF REAL ESTATE

This risk applies to situations in which a property is burdened with legal defects, having been owned by an entity other than the seller or are encumbered with third party rights. There are also cases where the legal status of the property is not defined, i.e. potential sellers are unable to prove their legal title, especially when the property has not been entered into the land and mortgage register. The existence of such legal defects might result in claims on property lodged by third parties against the companies of the Group. Thus, unregulated legal status might pose the risk of serious difficulties or even prevent the acquisition of property for development purposes. Moreover, selling premises or buildings on land with legal defects might result in claims filed by buyers under the warranty for legal defects of land. This may have an adverse material effect on the Group's operations, in particular on its financial condition or its results. In order to minimise this risk, the Group carefully scrutinises the legal status of properties chosen for purchase. Occurrence of such risk may have significant adverse effects on business and financial operations, and the development outlook of the Group.

RISK OF HIGHER PROJECT COSTS

The financial results and margins realised in development projects of the Group's companies largely depend on the transaction prices of the acquired land properties. In the event of a significant price increase, the Group risks lower realised margins on development operations. This may have a significant negative impact on the development outlook, achieved results and financial condition of the Group. Therefore, there is risk of growing project costs, encompassing land prices, subcontracting costs, construction materials, imposed design changes, soil contamination, and the discovery of archaeological artefacts or unexploded ordnance. These and other similar events may poten-

tially increase project implementation costs.

Increase in prices of building materials and subcontractors' service and discontinuity of supply of materials, which constitute a significant component in the cost estimate of an investment, might have a negative impact on the profitability of individual construction projects. Such changes are difficult to predict and linked to broader supply and demand factors. There is a risk that the Group will not be able to fully reflect these price increases in the sales prices of apartments. In this case of demand-related price increases, there is the risk of difficulties in obtaining scarce materials and subcontracting services, augmenting the risk of project delays.

Occurrence of such risk exposes real estate developers, including Group companies, to a significant risk of adverse effects on their development outlook, operations, achieved results and financial condition.

MATERIALS PRICE RISK

The Group is exposed to the risk of price increases in the most frequently purchased construction materials categories, such as steel and concrete. Contracts reached with investors set fixed prices for the duration of the agreement, which may last anywhere from six months to three years. Whereas, agreements with subcontractors are concluded at later dates, as work on individual projects proceeds. To limit price risks, the Group constantly monitors the prices of the most frequently purchased construction materials and adjusts the parameters of negotiated agreements, including its duration and value, to market conditions. Thanks to the rapid growth of its operations, the Group has been able to exercise significant leverage on its regular commercial partners to ensure reliable deliveries and stable prices.

The aforementioned factors and trends are considered whenever the Company calculates the agreement price or negotiates with investors and subcontractors. Even so, there is always the possibility that a major inflationary trend (say, a 25% increase in the prices of materials, labour costs, and subcontractors' services) would render current contracts unprofitable.

RISK OF JOINT LIABILITY FOR THE REMUNERATION OF CONSTRUCTION WORK PERFORMED BY SUBCONTRACTORS

In the implementation of construction projects, the Unibep Group uses the services of specialised contractors, who often employ their own subcontractors. Risk related to the non-performance or improper performance of these obligations cannot be excluded. Such occurrences may adversely affect project implementation and, consequently, the future financial results of the Unibep Group. Moreover, the joint and several liability of the investor and contractor for the payment of subcontractors' remuneration poses the risk that the Group could be held liable for the non-performance of obligations of contractors or subcon-

tractors.

In order to minimise this risk, the Group scrutinises the procedures, quality control, and production capacity of partner contractors. It also follows a policy of diversifying subcontractors, adhering to internal tendering procedures, and applying contractual provisions to ensure quick and effective and replacement of unreliable subcontractors. Additionally, companies in the Group are always secured in agreements with subcontractors by provisions concerning liability for improper performance, timeliness, and liability during the warranty period. Occurrence of the aforementioned risk may have adverse effects on the Group's operations, financial condition, and development prospects.

RISK RELATED TO ABUSIVE CONTRACTUAL CLAUSES

A risk that applied forms of agreements may be recognised as containing abusive contractual clauses stems from the provisions of the Anti-Trust and Consumer Protection Act of 16 February 2007. This law empowers the president of the Office of Competition and Consumer Protection (UOKiK) to impose penalties of up to 10% of income achieved in the preceding year on entrepreneurs who, even unintentionally, infringed on the collective interests of consumers through unlawful actions.

Firstly, Risk arises, because the list of actions deemed to infringe on collective consumer interests is far from exhaustive. The list of such practices provided in the Act is purely illustrative. This means that UOKiK may recognise certain market practices of developers as infringing on collective consumer interests and impose a penalty, even if such practices are not explicitly mentioned in the Act.

Secondly, there is the risk that contractual clauses contained in standard agreements used by developers may be deemed illegal. The vast majority of agreements concluded by developers are with consumers. According to the case law emerging from the Polish courts, in particular the Supreme Court, provisions placed in the Register of Prohibited Clauses should be broadly interpreted. This means that provisions with similar but not identical wording should also be considered as abusive. What decides about the recognition of a contractual clause as abusive is its degree of similarity to that found in the Register. Even if the Group believes a contractual clause used in its agreements with consumers does not correspond with those in the Register, there is a risk that UOKiK will deem it abusive and impose a penalty on the developer. To minimise this risk, the Group thoroughly analyses drafts of consumer agreements to ascertain whether clauses may be considered as infringing on consumers' interests.

CONSTRUCTION-RELATED RISK

The main feature of construction operations is the need to engage significant funds throughout the investment implementation period, up to the moment

when the completed project is handed over to the ordering party. The Group's services are provided in the form of individual contracts, negotiated under particular conditions and using available procedures and technologies. Due to long duration of the construction process, these conditions might be subject to a variety of changes.

The whole production process is subject to various types of risk. Threats that could potentially occur during this period include:

- changes in design and execution at almost every stage;
- faulty initial estimation of project implementation costs;
- significant changes in costs during project implementation;
- management errors at every stage of construction;
- technical mistakes and misuse of technology.

Any or all of these issues can prolong the production process, increasing costs and delaying payment. Consequently, the Group's financial result on a given contract could suffer, which may adversely affect the financial standing of the Group, and subsequently, it may adversely affect the financial standing of the Group.

RISK RELATED TO CONSTRUCTION INFRASTRUCTURE

Completion of an investment depends on the provision of legally required infrastructure, such as access to public roads and utilities, the designation of appropriate internal passages, etc. However, there are situations where the provision of necessary infrastructure depends on factors beyond the control of the Group's companies. Access to a particular road or utility depends on a decision by the relevant municipal or local authority. In some cases, the status of roads essential to a project's completion may be unregulated or unexpected complications may arise during the investment process, resulting in delays and extra costs. It may also happen that the relevant administrative authorities require Group companies to perform additional infrastructure work related to the investment. These authorities may expect or even require the investor to install infrastructure that is not strictly necessary to the project itself, but which is perceived as the investor's contribution to the local community in connection with the investment.

The occurrence of any of the aforementioned factors could result in construction delays or additional costs. These factors may have a significant adverse effect on the operations, financial condition, and development prospects of companies in the Unibep Group.

SALES-RELATED RISK IN DEVELOPMENT PROJECTS

The Unibep Group offers commercial premises and apartments as part of its own real estate development projects. The implementation of such projects involves a number of risks. There is a risk that unit sales will lag

behind the Group's forecasts, resulting in lower cash inflows. This could also affect sales and profits for the entire financial year. The need to recoup cash quickly might entail an adjustment of the apartment prices or an increase in marketing expenses, which would affect the profitability of the project. In the Group's view, there is currently no pressure to generate cash quickly by discounting prices (the cash situation is stable, and liquidity is additionally secured by available credit lines). There is no need for a sharp price adjustment or significant increase in marketing expenses at present. However, this eventuality cannot be excluded in the future, especially if the coronavirus pandemic causes a sudden collapse of demand.

RISK RELATED TO SECURITIES ESTABLISHED ON UNIBEP GROUP PROPERTIES

The companies of the Unibep Group take out loans to finance ongoing construction projects. Reaching loan agreements involves establishing collateral for banks – on land where the investment is planned – to ensure the repayment of liabilities. The Group notes that while loans taken out by its special purpose vehicles are being repaid on time, it cannot rule out that if the Group finds itself facing a dire financial situation in the future, difficulties with timely repayment of credit obligations or possible violations of contractual provisions could occur. In such cases, banks would be entitled to settle their claims by exercising their right to established collateral, e.g. by seizing the encumbered assets. This would necessarily diminish the value of assets owned by individual SPVs and impair the overall asset value of the Group.

To minimise this risk, the Group pays special attention to the rational management of its financial structure. Forecast needs for debt financing are carefully considered before any development project gets the go-ahead. Rational liquidity management and forecasting is also a key focus. Occurrence of the aforementioned risks may have negative effects on the Group's operations, financial activities, and development outlook.

RISK RELATED TO INCREASE OF THE PUBLIC SECTOR AGREEMENTS IN THE ORDER BOOK

Last year the Unibep Group attempted to acquire public procurement orders. Public tenders in many cases involve possible delays in signing agreements and starting investments, for example due to audits by the Public Procurement Office or appeals or complaints lodged by competitive bidders. The appearance of any such circumstance may lead to project delays, reducing the size of the order portfolio in a given reporting period.

The Group is also exposed to the risk of disputes with public-sector investors over differing interpretations of legal contracts, a reluctance to conclude agreements in conflict situations, or deficiency in decision-making during implementation, etc. (this particularly applies to the road-building segment). Such disputes might result in extra costs to the Company or hinder its efforts

to win new public contracts.

Currently, the only segment taking full advantage of the access to public orders is the Group's road-building business. The share of public procurement in the residential and industrial construction portfolio has significantly decreased in favour of the private sector (at the moment, two public procurement projects are underway).

RISK RELATED TO DISPUTES

The Unibep Group strives to implement agreements in accordance with contractual terms. There is always the possibility that interpretations of contractual provisions may differ during implementation. As a consequence of such differences, investors may delay or even question payments of receivables. In such situations, legal proceedings cannot be ruled out as the last resort in asserting one's rights. The Company carefully monitors potential disputes that may arise during the implementation of agreements. Our Legal counsel maintains a separate focus on each business segment. As the need arises, preventive measures are taken early to minimise the risk of disputes.

EMPLOYMENT-RELATED RISK AND RETAINING PROFESSIONAL STAFF

Delivering high-quality products and services requires the Group to have professional managers and skilled employees. The Group's position and competitiveness is built on its cadre of talented, experienced people. This points up the risk of the loss or diminution of these human resources. To minimise this risk, the Group's follows an HR policy designed to reduce employee turnover. Any materialisation of the aforementioned risk could have a negative effect on Group operations.

RISK OF IT SYSTEMS FAILURE

The risk of a possible partial or total loss of data through failure of the Group's computer system could mean potential delays in fulfilling contracts and agreements. To minimise this risk, the Group has implemented security procedures, including systems for archiving and protecting data from unauthorised access or loss. Occurrence of the above risk could have adverse effects on the Group's operations, financial standing, and development outlook.

RISK RELATED TO PENALTIES FOR NON-PERFORMANCE OR UNTIMELY PERFORMANCE OF ORDERS

The implementation of construction contracts entails the risk of penalties for non-performance or untimely performance. Companies of the Unibep Group, while implementing construction investments, set schedules with ordering parties to minimise the potential risk of delays. Even so, the Issuer assumes the risk of incurring such sanctions or penalties. In the case of non-standard orders or construction agreements where the implementation conditions are particularly challenging (e.g., tight schedules), Group companies demand a

higher margin to compensate for the risk associated with the investment and to protect against any contractual penalties.

RGUARANTEE-ASSOCIATED RISK

As of 31 December 2019, the balance sheet date, the Group had contingent liabilities of PLN 420.5 million. These contingent liabilities mainly consisted of contractual guarantees for proper performance and removal of defects applied by Group companies in their operations, mainly construction services. Non-fulfilment of agreements by companies of the Unibep Group involves the risk of liabilities arising from the implementation of such guarantees. The Group received requests for guarantee payment only twice, and they were paid. The requested amount was PLN 2.7 million. In the assessment of the Issuer, the risk of such guarantee payments materialising is limited.

RISK RELATED TO CONCENTRATION OF SALES REVENUE

Group sales revenue is highly concentrated in the residential, industrial, and commercial construction segment. Altogether, this sector constituted over 50% of

the Unibep Group's revenue in recent years. A potential slowdown in residential and non-residential construction poses could cause sales to contract, adversely affecting the Unibep Group's financial condition and development strategy.

The Group limits the risk posed by concentration of sales revenue by expanding its operations in other segments. Taking advantage of favourable market conditions brought about investments in new real estate development projects in Warsaw and Poznań. The results of these investments should be reflected in higher revenue and profit in the coming years. Additionally, the Group is focused on ramping up operations in the modular housing and road and bridge-building sector. A key element in the strategy to diversify revenue sources is establishing new markets, such as Sweden and Ukraine.

8.2 Court proceedings

As of the date of this report, the Dominant Entity and the Unibep Group are parties to pending court proceedings concerning liabilities and debt.

The total value of the debt proceedings, as of the date of this report, is approx. PLN 49.9 million – exceeding 10% of the Unibep Group's equity capital. The total value of these proceedings within the Parent Entity is approx. PLN 49.1 million.

The total value of proceedings concerning liabilities is approx. PLN 17.8 million. They solely concern the Dominant Entity and do not exceed 10% of the Unibep Group's equity capital.

The biggest case concerns a dispute between Unibep SA and the Podlaskie Voivodship's Provincial Road Authority, the investor.

The Provincial Road Authority of Podlaskie Voivodship (PZDW) (construction of Sokółka - Dąbrowa Białostocka road section) – on 12 October 2018, the Consortium of Unibep SA and Most Sp. z o.o. filed suit in the Białystok District Court, I Civil Division, for payment of approx. PLN 8.29 million in contractual penalties for withdrawal from an agreement, along with approx. PLN 23.2 million for additional work performed on the project. The case was transferred to the district court's Commercial Division. The first court hearing was held on 24 and 25 June 2019, when first group of witnesses were heard. The second hearing, held on 25 and 27 September 2019, continued to examine witnesses on additional work. Only after further hearings are held will an expert opinion be prepared. On 6 November

2019, the Consortium expanded its claim by PLN 4.8 million to include receivables due for the purchase and transport of construction materials.

On 18 June 2018, the Unibep SA - Most sp. z o.o. Consortium, in connection with the prohibition of payment from a granted insurance guarantee, filed a claim pursuant to art. 189 of the Civil Procedure Code to investigate the legitimacy of withdrawal from the concluded agreement and submitted claims. In November 2019, the court dismissed Unibep SA's and Most sp. z o.o.'s claim against the Road Authority and PZU SA (as the issuer of the guarantee) to establish if the Road Authority is entitled to an enforceable claim for payment of the contractual penalty concerning the guarantee. The court decided that since a second proceeding is pending, namely over the disputed payment described above, including the claim for payment of contractual penalties, a dismissal was justified without taking evidence or assessing the legitimacy of PZDW's claim. After the delivery of the grounds for the judgment on 16 December 2019, an appeal was lodged against the judgment of the court of first instance on 30 December 2019.

The Provincial Road Authority of Podlaskie Voivodship (construction of road section DW 682 Łapy – Markowszczyzna) On 20 August 2019, a lawsuit was filed at the Regional Court in Białystok for payment of PLN 4,744,638.38 for additional investment costs, including PLN 1,086,789.22 on behalf of Budrex-Kobi and PLN 3,657,849.17 on behalf of Unibep. These sums represent additional, unforeseen costs for:

- extra work related to technological changes in

ongoing construction - PLN 1,051,187.80 incurred by Budrex-Kobi;

- higher transport costs of aggregates to the construction site caused by a detour - PLN 3,657,849.17 incurred by Unibep and PLN 35,601.42 incurred by Budrex-Kobi.

PZDW submitted a response to the lawsuit. At two hearings in January and February 2020, witnesses were

heard. The court will soon decide upon the opinion of an expert/institute.

A detailed description of the other court proceedings is included in note No. 6.38 of the Consolidated Financial Statement for 2019.

8.3 Information on charitable activities and sponsorships

For years, the Unibep Group has focused not just on creating shareholder value but also on supporting initiatives from its home region, Podlasie. The whole Company takes its social responsibilities seriously as a good corporate citizen. This is reflected in Unibep's sponsorship of local sports, cultural activities, deserving institutions, and talented young people (through the activities of the Unibep Group's Unitalent Foundation).

More information about the Group's charitable and sponsorship activities is available in the Sustainable Development Report, which is a separate element of the Consolidated Annual Report for 2019.

8.4 Awards and distinctions

Unibep SA becomes an Ambassador of the Polish Economy

In May 2019, Unibep SA won the 11th edition of the "Ambassador of the Polish Economy" contest, organised by the Business Centre Club. The contest's aim is to promote Poland internationally as a reliable economic partner, to distinguish and promote entrepreneurs who are successful on international markets, to inculcate high economic and financial standards and good business practices with foreign partners, and to foster closer cooperation between entrepreneurs and representatives of Polish institutions responsible for promoting the country, its economy, cultural and social initiatives through developing mutual contacts and exchanging information.

Construction industry leader

At the 11th annual Polish Infrastructure and Construction industry conference, organised by the Executive Club, Unibep SA was awarded the title of "International Expansion Leader" and Leszek Marek Gołąbiewski, President of Management Board, was recognised as a "Construction Industry Personality".

Award in Belarus

During the XXII Polish-Belarusian Economic Forum "Good Neighbourliness 2019" Unibep SA received the Józef Łochowski Economic Award from the president of the Polish-Belarusian Chamber of Commerce and Industry. The award was given for "building the four-star Victoria Hotel in Minsk, a logistics centre in Bolbasovo, a medical and tennis centre in Minsk and many

other facilities".

Unibep Group among biggest companies in Podlasie

The Unibep Group was the Podlaskie Voivodship's third largest company in terms of revenue in 2018, according to a ranking of 100 enterprises compiled by Kurier Poranny, a regional newspaper. The daily's „Podlaska Złota Setka Przedsiębiorstw" (Golden Hundred of Companies in Podlasie) is one of the most important business rankings in north-eastern Poland.

Unibep Group recognised as construction leader

The Unibep group took sixth place in Deloitte's ranking of Poland's top construction companies in terms of revenue ("Polish construction companies 2019 - the most important players, key growth factors and industry development perspectives"). This is an advance of two positions from the 2017 edition of the report, which examined the financial results of 15 biggest construction companies operating in Poland.

Rise on the Rzeczpospolita 500 list

The Unibep Group came 197th in a ranking of Poland's 500 biggest companies by revenue compiled by the business daily Rzeczpospolita. This marked an advance of 6 positions from the "Rzeczpospolita 500" list in 2018. Last year's XXI edition of the list was published on 31 May 2019.

8.5 Information on Sustainable Development Report

The Company announces that its Report on Sustainable Development, including information on non-financial data on environmental policy, human resources, and construction safety, was published as a separate document in the 2019 annual report.

9. MANAGEMENT BOARD STATEMENTS

To our best knowledge, the financial statements of Unibep SA (parent company and consolidated) for the 12-month period ending on 31 December 2019 and comparable data have been prepared in accordance with the applicable accounting principles and reflect in an accurate, clear, and reliable fashion the material and financial standing and the financial results of Unibep SA and the Unibep Group. This report by the Management Board contains a true picture of the growth, achievements, and condition of the Issuer and the Capital Group, along with a description of the main threats and risks to its future development.

Management Board announcement on the entity authorised to audit financial statements

Based on the Unibep SA Supervisory Board's announcement of its choice of an auditor to review annual financial statements in accordance with the provisions and procedures for selecting the auditing company, the Management Board of Unibep SA states that:

- a) the audit firm and the members of the audit team met the conditions for preparing unbiased and independent audit reports on the annual financial statements (parent company and consolidated) in accordance with applicable regulations, professional standards, and principles of professional ethics;
- b) applicable regulations on the rotation of auditing firms and key statutory auditors and mandatory grace periods have been observed;
- c) Unibep SA has policies in place for selecting the audit company and provision of services by the audit firm, related entity, or a member of its network in the form of additional non-audit services, including services conditionally excluded from the ban on provision of such services.

SIGNATURES OF THE MANAGEMENT BOARD

This Management Board Report on operations was prepared and approved for publication by the Management Board of Unibep SA on 2 April 2020.

The Management Board of Unibep SA

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

.....
Sławomir Kiszycki
 Vice President of the
 Management Board

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



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