



MANAGEMENT BOARD'S REPORT

ON THE OPERATIONS

OF THE UNIBEP

GROUP IN 2020

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

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1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

PLN 37 million (an increase by 28 percent y/y) of net profit, with sales of PLN 1.68 billion (an increase by 1 percent y/y) – these are the Unibep Group's results for 2020. These are the best results in the history of the Group, achieved in difficult, pandemic conditions. It is worth mentioning that the Group significantly improved its financial standing and built a solid contract backlog in all business segments. In the construction and infrastructural sectors, we have concluded contracts worth about PLN 2.5 billion.

The year 2020 was a special year for the Unibep Group – 70 years ago, the Budowlane Przedsiębiorstwo Powiatowe in Biennial Podlaski was established. It was the progenitor of Unibep SA. Unfortunately, the coronavirus pandemic meant that we had to cancel all planned activities related to this anniversary and, instead, focus on ensuring the safety of our employees and the stability of Unibep Group's operations.

I want to emphasize that last year will be remembered by all of us as an extremely challenging time due to the unprecedented scale of the incidence of COVID-19 cases in Poland and abroad. Virtually since March 2020, we have carried out crisis management measures. Unlike other segments of the economy, the construction industry was not forced to suspend work – this was true both for the Polish market and other markets where Unibep Group operates. Despite the increasing incidence of the disease and absenteeism due to the change in work arrangements in all of our businesses, work at none of the nearly 80 construction sites or our manufacturing and service activities were halted. The company's operations have been and continue to be stable, although this requires a great deal of flexibility from our entire staff.

The results of the residential, office and industrial construction sector in Poland in 2020 were very good, with the gross margin target improved on most projects. Currently, Unibep SA is working on more than 30 contracts in Poland. The investment projects conducted in this segment of our operations are more and more diversified: we build housing estates for clients in Warsaw, Łódź, Cracow, and Poznań, but we also perform more and more industrial projects (including Polimery Police – a huge project for Hyundai Engineering Co., another project for Mlekovita, and a wastewater treatment plant in Biennial Podlaski). We also win public contracts: e.g. we are building the extension of the Copernicus Science Centre in Warsaw and a court of law in Grajewo.

We have a solid contract backlog in the general contracting segment – for 2021 and beyond – of about

PLN 1 billion, and we are constantly conducting active acquisitions in various segments of the construction industry.

Our foreign contracts – in the Belarusian and Ukrainian markets – achieved financial results in line with the assumptions. Last year, we successfully completed two shopping mall projects: in Grodno (Belarus) and in Kiev (Ukraine). We started two projects in the Belarusian market, both for a municipal company from Minsk. We are monitoring the political and economic situation in Belarus, as it may have an impact on the investment level in that country. Therefore, we currently believe that the Ukrainian market is more important as an export market for Unibep SA. We are currently building a shopping centre in Kharkiv and have signed a preliminary agreement for a turnkey construction of an office building complex with a shopping and entertainment centre in Lviv.

In both markets – despite the constraints resulting from the pandemic – work was carried out on schedule. I would like to add that all projects in the Eastern market carried out by Unibep SA are safely financed by Polish banks and loans are insured by the KUK. Currently, our main objective in exports of services is to win valuable contracts.

Our development company Unidevelopment SA achieved a record result in 2020: with sales of PLN 242 million, the net profit amounted to PLN 27 million. The real estate developer signed 819 agreements with customers and handed over 770 flats. After a very good first quarter of 2020, Unidevelopment SA experienced a slump in sales in April and May, when the pandemic grossly affected the economy and buyers took a conservative approach to buying new housing units. The situation started to change in June, when demand for flats moved into a growth phase again. As a result, the housing market has proven to be a stable and safe sector of the real estate industry. Such good results are related to the introduction of a wider offer in the Poznań market (Fama Jeżyce – a long-term, multi-stage project with approx. 2,500 flats as well as Bookowska 18) and in the Radom market (Idea Omega), as well as the addition of Ursa Sky and successive stages of the Cooper Housing Estate to the offer in the Warsaw market.

A decision was made to expand Unidevelopment's operations into the Tri-City market: in March 2021, the company bought a property in Gdańsk, where it plans to carry out a real estate development project.

It is also worth mentioning that Unidevelopment SA, in addition to selling flats to individual customers, started selling real estate to institutional clients. In this area,

we entered into a preliminary agreement with an investment fund for the sale of the second stage of the Fama Jeżyce housing estate in Poznań.

Last year, the company's infrastructure segment significantly improved its financial results and now has a healthy contract backlog, equal to over PLN 710 million for 2021 and beyond. Last year, we successfully commissioned, among others, the Porosły Junction, one of the largest infrastructure projects in the Podlasie region. We have signed an agreement for the construction of the Ploski – Haćki section of the S 19 expressway and we are waiting for the official signing of an agreement – within a consortium – for another section of the S 19: Krynice – Dobrzyniewo – Białystok Wchód. It should be noted that, in 2020, we concluded the first contract for the construction of a road in the Lublin Province – together with Przedsiębiorstwo Drogowo-Mostowe SA in Dębica, we are to extend provincial road no. 835 – from Biłgoraj to the province's border.

I believe that, taking advantage of the large infrastructure projects in Eastern Poland, this segment of our business will develop further in the coming years.

Budrex Sp. z o.o. – our company that builds overpasses, bridges, and other engineering structures - has a significant contract backlog of about PLN 165 million. The company is currently working, mainly as a subcontractor, on large domestic projects (extension of the S 61 national road), is a partner in the consortium that signed an agreement for the construction of the Polish-Haćki section of the S19 expressway, but also carries out projects for the railways and local governments. Budrex intends to take advantage of the increase in the number of large infrastructural projects carried out in Eastern Poland.

In the Unihouse Modular House Factory in Biennial Podlaski – a producer of wooden multi-family houses – strict procedures were introduced in March 2020 to minimize the risk of disease incidence among employees. As a result, the factory worked in a relatively normal manner and adapted the workplaces to comply with all the sanitary restrictions in force. The projects in the Scandinavian markets were carried out in line with the objectives, although due to restrictions we had to incur much higher operating costs than assumed.

Since the beginning of 2021, Unihouse SA has signed contracts in the Norwegian market for approximately PLN 95 million, while the company's entire contract backlog for the current year and for the following years amounts to over PLN 320 million. I would like to add that we are still actively pursuing acquisitions on Scandinavian markets (Norway, Sweden), as well as on German and Polish markets.

It is worth mentioning that after formal and organizational changes (let me remind you that Unihouse SA became an independent company on 1 November 2019), the process of analysing the prospects for this



segment began in our company in September last year. While this process is still ongoing, last year we worked on a new growth strategy, a review of all processes related to production, and work on product standardization. I am confident that the manufacturing segment will achieve its business objectives.

I would like to add that last year we worked mainly on building a solid contract backlog for each segment of our business. The backlog allows us to think about better results of the Unibep Group in the coming years. At the same time, we analysed opportunities to improve efficiency within the Unibep Group by taking advantage of synergies, eliminating or speeding up various processes, reducing costs by using modern tools, as well as entering construction segments that should bring improved margins in all our businesses.

We are constantly observing with great attention the domestic and foreign markets, as well as the dynamic changes taking place there, including those related to the economy and the spread of COVID-19. I hope that, just like last year, the construction industry will be able to work in a relatively normal manner and complete contracts as scheduled. At the same time, I would like to emphasize that the Unibep Group is prepared for different scenarios and – as shown by last year's experience – we are flexible and able to effectively manage crisis situations.

Our primary goals for 2021 remain the same: to complete all contracts on time, to ensure the highest quality, to keep an eye on the financial stability of the company, and to look after the health and safety of our employees.

I encourage you to read the 2020 report.

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

2. INTRODUCTION

2.1 Introductory information

Unibep SA is a company listed on the Warsaw Stock Exchange since 2008 with a domestic majority holding. According to estimates, it is a leader in residential construction in the largest construction market in Poland - the Warsaw market.

In 2020, Unibep SA celebrated its 70th anniversary of market presence. The company has always had its headquarters in Biennial Podlaski in the Podlasie region, but it also has offices in Warsaw, Białystok, Łomża, Mińsk, Kiev, and Poznań. It operates mainly in the Polish market, but it is also a significant exporter of construction services: it performs construction projects in Norway, Sweden, Belarus, and Ukraine (exports constitute about 26% of the Group's revenue).

The Unibep Group was ranked 6th in the country by revenue for 2019 in the Deloitte and Spectis' report on the largest companies operating in the construction industry in Poland.

The business of the Unibep Group comprises five complementary segments:

- **General Contracting in Poland (Unibep SA)**, of which residential construction is the key component. The company enjoys a strong position in the Warsaw market. The company conducts projects associated with commercial buildings (hotels, office buildings, retail and service buildings). Recently, it has paid great attention to building and developing its competence in industrial construction (factories, processing plants, logistics centres). General contracting is conducted by the parent company Unibep SA.
- **General Contracting - Export (Unibep SA)** (Belarus, Ukraine), mainly in the field of commercial construction (hotels, shopping malls, logistics centres). The export of construction services is carried out mainly by the parent company Unibep SA and its representative offices on the Belarusian and Ukrainian markets.
- **Road Infrastructure (Unibep SA) and Bridge Infrastructure (Budrex Sp. z o.o.)** - these activities are conducted mainly in north-eastern Poland by the Infrastructure Department of Unibep SA. Since July 2015, Unibep SA has owned 100% of the shares of Budrex Sp. z o.o., a Białystok-based specialized company that builds bridges and road culverts in nearly the entire Poland.
- **Modular Construction (Unihouse SA)** – recognised and used for many years in Europe. This segment performs really well even on the challenging Scandinavian markets. It is yet to reach the peak of popularity in Poland. Contracts in this segment are carried out by Unihouse SA, which pioneered prefabricated timber frame construction in the Polish market. These modules are designed

for use in the construction of multi-family buildings, office buildings, dormitories, kindergartens, retail outlets, hotels, and motels.

- **Real Estate Development (Unidevelopment SA)**, carried out through the UNIDEVELOPMENT Group. The areas of activity for this segment are mainly the Warsaw and Poznań markets, as well as Radom. The company has completed a project in Biennial Podlaski and purchased a land for development purposes in the Tri-City.

For years, the Group has been consistently diversifying its operations and has achieved sustained growth.

Unibep SA has completed many ambitious construction projects, both in Poland and abroad. In 2020, the company completed several important projects, including residential projects in Warsaw for YIT Development Sp. z o.o. and for its real estate developer Unidevelopment SA. On the other hand, it launched construction works in attractive and prestigious industrial construction projects, such as Polimery Police and Mlekovita.

Within the residential, office, and industrial construction segment, the Group was also successful on projects in export markets, e.g. construction of shopping malls Retroville and Kharkiv in Ukraine and Grodno in Belarus. In 2020, efforts were made to assist clients in raising funds for further projects in the aforementioned markets.

In 2020, Unibep SA built important road sections and junctions in the Podlasie Province, including within the city of Białystok. The last two of the four sections of the DK66 road built in the design and build formula were commissioned. A very important point on the map of Białystok, the so-called Porosły Junction, was also commissioned. The competences acquired earlier during the construction of a section of the S8 road bear fruit during the construction of a section of the S61 road, as well as the winning of the contract for the Ploski-Hački section of the S19 road.

In 2020, significant changes took place in the modular construction segment within Unihouse SA. The process of analysis of the prospects for this segment is currently underway. Nonetheless, it should be pointed out now that the independent activities carried out by Unihouse will involve a new strategy for the coming years, including in particular organisational and technological development, as well as work on new markets and products.

The year 2020, despite the pandemic, was another good year for Unidevelopment SA, the developer company in the Unibep Group. The record sales and

NET PROFIT

37,153
thousand PLN**+28% y/y****1,416,854**
thousand PLN

CONTRACTS SIGNED IN 2020

REVENUES

78,285
thousand PLN

EBITDA

1,682,337
thousand PLN**+1% y/y**CONTRACT BACKLOG
(CONSTRUCTION AND INFRASTRUCTURE PART)
TO BE PERFORMED IN 2021**1,442,000**
thousand PLN**1,426**
personsAVERAGE EMPLOYMENT
IN 2020**291,086**
thousand PLNCAPITALIZATION ON THE WSE
(31 DECEMBER 2020)

CASH

264,065
thousand PLN**+48% y/y**REAL ESTATE DEVELOPMENT SALES
OF HOUSING UNITS IN 2020**819**
units

financial results make it possible to think about safe development in the coming years. The company is mainly active in Warsaw, Poznań, and Radom. Actions have been taken to start operations in Gdańsk. Cooperation with the Wiepofama Group provides a stable perspective for the coming years. Over 2,000 flats are to be built as part of joint projects. The first project has already been launched. What is also important is the cooperation with CPD SA on a joint construction project in the Ursus district in Warsaw and the perfor-

mance of own real estate development projects.

The goal of the Unibep Group is to consistently increase efficiency in each area of its operations, using, among other things, the synergies between its businesses. The primary objective continues to be an increase in the Group's value.

2.2 Event timeline

Below are some of the events that took place in 2020.

January

- Unidevelopment SA bought a 2.8-hectare property in the Bemowo district of Warsaw for about PLN 23.5 million. This investment is intended for a real estate development project.
- As of 22 January 2020, the name of Budrex-Kobi Sp. z o.o. (former name) was changed to Budrex Sp. z o.o. (current name). Other company details were not changed. The current details of Budrex Sp. z o.o. are listed in the Central Information of the National Court Register under KRS number 0000073755.

February

- On 3 February 2020, the Supervisory Board of Unib-

ep SA authorized the Management Board of the company to purchase its treasury shares and to adopt a Treasury Share Buyback Programme for Unibep SA. One of the conditions was that the total number of treasury shares to be purchased under the call would not exceed 1,500,000 of company shares.

- On 20 February 2020, a shopping mall was officially opened in Grodno, Republic of Belarus. The general contractor for the project was Unibep SA. The construction took about two years. This is one of the largest construction projects completed by Unibep SA in Belarus.

March

- On 3 March 2020, a Crisis Management Team was established in the Unibep Group. Its tasks included informing the managers of the business units



Signing the contract for the performance of a project entitled "Design and construction of the S19 road in the Ploski – Haćki section"



Construction of the Polimery Police complex, Police, Poland

of the the Unibep Group about procedures to be followed in order to ensure the safety of their subordinate employees.

- On 23 March 2020, the Management Board of Unibep SA published a special report – an assessment of the impact of the COVID 19 outbreak on the company's and Group's operations.
- On 27 March 2020, the Management Board of Unibep SA decided to finance a ventilator for the hospital in Biennial Podlaski. The request for help was sent to Unibep SA by the director of that healthcare facility.

April

- On 1 April 2020, Unibep SA celebrates its 70th anniversary. At present, the company from Biennial Podlaski, according to various rankings, is considered the 6th largest company in Poland in terms of revenue. On 1 April 2020, Unibep SA and all Unibep Group's companies changed their logos as part of a rebranding process.
- On 9 April, Unibep SA signed an agreement with a company from the Unidevelopment Group for construction of two buildings with 8 overground storeys, which will include 251 residential units, 11 commercial units, and 259 indoor parking spaces. This signifies the beginning of a multi-stage project

for the Fama Jeżyce housing estate in Poznań.

- On 9 April, Unibep SA signed an agreement with Hyundai Engineering Co., Ltd., with its registered office in Seoul, Korea, acting through Hyundai Engineering Co., Ltd. Branch in Poland, for the construction of a building complex, with the scope comprising finishing and construction works, as part of the project entitled "Construction of the Polimery Police Complex, consisting of the PDH installation, PP installation, PP logistics infrastructure, auxiliary installations, and inter-building connections, as well as the transshipment and storage terminal", performed by Hyundai for Grupa Azoty Polyolefins SA (the Polimery Police Project). Polimery Police is one of the largest investment projects in the industrial segment currently underway in Poland.
- On 30 April 2020, while observing all sanitary restrictions, a topping out ceremony was held on the 30th floor of the Unique Tower site at Grzybowska Street in Warsaw. Unique Tower is the highest building ever built by Unibep SA. The height of the building, located in the very centre of the capital city (Grzybowska Street) is 96.3 metres.

May

- On 5 May 2020, Budrex-Kobi Sp. z o.o., a subsidiary

of Unibep SA, entered into a subcontractor agreement with MOTA-ENGIL CENTRAL EUROPE SA, with its registered office in Cracow, for a comprehensive construction of bridge structures as part of the project entitled "Design and construction of the S-61 expressway Ostrów Mazowiecka - Szczuczyn, Łomża Południe junction (including the junction) - Łomża Zachód (not including the junction) section, with the length of about 7.186 km [S61] + DK63 [GP] 8.907 km". The net value of the contract is approx. PLN 21.67 million.

- Leszek Gołąbiewski – President of the Management Board, Sławomir Kiszycki and Krzysztof Mikołajczyk – Vice-presidents of the Management Board. This is the composition of the Management Board of Unibep SA appointed on 14 May 2020 by the decision of the company's Supervisory Board. This is the 6th term of office of the Management Board. According to the resolution of the Supervisory Board, the new Management Board was appointed for a period of three years and its term of office began at the conclusion of the Annual General Shareholders' Meeting, i.e. on 15 June 2020.
- The Unibep Group was ranked 202nd on the Rzeczpospolita 500 List which presents the largest companies in Poland in terms of revenue. The Rzeczpospolita list is one of the most important economic rankings published in Poland.

June

- On 1 June 2020, Unibep SA entered into a frame-

work agreement for the implementation of the "Allmännyttans Kombohus" residential unit construction programme in Sweden. The agreement provides for a possibility to commission Unibep SA, and in particular Unihouse SA, under separate contracts, to carry out activities related to the design and turnkey construction of standard residential buildings using modular technology. The programme will be performed from 2020 to 2026 across Sweden and is estimated to deliver about 25,000 flats in 2-6 storey or 6-8 storey buildings. Unibep SA is one of the three companies to which the employer will submit a request for proposal concerning the construction of the buildings.

- On 15 June 2020, the Annual General Shareholders' Meeting of Unibep SA decided that a dividend of PLN 0.22 per share would be paid to the shareholders. The total value of the dividend for 2019 is PLN 6,945,539.48. The treasury shares held by the Company were excluded from the dividend payment.
- On 15 June 2020, the Ordinary General Meeting of Unibep SA adopted resolutions to elect on the same day the Company's Supervisory Board for a new, joint 3-year term with the following composition: Jan Mikołuszko – Supervisory Board Member, Beata Maria Skowrońska – Supervisory Board Member, Wojciech Jacek Stajkowski – Supervisory Board Member, Paweł Markowski – Supervisory Board Member, Jarosław Bełdowski – Supervisory Board Member, Michał Kołosowski – Supervisory Board Member, and Dariusz Marian Kacprzyk –



Allmännyttans Kombohus, Sweden



A life-size fire experiment in a multi-storey building

Supervisory Board Member.

- On 30 June 2020, Unibep SA entered into a contract for the construction of a building as part of the project entitled "Creation of the Copernican Revolution Lab operating as part of the Copernicus Science Centre. The project is co-financed by the European Union from the European Regional Development Fund under the Regional Operational Programme for the Mazowieckie Province for 2014-2020, Priority Axis I - Use of research and development activity in the economy, Measure 1.1 - Research and development activity of scientific units". The contract was awarded by the Copernicus Science Centre in Warsaw. The value of the project is approx. PLN 48.75 million net.

July

- On 22 July 2020, Unihouse SA in Biennial Podlaski signed a contract for the construction – in two stages – of six modular buildings for the consortium of AH Aktiv-Haus GmbH, with its registered office in Stuttgart, and Wolff & Müller Hoch- und Industriebau GmbH & Co. KG, with its registered office in Stuttgart. The project will be located in Stuttgart and the value of the remuneration is EUR 16.35 million net, which is equivalent to approx. PLN 72.6 million. This is the company's first such large project in the German market.
- On 30 July 2020, Unibep SA signed a contract for the construction of two buildings with the height of

4 to 5 above-ground storeys, which will contain a total of 170 residential units, 5 commercial units, and 169 indoor parking spaces. The building will be situated in the area of Bukowska/Grunwaldzka Streets in Poznań. The contract was awarded by an indirect subsidiary of Unibep SA, Bukowska 18 MP Sp. z o. o. Sp. k., with its registered office in Poznań. The net value of the contract is approx. PLN 46.0 million.

August

- On 25-26 August 2020, an event entitled "A fire-safe timber frame house. A fire experiment in a real-scale multi-storey building] took place at the State Fire Service training centre in Pionki near Radom (Mazowieckie Province). This is where a two-storey residential building was built by Unihouse SA for the purpose of organizing a series of fires in it on the initiative of the Building Research Institute. The basic purpose of the experiment was to develop new fire safety regulations for timber-structure buildings and thus enable development of the timber-construction industry in Poland.
- On 27 August 2020, Unibep SA signed a contract for the performance of a residential project at the Iwicka Street in Warsaw. The contract was awarded by Yawa Sp. z o.o. 3 Sp. k. in Warsaw, a company owned by Yareal Polska Sp. z o.o. For about PLN 36.6 million net, Unibep SA will build a 5-storey residential building with an underground garage

and landscaping of the site. The building will contain 88 residential units, 3 commercial units, and 110 parking spaces in an underground garage.

September

- On 1 September 2020, Unibep SA entered into a contract for the performance of a road construction project entitled "Construction of National Road No. 53 Szczytno – Olszyny". The contract was awarded by the State Treasury – General Directorate for National Roads and Motorways (GDDKiA), Branch in Olsztyn. The remuneration for the completion of the project is approx. PLN 24.5 million net.
- On 2 September 2020, Unibep SA signed a contract for the construction – in two stages – of two residential buildings with an underground garage and site landscaping, located between the Silnikowa, Herbu Oksza, and Quo Vadis Streets in Warsaw, as part of the project entitled URSA SKY. This is another stage of a project carried out with companies from the CPD Group comprising a complex of multi-family buildings with service and auxiliary facilities. The total value of the contract is approx. PLN 94.2 million net.
- On 4 September 2020, Unibep SA signed a contract for the performance of a residential project entitled "Viva Piast", located at the Powstańców Street in the Nowa Huta district of Cracow. The contract was awarded by VICTORIA DOM SA in Warsaw. A residential building with a service and retail part on the ground floor, an underground garage, and landscaping of the site will be built for about PLN 29.5 million. The 9-storey building will contain 140 residential units, 7 service units, and 125 parking spaces.
- On 10 September 2020, Unibep SA entered into a contract for the performance of a construction project at the Kusocińskiego Street in Łódź. The 6-storey buildings will contain 166 residential units and 182 parking spaces. The contract was awarded by PHN SPV 26 Sp. z o.o., with its registered office in Warsaw, which will pay approx. PLN 37.7 million net for the performance of the contract.
- On 30 September 2020, the owners, the general contractor, and the invited guests participated at the cornerstone laying ceremony for the construction of Fama Jeżyce – the largest project under construction within Nowe Jeżyce, the urban concept for the renewal of the district. Ultimately, about 2.5 thousand flats with the auxiliary infrastructure will be built on the 8-hectare plot formerly occupied by the Wiepofama plant.



*The cornerstone laying ceremony at the Fama Jeżyce project in Poznań, Poland.
Photo: Zbigniew Gościcki – President of the Management Board of Unidevelopment SA*



The sod-cutting ceremony in Choroszcz (a project performed by Unihouse for Polskie Domy Drewniane SA)

October

- On 5 October 2020, Unibep SA entered into a contract for the performance of a project entitled "Reconstruction and extension of the wastewater treatment plant in Biennial Podlaski, including reconstruction of the main pumping station with the auxiliary infrastructure", as part of a project entitled "Arrangement of water and wastewater management in the city of Biennial Podlaski". The contract was awarded by the municipal utility company Przedsiębiorstwo Komunalne Sp. z o.o. in Biennial Podlaski, and the company's remuneration for its performance is PLN 31.2 million net.
- On 5 October 2020, Unibep SA signed a contract for the construction of provincial road no. 689 in the Biennial Podlaski – Hajnówka section (the length of the section is over 24 kilometres). The project will be carried out in the "design and build" formula. It will be performed by a consortium of companies with Unibep SA as the leader. The remuneration of the consortium is approx. PLN 93.5 million net.
- On 9 October 2020, Unihouse SA signed a contract for the performance of a project entitled "Storgatan 66" in Sundsvall, Sweden. The contract provides for the design and construction of the modular part of a 5-storey building with 56 residential units. The contract was awarded by PICEA BYGG AB, with its registered office in Sundsvall, Sweden.

The remuneration is approx. SEK 38.5 million net, which is the equivalent of approx. PLN 16.5 million net.

- On 14 October 2020, Unihouse SA signed a contract for a comprehensive construction of a timber frame housing development located in Choroszcz. According to the contract, the company is to design and carry out turnkey construction of 10 duplex houses with 2 overground storeys and 1 commercial building with 2 overground storeys, together with technical facilities and landscaping. The contract was awarded by Polskie Domy Drewniane SA (PDD), with its registered office in Warsaw. The remuneration for the work is equal to approx. PLN 9.0 million. The contract is not huge in terms of value, but it may be a milestone in the Polish market. It should be noted that the PDD is charged with the task of supporting, among others, the multi-family timber housing programme in Poland.
- The Unibep Group was ranked 6th in the "Polish Construction Companies 2020" report prepared by the Deloitte consulting company.

November

- On 3 November 2020, Unibep SA signed a contract for the performance of stage C of the residential project at Szwedzka Street in Warsaw. The contract was awarded by a company from the

OKAM CAPITAL Group, i.e. SZWEDZKA C Sp. z o.o., with its registered office in Warsaw. The contract provides for the construction of 4 multi-family residential buildings with an underground garage and a commercial part. In total, the 7-storey buildings will contain 264 residential units, 3 commercial units, and 284 parking spaces in the underground garage. The remuneration is equal to PLN 68.5 million net.

- On 4 November 2020, the Supervisory Board of Unibep SA adopted a resolution on appointment of Mr. Adam Poliński as a member of the Management Board of the Company for the 6th term of Unibep SA's Management Board, effective from 1 January 2021.
- On 23 November 2020, Unibep SA signed a contract for the performance of a residential project entitled "Rotunda Dynasty", located at Oboźna Street in Warsaw. The contract was awarded by Marvipol Rotunda Dynasty Sp. z o.o. in Warsaw. According to the contract, Unibep SA's task is to rebuild the former Panorama Tatr building and to transform it into a multi-family residential building with commercial spaces, an underground garage, and the necessary technical infrastructure. The 5-storey building will contain 23 residential units, 2 commercial units, and 45 parking spaces in the underground garage. The net value of the contract is PLN 52.3 million.
- "Kaldnes Dockside bygg F" – in the multi-family residential building category and "Under the Sails Gdańsk Integration and Family House" – in the

public utility building category won the contest organized by the Ministry of Climate, conducted as part of a campaign entitled "A House with Climate". The results were announced on 9 November 2020 during an online conference called "Ecosphere". During the conference, the winners of the contests organized as part of the "A House with Climate" and "A City with Climate" campaigns were announced. Both of the above-mentioned projects were carried out by Unihouse SA.

- On 25 November 2020, Unibep SA signed an annex to the general contractor contract with the municipal company "Akwa Minsk" with its registered office in Minsk for the design and construction of the sports and recreation complex in Minsk, Republic of Belarus. The division of works into two parts, the conditions of starting these works, and the method of financing individual scopes of works were agreed under the contract.

December

- On 5 December 2020, a company from the Unidevelopment Group concluded a contract with an institutional client for the sale of a property built as part of the Fama Jeżyce estate in Poznań. The total value of the contract is approx. PLN 110 million net.
- The Unibep Group was ranked the 3rd in the Podlasie Golden Hundred Companies ranking which presents the largest companies operating in the Podlasie region by revenue. The Unibep



A physical education and wellness complex at Kazimierska and J. Łuczyny Streets, Minsk, Belarus

Group, with its 2020 revenue of nearly PLN 1.7 billion, was outpaced only by giants in the dairy market: Spółdzielnia Mleczarska Mlekovita in Wysokie Mazowieckie and Spółdzielnia Mleczarska Mlekpól in Grajewo. The Podlasie Golden Hundred Companies is a business ranking organized by "Kurier Poranny", one of the most important daily papers published in north-eastern Poland.

- On 19 December 2020, the consortium of Unibep SA, with its registered office in Biennial Podlaski (leader), and Przedsiębiorstwo Drogowo – Mostowe SA, with its registered office in Dębica (partner), signed a contract for the performance of a road construction project entitled "Extension of provincial road no. 835 Lublin – Wysokie – Biłgoraj – Sieniawa – Przeworsk – Kańczuga – Dynów – Grabownica Starzeńska from km 90 + 490 to km 115 + 875 in the Biłgoraj – province border section". The contract was awarded by the Lubelskie Province – the Provincial Roads Authority in Lublin. The contract value is approximately PLN 128.4 million net, of which Unibep SA's remuneration is equal to approx. PLN 38.5 million net.
- On 23 December 2020, a Unidevelopment Group company entered into an agreement to acquire ownership of a property located in Warsaw 's Ochota district. The net cost of the investment is PLN 18 million. The plot of land, with the size of approximately 0.23 hectares, will be used for a prop-

erty development project involving the construction of approx. 65 residential units.

- On 23 December 2020, the General Directorate for National Roads and Motorways, Białystok Branch, selected as the most advantageous, the bid submitted by the consortium consisting of Unibep SA (Consortium Leader), its subsidiary, Budrex Sp. z o.o., with its registered office in Białystok (Consortium Partner), and Value Engineering Sp. z o.o., with its registered office in Warsaw (Consortium Partner), for the performance of the project entitled "Design and construction of the S19 road in the Ploski – Haćki section". The price of the bid submitted by the consortium is approx. PLN 248.3 million net, i.e. approx. PLN 305.4 million gross.
- On 30 December 2020, the Porosły junction near Białystok was opened to traffic. For two years, the project was carried out by a consortium of the following companies: PORR SA, with its registered office in Warsaw (Consortium Leader), Unibep SA (Consortium Partner), and Value Engineering Sp. z o.o., with its registered office in Warsaw (Project Partner). The Porosły junction is one of the most important and most expensive projects in Białystok. It connects the Trasa Generalska and Trasa Niepodległości routes with the expressway connecting the city with Warsaw. -

2.3 Summary of selected financial data of the UNIBEP Group

SELECTED FINANCIAL DATA FROM THE PROFIT AND LOSS ACCOUNT

	in EUR thousand, as at		in EUR thousand, as at	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sales revenue	1,682,337	1,661,974	376,008	386,344
EBITDA (EBIT + amortisation and depreciation)	78,285	66,782	17,497	15,524
EBIT (operating result)	59,792	50,894	13,364	11,831
Net profit	37,153	28,984	8,304	6,738

SELECTED FINANCIAL DATA FROM THE BALANCE SHEET

	in EUR thousand, as at		in EUR thousand, as at	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Fixed assets	294,404	288,754	63,796	67,807
Current assets	932,919	880,515	202,158	206,766
Assets/Liabilities	1,227,323	1,169,269	265,954	274,573
Equity	330,736	325,130	71,669	76,349
Outsourced capital	896,587	844,139	194,285	198,225
Closing cash balance	264,065	178,478	57,221	41,911

SELECTED FINANCIAL DATA FROM THE CASH FLOW STATEMENT

	in EUR thousand, as at		in EUR thousand, as at	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Operating cash flow	121,307	177,420	27,112	41,243
Investment cash flow	-7,341	-11,044	-1,641	-2,567
Financial activity cash flow	-28,429	-44,166	-6,354	-10,267
Total net cash flow	85,536	122,209	19,118	28,409

Conversion rules adopted

Items of the profit and loss account and the cash flow account were converted at the exchange rate of EUR 1 = PLN 4.4742 for the period from 1 January 2020 to 31 December 2020 and EUR 1 = PLN 4.3018 for the period from 1 January 2019 to 31 December 2019.

Balance sheet items were converted at the exchange rate of EUR 1 = PLN 4.6148 as at 31 December 2020 and EUR 1 = PLN 4,2585 as at 31 December 2019.

The selected data for 2019 differs from the data presented in last year's Management Board's report on the company's operations due to the correction of an error mentioned in section 5.1.

SELECTED FINANCIAL RATIOS

	31/12/2020	31/12/2019	Ratio calculation principles
EBIT margin	3.55%	3.06%	= EBIT in the period/sales revenue in the period
Return on sales (ROS)	2.21%	1.74%	= net profit in the period/sales revenue in the period
Return on equity (ROE)	11.33%	9.08%	= net profit in the period/average equity balance in the period
Overheads to revenues ratio	3.36%	3.26%	= overheads in the period/sales revenue in the period
Debt ratio	0.73	0.72	= (long-term and short-term liabilities)/total liabilities
Current liquidity ratio	1.35	1.35	= current assets/current liabilities
Cash liquidity ratio	0.38	0.27	= cash/current liabilities

The definitions of alternative performance measures and the methodologies for their calculation are presented above and are consistent with selected alternative performance measures with historical values. Information on the presented ratios is periodically monitored and presented in subsequent periodical reports.

As expected by the Management Board, 2020 brought an improvement in the results of the UNIBEP Group at the level of sales revenues and net profit. Compared to 2019, sales increased by slightly more than 1% and net profit increased by approx. 28%. As for the Group's segments, an increase in revenues compared to 2019 was recorded in all segments except residential, office, and industrial construction.

The residential, office, and industrial construction segment decreased its revenue compared to 2019, but increased gross profit on sales (in absolute value and as a percentage). The slightly lower activity of this segment compared to the previous year is main-

ly due to the situation in the domestic market. The sales in the export markets are also lower within this segment. The lower sales were compensated for by an increase in the margin. Compared to the previous year, it increased by 1.43 p.p. This is mainly due to the impact of the domestic market contracts.

The infrastructure segment increased its sales compared to the previous year. At the same time, it increased the value of the margin by approx. 5%. In 2020, important (and very profitable) contracts signed in earlier periods were performed and completed. At the same time, several new, very promising ones were won for future periods.

A significant increase in sales and, at the same time, a much higher gross profit on sales was recorded by the real estate development segment. Some of the projects and their effects are reported under financing activities – this concerns projects performed as joint ventures.

The efficiency of the modular construction segment in the results for 2020 is much lower than the objectives and the segment's capabilities. Acquisition activities and the resulting development of markets and the contract backlog made it possible to increase sales compared to the previous year by approx. 15%. The gross profit on sales is negative. A significant problem in the year was the very low exchange rate of the Norwegian krone, in which contracts are concluded in the Norwegian market. Equally important for the results were the restrictions in the production process caused by the Covid-19 pandemic and the temporary closure of markets within Unihouse SA's area of operations.

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

The 2020 results show stability in the Group's overheads, although they increased year-on-year. The systematic approach to their planning and control makes them predictable. The overheads to revenues ratio is over 3%, but this value is still one of the lowest among companies with a similar business profile.

The major factors underlying the results achieved in 2020 were:

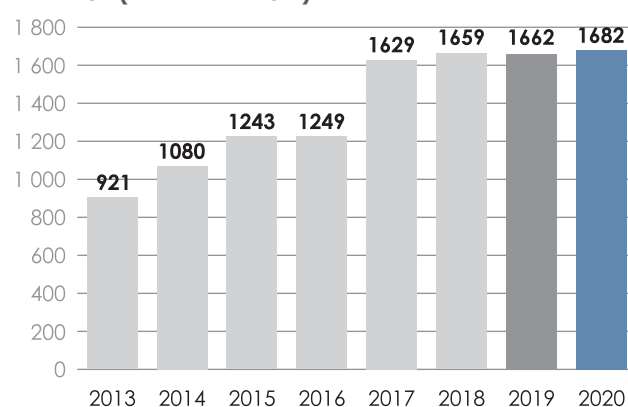
- a large backlog of contracts performed in the domestic market;
- a greater share in the performance of industrial construction contracts;
- good relations with clients based on timely delivery and high quality;
- timely and effective performance of contracts in eastern markets;
- performance of large infrastructure projects;
- budgetary discipline, strict cost and cash control in the performance of contracts in each of the businesses;
- timely and budget-compliant performance of own property development projects and projects carried out in the form of joint ventures;
- consistent supervision over planning and settlement of the Group's overhead costs;
- unfavourable NOK/PLN and SEK/PLN exchange rates limiting the good performance of the modular construction segment;
- underutilization of the production and sales capabilities in each segment due to the pandemic;
- continuous improvement of the production and organisational processes in all segments of the Group, including the back office;
- review of own structures, process optimisation, and continuous monitoring of fixed costs;
- good liquidity, access to external sources of financing;
- continuous improvement of processes with the use of IT tools;
- operation in the period of a tightened sanitary regime.

Apart from the internal factors, the external factors were equally important for the results obtained. As always, the key external factor is the ongoing strong price competition in the domestic market (residential,

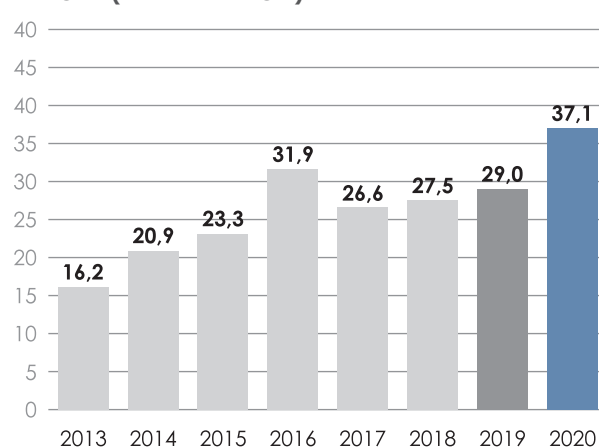
office, and industrial construction and infrastructure construction). The stability of margins is always affected by the variable situation concerning the prices of construction materials and services. What increased the uncertainty of the current and future situation was the declaration of a state of pandemic due to the Covid-19 outbreak.

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

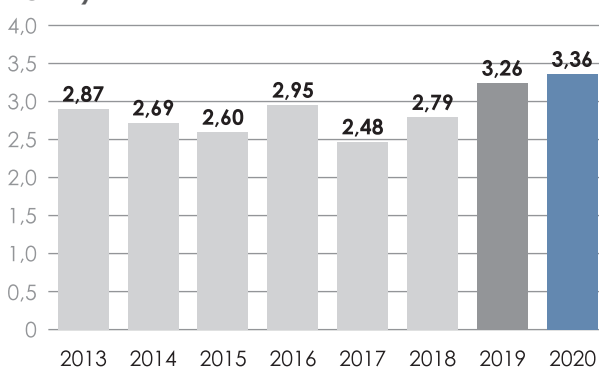
REVENUE (IN PLN MILLION)



NET PROFIT (IN PLN MILLION)



OVERHEADS TO REVENUES RATIO - UNIBEP GROUP (IN PERCENT)



3. OPERATIONS OF THE UNIBEP GROUP

3.1 Objects of the Group

Sales markets

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

- **General contracting, Poland.** This segment is largely represented by residential construction. As a result of activities aimed at diversification carried out in recent years, retail and service, public utility, and industrial construction have started to play an increasingly important role. The revenues of the segment are generated mainly in the Warsaw and Poznań markets, but also in Cracow, Łódź, and Szczecin. The investments projects started in 2020 include ones performed for clients who placed their trust in us once again so that we can perform further projects together.
- **General contracting, export.** An activity focused on the eastern markets: Belarusian and Ukrainian. Two shopping malls (in Grodno and Kiev) were completed in these markets. Other important projects are underway. Talks are being held with a view to launching another important project in the Ukrainian market – one that is significant from the standpoint of future results.
- **Infrastructure, i.e. road and bridge construction.** In recent years, the Group has built up its competence and won several expressway construction contracts (alone, as part of a consortium, or as a subcontractor). The activity of this segment concentrates also on district, provincial and local road construction projects in the north-eastern regions of the country. The bridge part, on the other hand, gains experience thanks to its presence throughout Poland. It is being developed within

Budrex-Kobi Sp. z o.o. which was acquired in 2015 (currently Budrex Sp. z o.o.).

- **Modular Construction** – performed by Unihouse SA. It is based on the production of environmentally friendly modular houses at the House Factory in Biennial Podlaski and their assembly at construction sites. In the Norwegian market, long-term cooperation with the largest real estate developers in that market and performance of further contracts for them are of key importance. The Swedish market is considered to be promising. The Polish and German markets provide diversification of operations. New contracts have been concluded, some have been completed, and others are being prepared.
- **Development activity segment.** Performed by Uni-development SA and its special purpose vehicles. Our portfolio includes residential products for individual clients (multi-family housing segment). Our activity focuses on the Warsaw, Poznań, and Radom markets. Recently, the business has been expanded to include the PRS segment. An additional direction for the Group's development will be the Tricity area.

DEPENDENCE OF THE GROUP ON ITS CUSTOMERS

Due to the nature of its operations, the Group has not become dependent on any of its customers in the reporting period.

In 2020, the level of sales to none of the clients exceeded 10% of the total revenues of the Parent Company and the revenues of the UNIBEP Group.



Revitalization of the Wolności Square and the Zduński Market Square, Kutno, Poland

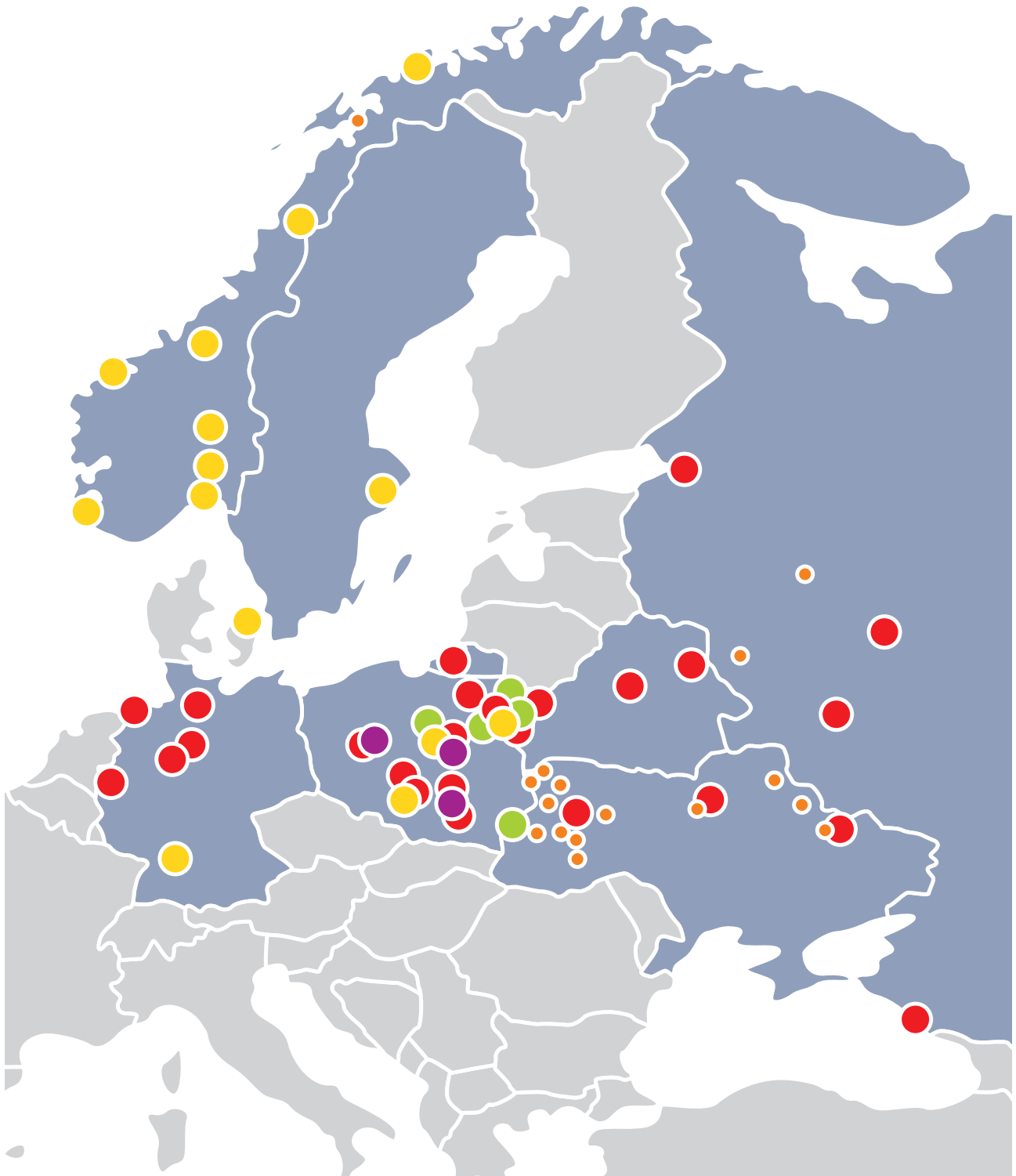
WE ARE A COMPANY THAT OPERATES IN MANY MARKETS

Key:

- residential, office, and industrial construction
- real estate development activities

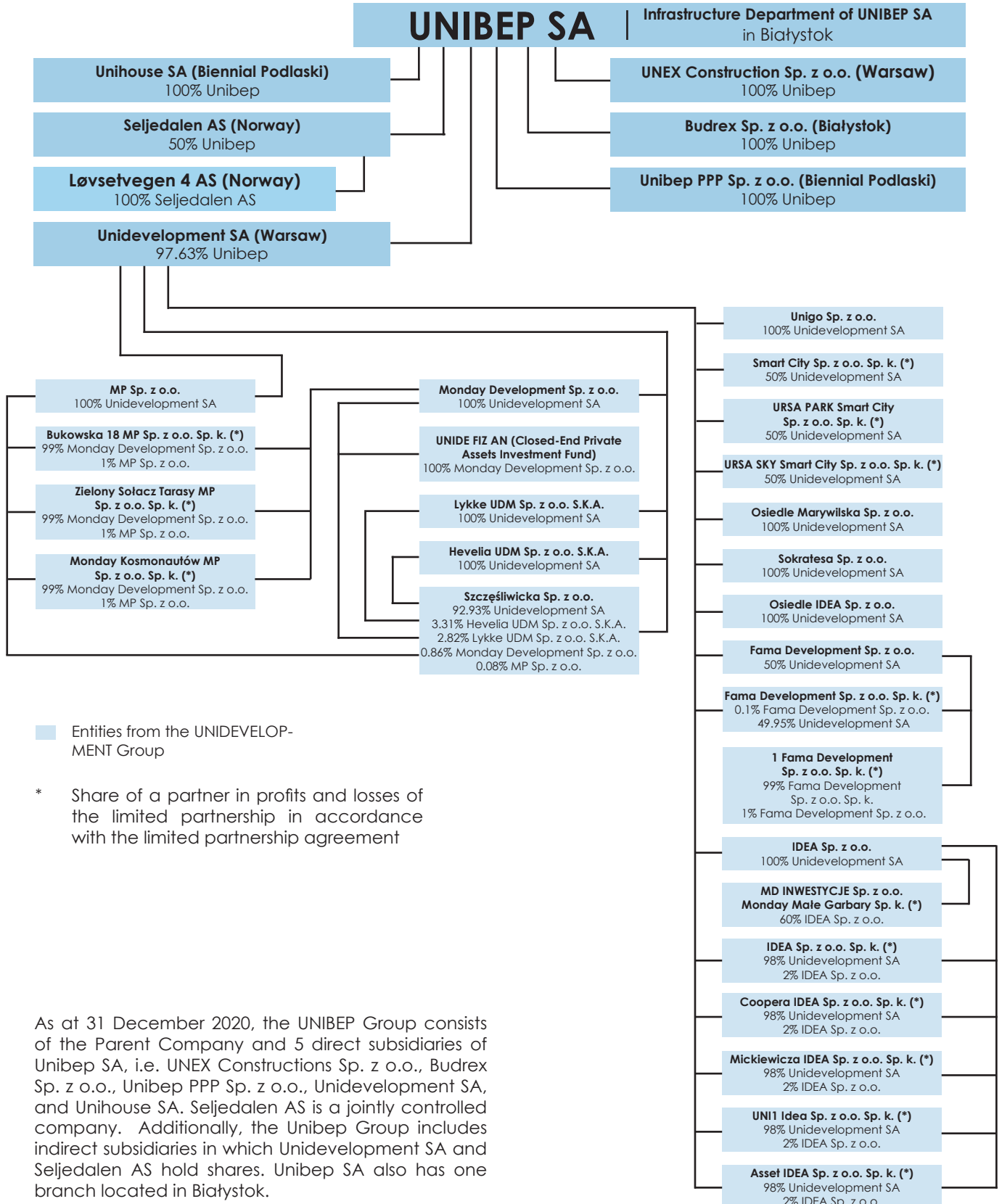
- modular construction
- road and bridge construction

- commemoration sites – commissioned by the Council for the Protection of Struggle and Martyrdom Sites



3.2 Description of the UNIBEP Group

DIAGRAM OF THE UNIBEP GROUP (AS AT 31 DECEMBER 2020)



As at 31 December 2020, the UNIBEP Group consists of the Parent Company and 5 direct subsidiaries of Unibep SA, i.e. UNEX Constructions Sp. z o.o., Budrex Sp. z o.o., Unibep PPP Sp. z o.o., Unidevelopment SA, and Unihouse SA. 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 one branch located in Białystok.

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

Name of the entity with indication of the legal form	Registered office	Company's objects Nature	Nature of the relationship	Applied consolidation method	Date of acquisition of control/shares	Balance sheet value of shares	Percent of share capital owned	Share of the total number of votes at the general meeting
Unidevelopment SA	Warsaw	real estate development activities	subsidiary	full method	09/04/2008	89,346,310.26	97.63%	97.63%
UNEX Construction Sp. z o.o.	Warsaw	performance of construction projects	subsidiary	full method	04/07/2011	16,959.80	100%	100%
Budrex 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.	Bielski Podlaski	performance of construction projects	subsidiary	full method	06/11/2017	5,000.00	100%	100%
Unihouse SA	Bielski Podlaski	performance of construction projects	subsidiary	full method	01/04/2019	48,592,824.63	100%	100%
Seljedalen AS	Trondheim, Norway	real estate development activities	jointly controlled entity	equity method	10/09/2013	7,986.00	50%	50%
Lovsetvegen 4 AS	Melhus, Norway	real estate development activities	indirectly jointly controlled entity	equity method	23/09/2015	6,493,178.84	50%	50%
MP Sp. z o.o.	Poznań	real estate development activities	indirect subsidiary	full method	10/08/2011	10,000.00	97.63%	97.63%
IDEA Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	09/09/2011	50,000.00	97.63%	97.63%
IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect subsidiary	full method	09/09/2011	2,340,000.00	97.63% (**)	97.63% (***)
Unigo Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	26/10/2012	5,000.00	97.63%	97.63%
UNIDE FIZ AN (Closed-End Private Assets Investment Fund)	Bielsko-Biala	fund activity	indirect subsidiary	full method	11/09/2012	100,896.00	97.63%	97.63%
Lykke UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	indirect subsidiary	full method	03/10/2013	6,660,810.00	97.63%	97.63%
Hevelia UDM Sp. z o.o. S.K.A.	Warsaw	real estate development activities	indirect subsidiary	full method	03/10/2013	4,484,000.00	97.63%	97.63%
Szczęśliwicka Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	04/02/2014	34,303,121.90	97.63%	97.63%
Smart City Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect associate	equity method	09/06/2015	1,000.00	48.82% (**)	0% (***)
Monday Development Sp. z o.o.	Poznań	real estate development activities	indirect subsidiary	full method	05/01/2016	55,834,686.13	97.63%	97.63%
Sokratesa Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	14/07/2016	5,000.00	97.63%	97.63%
Osieble Idea Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	14/07/2016	5,000.00	97.63%	97.63%
Ostiedle Marywilska Sp. z o.o.	Warsaw	real estate development activities	indirect subsidiary	full method	08/12/2016	13,500,000.00	97.63%	97.63%
Bukowska 18 MP Sp. z o.o. Sp. k.	Poznań	real estate development activities	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	real estate development activities	indirect subsidiary	full method	11/08/2017	10,000.00	97.63% (**)	97.63%
Monday Kosmonautów MP Sp. z o.o. Sp. k.	Poznań	real estate development activities	indirect subsidiary	full method	11/08/2017	10,000.00	97.63% (**)	97.63%

Name of the entity with indication of the legal form	Registered office	Company's objects Nature	Nature of the relationship	Applied consolidation method	Date of acquisition of control/shares	Balance sheet value of shares	Percent of share capital owned	Share of the total number of votes at the general meeting
URSA PARK Smart City Sp. z o.o. Sp.k.	Warsaw	real estate development activities	indirect associate	equity method	03/08/2017	1,000.00	48.82% ^{**}	0% ^{****}
URSA SKY Smart City Sp. z o.o. Sp.k.	Warsaw	real estate development activities	indirect associate	equity method	22/09/2020	14,500,000.00	48.82% ^{**}	0% ^{****}
Fama Development Sp. z o.o.	Poznań	real estate development activities	indirect subsidiary	full method	22/02/2018	2,500.00	48.82% ^{**}	48.82% ^{****}
Fama Development Sp. z o.o. Sp.k.	Poznań	real estate development activities	indirect subsidiary	full method	22/02/2018	5,001,000.00	48.82% ^{****}	48.82% ^{****}
1 Fama Development Sp. z o.o. Sp.k.	Poznań	real estate development activities	indirect subsidiary	full method	21/09/2020	1,000.00	48.82% ^{****}	48.82% ^{****}
Coopera IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect subsidiary	full method	03/07/2018	10,000.00	97.63% ^{**}	97.63% ^{****}
Mickiewicz IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect subsidiary	full method	11/07/2018	10,000.00	97.63% ^{**}	97.63% ^{****}
Asset IDEA Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect subsidiary	full method	10/07/2018	10,000.00	97.63% ^{**}	97.63% ^{****}
UN11 Idea Sp. z o.o. Sp. k.	Warsaw	real estate development activities	indirect subsidiary	full method	29/11/2018	10,000.00	97.63% ^{**}	97.63% ^{****}
MD INWESTYCJE Sp. z o.o. Monday Mate Gabaryty Sp.k.	Poznań	real estate development activities	indirect subsidiary	full method	17/04/2019	100.00	58.58% ^{**}	96.65% ^{****}

* total share including the share in the general partner company

** share in the profit/loss of the Company

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

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

CHANGES IN THE GROUP'S STRUCTURE IN 2020

Information on significant changes in the structure of the UNIBEP Group that took place in the period since 1 January 2020 is shown below:

1. Change of the name of the Limited Liability Company

On 22 January 2020, the District Court in Białystok, 12th Commercial Division of the National Court Register, made an entry concerning the change of the name of BUDREX-KOBI Spółka z ograniczoną odpowiedzialnością to BUDREX Spółka z ograniczoną odpowiedzialnością.

2. Change of the name of the Limited Liability Company

On 28 January 2020, the District Court in Poznań – Nowe Miasto and Wilda recognized the application of WIEPOFAMA DEVELOPMENT Sp. z o.o. concerning a change of the company's name to FAMA DEVELOPMENT Spółka z ograniczoną odpowiedzialnością.

3. Change of the name of the Limited Partnership

On 5 February 2020, the Shareholders' Meeting adopted a resolution on changing the name WIEPOFAMA DEVELOPMENT MONDAY PALACZA Spółka z ograniczoną odpowiedzialnością Sp. K. to FAMA DEVELOPMENT Spółka z ograniczoną odpowiedzialnością Sp. K.

The change became effective on 5 February 2020.

4. Acquisition of shares in Unidevelopment Group companies

On 28 February 2020, Unidevelopment SA purchased from UNIDE Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych 19,000,000 ordinary registered shares of "G81 UDM Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowo Akcyjna, with its registered office in Bielsko, and 50,000 ordinary registered shares of "GN INVEST UDM Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowo Akcyjna, with its registered office in Warsaw. Consequently, Unidevelopment became the owner of 99.99% of all shares in the share capital of "G81 UDM Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowo Akcyjna and 99.9% of all shares in the share capital of "GN INVEST UDM Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowo Akcyjna.

5. Merger of two Unidevelopment Group companies

On 1 July 2020, IDEA Spółka z o.o. acquired the company MD INWESTYCJE Sp. z o.o., with its registered office in Poznań.

The merger was a so-called "reverse merger", because the Acquiring Company was a subsidiary of the Acquired Company. The merger was carried out pursuant to Article 492(1)(1) of the Act of 15 September

2000 - Code of Commercial Companies and Partnerships (Journal of Laws of 2000, item 1037, as amended; hereinafter: CCCP), 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 was dissolved without liquidation and all of its rights and obligations will be taken over by the Acquiring Company by way of universal succession.

6. Merger of twelve Unidevelopment Group companies

On 1 July 2020, SZCZĘŚLIWICKA Spółka z o.o. acquired eleven companies of the UNIDEVELOPMENT Group, including:

- "UNIBALATON UDM spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Warsaw;
- "KONDRATOWICZA UDM spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Warsaw;
- UDM spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw;
- LYKKE spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw;
- "GN INVEST UDM spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Warsaw;
- "G81 UDM spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Biennial Podlaski
- UNIBALATON spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw;
- BUKOWSKA spółka z ograniczoną odpowiedzialnością, with its registered office in Poznań;
- MONDAY SOŁACZ spółka z ograniczoną odpowiedzialnością, with its registered office in Poznań;
- CZARNIECKIEGO MP spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Poznań;
- MP spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Poznań;

The merger was carried out pursuant to Article 492(1) (1) of the Act of 15 September 2020 - Code of Commercial Companies and Partnerships (Journal of Laws of 2000, item 1037, as amended; hereinafter: CCCP) by transferring all assets of the Acquired Companies to the Acquiring Company. As a result of the merger, the Acquired Companies were dissolved without liquidation and all of their rights and obligations were taken over by the Acquiring Company, i.e. SZCZĘŚLIWICKA Sp. z o.o., by way of universal succession. As a result, the structure of the Unidevelopment Group has been significantly simplified.

7. Transformation of the joint-stock company into a limited liability company

On 1 July 2020, the limited liability company MONDAY DEVELOPMENT Spółka z ograniczoną odpowiedzialnością ("Transformed Company") was registered in the National Court Register; the company was es-

established by way of transformation of Monday Development SA ("Company under Transformation"). The sole shareholder of the Transformed Company is UNIDEVELOPMENT SA. The share capital of the Transformed Company is PLN 1,600,000 and is divided into 16,000 shares with a par value of PLN 100 each.

8. Change in the structure of the shares in UNIDE FIZ

On 1 July 2020, a change took place in the structure of the participants of the UNIDE FIZ AN fund in connection with the acquisition by SZCZĘŚLIWICKA Sp. z o.o. of LYKKE Sp. z o.o. and MP Sp. z o.o. Sp.k. (former participants); consequently, since 1 July this year, the participants of the UNIDE FIZ AN fund are MONDAY DEVELOPMENT Sp. z o.o. (79.76 %) and SZCZĘŚLIWICKA Sp. z o.o. (20.24%).

9. Establishment of a limited partnership in Poznań

On 21 September 2020, a new limited partnership named 1 FAMA DEVELOPMENT spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Poznań, was registered. The partners of the company are FAMA DEVELOPMENT spółka z ograniczoną odpowiedzialnością (general partner) and FAMA DEVELOPMENT SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ SPÓŁKA KOMANDYTOWA (limited partner).

10. Joining a new limited partnership in Warsaw

On 22 September 2020, Unidevelopment SA became a partner (limited partner) in URSA SKY Smart City Sp. z o.o. Sp.k.

11. Change in the structure of shares in UNIDE FIZ AN

On 31 December 2020, another change took place in the structure of participants of the UNIDE FIZ AN fund, which consisted in the acquisition of all Investment Certificates (200 in total) by MONDAY DEVELOPMENT Sp. z o.o.

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

1. Changes within the Unidevelopment Group

- registration of UNI 4 Sp. z o.o., whose sole shareholder is UNIDEVELOPMENT SA, on 3 March 2021;
- registration of UNI 3 Sp. z o.o., whose sole shareholder is UNIDEVELOPMENT SA, on 14 March 2021;
- registration of UNI 5 Sp. z o.o., whose shareholders are MONDAY DEVELOPMENT Sp. z o.o. and MP Sp. z o.o.;
- registration of UNI 7 Sp. z o.o., whose shareholders are MONDAY DEVELOPMENT Sp. z o.o. and MP Sp. z o.o.;
- registration of UNI 6 Sp. z o.o., whose shareholders are MONDAY DEVELOPMENT Sp. z o.o. and MP Sp. z o.o.;
- decision of the shareholders' meetings on 30 March 2021 to:

- transform "Bukowska 18 MP Spółka z ograniczoną odpowiedzialnością" spółka komandytowa into a limited liability company with MONDAY DEVELOPMENT Sp. z o.o. and MP Sp. z o.o. as its shareholders;
- transformation of "COOPERA IDEA Spółka z ograniczoną odpowiedzialnością" spółka komandytowa into a limited liability company with IDEA Sp. z o.o. and UNIDEVELOPMENT SA as its shareholders;
- transformation of ASSET IDEA Spółka z ograniczoną odpowiedzialnością spółka komandytowa into a limited liability company with IDEA Sp. z o.o. and UNIDEVELOPMENT SA as its shareholders;
- transformation of "UNI1 IDEA Spółka z ograniczoną odpowiedzialnością" spółka komandytowa into limited liability company with IDEA Sp. z o.o. and UNIDEVELOPMENT SA as its shareholders;
- transformation of "IDEA Spółka z ograniczoną odpowiedzialnością" spółka komandytowa into a limited liability company with IDEA Sp. z o.o. and UNIDEVELOPMENT SA as its shareholders;
- entering into agreements concerning amendments to agreements aimed to make additional cash contributions for:
 - BUKOWSKA 18 MP Spółka z ograniczoną odpowiedzialnością" spółka komandytowa in the amount of PLN 2,845,000 by one of its shareholders, i.e. MONDAY DEVELOPMENT Spółka z ograniczoną odpowiedzialnością;
 - "ASSET IDEA spółka z ograniczoną odpowiedzialnością" spółka komandytowa in the amount of PLN 54,000 by one of the shareholders, i.e. UNIDEVELOPMENT Spółka akcyjna;
 - "UNI1 IDEA spółka z ograniczoną odpowiedzialnością" spółka komandytowa in the amount of PLN 43,000 by one of its shareholders, i.e. UNIDEVELOPMENT Spółka akcyjna;
 - "IDEA spółka z ograniczoną odpowiedzialnością" spółka komandytowa in the amount of PLN 9,963,000 by one of its shareholders, i.e. UNIDEVELOPMENT Spółka akcyjna.

2. Sale of all rights and obligations of the general partner and limited partner in a limited partnership

On 31 March 2021, the Investment Agreement concluded between the Issuer, the Issuer's subsidiary Unidevelopment SA, with its registered office in Warsaw, and the following companies was terminated upon mutual agreement of the parties: CPD SA, with its registered office in Warsaw, Challenge Eighteen spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, Lafia Enterprise Ltd, with its registered office in Nicosia, and Smart City Sp. z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw. The Investment Agreement was terminated due to its timely completion and settlement by the parties, i.e. completion of the joint development undertaking. As a consequence of the above, an agreement was concluded between

UNIDEVELOPMENT SA (Seller 1), Challenge Eighteen spółka z ograniczoną odpowiedzialnością (Buyer 1), Gaston Investments spółka z ograniczoną odpowiedzialnością (Buyer 2), and Smart City spółka z ograniczoną odpowiedzialnością (Seller 2), on the basis of which Seller 1 sold to Buyer 1 all the rights and obligations of the Limited Partner, and Seller 2 sold to Buyer 2 all the rights and obligations of the General Partner in the company "Smart City spółka z ograniczoną odpowiedzialnością" z ograniczoną odpowiedzialnością" Spółka komandytowa.

3.3 Procurement information

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

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

Purchases of building materials are a separate process that is being developed and improved within the Group and the Parent Company. Materials are divided into categories. Depending on the category, the responsibility for the purchasing process, from a requisition, through enquiries and negotiations, to the signing of a contract and monitoring of its performance, rests with the construction site management, the market directors, or the Central Purchasing Office, with the involvement of the Management Board and the support of the Legal Team. The Central Purchasing Office

3. Redemption of investment certificates of UNIDE FIZ AN

On 31 March 2021, the final redemption of all investment certificates of UNIDE FIZ AN took place. Thus, all liquidation activities were completed and an application was filed to remove the Fund from the RFI Register. In 2020 and after the balance sheet date, there were no significant changes in the principles of management of the Group and the Parent Company.

plays an important and growing role in this respect. Central purchasing of key materials (steel, concrete, stoneware tiles, rock wool, etc.) has a positive impact on production costs. One of the tasks of the Office is also continuous monitoring of prices in the market.

An important element is to maintain continuity in the supply of strategic building materials.

Continuous work is being carried out to improve the process on the one hand and its continuity on the other.

The Parent Company or the Group was not dependent on any supplier of materials and services in the analysed period. There were no suppliers with a share in the purchases above 10%.

The price risk involved with purchases is described in section 8.1. Description of risks and hazards.

3.4 Development-oriented activities

The development activities that were carried out in 2020 within the Parent Company and the Group and had an impact on operations in the subsequent periods include:

- building competence and a new strategy for the development of modular construction within the separate company Unihouse SA;
- strengthening structures to develop competencies in industrial construction;
- establishing the direction of activities aimed at expanding and diversifying the operations of all Unibep Group businesses;
- working on programmes related to recruiting, retaining, and developing staff; developing and implementing new incentive systems;
- continuing the so-called efficiency measures aimed at improving or maintaining efficiency in all areas of the Group's operations;
- digitalization of processes that function in the Group – developing Microsoft Dynamics AX, Microsoft Power BI, Webcon, Microsoft MS Project, etc.;
- establishing directions for automation;
- developing electronic and social communication channels;
- continuing activities aimed at promoting the BIM (Building Information Modelling) technology;
- continuing activities aimed at strengthening supervision and improving efficiency with a process approach to the performance of construction projects (from bidding to warranty service);
- building the know-how of the entire Group and using good experience in optimizing processes related to the performance of individual contracts;
- further developing the competence of the Central Purchasing Office, maintaining or improving the effectiveness of the materials purchasing process within the entire Unibep Group;
- further improving the OHS activities in terms of raising standards and active participation in the Agreement for Construction Safety programme;

- adopting and implementing investment plans aimed at increasing the production capacity and improving the quality of products and services within modular and infrastructure construction;
- continuing activities related to the preparation of products that enable standardization of production within Unihouse SA;
- building a land bank as an important element of conducting Unidevelopment SA's operations in a changing environment, acquiring investment land in new regions of the country;
- continuation of joint property development programmes with entities from outside the Group, e.g. a multi-stage joint venture with WIEPOFAMA entities with a plan to build a total of more than 2,000 flats;
- taking joint actions by the Group's businesses to enable the use of synergies, allowing for cost optimization or taking advantage of market opportunities;
- further developing quality management systems in UNIBEP branches.

4. MARKET AND PROSPECTS FOR THE FUTURE

4.1 Current economic situation and forecasts

SITUATION IN 2020

It is estimated that in 2020, largely as a result of the restrictions imposed on the economy in an attempt to contain the pandemic, the GDP growth in Poland was equal to approx. -2.8%. After a very large decline in the gross domestic product in the 1st half of 2020, the third quarter saw a significant recovery (mainly driven by household spending), which resulted in GDP growth of approx. 7.8% over the previous quarter. The resurgence of incidence and the return to greater restrictions in the fourth quarter significantly slowed economic activity in late 2020, especially in the services sector. According to estimates of the European Commission, inflation in Poland in 2020 was equal to approx. 3.7%, mainly due to rising prices of services and food.

FORECAST FOR 2021

In the opinion of the European Commission, in 2021, the Polish economy will grow at the rate of 3.1%. It is

assumed that economic activity will be lower in the first months of the year due to the extension of restrictions intended to contain the pandemic, but as the percentage of people vaccinated increases, there will be a gradual loosening of restrictions and thus an accelerated economic recovery. It is assumed that the main growth driver will be private consumption supported by accumulated savings and favourable situation in the labour market. In addition, low credit costs, which increase the propensity to invest in the business sector, and a recovery in foreign trade will support a higher GDP growth rate. Inflation is assumed to decrease to about 2.1% in 2021 mainly due to slower wage growth and higher unemployment.

4.2 Prospects and strategic directions of the Group's development

The strategic objective of development of the Parent Company and the UNIBEP Group is to systematically increase their value.

Strengthening the Group's position in all segments of its operations, gaining competence in necessary areas, diversifying the operations, and performing projects in new markets – these are the unchangeable directions for actions defined and implemented by the Unibep SA's staff and the entire Unibep Group.

Further directions for development and the timeline of their implementation considerably take into account the situation related to the establishment of the state of epidemic emergency in the territory of Poland. The actions that have been and are being taken are aimed at finding a flexible approach to development and adjusting activities to match the opportunities and limitations resulting from the situation in the markets.

It is not possible to fully exclude additional extraordinary events that could adversely affect the Issuer and the industry as a whole, and their consequences. The impact of the Covid-19 pandemic on the Com-

pany and the Unibep Group is discussed later in this report. Nevertheless, such phenomena are monitored on an on-going basis and the actions taken within the Group are intended to minimize their potential effects, should they occur. For more on the potential impact of Covid-19 on the operations of the Issuer and the Unibep Group, see section 6.4 Other important events.

From the standpoint of the Unibep Group, individual companies, and each business, cash flow is an important factor. Awareness of this fact has enabled an effective cash management in the entire Group and strengthening the Group's position of a reliable partner for its financial partners.

RESIDENTIAL, OFFICE, AND INDUSTRIAL CONSTRUCTION

Residential, office, and industrial construction is carried out within the Parent Company. In terms of territory, it covers the area of Poland and Eastern Europe. It is the largest segment of the Group's operations and generates approximately 50% of its revenue.

The Unibep's position in the central Poland's market is stable and well-established. The Company is one of

the leaders of the residential construction segment in the Warsaw market. Its good relations with real estate developers result in new contracts. The Company's acquisition activities are aimed at ensuring both the performance of 2021 projects and a smooth transition of production to 2022.

Compared to 2019, the sales revenue in 2020 from the domestic operations decreased slightly. The pandemic caused a reduction of investment activities among clients, especially in the first half of the year. Some contracts were cancelled or postponed. This had an impact on the effectiveness of the Company's acquisition efforts. However, the subsequent normalization of the situation in the market made it possible to implement the plans.

2020 was important from the standpoint of activities mainly related to the acquisition of industrial facilities. Structures for the performance of tasks in this direction were developed. The effect of the intensified efforts are the following projects: Polimery Police, Wastewater Treatment Plant in Biennial Podlaski, and Mlekovita Cold Store in Wysokie Mazowieckie. Performance of the Polimery Project, which consists in the construction of a polymer plant at the site of the Police Chemical Plant, by Grupa Azoty is one of the largest investment projects in the industrial segment currently underway in Poland. Unibep SA also develops projects in the public procurement segment, such as the construction of the Copernican Revolution Lab – the new building of Warsaw's Copernicus Science Centre and the District Court in Grajewo.

This confirms the achievement of previous objectives concerning diversification of the portfolio.

In terms of territory, the Warsaw market is still the most important, followed by the Poznań market. The latter is related to operations in the Group's development segment, for which Unibep SA is the main general contractor for the projects. The company is also present in other regions and intends to further develop its operations there. It performs its projects, among others, in Cracow and Łódź.

The procurement market has adapted to the conditions caused by the pandemic. The initial turbulence diminished in the successive months of 2020 and the situation stabilized. The industry has not suffered much as a result. The demand for housing leads clients to make decisions on further investments, which raises the hopes for being able to take advantage of this fact and win more interesting contracts.

High competition among contractors and unstable situation in the steel market and the prices of other materials may restrict development. This situation creates uncertainty regarding acquisitions and risks to future margin.

An important decision concerning the direction of development of this business was to start, in the previous years, activities related to the development of the BIM

technology. This is the future of the construction industry and we need to participate in these changes. The first buildings where this technology is used are already under construction. Our competences in this area also allow us to acquire win interesting contracts.

In terms of results and sales, the situation in export markets (Belarus, Ukraine) was stable, although sales in 2020 were approx. 10% lower than in the previous year and profitability on projects was lower by approx. 0.8 p.p. The formula for operating in these markets works.

At present, two projects for sports and recreation facilities for the municipal company of the City of Minsk are being carried out in Belarus, with financing by Polish institutions. In the long run, the Ukrainian market seems to be more important. Thanks to the projects we have completed or are performing in Kiev and Kharkiv, our position in this market is constantly improving – we are conducting advanced talks on new contracts.

On 28 January 2021, UNIBEP SA signed a preliminary contract with a real estate developer company, with its registered office in Lviv, the subject matter of which is the basic conditions of the target contract for construction works; under this contract, Unibep SA would perform a "turnkey" contract for construction of an office complex with a shopping and entertainment centre in Lviv. Successful negotiations of this contract will be important for the company's portfolio and future outlook.

MODULAR CONSTRUCTION

2020 is the first full year of independent operation of Unihouse. On 1 November 2019, Unihouse SA became an independent company, with Unibep SA being its sole shareholder.

2020 was a very difficult year. The original financial objectives were not achieved. At all times, however, the priority for the new organization was to introduce new processes and activities, which involved a big change for all Unihouse SA employees.

Due to the epidemiological situation, practically since March 2020 we had to carry out crisis management activities.

Despite the pandemic, the construction industry work was not forced to suspended work – this was true both for the Polish market and other markets where Unihouse operates. Despite the increasing incidence of the disease and absenteeism due to the change work arrangements at the Factory, none of our construction sites or production or service operations were stopped. The company's operations have been and continue to be stable, although this requires a great deal of flexibility from our entire staff. However, the situation is dynamic and it is difficult to predict the future decisions of the authorities and their impact on business operations.

The creation of a new organisation, i.e. Unihouse SA, motivated us to work out a new strategy for the company's development, review all the processes related to sales, production, and construction, and work on standardisation of our products. As a result of the analyses of the prospects for this segment conducted since September last year, we would like to mention that the development of this segment will be supported by parallel processes: Standardization, Digitalization, and Automation.

We developed the Concept of Distinctive Features: Complexity, Speed, and Eco-friendliness, on the basis of which we deliver unique values to our customers.

In 2020, the productivity of the design department was increased. We gained experience in the area of rigidity of buildings. We designed, manufactured, and constructed a building in a seismic area, the Project Vesbyjen, and the tallest building in the history of our operations: the 8-storey HeimdalsPorten Project in Trondheim. The BIM concept is becoming ubiquitous: it brings together architecture and construction in one BIM environment.

In 2020, the UNIHOUSE Product Standards, Technology, and Quality Council, Technology Division, was established. We performed a research experiment, a Fire-safe Timber Frame House. A life-size fire experiment in a multi-storey building. The basic purpose of the fire experiment in a life-size multi-storey building, carried out at the initiative of the Building Research Institute, was to develop new fire safety regulations for timber-structure buildings and thus enable development of the timber-construction industry in Poland.

Despite the pandemic, the company gained new customers and kept the existing ones, i.e. in Sweden – a long-term framework agreement was signed with SVERIGES Kombohus and the agreement with ADAPTEO was extended; in Norway – a new customer was gained from MONTINVESTOR Group; in Germany – a contract was signed with SWGS Activhaus; and in Poland – a contract was signed with Polskie Domy Drewniane SA.

All activities were performed with a view to achieving the business objectives for 2021 and beyond, i.e. winning valuable contracts, completing all projects on time, ensuring the highest quality, maintaining the financial stability of the company, and taking care of the health and safety of our employees.

The changes that were initiated in 2020 are the foundations for independent and sustainable operations in modular timber construction, which is a very promising, growing, and attractive segment, which fits very well into Europe's sustainable development plans. A very important factor that influences business efficiency is the exchange rate, mainly that of the Norwegian currency. A low or unstable exchange rate is not conducive to maintaining profitability and sales effectiveness, and thus minimizing the associated risks.

INFRASTRUCTURE SEGMENT

The development prospects for the infrastructural construction segment are considered as good. Both the Infrastructure Department of UNIBEP SA and Budrex-Kobi Sp. z o.o. are well prepared to carry out the 2021 tasks. The road and bridge business portfolio provides an opportunity to maintain process activity at the level seen in previous years.

Both the Infrastructure Department of UNIBEP SA and Budrex Sp. z o.o. have solid foundations for properly using the competences they gained and significantly influence the Group's results in 2021. The experience gained in the performance of contracts in the design and build formula may pay off on future projects. The final two sections of national road no. 66 were completed in 2020. The Porosty junction, which is of strategic importance for the city of Białystok, was completed. A contract for the construction of the S61 expressway section, which is a part of Via Baltica, was performed.

There was no material impact of the Covid-19 pandemic on operational efficiency within the segment in 2020. The inconvenience that resulted from the new situation was the limitation in communication with the government and local administration, as well as representatives of the contracting authorities. This had the effect of temporarily limiting the effectiveness of decision-making and approval processes.

In 2021, it will be important for the business to complete an additional section of provincial road no. 835 in the section from Biłgoraj to the border of the Lubelskie Province according to the set objectives. At the beginning of 2021, a contract was signed for an important section of the S19 road, the Ploski – Haćki section. There is a very good chance of concluding another contract for works within the S19 road in the section Krynice – Dobrzyniewo – Białystok Zachód section.

The launch of a number of projects in north-eastern Poland is an opportunity for Budrex to achieve stable results again.

Additionally, both the road and bridge segments intend to expand their operations. Budrex is in the process of exploring the hydrotechnical construction segment. The company is analysing the attractiveness of this sector and is working on gaining the competences needed. The Infrastructure Department of UNIBEP SA, on the other hand, is building its competencies in the sale of road repair and maintenance services.

The events described in the previous annual report concerning the withdrawal from the contract for the Dąbrowa Białostocka – Sokółka road construction project, as well as other claims that are or will be pursued in court, are treated as neutral in the assumptions regarding development prospects.

DEVELOPMENT BUSINESS

The development business is one of the key businesses within the Unibep Group in terms of the results achieved. In recent periods, its performance has been at a good level.

Invariably, the strategy of the development business within the subsidiary Unidevelopment SA assumes consistent operations of this company in building an attractive offer for clients in the Warsaw and Poznań markets, where the company and its subsidiaries are present. The Group is also present in the Radom market.

In the first half of 2020, due to the changes related to the Covid-19 pandemic and the significant increase in the incidence of the disease in Poland, the Unidevelopment Group found itself facing potential risks and uncertainties related to doing business in new conditions.

Areas that could be significant for the Group in the event of further spread of the SARS-CoV-2 virus in the longer term were identified. These were:

- a likely decrease in sales revenues due to a decrease in demand resulting from potential tightening of banks' requirements applicable to home loans;
- potential delays in customers' payments due to tighter bank procedures;
- potential inability to complete projects on time and/or within budget; and
- reduced availability and worse terms for obtaining new sources of financing if the continuing economic downturn materially affects banks, bonds, and other lenders.

However, the pandemic did not have a significant impact on the operational capability of the Group's entities. A noticeable effect in the initial phase of the pandemic was a slight slowdown in sales in Q2 2020 and the accompanying uncertainty about further developments. However, from Q3 onwards, sales returned to their pre-pandemic levels and there was no further slowdown in sales in the following months of 2020, which ultimately resulted in a record number of development contracts signed last year (819) by the Group.

During this period, in order to increase the accessibility of the offer for current and potential customers, alternative methods of communication with the customers were implemented, which include remote presentation of projects using the latest technology, remote reservation of flats, and remote signing of reservation agreements. The innovative solutions allow us to build our customer base, streamline contacts, and provide ongoing service.

Throughout 2020, construction work continued uninterrupted and sales offices remained open for customers. All projects were performed on schedule. No delays are expected in delivering flats to customers

FLAT SALES VOLUME IN 2020

Market	Developer sales	Delivered to customers
Warsaw market	463	468
Poznań market	259	251
Other	97	51
TOTAL	819	770
<i>including JV</i>	291	205

COMPLETED PROJECTS IN 2020

	Number of flats	Number of commercial premises
Coopera Estate Stage 1	100	–
Coopera Estate Stage 2	127	–
Ursa Home Stage 1 (JV3)	153	8
Ursa Home Stage 2 (JV3)	188	9
Warsaw market	568	17
Nowych Kosmonautów Stage 2	112	–
Nowych Kosmonautów Stage 3	130	3
Poznań market	242	3
Idea Alfa Estate (E1F1)	51	–
Other markets	51	–
TOTAL	861	20

PROJECTS IN PROGRESS AS AT 31 DECEMBER 2020

	Number of flats	Number of commercial premises
Coopera Estate Stage 3A	89	–
URSA Sky Stage 1 (JV4) ¹⁾	183	9
URSA Sky Stage 2 (JV4) ¹⁾	201	10
Warsaw market	473	19
Bookowska 18	170	5
Fama Jeżyce Stage 1 (JV) ¹⁾	251	11
Poznań market	421	16
Idea Omega Estate (E2)	137	–
Other markets	137	–
TOTAL	1,031	35

1) joint ventures

on projects already completed or planned for completion in the current year.

Unidevelopment SA, as part of its own group, continues to expand its operations – via special purpose vehicles – in the Warsaw, Poznań, and Radom markets. In 2020, it started new projects. Particularly important

PROJECTS IN PREPARATION AS AT 31 DECEMBER 2020

	Number of flats	Number of commercial premises	Start date
Coopera Estate Stage 3B	89	–	Q1 2021
Coopera Estate Stage 4	82	3	Q4 2023
Ochota	65	5	Q1 2022
Latte	124	5	Q1 2021
Warsaw market	360	13	
Idea Leo Estate (E5)	172	–	Q2 2021
Idea Gemini Estate (E1F2)	92	–	suspended
Idea Ogrody Estate (MDM12) E1	12	–	Q2 2021
Idea Ogrody Estate (MDM12) E2	12	–	Q1 2022
Idea Ogrody Estate (MDM12) E3	12	–	Q1 2023
Idea Ogrody Estate (MDM12) E4	12	–	Q1 2024
Idea Venus Estate (E7)	160	–	Q3 2022
Radom market	472	–	
Fama Jeżyce Stage 2 (JV) ¹⁾	270	5	Q1 2021
Fama Jeżyce Stage 3 (JV) ¹⁾	364	38	Q3 2021 ²⁾
Fama Jeżyce Stage 4-8 (JV) ¹⁾	1,294	38	Q2 2023 ²⁾
Poznań market	1,928	81	
TOTAL	2,760	94	

1) joint ventures

2) construction start date for stage 4

in the perspective of several years is the Fama housing estate in Poznań (Jeżyce district), which is being prepared, where a total of over 2,000 flats are planned to be built in several stages.

The Group is also preparing new projects for launch, with the final construction and sales start dates being adjusted to the current market conditions.

In order to make sure that its offer is attractive, the Group intends to continue to build its land bank at an optimum level, focusing on the markets where its position and brand have been established, i.e. the Warsaw and Poznań markets. Recently, the Group

purchased land in the city of Gdańsk. This is a new direction, as the Group intends to expand its operations and strengthen its position in the market.

A land bank guarantees the possibility to prepare and launch future property development projects, and achieve financial results that are adequate given the environment and the market situation. An important element that determines the performance of a project is access to certain financing.

A new business segment that involves hopes and challenges for future periods is the sales of flats, and in fact of entire properties, to institutional clients. As a result of negotiations, the sale of real estate in the Jeżyce district of Poznań was finalized with a foreign institutional investor. Unidevelopment SA intends to take advantage of the potential of the Private Rental Sector (PRS) market.

The achievement of plans depends on the types of risks that influence the entire real estate development industry. In its projects, the Group will take into account and analyse the following factors: rising costs of construction, rising land prices, unfavourable regulatory changes, and limited access to investment land.

BACK OFFICE

Its role is to support the planning, organisation, and control of all businesses. The activities conducted in 2020 were aimed at improving and optimising processes in all areas of the Group's operations.

The topics that are ongoing and remain current for the future include:

- strengthening the acquisition activities and maintaining structures responsible for winning contracts within the current operations and development of new lines of business;
- efficient functioning of an office responsible for processes related to quality, purchasing, and OHS on the contracts being performed;
- proper functioning of internal control and coordination of quality, risk management and internal audit activities;
- development of IT systems that ensure access to management information (Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, Microsoft Power BI, Microsoft MS Project, WEBCON BPS, IBM Cognos, and Consolia);
- development of internal and external communication systems, i.e. Intranet, Microsoft Outlook, Microsoft Teams, Microsoft OneDrive, Microsoft SharePoint, Microsoft Yammer, and Microsoft Planner;
- involvement in the development of the BIM concept technology;
- ensuring liquidity to guarantee operational efficiency and confidence of our partners.

MAIN FACTORS LIKELY TO AFFECT FUTURE FINANCIAL RESULTS OF THE PARENT COMPANY AND THE GROUP

External factors:

- forecasts of a significant decline in gross domestic product, associated with Covid-19, in countries that are the area of operations of the Group's companies;
- high volatility in the foreign exchange market, large fluctuations in exchange rates and currency spreads;
- continued strong competition, fierce price competition;
- change in prices of construction materials and subcontractor services;
- risk of decrease in orders from domestic real estate developers and public procurement contracts;
- limited availability of external financing;
- temporary closure of individual economic sectors;
- temporary closure of foreign markets;
- disruptions in the supply chain and the resulting impact on the timeliness of fulfilment of all orders, including commitments to ordering parties;
- travel restrictions and lockdown imposed by countries in which the Group's companies operate;
- possibility of taking advantage of EU funding for research and development activities;
- low interest rates - relatively inexpensive external financing;
- changes in the situation concerning continued availability of workers in the labour market;
- accumulation of public tender procedures, especially in the infrastructure segment; and
- the uncertain political situation in Belarus, which may affect the pace of work on ongoing projects.

Internal factors:

- good financial standing, liquidity, and access to credit and guarantee limits in banks and insurance companies;
- contract backlog in all businesses of the Group;
- increased general contracting activity in the domestic market in segments other than residential, in particular in the industrial construction segment;
- increased export activities, mainly in the Ukrainian market;
- development of new activities; diversification of operations within particular businesses of the Unibep Group;
- geographic diversification in the modular construction segment – activities related to the presence in the Polish and German markets;
- winning modular construction contracts in new markets: Swedish, Polish, and German;
- a land bank and the possibility of launching further own real estate development projects appropriate to the needs;
- development and use of new electronic communication tools, caused by the epidemiological situation;
- optimisation of the Microsoft Dynamics AX 2012 enterprise management system and other systems supporting operational processes in the Group's companies, such as Microsoft Dynamics CRM, AX People, IBM Cognos, and Microsoft Power BI;
- activities related to implementation of the BIM

concept technology;

- efficiency of processes and production through the use of organisational units: the Technical Office, the Quality and Technology Office, the Design Department (architects, statisticians, design engineers), and the R&D Department;
- relatively high reliance on the construction of buildings, including residential premises;
- relatively high reliance on the Warsaw market; and
- separation of Unihouse SA as an independent entity within the Group.

5. FINANCIAL SITUATION OF THE UNIBEP GROUP

5.1 Description of the essential economic and financial data

Error adjustment

In 2020, the Group recognised an error related to previous years that resulted from an incorrectly adopted consolidation method concerning the companies Fama Development Sp. z o.o. (formerly Wiefofama Development Sp. z o.o.) and Fama Development Sp. z o.o. Sp. k. (formerly Wiefofama Development Sp. z o.o. Sp. k.). With the above in mind, the financial data presented for 2019 differs from the data presented in last year's annual financial statements.

Detailed explanations of the extent of the error and the changes resulting from it are provided in Note 6.31 to the 2020 consolidated financial statements.

As at 31 December 2020, the consolidated asset value of the Unibep Group increased by PLN 58,054 thousand compared to the end of December 2019. This was due to the increase in the value of fixed assets by approx. 2% (PLN 5,650 thousand) and the increase of current assets by 6% (PLN 52,404 thousand).

Fixed assets

The change in the fixed assets value as at 31 December 2020 compared to 31 December 2019 was first and foremost due to the following:

- the increase in the value of fixed assets by PLN 10,752 thousand;
- the decrease of investments in entities measured according to the equity method by PLN 13,406 thousand; and
- the decrease in the value of deposits under contracts with customers by PLN 8,318 thousand.

Current assets

The increase in the current assets was mainly due to:

- the increase in cash and cash equivalents by PLN 85,587 thousand;
- the increase in the value of trade and other receivables by PLN 33,947 thousand;
- the decrease in the value of contract assets by PLN 33,498 thousand; and
- the decrease in the value of inventories by PLN 26,807 thousand.

Liabilities

Changes in the liabilities resulted from:

- the increase in the equity by PLN 5,606 thousand;

- the increase in the short-term liabilities by PLN 11,953 thousand, where the most significant changes concerned:
 - the increase in the value of the long-term provisions by PLN 7,498 thousand;
 - the decrease in credits, loans, and other financial liabilities by PLN 7,551 thousand;
- the increase in short-term liabilities by PLN 40,495 thousand, where the most significant changes concerned:
 - the increase in credits, loans, and other financial liabilities by PLN 18,083 thousand;
 - the increase in the value of short-term provisions by PLN 14,680 thousand;
 - the increase in trade and other trade liabilities by PLN 10,275 thousand; and
 - the decrease in contractual liabilities by PLN 15,961 thousand.

The year 2020 within the Unibep Group shows most of the financial indicators at similar or slightly higher levels compared to the previous year. The profitability increased, both at the EBIT and net profit level.

The return on equity (ROE) ratio remains at a good level (11.33%); it increased by 0.21 p.p. compared to the previous year.

In 2020, the Group's sales revenue stayed on the previous year's level (increased by 1.2%).

In segment terms, an increase in revenues compared to 2019 was seen in all segments except the residential, office, and industrial construction segment. Taking the gross profit on sales as a criterion, only the modular construction segment did not improve its results compared to the previous year.

The cost of sales increased in 2019, which is related to the expansion of development activity and the launch of new projects. Overhead costs increased by approx. 4%. Significantly, the EBIT level and profitability exceeds the levels recorded in 2019.

At the Parent Company level, the net profit was at the previous year's level. It increased by approx. 1%, but with a sales decrease of approx. 8.2% compared to 2019. Cash at the end of the year were at a high level of approx. PLN 183 million, with positive cash flows from operations at the level of approx. PLN 80 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN PLN THOUSAND

	31/12/2020	31/12/2019 restated	01/01/2019 restated	Change	Change (%)
ASSETS					
Long-term fixed assets					
Total fixed assets	128,407	117,655	93,915	10,752	9.1%
Intangible assets	24,566	25,155	27,094	-589	-2.3%
Investment property	3,903	0	0	3,903	-
Trade and other long-term receivables	4,713	3,085	2,768	1,628	52.8%
Investments in entities valued using the equity method	11,221	24,627	3,991	-13,406	-54.4%
Deposits under contracts with clients	25,776	34,095	46,765	-8,318	-24.4%
Loans granted	52,609	46,090	31,841	6,519	14.1%
Assets on derivatives	0	32	1,688	-32	-100.0%
Deferred income tax assets	43,209	38,016	37,605	5,193	13.7%
Total (long-term) fixed assets	294,404	288,754	245,667	5,650	2.0%
Short-term current assets					
Inventory	306,576	333,383	277,453	-26,807	-8.0%
Trade and other short-term receivables	251,456	217,509	255,218	33,947	15.6%
Deposits under contracts with clients	17,956	23,062	42,120	-5,106	-22.1%
Contractual assets	90,948	124,445	104,818	-33,498	-26.9%
Current income tax receivables	888	2,507	16,005	-1,620	-64.6%
Assets on derivatives	0	628	2,089	-628	-100.0%
Loans granted	1,031	502	2,115	529	105.4%
Cash and cash equivalents	264,065	178,478	56,223	85,587	48.0%
Current assets other than held for sale or for issued to owners	932,919	880,515	756,041	52,404	6.0%
Total (short-term) current assets	932,919	880,515	756,041	52,404	6.0%
TOTAL ASSETS	1,227,323	1,169,269	1,001,708	58,054	5.0%

	31/12/2020	31/12/2019 restated	01/01/2019 restated	Change	Change (%)
LIABILITIES					
Equity					
Share capital	3,507	3,507	3,507	0	0.0%
Share premium capital	62,154	62,154	60,905	0	0.0%
Other reserve capitals	-10,119	491	146,174	-10,610	-2,162.1%
Retained profit (loss)	220,201	203,911	47,552	16,290	8.0%
Equity attributable to parent company's shareholders	275,742	270,062	258,138	5,680	2.1%
Equity attributable to non-controlling shares	54,994	55,068	54,990	-74	-0.1%
Total equity	330,736	325,130	313,127	5,606	1.7%
Long-term liabilities					
Trade and other long-term liabilities	815	897	609	-82	-9.2%
Credits, loans, and other long-term financial liabilities	69,813	77,364	60,384	-7,551	-9.8%
Long-term lease liabilities	25,682	25,620	7,568	62	0.2%
Long-term liabilities on derivatives	3,064	0	0	3,064	-
Long-term provisions	40,351	32,853	30,891	7,498	22.8%
Deposits under contracts with clients	54,230	50,230	48,745	4,000	8.0%
Deferred tax provisions	10,034	5,071	1,796	4,963	97.9%
Total long-term liabilities	203,988	192,035	149,992	11,953	6.2%
Short-term liabilities					
Trade and other short-term liabilities	261,273	250,998	231,190	10,275	4.1%
Contractual liabilities	152,491	168,451	90,389	-15,961	-9.5%
Deposits under contracts with clients	49,462	47,479	46,954	1,984	4.2%
Credits, loans, and other short-term financial liabilities	36,270	18,187	47,384	18,083	99.4%
Short-term lease liabilities	27,784	27,324	4,040	460	1.7%
Liabilities on derivatives	9,949	0	46	9,949	-
Current income tax liabilities	5,879	4,854	827	1,025	21.1%
Short-term provisions	149,491	134,812	117,759	14,680	10.9%
Short-term liabilities other than related to assets held for sale	692,599	652,104	538,588	40,495	6.2%
Total short-term liabilities	692,599	652,104	538,588	40,495	6.2%
Total liabilities	896,587	844,139	688,581	52,448	6.2%
TOTAL LIABILITIES	1,227,323	1,169,269	1,001,708	58,054	5.0%

SEPARATE STATEMENTS OF FINANCIAL POSITION IN PLN THOUSAND – UNIBEP SA

	31/12/2020	31/12/2019 restated	01/01/2019 restated	Change	Change (%)
ASSETS					
Long-term fixed assets					
Total fixed assets	46,178	45,531	78,305	647	1.4%
Intangible assets	8,720	8,834	16,042	-114	-1.3%
Investments in other entities	159,673	155,961	107,370	3,712	2.4%
Investments in jointly controlled entities	8	8	8	0	0.0%
Deposits under contracts with clients	29,201	35,861	47,489	-6,660	-18.6%
Loans granted	29,777	57,554	19,999	-27,777	-48.3%
Assets on derivatives	0	32	1,688	-32	-100.0%
Trade and other long-term receivables	3,779	2,609	2,234	1,170	44.9%
Deferred income tax assets	30,753	30,211	29,577	543	1.8%
Total (long-term) fixed assets	308,089	336,601	302,712	-28,512	-8.5%
Short-term current assets					
Inventory	14,604	18,684	32,811	-4,080	-21.8%
Trade and other short-term receivables	206,817	197,053	234,669	9,764	5.0%
Deposits under contracts with clients	20,331	25,257	42,312	-4,926	-19.5%
Contractual assets	47,217	86,550	103,689	-39,332	-45.4%
Current income tax receivables	138	2,417	15,916	-2,278	-94.3%
Assets on derivatives	0	628	2,089	-628	-100.0%
Loans granted	33,409	497	31,459	32,912	6,628.1%
Cash and cash equivalents	182,789	142,522	43,571	40,267	28.3%
Current assets other than held for sale or to be issued to owners	505,306	473,608	506,516	31,698	6.7%
Total (short-term) current assets	505,306	473,608	506,516	31,698	6.7%
TOTAL ASSETS	813,395	810,210	809,229	3,185	0.4%

	31/12/2020	31/12/2019 restated	01/01/2019 restated	Change	Change (%)
LIABILITIES					
Equity					
Share capital	3,507	3,507	3,507	0	0.0%
Share premium capital	62,154	62,154	62,154	0	0.0%
Other reserve capitals	26,479	29,407	32,275	-2,928	-10.0%
Retained profit (loss)	104,423	108,456	105,980	-4,033	-3.7%
Equity attributable to parent company's shareholders	196,563	203,524	203,916	-6,961	-3.4%
Total equity	196,563	203,524	203,916	-6,961	-3.4%
Long-term liabilities					
Trade and other long-term liabilities	0	19	609	-19	-100.0%
Credits, loans and other long-term financial liabilities	33,047	61,604	45,252	-28,557	-46.4%
Long-term lease liabilities	18,652	19,120	6,394	-468	-2.4%
Long-term liabilities on derivatives	2,321	0	0	2,321	-
Long-term provisions	33,032	30,194	29,634	2,838	9.4%
Deposits under contracts with clients	52,171	48,678	48,254	3,493	7.2%
Total long-term liabilities	139,223	159,614	130,142	-20,391	-12.8%
Short-term liabilities					
Trade and other short-term liabilities	191,315	192,454	216,827	-1,139	-0.6%
Contractual liabilities	71,699	73,324	66,615	-1,624	-2.2%
Deposits under contracts with clients	45,728	46,437	45,916	-709	-1.5%
Credits, loans, and other short-term financial liabilities	31,079	7,158	37,298	23,921	334.2%
Short-term lease liabilities	7,264	5,751	3,460	1,513	26.3%
Short-term liabilities on derivatives	1,541	0	46	1,541	-
Current income tax liabilities	3,384	1,332	383	2,051	154.0%
Short-term provisions	125,600	120,616	104,624	4,984	4.1%
Short-term liabilities other than related to assets held for sale	477,609	447,071	475,170	30,538	6.8%
Total short-term liabilities	477,609	447,071	475,170	30,538	6.8%
Total liabilities	616,832	606,686	605,313	10,146	1.7%
TOTAL LIABILITIES	813,395	810,210	809,229	3,185	0.4%

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN PLN THOUSAND

OPERATING ACTIVITIES	01/01- 31/12/2020	01/01- 31/12/2019 restated	Change	Change (%)
Revenue from contracts with clients	1,682,337	1,661,974	20,363	1.2%
Costs of sold products, goods, and materials	1,543,610	1,533,793	9,817	0.6%
Gross profit (loss) on sales	138,727	128,181	10,546	8.2%
Sales costs	14,830	8,473	6,357	75.0%
Overheads	56,454	54,131	2,323	4.3%
Other operating revenue	7,267	7,149	118	1.7%
Other operating expenses	14,919	21,832	-6,913	-31.7%
Profit (loss) on operating activities	59,792	50,894	8,898	17.5%
Financial revenues	6,817	4,532	2,285	50.4%
Financial costs	14,494	12,478	2,015	16.1%
Expected credit loss	13,054	12,315	739	6.0%
Share in the net profit (loss) of subsidiaries valued using the equity method	15,542	7,138	8,404	117.7%
Pre-tax profit (loss)	54,604	37,772	16,832	44.6%
Income tax	17,451	8,788	8,663	98.6%
Net profit (loss) from continuing operation	37,153	28,984	8,169	28.2%
Net profit (loss)	37,153	28,984	8,169	28.2%

CONSOLIDATED CASH FLOW STATEMENT IN PLN THOUSAND

	01/01 – 31/12/2020	01/01 – 31/12/2019 restated
CASH FLOW FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	54,604	37,772
II. Total adjustments:	78,563	127,356
1. Amortisation and depreciation:	18,492	15,888
2. Foreign exchange profit (loss)	-313	-255
3. Interest and profit sharing (dividends)	3,396	3,880
4. Investment profit (loss)	-14,758	299
5. Change in provisions	22,089	18,677
6. Change in inventories	22,167	-33,563
7. Change in receivables	11,229	48,731
8. Change in short-term liabilities, except for financial liabilities	16,312	73,920
9. Other adjustments	-52	-221
Cash flows from operating activities	133,167	165,128
10. Income tax paid/refunded	-11,861	12,292
Net cash flows from operating activities	121,307	177,420
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	-18,680	-4,950
Proceeds from sales of fixed assets and intangible assets	1,466	913
Proceeds from sales of investments accounted for using the equity method	7,199	2,056
Acquisition of shares in investments accounted for using the equity method	-6,650	-3,500
Interest received	2,729	3,148
Dividends received	14,567	11,202
Loans repaid by third parties	21	1,134
Loans granted to third parties	-7,886	-21,635
Loans granted to related parties	-211	0
Other (including settlement of derivatives)	105	587
Net cash flows from investing activities	-7,341	-11,044
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans, credits, bonds, and notes	68,408	139,976
Repayment of loans, credits, bonds, and notes	-57,307	-152,286
Purchase of treasury shares	-13,850	-7,190
Payment of liabilities arising from lease contracts	-10,839	-7,730
Interest paid	-7,600	-9,421
Dividends paid	-7,242	-7,516
Net cash flows from financing activities	-28,429	-44,166
Net change in cash excluding exchange rate differences	85,536	122,209
Exchange rates differences	51	46
Net change in cash flows	85,587	122,255
OPENING BALANCE OF CASH	178,478	56,223
CLOSING BALANCE OF CASH	264,065	178,478
- including: restricted cash	81,522	23,280

SEPARATE PROFIT AND LOSS ACCOUNT IN PLN THOUSAND – UNIBEP SA

OPERATING ACTIVITIES	31/12/2020	31/12/2019 restated	Change	Change (%)
Revenue from contracts with clients	1,268,273	1,382,105	-113,832	-8.2%
Costs of products, goods, and materials sold	1,188,038	1,293,705	-105,667	-8.2%
Gross profit (loss) on sales	80,235	88,400	-8,165	-9.2%
Overheads	42,207	39,752	2,455	6.2%
Other operating revenue	5,903	4,703	1,200	25.5%
Other operating expenses	7,389	2,592	4,797	185.1%
Profit (loss) on operating activities	36,542	50,759	-14,217	-28.0%
Financial revenue, including:	12,036	4,739	7,297	154.0%
Financial costs	12,294	10,468	1,826	17.4%
Expected credit losses	12,992	13,087	-95	-0.7%
Pre-tax profit (loss)	23,293	31,944	-8,651	-27.1%
Income tax	6,531	6,111	420	6.9%
Net profit (loss) on continuing operation	16,762	25,833	-9,071	-35.1%
Profit (loss) on discontinued operation	0	-9,244	9,244	-100.0%
Net profit (loss)	16,762	16,589	173	1.0%

SEPARATE CASH FLOW STATEMENT IN PLN THOUSAND – UNIBEP SA

	01/01 – 31/12/2020	01/01 – 31/12/2019 restated
CASH FLOWS FROM OPERATING ACTIVITIES		
I. Gross profit (loss)	23,293	21,756
I. a Gross profit (loss) on continuing operations	23,293	31,944
I. b Net profit (loss) on discontinued operations	0	-10,188
II. Total adjustments:	62,661	123,378
1. Amortisation and depreciation:	12,008	12,429
2. Foreign exchange profit (loss)	79	-3
3. Interest and profit sharing (dividends)	-4,622	3,181
4. Investment profit (loss)	1,450	-1,002
5. Change in provisions	8,133	19,432
6. Change in inventories	4,080	8,605
7. Change in receivables	39,910	54,896
8. Change in short-term liabilities, except for financial liabilities	1,508	25,788
9. Other adjustments	116	52
Cash flows from operating activities	85,953	145,134
Income tax paid/refunded	-5,712	12,543
Net cash flows from operating activities	80,241	157,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	-5,567	-2,678
Proceeds from sales of fixed assets and intangible assets	1,181	844
Purchase of shares, stocks and other capital assets (including capital contributions)	0	-30,156
Interest received	3,688	3,618
Dividends received	5,858	0
Loans repaid by third parties	0	962
Loans repaid by related parties	21,000	10,000
Loans granted to third parties	0	0
Loans granted to related parties	-27,384	-17,000
Other (including settlement of derivatives)	-187	-18
Net cash flows from investing activities	-1,411	-34,428
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans, credits, bonds, and notes	2,625	40,075
Repayment of loans, credits, bonds, and notes	-6,740	-36,449
Purchase of treasury shares	-13,850	-6,837
Payment of liabilities arising from lease contracts	-8,084	-6,402
Interest paid	-5,631	-7,224
Dividends paid	-6,946	-7,276
Net cash flows from financing activities	-38,626	-24,112
NET CHANGE IN CASH EXCLUDING EXCHANGE RATE DIFFERENCES	40,205	99,137
Exchange rates differences	63	-186
Net change in cash flows	40,267	98,951
OPENING BALANCE OF CASH FLOWS	142,522	43,571
CLOSING BALANCE OF CASH FLOWS	182,789	142,522
including: restricted cash	19,810	15,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN PLN THOUSAND

	Share capital	Other reserve capitals	Share premium capital	Retained earnings	Equity attributable to parent company owners	Equity attributable to non-controlling shareholders	Total equity
As at 31 DECEMBER 2019	3,507	491	62,154	204,687	270,838	5,890	276,728
error adjustment				-776	-776	49,178	48,402
As at 1 January 2020	3,507	491	62,154	203,911	270,062	55,068	325,130
Increase (decrease) due to allocation of retained earnings				0	0	0	0
Dividends recognised as payments to shareholders				-7,088	-7,088		-7,088
Purchase of treasury shares				-13,850	-13,850		-13,850
Profit (loss)				37,227	37,227	-74	37,153
Accumulated other comprehensive income		-10,610			-10,610		-10,610
Total income	0	-10,610	0	37,227	26,617	-74	26,543
Changes in equity	0	-10,610	0	16,290	5,680	-74	5,606
As at 31 December 2020	3,507	-10,119	62,154	220,201	275,742	54,994	330,736
	Share capital	Other reserve capitals	Share premium capital	Retained earnings	Equity attributable to parent company owners	Equity attributable to non-controlling shareholders	Total equity
As at 31 DECEMBER 2018	3,507	3,374	62,154	189,471	258,506	5,149	263,656
Error adjustment				-369	-369	49,840	49,471
As at 1 January 2019	3,507	3,374	62,154	189,103	258,138	54,990	313,127
Increase (decrease) due to allocation of retained earnings				0	0	15	15
Dividends recognised as payments to shareholders				-7,276	-7,276		-7,276
Purchase of treasury shares				-6,837	-6,837		-6,837
Profit (loss)				28,921	28,921	63	28,984
Accumulated other comprehensive income		-2,883			-2,883		-2,883
Total income	0	-2,883	0	28,921	26,037	63	26,100
Changes in equity	0	-2,883	0	14,808	11,925	78	12,003
As at 31 DECEMBER 2019	3,507	491	62,154	203,911	270,062	55,068	325,130

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

	Share capital	Other reserve capitals	Share premium capital	Retained earnings	Total equity
As at 31 DECEMBER 2019	3,507	29,407	62,154	108,456	203,524
Changes to the accounting principles required under the IFRS				0	0
As at 1 January 2020	3,507	29,407	62,154	108,456	203,524
Increase (decrease) due to allocation of retained earnings				-6,946	-6,946
Dividends recognised as payments to shareholders				-13,850	-13,850
Purchase of treasury shares				16,762	16,762
Profit (loss)		-2,928			-2,928
Accumulated other comprehensive income	0	-2,928	0	16,762	13,834
Changes in equity	0	-2,928	0	-4,033	-6,961
As at 31 DECEMBER 2020	3,507	26,479	62,154	104,423	196,563

	Share capital	Other reserve capitals	Share premium capital	Retained earnings	Total equity
As at 31 DECEMBER 2018	3,507	32,275	62,154	105,980	203,916
Changes to the accounting principles required under the IFRS					
As at 1 January 2019	3,507	32,275	62,154	105,980	203,916
Increase (decrease) due to allocation of retained earnings				0	0
Dividends recognised as payments to shareholders				-7,276	-7,276
Purchase of treasury shares				-6,837	-6,837
Profit (loss)		-2,868		16,589	16,589
Accumulated other comprehensive income	0	-2,868	0	16,589	-2,868
Changes in equity	0	-2,868	0	2,476	-392
As at 31 DECEMBER 2019	3,507	29,407	62,154	108,456	203,524

5.2 Results of operational segments

CONSOLIDATED SEGMENT REPORTING AS AT 31/12/2020 IN PLN THOUSAND

SPECIFICATION	Residential, office, and industrial construction	Infrastructure	Real estate development activities	Modular construction	Adjustments of sales to other segments	Total amount for the entire Group
Revenue from contracts with clients	943,110	378,950	242,524	211,328	-93,575	1,682,337
external sales	850,719	378,803	241,521	211,293		1,682,337
sale to other segments	92,390	147	1,003	35	-93,575	0
Costs of products, goods, and materials sold	879,482	340,729	185,325	217,729	-79,655	1,543,610
Gross sales profit	63,627	38,221	57,199	-6,401	-13,919	138,727
% gross sales profit	6.75%	10.09%	23.58%	-3.03%	14.88%	8.25%
Sales costs						14,830
Overheads						56,454
Results of other operating activities						-7,651
Operating profit						59,792
Financial revenue, including:						6,817
interest revenue	62	255	2,401	122		2,840
derivatives	176			717		893
Financial costs, including:						14,494
interest costs	3,649	686	873	757		5,965
derivatives	1,342			-793		549
Expected credit losses						13,054
Share in the net profit (loss) of subsidiaries valued using the equity method						15,542
Profit before tax						54,604
Income tax						17,451
Net profit						37,153

CONSOLIDATED SEGMENT REPORTING AS AT 31/12/2019 IN PLN THOUSAND

SPECIFICATION	Residential, office, and industrial construction	Infrastructure	Real estate development activities	Modular construction	Adjustments of sales to other segments	Total amount for the entire Group
Revenue from contracts with clients	1,094,547	338,957	168,237	183,436	-123,202	1,661,974
external sales	976,240	338,897	168,237	178,600		1,661,974
sale to other segments	118,307	60	0	4,836	-123,202	0
Costs of products, goods, and materials sold	1,036,267	302,656	131,868	182,080	-119,078	1,533,793
Gross sales profit	58,280	36,301	36,369	1,356	-4,125	128,181
% gross sales profit	5.32%	10.71%	21.62%	0.74%	3.35%	7.71%
Sales costs						8,473
Overheads						54,131
Results of other operating activities						-14,683
Operating profit						50,894
Financial revenue, including:						4,532
interest revenue	47	33	2,671	180		2,930
derivatives	81			141		222
Financial costs, including:						12,478
interest costs	4,704	896	633	924		7,157
derivatives	22			164		186
Expected credit losses						12,315
Share in the net profit (loss) of subsidiaries valued using the equity method						7,138
Profit before tax						37,772
Income tax						8,788
Net profit						28,984

SEPARATE SEGMENT REPORTING AS AT 31/12/2020 IN PLN THOUSAND – UNIBEP SA

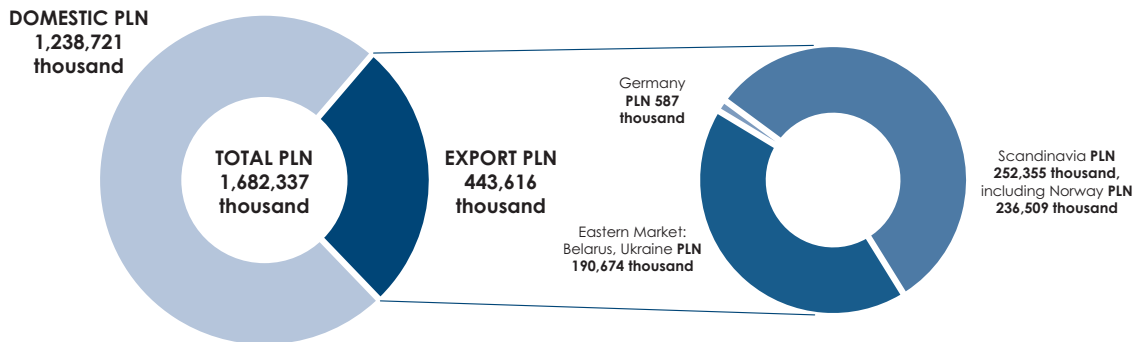
SPECIFICATION	Residential, office, and industrial construction	Infrastructure	Real estate development activities	Other modular construction activities	Total
Revenue from contracts with clients	943,141	291,781	0	33,351	1,268,273
external sales	943,141	291,781	0	33,351	1,268,273
sale to other segments	0	0	0		0
Costs of products, goods, and materials sold	879,482	260,251	4	48,301	1,188,038
Gross sales profit	63,659	31,530	-4	-14,950	80,235
% gross sales profit	6.75%	10.81%		-44.83%	6.33%
Sales costs					-
Overheads					42,207
Results of other operating activities					-1,486
Operating profit					36,542
Financial revenue, including:					12,036
interest revenue	3,156	234		66	3,456
derivatives	176			-214	-38
Financial costs, including:					12,294
interest costs	4,236	491	5	129	4,861
derivatives	1,342			-185	1,157
Expected credit losses					12,992
Profit before tax					23,293
Income tax					6,531
Net profit					16,762

SEPARATE SEGMENT REPORTING AS AT 31/12/2019 IN PLN THOUSAND – UNIBEP SA

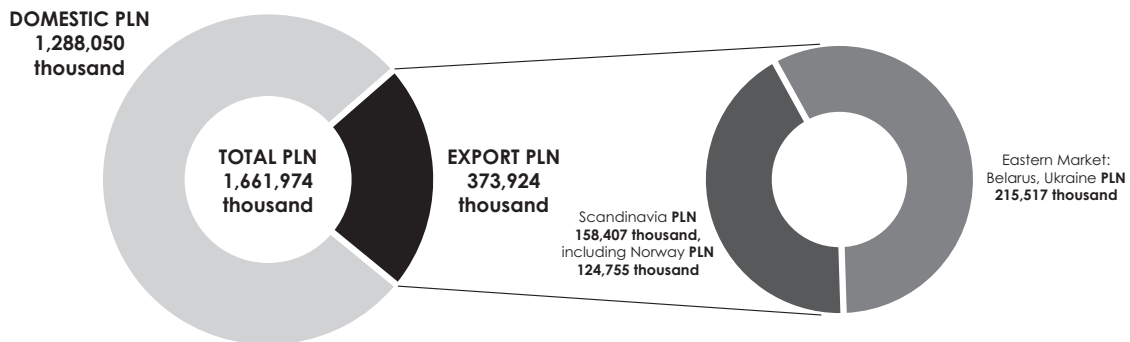
SPECIFICATION	Residential, office, and industrial construction	Infrastructure	Real estate development activities	Total amount for the entire entity
Revenue from contracts with clients	1,094,577	287,528	0	1,382,105
external sales	1,094,577	287,528	0	1,382,105
sale to other segments	0	0	0	0
Costs of products, goods, and materials sold	1,036,267	257,435	3	1,293,705
Gross sales profit	58,310	30,093	-3	88,400
% gross sales profit	5.33%	10.47%		6.40%
Sales costs				-
Overheads				39,752
Results of other operating activities				2,111
Operating profit				50,759
Financial revenue, including:				4,739
interest revenue	2,900	33		2,934
derivatives	81			81
Financial costs, including:				10,468
interest costs	4,931	547	5	5,483
derivatives	22			22
Expected credit losses				13,087
Profit before tax				31,944
Income tax				6,111
Net profit (loss) on continuing operation				25,833
Net profit (loss) on discontinued operation				-9,244
Net profit (loss)				16,589

INFORMATION ON GEOGRAPHICAL AREAS – GROUP DATA

Revenues from external clients (in the period ended on 31/12/2020)

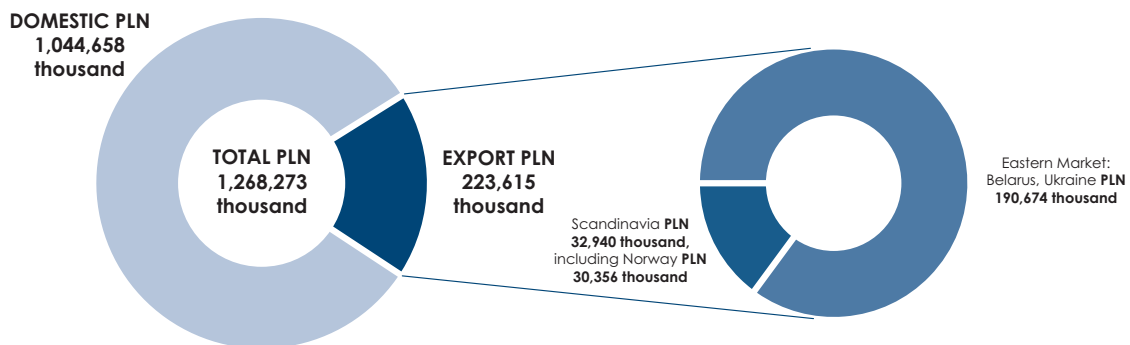


Revenues from external clients (in the period ended on 31/12/2019)

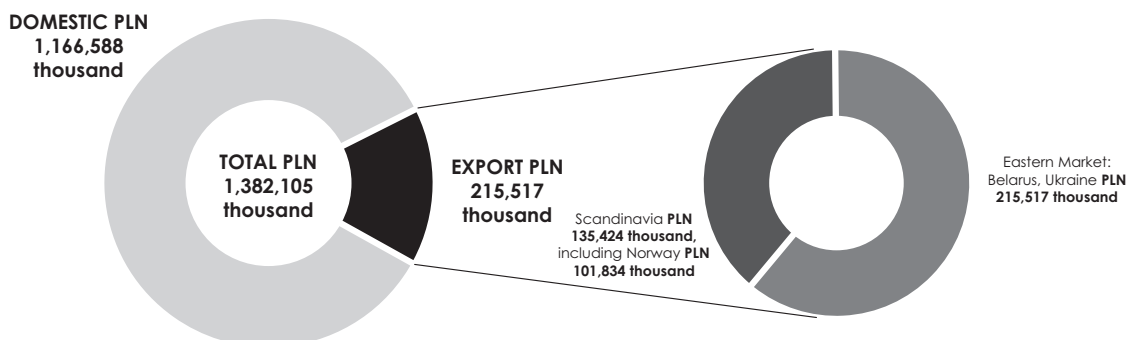


INFORMATION ON GEOGRAPHICAL AREAS – DATA OF THE PARENT COMPANY – UNIBEP SA

Revenues from external clients (in the period ended on 31/12/2020)



Revenues from external clients (in the period ended on 31/12/2019)



5.3 Extraordinary events affecting the financial results

During the reporting period, the COVID-19 coronavirus outbreak should be considered as a circumstance that can be considered unusual in the business environment and that had an impact on the financial results. Because of the many aspects that were affected by the constraints related to the epidemic (supply chain, working with subcontractors, working with suppliers and ordering parties, as well as labour aspects) it is extremely difficult to define the impact of the epidemic as a specific value, such as the value of increased costs of operation in the pandemic environment or the financial benefits of working with subcontractors. Section 4.2 "Prospects and strategic directions of the Group's development" contains information on the areas and scope of the impact of the pandemic environment on particular segments of the Unibep Group's operations .

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

5.4 Capital management – assessment of financial resources management

The key objective of the capital management policy developed by the Parent Company and the UNIBEP Group is maintaining a good credit rating and safe capital ratios supporting the Group's operations and increasing its shareholder value.

The Group manages its capital structure and makes changes to it according to the economic conditions. In order to maintain or adjust the capital structure, the Group's companies may buy back their treasury shares, return capital to shareholders, issue new shares, and pay dividends. In 2020, no changes were made to the objectives and process rules in this area. The Group monitors its capital using the leverage ra-

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

CAPITAL MANAGEMENT [PLN THOUSAND]

	31/12/2020		31/12/2019	
	Group	Entity	Group	Entity
Interest-bearing credits, loans, and bonds	172,561	93,904	148,494	93,633
Trade liabilities and other liabilities	523,449	364,281	521,924	362,200
Cash and cash equivalents	264,065	182,789	178,478	142,522
Net debt	431,945	275,395	491,940	313,311
Equity	330,371	196,563	325,130	203,524
Net capital and debt	762,316	471,958	817,070	516,835
	56.66%	58.35%	60.21%	60.62%

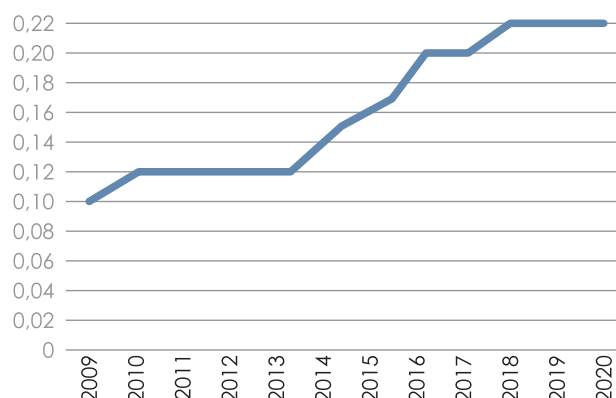
5.5 Informacje o polityce dywidendy oraz o dywidendzie wypłaconej w 2020 r.

On 15 June 2020, the General Shareholders' Meeting of UNIBEP SA adopted a resolution on the payment of a dividend for 2019, according to which the dividend paid to shareholders from the net profit for 2019 amounted to PLN 0.22 per share (after excluding 3.5 million Company's treasury shares). In accordance with the resolution of the General Shareholders' Meeting of Unibep SA, the dividend day (D) was set at 1 July 2020, and the dividend payment date (W) at:

- i) 10 July 2020 – the first instalment of PLN 3,472,769.74 (PLN 0.11 per share);
- ii) 1 October 2020 – the second instalment of PLN 3,472,769.74 (PLN 0.11 per share).

The total dividend for 2019 was PLN 6,945,539.48.

DIVIDEND PER SHARE FOR THE YEAR IN PLN



5.6 Information on credits, loans, guarantees, and sureties

In 2020, the Issuer signed the following financial agreements:

- On 4 February 2020, UNIHOUSE SA entered into agreements with the BGK on an overdraft facility and a guarantee facility for the total amount of PLN 20 million. The agreements were concluded for a period until 3 February 2021.
- On 31 March 2020, a revolving construction financing loan agreement was concluded between Bank Millennium SA and Coopera Idea Sp. z o.o. Sp.k. for the amount of 28 million to finance Stage 2 of the project. Unidevelopment S.A assumed the debt of the Borrower.
- On 30 June 2020, Unidevelopment SA concluded an agreement with Santander Bank Polska SA on an overdraft facility of PLN 7 million. The agreement was concluded for a period until 30 June 2021.
- On 3 September 2020, Unidevelopment SA signed an agreement with Bank Millenium SA for a working capital loan of PLN 21.8 million. The agreement was concluded for a period until 2 September 2022.

In addition, the following agreements were extended in 2020:

- On 4 February 2020, UNIBEP SA and BGK signed annexes to the overdraft facility and guarantee facility agreements. Under the annexes, the limits of both agreements were reduced to a total of PLN 40 million (previously PLN 60 million).
- On 20 February 2020, UNIBEP SA extended the agreement with mBank SA on the overdraft facility and the guarantee facility for the total amount of PLN 50 million. Under the annex, the guarantee facility of up to PLN 5 million may also be used

by the UNIBEP SA's subsidiary – UNIHOUSE SA. The agreement was concluded for a period until 23 February 2021.

- On 26 June 2020, Budrex Sp. z o.o. extended the agreement with ING Bank Śląski SA on the overdraft facility and the supplier financing for the total amount of PLN 7 million.
- On 29 June 2020, Unidevelopment SA extended the agreement with mBank SA on the overdraft facility of PLN 3 million. The agreement was extended until 30 June 2021.
- On 30 June 2020, Fama Development Spółka z o.o. Sp.k., with its registered office in Poznań, concluded with Getin Noble Bank SA an investment loan agreement, under which the Bank will grant a loan of up to PLN 70 million for partial financing and refinancing of the gross costs of the project. The loan is non-revolving. The total loan disbursement may take place by the end of 2021 at the latest.
- On 21 August 2020, UNIBEP SA extended the agreements with BNP Paribas Bank Polska SA on the overdraft facility and the guarantee facilities for the total amount of PLN 143 million. The agreements were extended until 30 June 2021.
- On 3 September 2020, Unidevelopment SA signed an agreement with Millenium SA for a working capital loan of PLN 21.8 million. The agreement was concluded for a period until [...] September 2022.
- On 23 September, UNIBEP SA and Unihouse SA extended the agreement with Santander Bank Polska SA on the overdraft facility and the guarantee facility for the total amount of PLN 40 million. The agreement was extended until 30 September 2021.

- On 28 September, Budrex Sp. z o.o. extended the agreement with Santander Bank Polska SA on the overdraft facility of PLN 8 million. The agreement was extended until 30 September 2021.
- On 23 October, Unibep SA and Unihouse SA signed an annex to the agreement with Santander Bank Polska SA on the overdraft facility and the guarantee facility. Under the annex, the total value of the agreement increased to PLN 70 million.
- On 30 October 2020, Bukowska 18 MP Sp. z o.o. Sp.k. signed with mBank SA an agreement for a developer loan in the amount of PLN 53,746,002. The agreement was concluded for a period until 31 October 2024.
- On 30 October 2020, Bukowska 18 MP Sp. z o.o. Sp.k. signed with mBank SA an agreement for a VAT loan in the amount of PLN 2.5 million. The agreement was concluded for a period until 31 October 2023.
- On 17 November 2020, an annex was signed between UNIBEP SA, UNIHOUSE SA, and PKO BP SA for an overdraft facility and a guarantee facility in the total amount of PLN 75 million. Under the annex, the agreement was extended until 30 November 2021.
- On 17 November 2020, UNIBEP SA extended the agreement with the BGK for the overdraft facility in the amount of PLN 25 million. The agreement was extended until 28 February 2022.
- On 19 November 2020, UNIBEP SA extended the agreement with BGK for the guarantee facility of PLN 45 million. The agreement was extended until 28 February 2022.

In addition to the aforementioned agreements concluded or renewed in 2020, as of 31 December 2020, the Issuer had the following loan agreements:

- An agreement for an investment loan between Unihouse SA and ING Bank Śląski SA for an extension of the prefabricated house factory in Biennial Podlaski in the amount of PLN 15 million. The loan will be repaid by the end of October 2022.
- An agreement for a corporate loan between Unihouse SA and ING Bank Śląski SA in the amount of PLN 10 million. The loan was granted until the end of December 2023.
- An agreement for an investment loan between Budrex Sp. z o.o. and Santander Bank Polska SA in the amount of PLN 900 thousand. The loan will be repaid by the end of July 2021.
- An agreement for a revolving credit facility between Fama Development Sp. z o.o. Sp.k. and Getin Noble Bank SA for construction financing in the amount of PLN 70 million. The loan was granted until 20 September 2022.

Contract guarantee agreements with the following Insurance Companies:

- Europa SA - for the amount of PLN 15 million, concluded for an indefinite period of time;
- Euler Hermes SA - for the amount of PLN 50 million, concluded for an indefinite period of time;
- Generali SA - for the amount of PLN 43 million, concluded until 31 December 2021;

- Hestia SA - for the amount of PLN 30 million, concluded for an indefinite period of time;
- Inter Risk SA - for the amount of PLN 35 million, concluded until 24 July 2021;
- KUKA SA - for the amount of PLN 75 million, concluded for an indefinite period of time;
- AXA SA - for the amount of PLN 42 million, concluded until 31 January 2021;
- TUiR Allianz Polska SA - for the amount of PLN 70 million, concluded until 31 August 2021;
- Zurich Insurance plc - for the amount of EUR 15 million, concluded for an indefinite period of time;
- CREDENDO Excess & Surety SA - for the amount of PLN 20 million, concluded for an indefinite period of time; and
- WIENER TU SA Vienna Insurance Group - for the amount of PLN 7 million, concluded until 22 November 2021.

Agreements on treasury transactions concluded for an indefinite period of time with:

- BGŻ BNP Paribas SA, with the limit of PLN 8 million;
- mBank SA, with the limit of PLN 5 million;
- PKO BP SA, with the limit of PLN 69.7 million;
- Santander Bank Polska SA, with the limit of PLN 12.5 million; and
- BGK, with the limit of PLN 10 million.

Within the scope of their activity and due to its nature, UNIBEP SA and its subsidiaries provide performance bonds for construction works and receive such guarantees from their subcontractors and clients. As at 31 December 2020, the value of the guarantees issued on behalf of the UNIBEP Group's companies amounted to PLN 381.3 million. At the same time, the UNIBEP Group's companies held guarantees issued for their benefit worth PLN 45.7 million.

As at 31 December 2020, the total nominal value of FX Forward contracts amounted to SEK 65 million and EUR 20 million. The remaining time to settle the derivatives opened on 31 December 2020 is from 98 to 463 days. As at 31 December 2020, the Unibep Group's companies had the following loan agreements as lenders (loans granted to entities from outside the Group):

- Unibep SA with GEMICH AS for the amount of NOK 555 thousand, until 31 December 2018 and
- Unibep SA with Lovsetvegen AS in the amount of NOK 500 thousand, until 1 September 2021.

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

Other information on off-balance sheet items is presented in Note no. 6.39 to the Consolidated Financial Statements for 2020.

5.7 Investments

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

UNIBEP Group held no capital investments in 2020 (it made no purchases of investment and capital fund units). Short-term financial surpluses were put in bank deposits or allocated for loans to companies within the Group or external entities.

On 27 February 2020, UNIBEP SA bought back 1,500,000 treasury shares at the unit price of PLN 9.20 per share. The purchase value reached PLN 13,800,000. The cost of the operation amounted to PLN 34,500.

Assessment of potential for achieving investment objectives

The development potential of the Group's individual businesses and their ability to achieve financial objectives make it possible to establish targeted investment programmes. This has an impact on the development of the entire Group and the increase in the company's value. The Group's financial standing is conducive to the implementation of its investment plans.

The modular construction segment became independent in 2019. The company that performs operations in this segment is Unihouse SA. The capital expenditures to be incurred in 2021 will mainly concern optimization of production processes, increase of efficiency, and reduction of unused production capacity. Directions for the development of the company through Standardization, Digitalization, and Automation were developed. The BIM concept is becoming ubiquitous: it brings together architecture and construction in one BIM environment. Expenditures on IT systems will improve the supervision of production and the whole organisation.

The infrastructure segment once again posted strong financial results, with good prospects for the coming years. The planned investments planned are aimed at renewing and expanding the equipment base to facilitate the execution of large contracts and to complete the ongoing ones in compliance with the assumed objectives. Investment in the equipment base is additionally connected with the need to reduce the dependence on subcontractors and to enable faster response to changes and needs of construction work being performed.

The importance of the property development segment in the UNIBEP Group's 2020 results was significant. The same may happen in the coming years. The property development group analyses the need to purchase land or shares in property development projects with a view to achievement and presentation of financial outcomes in future years.

Like any other year, the Issuer and the Group attach great importance to computerisation, digitisation, and automation of processes. The last year has confirmed the significant role of this area as a support in the performance of business processes. The objectives for 2021 include the launch of new programmes and the continuation of programmes started earlier by the Group as part of the development of IT systems that ensure access to management information (Microsoft Dynamics AX 2012, Microsoft Dynamics CRM, Microsoft Power BI, Microsoft MS Project, WEBCON BPS, IBM Cognos, and Consolia).

Taking care of liquidity is our priority.

5.8 Use of proceeds from the issuance of securities

No equity securities were issued during the period covered by this report.

5.9 Instrumenty finansowe – ryzyka i przyjęte cele oraz metody zarządzania ryzykiem finansowym

CURRENCY RISK MANAGEMENT

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

DERIVATIVE FINANCIAL INSTRUMENTS

In order to hedge against foreign exchange risk, the Group enters into derivative transactions. The rules governing the use of derivatives are included in the aforementioned foreign exchange risk management procedure.

Derivative instruments are valued as at the balance sheet date at a reliably determined fair value. The fair value of derivatives is estimated using a model based on, among others, the value of foreign exchange rates (average NBP rates) as at the balance sheet date and interest rate differences between the quoted and base currencies. The periodical valuation of financial instruments is partly recognised in equity (internal value of derivatives) and partly in financial revenues or costs of the reporting period (time value of derivatives). Profits and losses determined as at the settlement date are disclosed in the results account.

CURRENCY RISK

As part of its operating activities, the Group enters into contracts that are (or may be) denominated or expressed in foreign currencies. In terms of export revenues, hedging against currency risk is primarily effected through a natural hedging mechanism, which consists in signing contracts with subcontractors in the currency of the main contract, thus transferring the risk to them. Therefore, the Group's foreign currency risk in the case of export contracts is limited to an amount similar to the achieved margin – this applies to contracts performed in Belarus and Ukraine. In the case of contracts performed in Norway and Sweden, the natural hedging mechanism is estimated at approx. 20%. Natural hedging for contracts performed in Poland and expressed in EUR does not exceed 10%.

INTEREST RATE RISK

Interest rate risk is mainly related to the use of bank loans, leases, and bank deposits by the Group. These transactions are based mainly on a variable interest rate, which exposes the Group to the risk of changes in its profit or loss, and its cash flows. Lease is not of key importance in the financing of the Group's companies (it concerns mainly purchases of vehicle fleets and special road machines). The Group invests its financial surpluses in short-term deposits. Deposits are based on fixed interest rates and are usually made for a period of 3-7 days. The amount of interest earned depends, among other things, on the level of interest rates.

In order to hedge itself against the risk of interest rate changes, the Group's parent company has concluded two IRS-type transactions that secure the payment of interest on the Group's own three-year bonds maturing in June 2021 and February 2022. As a result, the bonds issued do not create any interest rate risk.

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

Given the current level of credit financing, it is assumed that the effects of interest rate changes will not have a significant impact on the profit or loss in 2020.

All interest-bearing liabilities in the Group amount to 14.1% of the balance sheet total and no significant changes are expected until the end of 2021.

At the same time, the Group's companies grant loans with a variable interest rate and based on WIBOR 6M plus an appropriate margin (in the case of loans granted in Poland). These loans are also exposed to the risk of interest rate change. In the case of loans granted in Norway, the interest rate is fixed (and depends on the NIBOR on the date of signing of the loan agreement) and therefore the loans are not exposed to the risk of interest rate changes.

CREDIT RISK

The Group's financial assets that are exposed to credit risk are primarily cash held in bank accounts or deposits, loans granted to external entities, and trade receivables.

In order to minimise the risk associated with a loss of cash held in bank accounts or deposits, the Company cooperates in this respect only with institutions of stable and reliable financial standing. At the same time, the Group's companies take steps to disperse their cash so as to avoid a significant amount of it being deposited in a single financial institution. Cash is transferred to bank accounts outside Poland only in amounts sufficient to secure the nearest payments to be made from such accounts.

When granting loans to external entities, the Group follows the general rule that loans may be granted only in connection with projects performed by the Group. When loans are granted to unrelated parties, this is done only in connection with projects being performed when the projects have secured financing and when the loans are at least 100% covered by the established collateral.

Before signing a contract, each counterparty is evaluated for its ability to meet financial obligations. Most of the current contracts are performed for tried and reliable partners (regular clients). In the event of doubt as to the counterparty's ability to pay, conclusion of the contract requires provision of appropriate collateral (financial or on property). In addition, contracts signed with clients contain clauses that providing for the right to suspend the performance of works if there is a delay in the payment of the amounts due for the services provided. However, one cannot exclude the possibility of a downturn in the real property market, which will affect the payment capacity of clients, thus increasing the credit risk for the Company.

When determining the risk of impairment of receivables from counterparties (trade receivables plus deposits retained by clients), the Group both performs an individual assessment of receivables and uses a model to estimate expected credit losses (receivables not subject to individual assessment). The model uses historical data on the turnover of receivables between individual overdue categories. On this basis, the prob-

ability of non-payment is determined for each category. The product of the probability so calculated and the volume of the receivables in a given category determines the expected credit loss for each category.

LIQUIDITY RISK

In order to minimise the liquidity risk, the Group strives to keep an adequate amount of cash (as at 31 December 2020, the Group had PLN 264 million of cash in its bank accounts) and concludes credit facility contracts, which provide additional liquidity. In addition, the Group forecasts and monitors cash flows on an ongoing basis. These activities are supported by systemic solutions for determining the expected, and measuring the actual, revenues and expenditures, broken down according to the Group's individual business lines. The relevant departments in the Group forecast cash flows over the next 12 months and analyse a very detailed statement of revenues and expenditures over the next 30 days. If necessary, an increase in the available credit limits is negotiated in advance.

As at 31 December 2020, the Group had the following credit limits in current accounts with the following banks:

- PKO BP SA - in the amount of PLN 15 million, valid until November 2021;
- BNP Paribas Bank Polska SA - in the amount of PLN 20 million, valid until June 2021;
- Santander Bank Polska SA - in the amount of PLN 10 million, valid until September 2021;

- mBank SA - in the amount of PLN 10 million, valid until February 2021;
- BGK - in the amount of PLN 30 million, valid until February 2022;
- ING Bank Śląski SA - in the amount of PLN 5 million, valid until June 2021;
- ING Bank Śląski SA - in the amount of PLN 5 million, valid until February 2021;
- Santander Bank Polska SA - in the amount of PLN 8 million, valid until September 2021;
- mBank SA - in the amount of PLN 3 million, valid until June 2021; and
- Santander Bank Polska SA - in the amount of PLN 7 million, valid until June 2021.

Additionally, the Group had a working capital loan of PLN 21.8 million valid until 2 September 2022.

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

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

5.10 Financial result forecasts

The UNIBEP Group and UNIBEP SA did not publish their financial result forecasts for 2020.

5.11 Principles of preparation of financial statements and basis for their publication

This Management Board's on the Unibep Group's operations in 2020 contains information the scope of which is specified in § 70-71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities [...] (Regulation).

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

Pursuant to §71(8) of the Regulation, this report also includes disclosures required for the Report on the Parent Company's operations.

The statement on non-financial information referred to in Art. 55(2b) in conjunction with Art. 49b of the Accounting Act was prepared in the form of a separate Sustainability Report for 2020. At the same time, having regard to §71(8) of the Regulation referred to above, the Sustainability Report also contains the disclosures required for the Parent Company referred to in Art. 49b(2) of the Accounting Act, which are necessary to assess the development, results, and standing of the Parent Company, and the impact of its operations on the issues referred to in Art. 49b(2)(3) of the Accounting Act, and thus no separate statement on financial information dedicated solely to the Parent Company has been prepared.

6. DESCRIPTION OF SIGNIFICANT EVENTS

6.1 Material contracts related to operations

RESIDENTIAL, OFFICE, AND INDUSTRIAL CONSTRUCTION

1. Conclusion of a subcontracting agreement with Hyundai Engineering Co., Ltd.

On 9 April 2020., Unibep SA signed a subcontracting agreement with Hyundai Engineering Co., Ltd., with its registered office in Seoul, acting through Hyundai Engineering Co., Ltd SA Branch in Poland.

The subject of the agreement is the construction of a complex of buildings, with the scope of works comprising finishing and construction works, as a part of the project entitled "Construction of the Polimery Police Complex, consisting of the PDH installation, the PP installation, the PP logistics infrastructure, auxiliary installations, and inter-building connections, as well as a transshipment and storage terminal", performed by Hyundai for Grupa Azoty Polyolefins SA

The estimated value of remuneration due to the Issuer for the performance of the subject matter of the agreement amounts to approx. EUR 11.64 million net, which is equivalent to approx. PLN 52.8 million net according to the exchange rate of the National Bank of Poland as at the date of signing of the agreement.

The project will be carried out in Q2 2020 – Q3 2021 (current report no. 13/2020).

2. Conclusion of a contract with Spółdzielnia Mleczarska Mlekovita for extension of the production plant in Wysokie Mazowieckie

On 100 April 2020, Unibep SA entered into a general contractor construction contract for the expansion of the dairy plant in Wysokie Mazowieckie.

The contract was awarded by Spółdzielnia Mleczarska Mlekovita, with its registered office in Wysokie Mazowieckie. The remuneration under the contract is equal to approx. PLN 26.4 million net (Current report no. 14/2020).

The planned completion deadline is 30 June 2021.

3. Information about termination of a contract for performance of stage C of the housing project at Szwedzka Street in Warsaw

With reference to the content of current report no. 43/2019 of 30 July 2019 regarding the conclusion of the contract for the performance of stage C of the residential project at Szwedzka Street in Warsaw,



Mlekovita Milk Powder Factory, Wysokie Mazowieckie, Poland



Aroma Park, Warsaw, Poland

Unibep SA has received information that Szwedzka C Spółka z o.o., with its registered office in Warsaw, has decided not to place the order to commence construction works within the project, as a result of which the contract in question has been terminated. According to the information received, the Ordering Party's decision is connected with the prolonged procedure for obtaining the building permit needed to start the project and with the consequences resulting from the SARS – CoV2 virus pandemic, which significantly affect the current functioning of both government administration and companies (current report no. 16/2020)

Then, on 3 November 2020, UNIBEP SA concluded a conditional general contractor construction contract for the performance of stage C of the housing project at Szwedzka Street in Warsaw. The contract was awarded by SZWEDZKA C Sp. z o.o. The company's remuneration for the performance of the project is PLN 68.5 million net (current report no. 61/2020). On 23 November 2020, UNIBEP S.A. received from the Employer a written order to start the works, which resulted in the contract coming into force on the same day (current report no. 65/2020). Its completion is scheduled for Q4 2022.

4. Conclusion of a contract for the next stage of construction of a housing project at Klasyków Street in Warsaw

On 20 May 2020, Unibep SA signed a construction work contract with YIT Development Sp. z o.o., with its registered office in Warsaw, for the performance of next stage of the housing project at Klasyków Street in Warsaw.

The remuneration for the performance of the contract is equal to to PLN 26.0 million net. The project will be performed in Q2 2020 - Q4 2021 (current report no. 21/2020).

5. Conclusion of a contract for the performance of the project entitled "Construction of the District Court building in Grajewo at Wojska Polskiego Street"

On 21 May 2020, Unibep SA entered into a general contractor construction contract for the construction of the District Court building in Grajewo at Wojska Polskiego Street.

The contract was awarded by the State Treasury – Court of Appeal in Białystok. The remuneration for the performance of the project is equal to approx. PLN 21.63 million net. The deadline for completion of the project is 36 months from the start date of the construction work (current report no. 22/2020).

6. Update of information concerning the construction of a border crossing at the Poland-Ukraine border

On 26 June 2020, Unibep SA concluded an annex to the general contractor construction contract for the "Szeginie" border crossing at the Ukrainian-Polish border, under which the period of performance of the construction work was extended by 12 months, so that all work will be completed in Q1 2023.

At the same time, the previous Ordering Party was replaced by a new entity – the State Customs Service of Ukraine (current report no. 31/2020).

7. Conclusion of a conditional contract for the completion of the next stage of the housing project in Warsaw at Poborzańska Street

On 30 June 2020, UNIBEP SA entered into a general contractor construction contract for the next stage of the housing project at Poborzańska Street in Warsaw.

The contract was awarded by HI Poborzańska II Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (formerly Home Invest Poborzańska I Sp. z o.o., with its registered office in Warsaw). The remuneration for the performance of the subject of the contract is equal to to PLN 30.65 million net.

The condition for the start of the project was the receipt of a written order from the ordering party to start the works by 15 August 2020. However, the project will be completed within 19 months from the start date (current report no. 32/2020).

On 10 August 2020, Unibep SA received from the ordering party a written order to start the work under the contract, which set the start date of the construction work on 16 September 2020 (current report no. 41/2020).

8. Conclusion of a contract for the construction of the Copernican Revolution Lab building as part of the extension of the Copernicus Science Centre in Warsaw

On 30 June 2020, Unibep SA entered into a general contractor construction contract for the construction of the Copernican Revolution Lab building as part of the project entitled "Creation of the Copernican Revolution Lab operating as part of the Copernicus Science Centre (CNK). The project is co-financed by the European Union from the European Regional Development Fund under the Regional Operational Programme for the Mazowieckie Province for 2014-2020, Priority Axis I Use of research and development activity in the economy, Measure 1.1 Research and

development activity of scientific units."

The contract was awarded by the Copernicus Science Centre based in Warsaw. The remuneration for the performance of the project is equal to approx. PLN 48.75 million net. The deadline for completion of the project is 20 months from the date of handover of the construction site to the Issuer (current report no. 33/2020).

9. Conclusion of a contract for the performance of a housing project at Iwicka Street in Warsaw

On 27 August 2020, UNIBEP SA signed a general contractor construction contract for the performance of a housing project at Marywilka Street in Warsaw.

The contract was awarded by Yawa Sp. z o.o. 3 Sp. k., with its registered office in Warsaw, a company owned by Yareal Polska Sp. z o.o. The remuneration for the project is approx. PLN 36.6 million net. The project will be performed in Q4 2020 - Q2 2022 (current report no. 43/2020).

10. Conclusion of a contract for the performance of a housing project at Powstańców Street in Cracow

On 4 September 2020, UNIBEP SA concluded a general contractor construction contract for the housing project entitled "Viva Piast" located at Powstańców Street in the Nowa Huta district of Cracow.

The contract was awarded by VICTORIA DOM SA, with its registered office in Warsaw. The remuneration for the performance of the project is approx. PLN 29.5 million net. The project will be performed in Q3 2020 - Q4 2021 (current report no. 47/2020).



Copernican Revolution Lab, Warsaw, Poland



Iwicka Residence, Warsaw, Poland

11. Conclusion of a contract for the performance of a housing project at Kusocińskiego Street in Łódź

On 10 September 2020, UNIBEP SA signed a general contractor construction contract for the project located at Kusocińskiego Street in Łódź.

The contract was awarded by PHN SPV Sp. z o.o., with its registered office in Warsaw. The deadline for completion of the project is 18 months from the start date of the construction work. The remuneration for the performance of the project is equal to approx. PLN 37.7 million net (current report no. 49/2020).

12. Conclusion of a contract for the construction of the building of the Radio Centre for Science and Education in Warsaw

On 17 September 2020, UNIBEP SA concluded a general contractor construction contract for the building of the Radio Centre for Science and Education located at Sylwestra Kaliskiego Street in Warsaw.

The contract was awarded by the Jarosław Dąbrowski Military University of Technology based in Warsaw. The remuneration for the performance of the subject of the contract is approx. PLN 20.4 million net. The project completion deadline is 860 days from the date of the official handing over of the construction site to the Issuer; consequently, the project is expected to be completed by the end of 2022 (current report no. 50/2020).

13. Conclusion of a contract for the performance of the project entitled "Reconstruction and extension of the wastewater treatment plant in Biennial Podlaski,

including reconstruction of the main pumping station and auxiliary infrastructure"

On 5 October 2020, UNIBEP SA concluded a contract for the performance of the project entitled "Reconstruction and extension of the wastewater treatment plant in Biennial Podlaski, including reconstruction of the main pumping station with the auxiliary infrastructure", as part of a project entitled "Arrangement of water and wastewater management in the city of Biennial Podlaski".

The contract was awarded by Przedsiębiorstwo Komunalne Sp. z o.o., with its registered office in Biennial Podlaski. The remuneration for the performance of the subject of the contract is approx. PLN 31.2 million net. The performance of the project is scheduled for the period of 18 months from the date of signing of the contract (current report no. 54/2020).

14. Conclusion of a contract for the performance of the housing project entitled "Rotunda Dynasty" at Oboźna Street in Warsaw

On 23 November 2020, UNIBEP SA concluded a general contractor construction contract for the housing project entitled "Rotunda Dynasty" located at Oboźna Street in Warsaw.

The contract was awarded by Marvipol Rotunda Dynasty Sp. z o.o., with its registered office in Warsaw. The completion date of the project has been set for Q3 2022. The remuneration for the performance of the project is equal to PLN 52.3 million net (current report no. 66/2020).

15. An update of information on the conditional con-

tract for the construction of a sports and recreation complex at Kazimirovskaja Street in Minsk, Republic of Belarus

With reference to the content of the current report no. 53/2019 concerning the general contractor contract for the design and construction of a sports and recreation complex in Minsk, Republic of Belarus, an annex to the contract was concluded on 25 November 2020, which provided, in particular, that a part of the construction works will be financed solely with the Ordering Party's own funds and for this scope of works the contract came into force on the date of conclusion of the annex. For the rest of the construction works, the condition of the entry into force of the contract is the entry into force of the loan agreement signed between the Ordering Party and the Bank and obtaining the Bank's written confirmation about the operability of the loan by the Issuer. For details, see current report no. 68/2020.

The construction works being performed are financed with the Ordering Party's own funds. The loan agreement between the Ordering Party and the Bank is in the process of being drawn up.

16. An update on the conditional contract for the construction of the sports and recreational facility "FOK Luchiny" in Minsk, Republic of Belarus

With reference to the content of the current report no. 55/2019 concerning the general contractor contract for the design and construction of the sports and recreation Facility "FOK Luchiny" at Luchiny Street in Minsk, Republic of Belarus, an annex to the contract was concluded on 2

December 2020, which provided, in particular, that a part of the construction works will be financed solely with the Ordering Party's own funds and for this scope of works the contract came into force on the date of conclusion of the annex. For the rest of the construction works, the condition of the entry into force of the contract is the entry into force of the loan agreement signed between the Ordering Party and the Bank and obtaining the Bank's written confirmation about the operability of the loan by the Issuer. For details, see current report no. 69/2020.

The construction works being performed are financed with the Ordering Party's own funds. The loan agreement between the Ordering Party and the Bank is in the process of being drawn up.

INFRASTRUCTURE

17. Conclusion by a subsidiary of a subcontractor agreement for the construction of bridge structures as part of the contract for the design and construction of the Szczuczyn – Budzisko (national border) section of the S61 expressway

On 16 April 2020, the Issuer's subsidiary Budrex Sp. z o.o., with its registered office in Białystok, received information on PORR SA, acting as the leader of the consortium composed of PORR SA, with its registered office in Warsaw, PORR Bau GmbH, with its registered office in Vienna, and UNIBEP SA, with its registered office in Biennial Podlaski, signing a subcontractor contract dated 15 April 2020 for construction works consisting in comprehensive construction of bridge structures within the project entitled "Design and construction of the S61 expressway in the Szczuczyn to Budzisko (national



Kusocińskiego, Łódź, Poland



Porosty Junction, Poland

border) section, divided into the following tasks: Task no. 1: "Szczuczyn – Etk Południe junction".

The contract for the said project was awarded by the State Treasury – General Directorate for National Roads and Motorways, Branch in Olsztyn.

The remuneration for the performance of the subject of the contract is approx. PLN 63.6 million net. The contract will be performed in the period of Q2 2020 – Q4 2021 (current report no. 15/2020).

18. Conclusion of a subcontractor agreement by a subsidiary for the construction of bridge structures

On 5 May 2020, the Issuer's subsidiary, Budrex-Kobi Sp. z o.o., with its registered office in Białystok, entered into a subcontractor agreement with MOTA-ENGIL CENTRAL EUROPE SA, with its registered office in Cracow, for a comprehensive construction of bridge structures as part of the project entitled "Design and construction of the S-61 expressway Ostrów Mazowiecka - Szczuczyn, section: "Łomża Południe" junction (including the junction) - "Łomża Zachód" (not including the junction), over the distance of about 7,186 km [S61] + DK64 [GP] 8,907 km".

The contract for the said project was awarded by the State Treasury – General Directorate for National Roads and Motorways, acting through its Branch in Białystok.

The remuneration for the performance of the subject of the contract, which is based on the cost estimate, is approx. PLN 21.67 million net. The contract will be performed in the period of Q2 2020 – Q2 2021 (current report no. 17/2020).

19. Conclusion of a subcontract by a subsidiary for the construction of a railway flyover

On 11 May 2020, the Issuer's subsidiary Budrex Sp. z o.o., with its registered office in Białystok, concluded with PKP Polskie Linie Kolejowe SA and Podlaskie Provincial Road Administration in Białystok a contract on performance, as a contractor, of construction works consisting in comprehensive construction of a road flyover at km 157.408 of railway line no. 6, located along the newly constructed Uhowo ringroad, within the CEF project entitled "Works on the E75 line in the Czyżew–Białystok section". The scope of the works includes the construction of the flyover with the auxiliary infrastructure. The structure will be 130 m long and over 25 m wide.

The net value of the contract is approx. PLN 10.4 million net. The works are planned to be completed in August 2021.

20. Conclusion of a contract for the performance of the road construction project entitled "Construction of national road no. 53 in the Szczytno- Olszyny section"

On 1 September 2020, UNIBEP SA concluded a general contractor contract for the performance of the road construction project entitled "Construction of national road no. 53 in the Szczytno-Olszyny section". The contract was awarded by the State Treasury – General Directorate for National Roads and Motorways, Branch in Olsztyn. The remuneration for the performance of the subject of the contract is approx. PLN 24.5 million net. The deadline for completion of the project is 18 months from the date of signing of the contract (current report no. 44/2020).

21. Conclusion of two contracts for performance of road construction projects in the Podlaskie Province

On 17 September 2020, UNIBEP SA concluded two contracts with the State Treasury – General Directorate for National Roads and Motorways, Branch in Białystok, for the performance of road construction projects in the Podlaskie Province. The total value of the remuneration for the performance of the contracts is equal to approx. PLN 41.0 million net.

The first of the contracts (Contract I) concerns performance of the third part of the Task: Area in Biennial Podlaski. The remuneration for the performance of the subject of Contract I is equal to approx. PLN 22.8 million net. The second contract (Contract II) concerns performance of the fourth part of the Task: Area in Zambrów. The remuneration for the performance of the subject of Contract II is equal to approx. PLN 18.2 million net (current report no. 51/2020).

Work under Contract I and Contract II has started and will be performed gradually, as needed, until the end of Q2 2024.

22. Conclusion of a subcontract for the construction of civil engineering structures by a subsidiary

On 22 September 2020, the Issuer's subsidiary Budrex Sp. z o.o., with its registered office in Białystok (Subcontractor), concluded a subcontract with a Consortium

composed of Trakcja PRKil SA, with its registered office in Warsaw, MOSTOSTAL WARSZAWA SA, with its registered office in Warsaw, and Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o., with its registered office in Białystok, (the Contractor) for the construction of civil engineering structures as part of the project entitled "Design and construction of the S61 expressway in the Szczuczyn to Budzisko (national border) section, divided into the following tasks: Task no. 2: EtK Południe junction – Wysokie junction section (with an exit slip road within national road no. 16)".

The contract for the said project was awarded by the State Treasury – General Directorate of National Roads and Motorways acting through its Branch in Olsztyn. The remuneration for the performance of the subject of the contract, which is based on the cost estimate, is approx. PLN 17.9 million net (current report no. 52/2020).

The contract is in progress and its completion is planned in Q2 2021.

23. Conclusion of a contract for the road construction project entitled "Reconstruction of provincial road no. 689 in the Biennial Podlaski - Hajnówka section" by a consortium with the participation of Unibep SA

On 5 October 2020, the Consortium of the following companies: Unibep SA, with its registered office in



Bridge on the Orzyc River, Chorzele, Poland



Extension of Narodowych Sił Zbrojnych Street with Al. Jana Pawła II Street, Białystok, Poland

Biennial Podlaski (Consortium Leader), Przedsiębiorstwo Drogowo – Mostowe MAKSBUŁ Sp. z o.o., with its registered office in Biennial Podlaski (Consortium Member 1), and Value Engineering Sp. z o.o., with its registered office in Warsaw (Consortium Member 2), signed a contract for the performance of a road construction project entitled "Reconstruction of provincial road no. 689 in the Biennial Podlaski – Hajnówka section" in the "design and build" formula.

The contract was awarded by: the Podlaskie Province – Podlasie Regional Road Administration in Białystok. The Consortium's remuneration for the performance of the project is PLN 93.5 million net, of which approx. PLN 44.7 million net is the remuneration for the Issuer.

The construction work will take 21 months, counting from the handover of the construction site (current report no. 55/2020).

24. Conclusion of by a consortium with the participation of Unibep S.A. of a contract for the performance of a road construction project entitled "Extension of the national road no. 66 in the section passing through Wysokie Mazowieckie"

On 19 October 2020, a consortium of the following companies: Unibep SA, with its registered office in Biennial Podlaski (Consortium Leader), and Przedsiębiorstwo Robót Drogowo - Mostowych "TRAKT" Sp. z o.o., with its registered office in Wysokie Mazowieckie (Consortium Member), signed a contract for the road construction project entitled "Extension of the national road no. 66 in the section passing through Wysokie Mazowieckie".

The contract was awarded by: the State Treasury - General Directorate for National Roads and Motorways, Białystok branch. The estimated remuneration due to the Consortium for the performance of the subject of the contract is approx. PLN 40.4 million net, of which approx. PLN 20.2 million net is the remuneration of the Issuer. The deadline for completion of the project is 22 months from the date of signing of the contract (current report no. 58/2020).

25. Conclusion of a contract for a road construction project in the Lubelskie Province by a consortium with the participation of Unibep SA

On 19 December 2020, the Consortium of the following companies: Unibep SA, with its registered office in Biennial Podlaski (Consortium Leader), and Przedsiębiorstwo Drogowo- Mostowe SA, with its registered office in Dębica (Consortium Partner), signed a contract for the performance of a road construction project entitled "Extension of provincial road no. 835 Lublin – Wysokie – Biłgoraj – Sieniawa – Przeworsk – Kańczuga – Dynów – Grabownica Starzeńska from km 90 + 490 to km 115 + 875 in the Biłgoraj – province border section".

The contract was awarded by the Lubelskie Province - the Provincial Roads Authority in Lublin.

The remuneration due to the Consortium for the performance of the contract is approx. PLN 128.4 million net, of which approx. PLN 38.5 million net is the remuneration of the Issuer.

Completion of the project is scheduled for Q1 2022 (current report no. 72/2020).

26. Selection of the bid submitted by a Consortium with participation of Unibep Group's companies in the tender procedure for a road construction project in the Podlaskie Province

On 23 December 2020, the General Directorate for National Roads and Motorways, Białystok Branch, selected the best bid submitted by the consortium consisting of Unibep SA, (Consortium Leader), the Issuer's subsidiary Budrex Sp. z o.o., with its registered office in Białystok (Consortium Partner), and Value Engineering Sp. z o.o., with its registered office in Warsaw (Consortium Partner), in the open tender public procurement procedure for the project entitled "Design and construction of the S19 road in the Ploski – Hački section".

The price of the bid submitted by the Consortium is approx. PLN 248.3 million net, i.e. approx. PLN 305.4 million gross. The deadline for completion of the project is 36 months from the date of signing of the contract (excluding winter periods) (current report no. 74/2020).

The contract for the performance of the project was concluded on 29 January 2021 (current report no. 5/2021).

REAL ESTATE DEVELOPMENT

27. A subsidiary's purchase of a property located in the Bemowo district of Warsaw

On 15 January 2020, agreements were concluded between the Issuer's subsidiary Unidevelopment SA and

an individual for the purchase of real estate located in the Bemowo district of Warsaw.

The subject of the agreement is the purchase of a plot of land with the area of approx. 2.8 hectares located in the Bemowo district of Warsaw for the total price of approx. PLN 23.5 million (the buyer had previously made a prepayment to the seller in the amount of PLN 7.0 million, of which the Company informed in the aforementioned current report no. 39/2018), to be used for investment purposes related to the second and third stage of the residential project implemented by a subsidiary of Unidevelopment SA, as part of which approx. 300 residential units are planned to be built. Simultaneously, under the same agreement, the buyer sold the property to the special purpose vehicle which is a subsidiary of UNIDEVELOPMENT SA (current report no. 1/2020).

28. Signing of agreements related to the purchase of shares in the Bukowska property in Poznań

In July 2020, two agreements were concluded regarding the property in Poznań: the preliminary sales agreement concluded in December 2019 between an external entity (seller) and Unidevelopment SA (buyer), the subject of which was shares in plots of land for the total price of PLN 8.97 million net was terminated and then a sales agreement was concluded between the external entity (seller) and Bukowska 18 MP sp. z o.o. SPK (buyer), the subject of which is the aforementioned shares in the plots of land for the total price of PLN 8.97 million net.



Fama Jeżyce, Poznań, Poland



Bookowska 18, Poznań, Poland

The Issuer explains that, in December 2019, Bukowska 18 MP sp. z o.o. Sp. k. already purchased a part of the shares in both properties for the price of PLN 7.13 million net. Pursuant to the provisions of the agreement, Bukowska 18 MP sp. z o.o. Sp. k. purchased the shares in the two properties, which together with the shares purchased in December 2019, constitute all the shares in the two properties, which will be used for investment purposes related to the housing project to be carried out by a subsidiary of Unidevelopment SA. Approx. 170 residential units are planned to be built within this project.

29. Conclusion of a preliminary agreement for the performance and sales of a housing project in Poznań

On 5 December 2020, two subsidiaries of Unidevelopment SA, i.e. FAMA DEVELOPMENT sp. z o.o. sp. k. (FAMA) and 1 FAMA DEVELOPMENT sp. z o.o. sp. k. (1 FAMA), and an institutional investor (Buyer) concluded a preliminary sales agreement, based on which, in particular, 1 FAMA undertook to perform a residential project in the Property in Poznań (the project will be performed in the period between Q2 2021 and Q4 2022) and, subsequently, 1 FAMA and the Buyer will conclude an agreement concerning the transfer of title to the Property together with the completed project (Sales Agreement) for the total price of approx. PLN 110 million net (current report no. 70/2020).

30. A subsidiary's purchase of a property located in the Ochota district of Warsaw

On 23 December 2020, UNI 1 IDEA Spółka z o.o. Sp. k., with its registered office in Warsaw (Buyer), which is a subsidiary of Unidevelopment SA, and a natural person (Seller) concluded an agreement on the purchase of real estate located in the Ochota district of Warsaw.

Under the agreement, the Buyer acquired an undeveloped plot of land with the area of approximately 0.23 hectares for PLN 18.0 million net. The property will be used for investment purposes in connection with a property development project involving the construction of approx. 65 residential units. The project is planned to start in Q1 2022 (current report no. 73/2020).

MODULAR CONSTRUCTION

31. Unihouse SA signed a contract for performance of the first stage of a hotel construction project in Olszówka in Mszczonów municipality, in the modular technology

On 18 February 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the performance of the

first stage of a hotel construction project in the modular technology in Olszówka in Mszczonów municipality. The contract was awarded by Expo Apartments spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (a company from the Adept Investment group). The remuneration for the performance of the contract is equal to PLN 6.3 million net (current report no. 6/2020).

The project is on hold.

32. Conclusion of a framework agreement for participation in a programme for the construction of standard residential buildings using the modular technology for Swedish municipal companies

On 1 June 2020, Unibep SA entered into a framework agreement for the performance of the "Allmännyttans Kombohus" residential unit construction programme in Sweden.

The contract was awarded by Sveriges Allmännyttan AB (fd SABO), with its registered office in Stockholm.

The framework agreement provides that the Issuer may, by way of separate contracts, be commissioned to perform activities relating to the design and turnkey construction of standard residential buildings using the modular technology as part of the "Allmännyttans Kombohus" residential construction programme.

The programme will run from 2020 to 2026. The operational activities connected with the performance of possible orders received under the framework agree-

ment will be carried out through the subsidiary UNIHOUSE SA (current report no. 23/2020).

33. Conclusion by UNIHOUSE SA of a contract for the construction of modular buildings intended for the German market

On 22 July 2020, the subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the construction of modular buildings for the consortium of AH Aktiv-Haus GmbH, with its registered office in Stuttgart, and Wolff & Müller Hoch- und Industriebau GmbH & Co. KG, with its registered office in Stuttgart.

The total remuneration for the performance of the contract is approx. EUR 16.35 million net, which is an equivalent of approx. PLN 72.6 million net.

The completion of work for the 1st stage is scheduled for Q2 2022 and the completion of work for the 2nd stage is scheduled for Q3 2023, provided that the contractual deadlines will be appropriately extended if the Ordering Party fails to obtain a valid building permit within the time limit specified in the contract (current report no. 39/2020).

In September 2020, the parties concluded a technical annex which provided that the name of the Ordering Party was corrected to the ARGE Wohnanlage Priebnitzweg consortium consisting of: AH Aktiv- Haus GmbH, with its registered office in Stuttgart, and Wolff & Müller Hoch- und Industriebau GmbH & Co. KG, with its registered office in Stuttgart.



Signaturhagen, Kongsberg, Norway



Sentrumsgården, Kongsberg, Norway

34. Conclusion by UNIHOUSE SA of a contract for performance of a modular technology project entitled "Storgatan 66" in the Swedish market

On 9 October 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the performance of modular technology project entitled "Storgatan 66" in Sundsvall, Sweden.

The contract was awarded by PICEA BYGG AB, with its registered office in Sundsvall, Sweden. The remuneration for the performance of the contract is approx. SEK 38.5 million net, which is an equivalent of approx. PLN 16.5 million net (current report no. 56/2020).

The Ordering Party is currently applying for the building permit. The current planned start date for the project is Q3 2021.

35. Conclusion by UNIHOUSE SA of a contract for the performance of a timber-frame structure project in the Polish market

On 14 October 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for comprehensive performance of a timber-frame structure project located in Choroszcz between Rybacka and Aleja Niepodległości Streets.

The contract was awarded by Polskie Domy Drewniane SA, with its registered office in Warsaw. The remuneration for the performance of the contract is

equal to approx. PLN 9.0 million net (current report no. 57/2020).

The project is being performed according to the contract. Completion of the project is scheduled for Q4 2021.

36. Conclusion by UNIHOUSE SA of a contract for the performance of a modular technology project entitled "Kløvertunet" in the Norwegian market

On 24 November 2020, the subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for performance of a modular technology project entitled "Kløvertunet" in Jessheim, Norway, which constitutes the second stage of the housing project currently being performed by UNIHOUSE, entitled "Vestbyen".

The contract was awarded by Bekkefaret Bolig AS, with its registered office in Oslo, Norway. The remuneration for the performance of the contract is NOK 147 million net, which is an equivalent of approx. PLN 61.55 million net (current report no. 67/2020).

The project is being performed according to the contract. Completion of the project is scheduled for Q2 2022.

6.2 Transactions with related parties

In the period covered by this report, the agreements concluded between UNIBEP SA and its subsidiaries were arms-length transactions and were not different from other transactions of this type in the market.

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

1. Conclusion of a conditional contract for the performance of a housing project in Poznań

On 09 April 2020, Unibep SA signed a general contractor contract for the performance of a housing project at Jana Henryka Dąbrowskiego Street in Poznań.

The contract was awarded by the Issuer's indirect subsidiary Fama Development Spółka z o.o. Sp. k., with its registered office in Poznań, in which Unidevelopment SA holds shares.

The start date of the project is subject to the contract coming into force, while the completion date was set for Q3 2021. The Issuer's remuneration for the performance of the subject of the contract is approx. PLN 67.6 million net (current report no. 12/2020).

On 2 June 2020, an annex to the contract was signed, pursuant to which the provisions that make the entry into force of the agreement conditional on signing of an investment loan agreement by the Ordering Party were deleted and it was agreed that the agreement would enter into force on the date of signing of the annex (current report no. 24/2020).

On 30 June 2020, Fama Development Spółka z o.o. Sp. k. concluded an investment loan agreement with Getin Noble Bank SA, under which the Bank would grant a loan of up to PLN 70 million for partial financing and refinancing of the gross costs of the project (current report no. 34/2020).

2. Conclusion of a conditional contract for the performance of stage 3A of the housing project at Coopera Street in Warsaw

On 8 July 2020, Unibep SA signed a general contractor construction contract for stage 3A of the housing project at Coopera Street in Warsaw.

The contract was awarded by the Issuer's indirect subsidiary, Coopera Idea Spółka z o.o. Sp. k., with its registered office in Warsaw, in which Unidevelopment SA is a shareholder.

The Project is scheduled to start in Q3 2020 and its completion is planned in Q3 2021. The Issuer's estimated remuneration for the performance of the subject of the contract is approx. PLN 23.0 million net (current report no. 36/2020).

On 9 September 2020, an annex to the contract was signed, pursuant to which the provisions conditioning the entry into force of the contract on signing of an in-

vestment loan agreement by the Ordering Party and on an order to start the work issued by the Ordering Party were deleted, and it was agreed that the contract would enter into force on the date of signing of the annex (current report no. 48/2020).

3. Conclusion of a conditional contract for the performance of a housing project at Bukowska/Grunwaldzka Streets in Poznań

On 30 June 2020, Unibep SA signed a general contractor construction contract for the performance of a housing project in the area of Bukowska/Grunwaldzka Streets in Poznań.

The contract was awarded by the Issuer's indirect subsidiary Bukowska 18 MP sp. z o.o. sp. k., with its registered office in Poznań, in which Monday Development sp. z o.o. is a shareholder. The estimated remuneration for the performance of the subject of the contract is approx. PLN 46.0 million net (current report no. 40/2020).

On 30 October 2020, the Ordering Party concluded a loan agreement with mBank SA for financing of the property development project (current report no. 59/2020).

On 3 November 2020, Unibep SA received a written order from the Ordering Party to start the works, as a result of which the contract concluded between the parties came into force (current report no. 60/2020).

4. Conclusion of a contract for the performance of the next stage of a joint housing project in the Ursus district of Warsaw

On 2 September 2020, UNIBEP SA concluded a general contractor contract for construction works to be performed in a site located between Silnikowa, Herbu Oksza, and Quo Vadis Streets in Warsaw within the project entitled URSA SKY. This is a joint construction project involving the construction, together with entities from the CPD Group, of a complex of multi-family buildings with service and auxiliary infrastructure.

The contract was awarded by URSA SKY Smart City Sp. z o.o. Spółka komandytowa, with its registered office in Warsaw. Work on the 1st stage will start in Q3 2020 and end in Q4 2021. Works on the 2nd stage will start in Q1 2021 and end in Q3 2022.

The remuneration for the performance of the 1st stage is equal to approx. PLN 47.3 million net and the remuneration for the 2nd stage was set at approx. PLN 46.9 million net (current report no. 45/2020).

On 10 December 2020, UNIBEP SA received from the Ordering Party a written order to start the work on the 2nd stage (current report no. 71/2020).

5. Intra-group loans:

- a. On 17 January 2020, a loan agreement was signed between Monday Development SA and Wiepofama Development Sp. z o.o. sp.k. for the amount of PLN 52 million, with the repayment date on 31 December 2022.
- b. On 17 January 2020, a loan agreement was signed between Monday Development SA and Wiepofama Development Sp. z o.o. sp.k. for the amount of PLN 9 million with the repayment date on 31 December 2022.
- c. On 2 October 2020, Unibep SA granted a loan of PLN 10 million to its subsidiary Unihouse SA. The loan was granted for the period until 31 December 2021.

Information on transactions with related parties is additionally presented in the Consolidated Financial Statements in note 6.37.

6.3 Material financial agreements

Apart from the agreements described in section 5.6, the Unibep Group's companies did not conclude any other material financial agreements.

6.4 Other important events

1. Introduction of the state of epidemic emergency in the territory of the Republic of Poland. Information on the possible impact of the COVID-19 coronavirus epidemic on Unibep and the Group's activities

In connection with the outbreak of the coronavirus pandemic in the world and in the area of operations of Unibep and the Group, the Management Board of Unibep SA once again analysed the current situation of the Group and its environment, as well as its possible impact on the prospects of the Group. It assessed the opportunities and risks associated with the operations, the feasibility of achievement of the business objectives, and the potential effect of the coronavirus pandemic on tangible and intangible resources, the development of business contacts, the sales opportunities, and the activity in the markets that are of interest to the Group, and the effects of administrative decisions and the decisions made by clients. Credit risk and liquidity have been assessed. The situation was analysed from both short- and long-term perspective. In the opinion of the Management Board, there are no significant circumstances that limit the possibility of implementation of business plans, including investment plans, by the Parent Company or Unibep Group's companies.

The situation in the market for supply of basic components necessary for construction works is highly volatile and dynamic. There are periods when deliveries of materials are not completed on time, but thanks to the Group's early response to market volatility, this does not translate into postponing the deadlines on the contracts being performed. However, future negative financial impacts caused by the COVID-19 pandemic are possible. Closing of the borders may reduce imports from other countries of Europe and other parts of the world. Consequently, this may limit the Unibep Group's ability to perform its contractual obligations, particularly outside of Poland.

The introduction by Norway of restrictions on the movement of persons has resulted in costs of keeping employees in that country that were higher than in previous periods; however, they do not have a material impact on the current operations of the Issuer. It is possible that in the future periods the changed situation may cause further restrictions that could result in lower availability of human resources both for the Group and for its subcontractors hiring foreigner workers.

The analysis of the Group's assets indicates that there are no material premises for impairment of fixed and current assets and, as of today, there is no need to adjust them. It was found that the assets will be used for the current and future contract backlog.

The development plans within the Company take into account the current market situation. The analysis to date enables the conclusion that the Management Board does not see any risk involving a threat to the continuation of operations in all areas of the Group in line with current expectations. Depending on the changes in the epidemiological situation, it cannot be ruled out that revenues will be reduced from those expected in certain segments. We see some sensitivity among clients concerning further developments, but it is lower than at the start of the pandemic. We take into account behaviour that results in postponing investment decisions until the pandemic is contained. We do not rule out that the situation caused by the next wave of the pandemic may limit the investment spending of the clients, but we are counting on the fact that, similarly to 2020, in a few months' time the inclination to invest will return to the levels similar to those observed before the pandemic.

This encourages the Group's sales staff to intensify their preparations and identify the needs of the clients. Efforts aimed at greater activity in new markets and new product segments are being intensified. Diversification

of operations may reduce any future negative economic impact associated with the state of pandemic emergency.

The current sales markets in which the Company and the Group operate have not been completely closed. Restrictions on transport and movement are continuously analysed, but they are not a significant hindrance now. This situation may change depending on the administrative decisions made by the authorities. Alternative scenarios for meeting our commitments are being considered. Belarus is a foreign market characterised by uncertainty, which is due to the political and social situation there. Potential risks are also present in the Norwegian market due to its location outside the Eurozone.

A constraint on the operation of our businesses during the period covered by this report was a slowdown in the operation of central and local government administration and supervision on the part of the ordering parties in connection with performing work remotely.

We also see a reduction in the organisational efficiency of the back office within the Group. The pandemic also created new channels of communication and resulted in the development of electronic systems. The implementation of remote and rotational working for some staff to counter the spread of the coronavirus has caused organisational issues within the annual report preparation process. Remote working, however, did not significantly affect the achievement of the Group's business objectives within individual business segments.

We assess the current liquidity status as good. We do not expect significant potential payment issues on our contracts and their impact on our liquidity. Each contract in the residential, office, and industrial, modular, and infrastructural construction segments has secured financing. Our development group operates in a special purpose vehicle model, which means that, as a rule, financing for each new project is secured before it is launched. Our credit situation is in order.

Recently, the Management Board of UNIBEP SA adopted a resolution on closing the existing bond issue program and establishing a new bond issue program. The high level of cash available will meet our needs in the near future. Any potential deterioration of financial liquidity as a result of payment bottlenecks is planned to be counterbalanced by the Unibep Group's even more rigorous debt monitoring rules than before. In addition, as at the end of the year, the Group had overdraft facilities available in the amount of PLN 108 million.

The Unibep Group and its subsidiaries will continue to monitor the potential impact of the coronavirus pandemic and, depending on how the situation changes, will take appropriate steps to mitigate its negative impact. At the same time, despite today's instability, it sees no risk to continuing operations.

In response to the critical and unusual situation, a crisis-response team chaired by the President of the Management Board was established in the first half of 2020. The team monitors the risks that may affect the Company's and the Group's operations and timely completion of contracts, and cause an increase in costs. At the same time, the Unibep Group implements all decisions and recommendations of the authorities and monitors the situation on an ongoing basis, and in its decisions is guided by concern for the health of its employees and the long-term value of the Unibep Group.

The above assessment was made to the best knowledge of the Management Board of Unibep SA. The actual scale of the future effect of the COVID-19 pandemic and its impact on the Unibep Group's operations is currently unknown, cannot be estimated, and depends on factors that are beyond the Unibep Group's control and subject to dynamic change. As a result, it is currently not possible to determine clearly the impact of the COVID-19 pandemic on the Unibep Group's operations, performance, forecasts, and financial position.

2. Deregistration of the Representative Office in Moscow

On 27 January 2020, the Representative Office of Unibep SA in Moscow was deregistered.

3. Consent of the Supervisory Board of Unibep SA to carry out activities aimed at the buy-back of treasury shares

On 3 February 2020, the Company's Supervisory Board, acting pursuant to §1(12) of Resolution no. 32 of the Ordinary General Shareholders' Meeting of the Company of 13 June 2017 authorizing the Management Board to buy back treasury shares and adopting the Programme for buy-back of of treasury shares of UNIBEP SA, amended by Resolution no. 4 of the Extraordinary General Shareholders' Meeting of the Company of 28 February 2019, adopted a resolution giving consent to perform actions aimed at buy-back of the Company's treasury shares (current report no. 3/2020).

On 4 February 2020, the Management Board of Unibep SA adopted a resolution on the buy-back of treasury shares (current report no. 4/2020).

On 27 February 2020, UNIBEP SA bought back 1,500,000 treasury shares at the unit price of PLN 9.20 per share. The buy-back value was equal to PLN 13,800,000 (current report no. 7/2020).

The purpose of the buy-back of treasury shares was to: (i) redeem Treasury Shares or (ii) offer Treasury Shares to employees or associates of the Company/ the Company's Group as part of an incentive programme, provided that the proportion of the total number of Treasury Shares bought back between the above-mentioned purposes will be determined by a resolution of the General Shareholders' Meeting on

redemption of shares or conducting an incentive programme.

4. Appointment of the members of the Management Board of UNIBEP SA for the sixth term

On 14 May 2020, the Issuer's Supervisory Board appointed the following persons to the Management Board for the 6th term of office, lasting 3 years and commencing at the conclusion of the 2020 Annual General Shareholders' Meeting:

1. Mr Leszek Marek Gołąbicki – President of the Management Board;
2. Mr Sławomir Kiszycki – Vice-President of the Management Board; and
3. Mr Krzysztof Mikołajczyk – Vice-President of the Management Board.

The resolutions of the Supervisory Board on the appointment of the above-mentioned persons to the Company's Management Board came into force as of the date of the Ordinary General Meeting of the Issuer held in 2020 and the above-mentioned persons' discharge of their duties as Management Board members in 2019 (current report no. 19/2020).

5. Appointment of the Supervisory Board of Unibep SA for the sixth term

On 15 June 2020, the Ordinary General Meeting of UNIBEP SA adopted resolutions to elect on the same day the following persons as members the Issuer's Supervisory Board for a new, joint 3-year term:

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

(current report no. 30/2020).

6. An update on conclusion of a conditional contract for the construction of a shopping mall in Konstancin Jeziorna

With reference to the contents of current report no. 36/2019 concerning the conclusion of a conditional contract with RDM Management Konstancin I sp. z o.o. sp.k., with its registered office in Warsaw, on the construction of a shopping mall in Konstancin Jeziorna, as well as the contents of current reports no. 46/2019 and no. 11/2020 regarding extension of the deadline for fulfilment of the condition for the agreement to enter into force, the agreed deadline for the Ordering Party's submission to the Issuer of a statement of the Ordering Party's financing bank on the fulfilment of conditions for release of the loan granted for the performance of the Project together with the Term Sheet

regarding the granted loan expired without effect on 30 June 2020, as a result of which the contract expired (current report no. 35/2020).

7. An update on the conditional contract for the performance of a road construction project in Ukraine

With reference to current report no. 24/2019 of 15 May 2019 concerning the contract concluded with the Road Service in the Lviv Region for the performance of a road construction project in Ukraine, on 9 July 2020, the parties to the contract concluded an agreement on the termination of the said contract. As at the date of the agreement, the contract had not entered the construction phase (current report no. 37/2020).

8. An update on the dispute with the Podlaskie Provincial Road Administration in Białystok

On 14 August 2020, UNIBEP SA received information that the Ordering Party (Podlaskie Provincial Road Administration in Białystok) filed a pleading to the competent court, constituting an extension of the claim, in which the Ordering Party demanded payment of the contractual penalty for withdrawal from the contract in the amount of approx. PLN 8.3 million, for adjudication of additional damages in favour of the Employer, exceeding, according to the Ordering Party, the value of the aforementioned contractual penalty, i.e. the amount of approx. PLN 104 million. On 1 March 2021, we filed a response to the increased claim. The Issuer informed about the above-mentioned matter in current report no. 42/2020. For a detailed explanation of the dispute in question, please refer to section 8.2 Legal proceedings.

9. Information on the decision to start the process of analysis of business prospects for the modular construction segment

On 3 September 2020, the Supervisory Board of Unibep SA issued a directional recommendation to the Management Board of the Company concerning the start of the process of analysis of the prospects for operations of the modular construction segment of the Unibep Group. Pursuant to the recommendation of the Supervisory Board, the Management Board of the Company was obliged to define and indicate the strategic directions for future development of this area of activity for the Unibep Group, taking into account its financial results, the market and macroeconomic trends, the regulatory and market environment, and its individual prospects (current report no. 46/2020).

10. Appointment of a member of the Management Board of Unibep SA

On 4 November 2020, the Issuer's Supervisory Board adopted a resolution on appointing Mr Adam Poliński as a member of the Company's Management Board for the current sixth term of the Management Board of Unibep SA, effective from 1 January 2021 (current report no. 62/2020).

6.5 Events and contracts signed after the balance sheet date

1. Changes in the management boards of Unibep SA, Unihouse SA, and Unidevelopment SA

As of 1 January 2021, Adam Poliński, who headed the Infrastructure Division of Unibep SA, became the new, fourth member of the Management Board of Unibep SA.

The board of Unihouse SA also changed on that day and is now composed of three members. Since the new year, Marcin Gołębiewski has been the President of the Management Board, Sławomir Kiszycki has been the Vice-President, and Roman Jakubowski has been a Member of the Management Board.

Since 1 January 2021, Ewa Przeździecka has been the Vice-President of the Management Board of Unidevelopment SA. She was previously a member of the Management Board of that company.

2. Conclusion of a contract for stage 3B of the housing project at Coopera Street in Warsaw

On 14 January 2021, UNIBEP SA signed a general contractor construction contract for stage 3B of the housing project at Coopera Street in Warsaw.

The contract was awarded by the Issuer's indirect subsidiary Coopera Idea Spółka z o.o. Sp. k., with its registered office in Warsaw, in which Unidevelopment SA is a shareholder. The performance of the project is scheduled for Q1 2021 - Q2 2022. The Issuer's estimated remuneration for the performance of the subject of the contract is approx. PLN 22.7 million net (current report no. 1/2021).

3. An update on the implementation of the Incentive Scheme

With reference to the information about the resolution of the Ordinary General Shareholders' Meeting of UNIBEP SA of 15 June 2020 adopting the rules of the Incentive Scheme for the Management Board members and key managers (Incentive Scheme), about which the Issuer informed in current report no. 27/2020 of 15 June 2020, and to the information about adoption of the rules of the Incentive Scheme included in the report for the 3rd quarter of 2020, the Management Board of Unibep SA informs that on 14 January 2021 the Company's Supervisory Board decided to implement the Incentive Scheme for the current financial year, in particular, by establishing the criteria for the allocation of shares, accepting the list of participants in the Incentive Scheme, and setting the sales price of shares under the Incentive Scheme (current report no. 2/2021).

4. Conclusion of a loan agreements by a subsidiary for financing the performance of stages 3A and 3B of the

housing project at Coopera Street in Warsaw

On 22 January 2021, a company from the Issuer's Group, Coopera IDEA Sp. z o.o. Sp. k., with its registered office in Warsaw, the shareholders of which are Unidevelopment SA and IDEA Sp. z o.o., concluded a loan agreement with PKO Bank Polski SA, under which the Bank granted the Borrower an investor loan of PLN 53.7 million, and a revolving working capital loan agreement for the amount of PLN 5.0 million.

The investor loan was granted to the Borrower to finance and refinance up to 77% of the net costs associated with the construction of multi-family residential buildings during phases 3A and 3B of the housing project located at Coopera Street in Warsaw. The VAT Loan, on the other hand, was granted to finance or refinance the VAT charged on the costs related to the performance of stages 3A and 3B of the above-mentioned project (current report no. 3/2021).

5. Conclusion of a preliminary contract for the construction of an office complex in Lviv, Ukraine

On 28 January 2021, UNIBEP SA signed a preliminary contract with a real estate developer company, with its registered office in Lviv, the subject of which is the basic terms and conditions of the target contract for construction works, under which the Issuer would construct a "turnkey" office complex with a shopping and entertainment centre in Lviv.

The remuneration for the performance of the subject of the contract as set out in the preliminary contract is equal to approx. EUR 67.6 million net. The deadline for completion of the project was set as 24 months from the date of signing of the contract (current report no. 4/2021).

6. Conclusion of a contract for the performance of the road construction project entitled "Design and construction of the S19 road in the Ploski – Haćki section" by a consortium of companies from the Unibep Group

On 29 January 2021, the Consortium of Unibep SA, with its registered office in Biennial Podlaski (Consortium Leader), Budrex Sp. z o.o. with its registered office in Białystok (Consortium Partner), and Value Engineering Sp. z o.o. with its registered office in Warsaw (Consortium Partner) signed a contract for the performance of a road construction project entitled "Design and construction of the S19 road in the Ploski – Haćki section".

The contract was awarded by the State Treasury – General Directorate for National Roads and Motorways, Branch in Białystok.

The value of the remuneration due to the Consortium for the performance of the subject of the contract is

approx. PLN 248.3 million net (i.e. approx. PLN 305.4 million gross), of which the Issuer's remuneration is approx. PLN 194.5 million net and remuneration of the Issuer's subsidiary Budrex Sp. z o.o. is approx. PLN 47.8 million net. The deadline for completion of the project is 36 months from the date of signing of the contract (excluding winter periods) (current report no. 5/2021).

The Issuer informed about the selection of its bid by the Contracting Authority in current report no. 74/2020.

7. Conclusion by UNIHOUSE SA of a contract for the performance of a modular technology project entitled "Signaturhagen" in the Norwegian market

On 2 February 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the performance of a modular technology project entitled „Signaturhagen” in Kongsberg, Norway.

The contract was awarded by Signaturhagen Kongsberg AS with its registered office in Oslo, Norway. The remuneration for the performance of the contract is approx. NOK 80.2 million net, which is an equivalent of approx. PLN 34.9 million net (current report no. 7/2021).

The project is being performed according to the contract. Completion of the project is scheduled for Q2 2022.

8. Selection of the offer of a consortium with the participation of Unibep SA in the tender procedure for performance of a road construction project in the Podlaskie Province

On 2 February 2021, UNIBEP SA received information that on 2 February 2021 the General Directorate for National Roads and Motorways, Białystok Branch, selected the bid submitted by the consortium composed of PORRSA, with its registered office in Warsaw (Consortium Leader) and Unibep SA, with its registered office in Biennial Podlaski (Consortium Partner), in the open tender procedure for the performance of a project entitled "Design and construction of the S19 road in the Krynice (from the existing DK65) – Dobrzyniewo (without the junction) – Białystok Zachód (with the junction) section".

The price of the bid submitted by the Consortium is approx. PLN 329.8 million net, i.e. approx. PLN 405.6 million gross. The deadline for completion of the project is 36 months from the date of signing of the contract (excluding winter periods) (current report no. 8/2021).

9. Conclusion by UNIHOUSE SA of a contract for the performance of a modular technology project entitled "Sentrumsgården Buvika" in the Norwegian market

On 5 February 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the performance of a modular technology project entitled "Sentrumsgården Buvika" in Buvika near Trondheim, Norway.

The contract was awarded by Saltnessand Utbygging AS with its registered office in Trondheim, Norway.

The remuneration for the performance of the contract is approx. NOK 56.7 million net, which is an equivalent of approx. PLN 24.7 million net (current report no. 9/2021).

The project is being performed according to the contract. Completion of the project is scheduled for Q3 2022.

10. Purchase by a subsidiary of title to properties located in the Mokotów district of Warsaw

On 26 February 2021, LYKKE UDM Spółka z o.o. S.K.A., with its registered office in Warsaw, which is a part of the Issuer's Group, signed two agreements with natural persons for the purchase of title to the adjacent real properties, i.e.: i) an agreement for the purchase of a share in a plot of land (Agreement 1) and ii) an agreement for the transfer of ownership to a plot of land (Agreement 2), both located in the Mokotów district of Warsaw.

The total price for the purchase of title to the aforementioned properties is equal to approx. PLN 12.0 million (current report no. 10/2021).

11. Conclusion by UNIHOUSE SA of a contract for the performance of a modular technology project entitled "Bjertnes" in the Norwegian market

On 1 March 2020, the Issuer's subsidiary UNIHOUSE SA, with its registered office in Biennial Podlaski, concluded a contract for the performance of a modular technology project entitled "Bjertnes" in Nittedal near Oslo, Norway.

The contract was awarded by Bjertnes AS with its registered office in Skjetten, Norway. The remuneration for the performance of the contract is approx. NOK 104.5 million net which is an equivalent of approx. PLN 45.4 million net (current report no. 11/2021).

The project is being performed according to the contract. Completion of the project is scheduled for Q2 2022.

12. Conclusion of a contract for the performance of a housing project at Grzybowska Street in Warsaw

On 1 March 2021, UNIBEP SA signed a general contractor contract for the performance of a housing project at Grzybowska Street in Warsaw.

The contract was awarded by Matexi Polska sp. z o.o., with its registered office in Warsaw. The remuneration for the project is approx. PLN 72.2 million net. The deadline for completion of the project is 25.5 months from the date of handing over the construction site, provided that in the case specified in the contract the work will be temporarily suspended. At the same time, the parties are entitled to withdraw from the contract

if the aforementioned suspension of the works will continue for more than 1 year (current report no. 12/2021).

The construction site was handed over in Q1 2021.

13. Closing of the existing Bond Issue Scheme and establishment of a new one

On 3 March 2020, the Management Board of UNIBEP SA adopted a resolution on : i) closing the existing Bond Issue Scheme (adopted by the resolution of the Management Board of the Company of 17 January 2019 establishing the Bond Issue Scheme and by the resolution of the Supervisory Board of the Company of the same day giving consent to running the Bond Issue Scheme), under which, in accordance with current report no. 11/2019, 340,000 F series bonds were issued of the nominal value of PLN 100 each and the total nominal value of the issue of PLN 34 million, which will be redeemed on 15 February 2022, and ii) establishing a new Bond Issue Scheme (current report no. 13/2021).

On 29 March 2021, having carried out a reduction, the Company's Management Board adopted a resolution concerning the conditional allocation of 500,000 G series bonds to investors at the issue price equal to their nominal value of PLN 100, on the condition that the bonds are paid for by the investors no later than on 31 March 2021.

On 29 March 2021, the Issuer purchased 28,877 E series ordinary bearer bonds with the total nominal value of PLN 2,887,700.00 million in order to redeem them (current report no. 19/2021).

On 31 March 2021, The Management Board of Unibep SA announced the payment for 500,000 bonds, and thus the issue of G series bonds as of 31 March 2021 (current report no. 20/2021).

14. Conclusion of a contract for the performance of a housing project at Pełczyńskiego Street in Warsaw

On 11 March 2021, UNIBEP SA signed a general contractor contract for the performance of a housing project at Pełczyńskiego Street in Warsaw.

The contract was awarded by Towarzystwo Budownictwa Społecznego Warszawa Północ Sp. z o.o., with its registered office in Warsaw. The Issuer's remuneration for the project is approx. PLN 57.0 million net. The project will be completed in the period of Q1 2021 - Q1 2023 (current report no. 15/2021).

15. A subsidiary's purchase of properties located in Gdańsk

On 15 March 2021, an agreement was signed between UNI 4 Sp. z o.o., with its registered office in Warsaw (Buyer), which is a part of the Issuer's Group, and a limited partnership with its registered office in Gdańsk (Seller) for purchase of two properties located in the Piecki-Migowo district of Gdańsk.

The agreement provides for transfer to the Buyer of the ownership title to the property with the approximate area of 0.17 ha (Property 1) and the property with the approximate area of 0.56 ha (Property 2) for the total net price of PLN 30.0 million (current report no. 16/2021).

16. Conclusion by a subsidiary of a contract for the construction of a multi-family residential building in Gdańsk

On 16 March 2021, the Issuer's subsidiary Unihouse SA received from the Ordering Party a signed contract for the construction of a four-family residential building at Cienista Street in Gdańsk.

The contract was awarded by Gdańska Infrastruktura Społeczna Sp. z o.o., with its registered office in Gdańsk. The deadline for completion of the contract is Q3 2021. The net value of the contract is approx. PLN 2.8 million net.

17. Conclusion of a conditional contract for the performance of a housing project at Brneńska Street in Poznań

On 19 March 2021, UNIBEP SA signed a general contractor contract for the performance of a housing project at Brneńska Street in Warsaw.

The contract was awarded by Vantage Development SA, with its registered office in Warsaw. The completion of the works is scheduled for Q3 2022. The company's remuneration for the performance of the project is PLN 40.2 million net (current report no. 17/2021).

On 22 March 2021, UNIBEP SA received a written order from the Ordering Party to start the works (current report no. 18/2021).

18. Termination of the investment agreement signed between Unibep SA together with Unidevelopment SA and the CPD Group concerning a joint construction project in the Ursus district of Warsaw

On 31 March 2021, upon mutual agreement of the parties, an investment agreement concluded between the Issuer, the Issuer's subsidiary Unidevelopment SA, with its registered office in Warsaw, and the following companies: CPD SA, with its registered office in Warsaw, Challenge Eighteen sp. z o.o., with its registered office in Warsaw, Lakia Enterprise Ltd, with its registered office in Nicosia, and Smart City Sp. z o.o. Sp.k., with its registered office in Warsaw, was terminated.

The conclusion of an investment agreement for a joint venture in the construction of a complex of multi-family residential buildings in Warsaw in the Ursus district under the name "Smart City" was reported in current report no. 63/2014.

The investment agreement was terminated due to its timely performance and settlement by the parties, i.e.

completion of the joint development project.

The investment agreement concerning the neighbouring properties is currently in force and is being executed; the conclusion of which was announced by the Issuer in current report no. 55/2018 (current report no. 21/2021).

19. Conclusion of a contract for the performance of a residential project in Poznań

On 1 April 2021, Unibep SA signed a general contractor contract for the performance of another housing project at Jana Henryka Dąbrowskiego Street in Poznań.

The contract was awarded by the Issuer's indirect subsidiary, 1 Fama Development Spółka z o.o. Sp. k., with its registered office in Poznań, an indirect subsidiary of Unidevelopment SA. The start of the project is scheduled for Q2 2021 and its completion - for Q4 2022. The Issuer's remuneration for the performance of the subject of the contract is approx. PLN 65.9 million net (current report no. 22/2021).

20. Conclusion of a conditional contract for the performance of a housing project at Sielawy Street in Poznań

On 9 March 2021, Unibep SA signed a general contractor contract for the performance of a housing project at Sielawy Street in Poznań.

The contract was awarded by "Duże Naramowice – Projekt Echo – 111 spółka z ograniczoną odpowiedzialnością" spółka komandytowo – akcyjna, with its registered office in Kielce, which is a part of the Echo Investment Group. The Issuer's remuneration for the project is approx. PLN 64 million net. The start of the project is scheduled for Q2 2021 and its completion - for Q4 2022 (current report no. 23/2021).

7. STATEMENT REGARDING THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY UNIBEP SA IN 2020

7.1 Definition of the applicable set of corporate governance principles

In 2020, the Company applied the corporate governance principles referred to as "Good Practices of Companies Listed on the WSE 2016", adopted by the Stock Exchange Council by its resolution of 13 October 2015, effective from 1 January 2016. In connection with the entry into force of the aforementioned set of corporate governance principles, the Company published a statement on the status of the Company's application of the recommendations and principles contained in that set. The content of that statement is available on the Company's website at the following address: www.unibep.pl (in the Investor Relations section). The full text of the applicable corporate governance principles contained in the aforementioned documents is available on a dedicated website including corporate govern-

ance principles at the WSE, at the following address: https://www.gpw.pl/lad_korporacyjny_na_gpw.

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



Nowa Mangalia, Warsaw, Poland

7.2 Principles waived by the Issuer

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

IV. General Meeting and relations with shareholders

Recommendations

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

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

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

I. Information policy and communication with investors

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

The Company estimates that the current manner of informing the interested parties about the course of the general meeting (publishing the content of adopted resolutions and information about votes against, etc.) ensures transparency of the Company's operations and protects the rights of shareholders. The Company also informs that if there is any interest on the part of shareholders in recording the proceedings of the General Shareholders' Meeting in an audio/video form, the Management Board of the Company will consider taking steps towards the introduction of this principle.

I.Z.2. A company whose shares are classified in the WIG20 or mWIG40 stock exchange indices shall ensure that its website is also available in English, at least to the extent specified in principle I.Z.1. This rule should also be applied by companies not classified in the aforementioned indices, if their shareholder structure or the nature and scope of their business so requires.

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

IV. General Meeting and relations with shareholders

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

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

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

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

Financial data underlying the financial statements and periodic reports originate from the accounting and financial system, in which transactions are recorded in accordance with the Company's accounting policies (approved by the Management Board) based on International Financial Reporting Standards. UNIBEP SA keeps its accounting books in an integrated IT system Microsoft Dynamics AX 2012. The modular structure of the system ensures a clear division of competences, consistency of the operations entered in the account books, and controllability. The flexibility of the system allows it to be adapted to changing accounting principles or other legal standards on an ongoing basis. Access to the information resources of the IT system

is restricted by the relevant authorizations granted to authorised employees, solely for the purpose of performance of their duties.

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

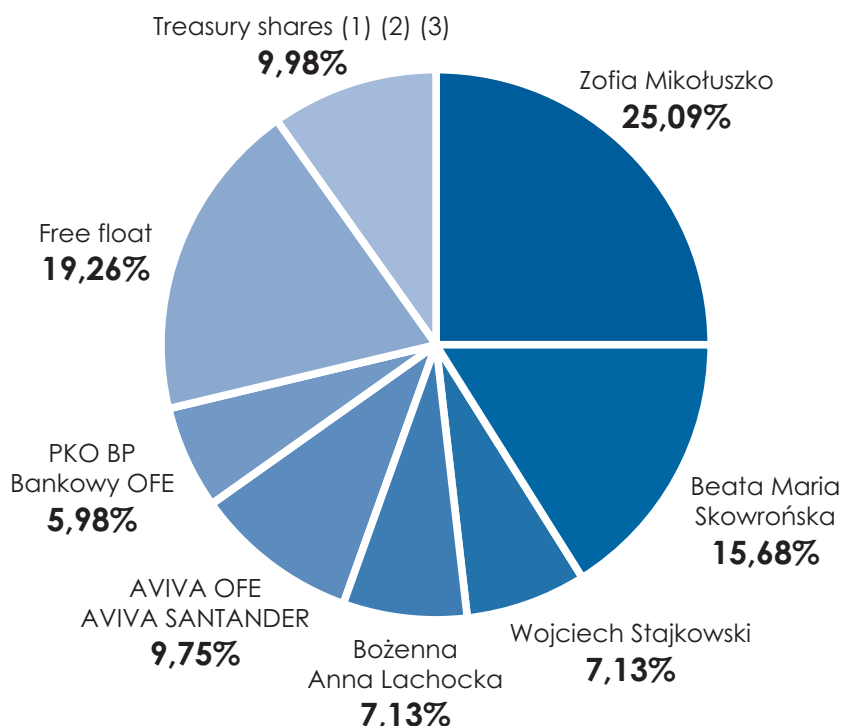
The Company implements the changes required by external laws and regulations related to financial reporting requirements on an ongoing basis.

7.4 Information on shares and ownership

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2020 AND ON THE DATE OF PUBLICATION OF THIS REPORT

Name and surname	Number of shares held	Percentage in the share capital	Nominal value	Number of votes	Percentage of the total number of votes [%]
Zofia Mikołuszko*	8,800,000	25.09	880,000	8,800,000	25.09
Beata Maria Skowrońska	5,500,000	15.68	550,000	5,500,000	15.68
Wojciech Stajkowski	2,500,000	7.13	250,000	2,500,000	7.13
Bożenna Lachocka	2,500,000	7.13	250,000	2,500,000	7.13
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	3,418,920	9.75	341,892	3,418,920	9.75
PKO BP Bankowy OFE	2,098,756	5.98	209,875.6	2,098,756	5.98
Free Float	6,752,958	19.26	675,295.8	6,752,958	19.26
Treasury shares (1) (2) (3)	3,500,000	9.98	350,000	3,500,000	9.98
Total	35,070,634	100	3,507,063.4	35,070,634	100

* Mrs Zofia Mikołuszko remains in the matrimonial property regime with Mr Jan Mikołuszko



(1), (2) 1.000.000 Treasury Shares were purchased on 7 February 2017, about which the Company informed in current report no. 10/2017. A further 1.000.000 Treasury Shares were purchased on 29 May 2019, about which the Company informed in current report no. 28/2019.

(3) 1.500.000 Treasury Shares were purchased on 27 February 2020, about which the Company informed in current report no. 7/2020.

As part of the buy-back of 27 February 2020, 1,500,000 Treasury Shares of the Issuer with the nominal value of PLN 0.10 per Treasury Share were purchased. The Treasury Shares were purchased at the uniform price of PLN 9.20 per Treasury Share, i.e. for the total amount of PLN 13.800.000. The total nominal value of Treasury Shares purchased in 2020 is equal to PLN 150,000 and constitutes 4.28% of the Issuer's share capital, which corresponds to 1,500,000 votes at the Company's General Meeting. The purpose of the buy-back of treasury shares was to: (i) redeem Treasury Shares or (ii) offer Treasury Shares to employees or associates of the Company/the Company's Group as part of an incentive programme, provided that the proportion of the total number of Treasury Shares bought back between the above-mentioned purposes would be determined by a resolution of the General Shareholders' Meeting.

The par value of the purchased Treasury Shares is PLN 0.10 per share, which translates to a total of PLN 350,000. Treasury shares constitute 9.98% of the share capital.

Share capital structure

As at 31 December 2020, the share capital of UNIBEP SA was equal to PLN 3,507,063.40 and was divided into 35,070,634 shares, each with the par value of PLN 0.10, including:

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

All shares, of the Company are book-entry shares and, excluding treasury shares, are traded on the regulat-

ed market of the Warsaw Stock Exchange.

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

Stock Exchange reports in 2020 on changes to the shareholder structure:

- Report no. 7/2020 – completion of share buy-back;
- Report no. 8/2020 – notification on reduction of the number of shares held by Nationale Nederlanden OFE below 5% of the total number of votes in UNIBEP SA; and
- Reports no. 25 and 26/2020 – notification of a decrease in the number of shares held by Beata Maria Skowrońska.

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

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

LIST OF STOCKS AND SHARES OF THE GROUP ENTITIES HELD BY MANAGING AND SUPERVISING PERSONS. AS AT 31 DECEMBER 2020 AND ON THE DATE OF PUBLICATION OF THIS REPORT

Name and surname	Position	The number of shares held equals the number of votes	Nominal value of shares [PLN]	Percentage of the capital and the total number of votes (exceeding 5%)
MANAGEMENT BOARD				
Leszek Marek Gołębiewski	President of the Management Board	690,000	69,000.00	1.97%
Stawomir Kiszycki	Vice-President of the Management Board	0	0	---
Krzysztof Mikołajczyk	Vice-President of the Management Board	0	0	---
Adam Poliński *	Member of the Management Board	0	0	---
SUPERVISORY BOARD				
Jan Mikołuszko	President of the Supervisory Board	21,620	2,162.00	0.06%
Beata Maria Skowrońska	Vice-President of the Supervisory Board	5,500,000	550,000.00	15.68%
Wojciech Jacek Stajkowski	Member of the Supervisory Board	2,500,000	250,000.00	7.13%
Jarosław Mariusz Bętdowski	Member of the Supervisory Board	0	0	---
Michał Kotosowski	Member of the Supervisory Board	0	0	---
Paweł Markowski	Member of the Supervisory Board	0	0	---
Dariusz Marian Kacprzyk	Member of the Supervisory Board	0	0	---

* Adam Poliński has been a Member of the Management Board of Unibep SA since 1 January 2021.

The managing and supervising persons do not hold any shares in any entities in the UNIBEP Group. The supervising persons do not have rights to shares of the Issuer.

RESTRICTIONS ON VOTING RIGHTS OR TRANSFER OF OWNERSHIP OF SECURITIES

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

HOLDERS OF SECURITIES GIVING SPECIAL CONTROL RIGHTS

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

INFORMATION ON THE CONTROL SYSTEM REGARDING EMPLOYEE STOCK OWNERSHIP PLANS

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

INCENTIVE SCHEME

On 15 June 2020, the Ordinary General Meeting of UNIBEP SA adopted an Incentive Scheme for the

members of the Management Board and key managers. Under the Scheme, the Company will be able to sell its treasury shares to such persons. The General Meeting earmarked all the Company's treasury shares, i.e. 3,500,000 shares, for the implementation of the Incentive Scheme. The General Meeting authorized the Supervisory Board to establish the Rules of the Incentive Scheme specifying detailed principles for the implementation of the Scheme, including the rules for conclusion of the Participation Agreements within the Scheme. The purchase price of the Shares under the Incentive Scheme shall not be less than PLN 1 per Share. The General Meeting of UNIBEP SA authorized the Supervisory Board to establish the purchase price of the Shares for each of the Participants of the Incentive Scheme. This price may vary from transaction to transaction under which the Shares will be purchased. On 4 November 2020, the Supervisory Board of UNIBEP SA adopted the Rules of the Incentive Scheme of UNIBEP SA ('the Scheme').

The detailed assumptions of the programme are described in the report for the third quarter of 2020 in section 6.3 Incentive Scheme.

On 14 January 2021, the Company's Supervisory Board decided to implement the Incentive Scheme for the current financial year, in particular by defining the criteria for the allocation of shares, adopting the list of participants of the Incentive Scheme, and defining

the selling price of shares under the Incentive Scheme. Pursuant to the Supervisory Board's decision:

- i] the list of participants of the Incentive Scheme includes the members of the Company's Management Board;
- ii] the criteria for the allocation of the Company's shares for the evaluation year 2021 include, in particular, being a member of the Management Board of the Company, as well as achieving the set financial targets of the Company and the Unibep Group;
- iii] the selling price of shares that may be allocated for purchase by an eligible Incentive Scheme participant for the evaluation year 2021 is PLN 3 per share;

- iv] the eligible participants of the Incentive Scheme [provided that the aforementioned allocation criteria are met] shall be offered for the evaluation year 2021 at least 600,000 shares, including at least 220,000 shares to Mr Leszek Marek Gołąbiecki, at least 190,000 shares to Mr Sławomir Kiszycki, at least 140,000 shares to Mr. Krzysztof Mikołajczyk, and at least 50,000 shares to Mr Adam Poliński.

The managing persons have no other rights to the Issuer's shares.

7.5 Governing bodies of UNIBEP SA

MANAGEMENT BOARD

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

In 2020, the composition of the Management Board of the Company underwent the following changes:

- on 4 November 2020, Mr Adam Poliński was appointed to the Management Board of the Company with effect from 1 January 2021.

As of 31 December 2020, the composition of the Company's Management Board was as follows:

- Leszek Marek Gołąbiecki – President of the Management Board, at the same time acting as the Managing Director of the Company;
- Sławomir Kiszycki - Vice-President of the Management Board, at the same time acting as the Financial Director; and
- Krzysztof Mikołajczyk – Vice-President of the Management Board, at the same time acting as the Construction Director.

As of the day of this report, the composition of Company's Management Board was as follows:

- Leszek Marek Gołąbiecki – President of the Management Board, at the same time acting as the Managing Director of the Company;
- Sławomir Kiszycki - Vice-President of the Management Board, at the same time acting as the Financial Director; and
- Krzysztof Mikołajczyk – Vice-President of the Man-

agement Board, at the same time acting as the Construction Director; and

- Adam Poliński – Member of the Management Board, at the same time acting as the Director of the Infrastructure Division.

On 14 May 2020, Mr Leszek Marek Gołąbiecki, Mr Sławomir Kiszycki, and Mr Krzysztof Mikołajczyk were appointed to the Company's Management Board for the 6th term of office starting on the date of conclusion of the Ordinary General Meeting of Shareholders, i.e. on 15 June 2020. Mr Adam Poliński was appointed to the current, 6th term of office of the Management Board of Unibep SA on 4 November 2020 with effect from 1 January 2021.

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

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

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

The following persons are entitled to submit declarations of will and sign documents on behalf of the Company: The President of the Management Board, acting on his own, or two members of the Management Board acting jointly, a member of the Management Board acting jointly with a proxy, or two proxies acting jointly. The Company's Articles of Association do not provide for any special rights for persons managing

the Company; in particular, persons managing the Company are not authorised to make decisions on the issuance or redemption of shares.

The Bylaws of the Management Board specify in detail the procedure of the Management Board's operation. The Bylaws are adopted by the Management Board and approved by the Supervisory Board. In the agreement between the Company and a member of the Management Board, as well as in a dispute with a member of the Management Board, the Company is represented by the Supervisory Board, or by an attorney appointed pursuant to a resolution of the General Meeting. The same procedure applies to other actions related to an employment relationship or any other legal relationship between a member of the Management Board and the Company.

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

Contracts concluded between UNIBEP SA and members of the governing bodies

The President of the Management Board, the Vice-Presidents of the Management Board, and the Member of the Management Board of UNIBEP SA, in relation to their work and functions in the Management Board, are employed at UNIBEP SA based on managerial contracts concluded for a fixed period – until the expiry of the mandate of the member of the Management Board in connection with the expiry of the three-year sixth term of the Management Board (a fixed-term employment contract).

At present, Leszek Marek Gołąbiecki, the President of the Management Board and the Company's Director, Sławomir Kiszycki, the Vice-President of the Management Board and the Financial Director, and Krzysztof Mikołajczyk, the Vice-President of the Management Board and the Construction Director, are bound by employment contracts concluded on 16 June 2020 for a definite period of time – until the expiry of the Management Board member's term of office following the end of the three-year term of the Management Board.

Adam Poliński, a Member of the Management Board and the Director of the Infrastructure Division, is bound by an employment contract concluded on 30 December 2020 for a definite period of time – until the expiry of the Management Board member's term of office following the end of the three-year term of the Management Board. Mr Adam Poliński was appointed as a member of the Company's Management Board for the sixth term of office as of 1 January 2021.

In accordance with the provisions of the aforementioned contracts, the President of the Management Board of UNIBEP SA Leszek Marek Gołąbiecki, the Vice-presidents of the Management Board of UNIBEP SA Sławomir Kiszycki, and Krzysztof Mikołajczyk, for 2020 and for subsequent years, are entitled to an annual bonus calculated on the basis of the consolidated net profit of the UNIBEP Group for each financial year in the amount of 1.5%, on the condition of successful implementation of the financial plan of the UNIBEP Group for a given year, adopted by the Management Board and the Supervisory Board.

Pursuant to the provisions of the contract, the Member of the Management Board and Director of Infrastructure Division of UNIBEP SA Adam Poliński, for 2021 and for subsequent years, is entitled to an annual bonus calculated on the basis of the consolidated net profit of the UNIBEP Group for each financial year, in the amount of 1%, on the condition of successful implementation of the financial plan of the UNIBEP Group for a given year, adopted by the Management Board and the Supervisory Board.

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

In addition, the President of the Management Board, the Vice Presidents of the Management Board, and the Member of the Management Board of UNIBEP SA have signed non-competition agreements with the Company for the duration of their employment relationship (the prohibition of competition applies for the entire duration of their employment relationships) and non-competition agreements applicable after termination of their employment (the prohibition of competition applies for 6 months after termination of their employment relationships). During the term of the non-competition agreements (for a period of 6 months), the President of the Management Board, the Vice-Presidents of the Management Board, and the Member of the Management Board are entitled to compensation equal to 25% of the remuneration received by them before termination of their employment relationships, paid in six equal instalments.

REMUNERATION OF THE MANAGEMENT BOARD FOR THE PERIOD OF 1 JANUARY 2020 – 31 DECEMBER 2020 - UNIBEP SA

MANAGEMENT BOARD	Remuneration	Bonus for the 2019 profit paid in 2020	Total
Leszek Marek Gołbiewski	744,000.00	450,797.81	1,194,797.81
Sławomir Kiszycki	672,000.00	450,797.81	1,122,797.81
Krzysztof Mikołajczyk	612,000.00	450,797.81	1,062,797.81
Total	2,028,000.00	1,352,393.43	3,380,393.43

The Vice-president of the Management Board of UNIBEP SA Mr Sławomir Kiszycki received remuneration for 2020 at UNIHOUSE SA in the amount of PLN 120,000.00 for his performance of functions in the Management Board of Unihouse SA.

In the remaining scope, the members of the Management Boards do not receive remuneration for performing functions in subsidiaries of UNIBEP SA.

SUPERVISORY BOARD

The Supervisory Board of UNIBEP SA acts on the basis of the provisions of the Code of Commercial Companies and Partnerships, the Company's Articles of Association, and the Bylaws of the Management Board. In its activities, the Supervisory Board also applies the principles set forth in "Good Practices of Companies Listed on the WSE". The Supervisory Board is composed of 5 to 7 members appointed and dismissed by the General Meeting for a joint three-year term of office. In the case of group voting, the General Meeting determines the number of members of the Supervisory Board for a given term of office, by adopting a resolution prior to the election. At least two independent members should be appointed to the Supervisory Board. Independent members of the Management Board are persons who jointly meet:

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

Each shareholder may propose in writing candidates for an independent member of the Supervisory Board to the Management Board of the Company not later than in 7 working days before the date of the General Meeting during which such a member is to be elected. Such a proposal should contain the personal data of the candidate and a justification for his or her candidacy, as well as a description of the candidate's qualifications and professional experience. The proposal should be accompanied by a written statement of the interested person, in which he or she has expressed consent to be a candidate to the Supervisory Board and confirmed meeting the independence criteria, as well as his or her commitment to immediately

report loss of such independence characteristics. In the event of failure to propose candidates who meet the criteria of independence in accordance with the aforementioned procedure, a candidate for an independent member of the Supervisory Board is proposed by the Management Board of the Company during a General Meeting.

On 15 June 2020, the General Shareholders' Meeting passed a resolution to elect the Company's Supervisory Board for the sixth term.

As of 15 June 2020 and on the day of drawing up of this report, the Supervisory Board of the Company has the following members:

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 – Member of the Supervisory Board (independent);
5. Michał Kołosowski – Member of the Supervisory Board (independent);
6. Paweł Markowski – Member of the Supervisory Board (independent); and
7. Dariusz Marian Kacprzyk – Member of the Supervisory Board (independent).

The Supervisory Board holds meetings at least once every 3 months. The President of the Supervisory Board or his deputy is also obliged to convene a meeting of the Supervisory Board upon a written request of a member of the Supervisory Board or the Management Board of the Company. Such a meeting should be held within 2 weeks after receiving the request.

Members of the Supervisory Board may attend meetings of the Supervisory Board by using means of direct remote communication, provided that such means enable simultaneous communication and identification of all persons attending the meeting (e.g. teleconference, video conference) and the notice of the meeting of the Supervisory Board includes information that such attendance is possible.

A member of the Supervisory Board may cast his or her vote in writing, through another member of the Supervisory Board. Votes cast in writing cannot pertain to

issues included in the agenda at the meeting of the Supervisory Board.

The Supervisory Board may pass resolutions outside of a meeting by correspondence or by means of direct remote communication. Such a resolution is valid if all members of the Supervisory Board have been notified of the content of the resolution's draft.

For resolutions of the Supervisory Board to be valid, all members of the Supervisory Board must be invited in writing to the meeting and at least a half of its mem-

bers must be present at the meeting, unless the provisions of the Code of Commercial Companies and Partnerships provide otherwise. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the event of an equal number of votes, the President of the Supervisory Board shall have a casting vote. The Supervisory Board adopts its internal bylaws by way of a resolution. The Company communicates changes in the composition of the Supervisory Board by means of current reports.

REMUNERATION OF THE SUPERVISORY BOARD FOR THE PERIOD OF 1 JANUARY 2020 – 31 DECEMBER 2020 - UNIBEP SA

SUPERVISORY BOARD	Revenue	Revenue of a member of the Supervisory Board under an employment contract with UNIBEP SA	Total
Jan Mikołuszko	456,000.00	-	456,000.00
Beata Skowrońska	144,000.00	-	144,000.00
Wojciech Stajkowski	60,000.00	60,000.00	120,000.00
Jarosław Bełdowski	60,000.00	-	60,000.00
Michał Kołosowski	85,576.40	-	85,576.40
Paweł Markowski	60,000.00	-	60,000.00
Dariusz Kacprzyk	61,689.00	-	61,689.00
Total:	927,265.40	60,000.00	987,265.40

Supervisory Board of UNIBEP SA, received for 2020 remuneration from UNIDEVELOPMENT SA, in the amount of PLN 48,000.00 for her membership in the Supervisory Board of UNIDEVELOPMENT SA.

In the remaining scope, the Supervisory Board members do not receive remuneration for performing functions in subsidiaries of UNIBEP SA.

COMMITTEES OF THE MANAGEMENT BOARD

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

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

Committees submit an annual report on their activities to the Management Board.

The Audit Committee for the 6th term has been active since 15 June 2020.

As of the day of drawing up of this report, the members of the Audit Committee are:

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

Wojciech Jacek Stajkowski and Michał Kołosowski, members of the Audit Committee in the 5th and 6th term, have knowledge and skills in the industry in which the Company operates. In addition, Michał Kołosowski has knowledge and skills in the field of accounting or audits of financial statements.

Wojciech Jacek Stajkowski is a graduate of the Faculty of Foreign Trade at the SGH Warsaw School of Economics. He has been involved in foreign trade since the beginning of his professional career. For many years, he has held managerial positions in representative offices and subsidiaries of Polimex Cekop in the markets of the Middle East and Germany. From 1996 to

2008, he worked for Grundig Polska as the Managing Director and a member of the Management Board, at the same time as being the Director of Distribution of the Grundig Group for Central and Eastern Europe and a member of the Supervisory Board of Grundig Magyarország. Later on, he ran his own business and collaborated with Unibep SA as a representative of the Management Board for new markets. He was also the Chairman of the Audit Committee of the Supervisory Board of Unibep SA during its fourth term. Wojciech Stajkowski speaks English, German, and Russian.

Michał Kotosowski received a master's degree in Economics with a major in accounting and finance, and holds a Diploma in International Financial Reporting awarded by the Association of Chartered Certified Accountants. Between 2000 and 2004, he worked as an assistant to an expert auditor at Roedl&Partner and then, in the years 2004-2007, he gained experience as a Senior Associate at PricewaterhouseCoopers. Michał Kotosowski has been a partner in the audit department of the UHY ECA Group since 2007 and a member of the Supervisory Board and the Chairman of the Audit Committee of Betacom SA. He has extensive experience in auditing financial statements, preparing consolidation packages, preparing financial due diligence analyses, and transforming financial statements into documents compliant with the IAS/IFRS and US GAAP standards. He is an expert in providing services for real estate companies and closed-end investment funds. He is the author of numerous articles and a lecturer in the field of accounting. He speaks English and German.

The obligations of the Audit Committee include in particular:

- submitting the recommendation referred to in Art. 16(2) of Regulation no. 537/2014 to the Supervisory Board;
- discussing the nature and scope of an audit with the Company's expert auditors prior to the commencement of each audit of the annual financial statements;
- informing the Supervisory Board about the results of the audit and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as about the role played by the Audit Committee during the audit;
- reviewing interim and annual financial statements of the Company, both separate and consolidated;
- discussing any problems or concerns that may arise from the audit;
- analysing comments addressed to the Management Board and made by the Company's expert auditors, and the replies made by the Management Board;
- reviewing transactions made with related parties;
- monitoring the effectiveness of the internal control system, the risk management system, the supervision of legal compliance, and the internal audit functions;
- accepting the internal audit programme;
- analysing reports of the Company's internal audi-

tors and replies made by the Management Board in relation to the observations contained in such reports;

- cooperating with the Company's organizational units responsible for audits and control, and periodic evaluation of their work, as well as providing opinions on the level of remuneration of the people employed in these organizational units;
- carrying out an annual assessment of the need to separate the internal audit function within the Company, in the event that this function has not been separated in the Company;
- monitoring the performance of financial reviews, in particular a review performed by an audit firm, taking into account any and all conclusions and findings of the Audit Supervision Committee resulting from an audit carried out in the audit firm;
- reviewing and monitoring the independence of an expert auditor and an audit firm, in particular when the audit firm provides services other than audit to the Company;
- assessing the independence of an expert auditor and giving consent to his or her provision of permitted services that are not audits in the Company;
- developing a policy and a procedure for the selection of an audit firm to perform an audit;
- monitoring the financial reporting process;
- submitting recommendations aimed at ensuring reliability of the financial reporting process in the Company; and
- making decisions on any other issues related to the Company's audit that are brought to the attention of the Audit Committee or the Supervisory Board.

In 2020, the Audit Committee held 4 meetings on 26 January 2020, 14 March 2020, 17 August 2020, and 10 November 2020, which were aimed at carrying out the Committee's tasks, such as, among others, analysis of the Company's financial statements, as well as evaluation of the risk management system and evaluation of the internal control system.

The Strategy Committee for the 6th term has been active since 15 June 2020.

As of the day of drawing up of this report, the members of the Strategy Committee are:

1. Jan Mikotuszkó – President of the Committee;
2. Beata Maria Skowrońska;
3. Jarosław Mariusz Bętdowski; and
4. Paweł Markowski.

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

The tasks of this Committee include in particular:

- assessing the impact of the planned and undertaken investments and divestments on the Company's assets;
- evaluating actions, agreements, letters of intent,

and other documents related to the activities aimed at acquiring, disposing of, encumbering, or dispensing significant assets of the Company in any other way;

- providing opinions on all strategic documents submitted to the Supervisory Board by the Management Board; and
- providing opinions on the Company's development strategy, including long-term financial plans.

In 2020, the Strategy Committee met twice, on 5 June 2020 and 9 July 2020. In 2020, the Strategy Committee undertook activities related to the implementation of the tasks entrusted to the Committee, in particular concerning the assessment of the development directions of the Group's individual businesses in future years and their competitive advantages and innovations.

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

Description of the procedures of the General Meeting.

The General Meeting of UNIBEP SA acts in compliance with the Code of Commercial Companies and Partnerships, the Company's Articles of Association, and the Bylaws of the General Meeting, and also takes into account the principles set forth in the corporate governance principles adopted by the Warsaw Stock Exchange. All corporate documents and information related to the date, agenda, and adopted resolutions are available on the Company's website at www.unibep.pl (in the Investor Relations section). An Ordinary General Shareholders' Meeting is convened by the Management Board within 6 months after the end of each financial year. An Extraordinary General Shareholders' Meeting is convened by the Management Board, the Supervisory Board, or shareholders representing at least a half of the share capital, or at least a half of all votes in the Company. A shareholder or shareholders representing at least 1/20th (one-twentieth) of the share capital may request that the Management Board convene an Extraordinary General Meeting and include certain matters in its agenda. The request to convene an Extraordinary General Meeting and include certain matters in its agenda should be submitted to the Management Board in writing or in the electronic form. The Management Board should convene an Extraordinary General Meeting within two weeks from the date of submission of the request. There is a special email address (wza@unibep.pl) provided on the Company's website that may be used in the cases specified in the Code of Commercial Companies Code and Partnerships in connection with a General Meeting. General Meetings are held at the Company's registered office or in Warsaw. A General Meeting may adopt resolutions only on matters included in its agenda. The Supervisory Board, a shareholder, or shareholders representing at least 1/20th (one-twentieth) of the share capital may request including certain matters in the agenda of an upcoming General Meeting. Such a request

should be submitted to the Management Board not later than 21 days before the scheduled date of the Meeting. The request must contain a justification or a draft resolution concerning the suggested item of the agenda. The request may be submitted in the electronic form.

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

1. reviewing and approving the Management Board's report on the Company's operations and the financial statements for the previous financial year;
2. adopting a resolution on the profit distribution or on covering losses;
3. acknowledging the fulfilment of duties by members of the Company's governing bodies;
4. adopting resolutions on amending the Company's Articles of Association;
5. adopting resolutions on merging with another company and transformation of the Company;
6. adopting resolutions on dissolution and liquidation of the Company;
7. adopting resolutions on the issue of subscription warrants, convertible bonds, and bonds with pre-emptive rights;
8. adopting resolutions on sale or lease of a business or its organised part, and on establishing a limited property right on such a business or its organised part;
9. making any decisions concerning claims for compensation for damage caused during the formation of the Company or in the course of exercise of its management or supervision over it;
10. adopting resolutions on a compulsory buyout of shares, pursuant to art. 418 of the Code of Commercial Companies and Partnerships; and
11. appointing and dismissing members of the Supervisory Board.

In the event that the General Meeting adopts a resolution on allocating a part or all of the profit as payment for shareholders, the General Meeting is competent to determine the date in relation to which a list of shareholders entitled to the dividend for a given financial year will be made (record day) and the date of payment of the dividend. Purchase of or sale of real estate, the right of perpetual usufruct, or a share in real estate does not require adoption of a resolution by the General Meeting.

Other rights of shareholders and the manner of their exercise

A shareholder or shareholders representing at least one-twentieth of the Company's share capital may submit to the Company, in writing or electronically, draft resolutions concerning items included in the agenda of the General Meeting or items to be included in the agenda.

During the General Meeting, each shareholder may submit draft resolutions concerning items included in

the agenda.

Only persons who are shareholders of the Company on the Registration Day have the right to attend General Meetings. The day of registration as an attendee of a General Meeting is the day falling on sixteen (16) days before the General Meeting.

Persons with registered provisional certificates as well as pledgees and users with the right to vote are entitled to attend a General Meeting, provided that they have been entered in the share register at least a week before the General Meeting.

A shareholder who is a natural person may attend a General Meeting and exercise his or her voting right in person or by proxy. A shareholder who is not a natural person may attend a General Meeting and exercise its voting right through a person authorised to make declarations of will on its behalf or by proxy.

Description of the rules that govern amending the Issuer's Articles of Association

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

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

REMUNERATION POLICY

UNIBEP SA has adopted a document entitled "Remuneration Policy of the Supervisory and Managing Bodies of UNIBEP SA" (Remuneration Policy). The Remuneration Policy became effective as of 15 June 2020. The Management Board has a positive opinion about the adopted Remuneration Policy from the point of view of its objectives, in particular the long-term increase in value for shareholders and the stability of the company's operations.

Remuneration of supervisory personnel

With respect to supervisory personnel, the Remuneration Policy specifies that the principles of remuneration for members of the Supervisory Board for performance of their functions on the Supervisory Board are part of the competences of the Company's General Meeting. The level of remuneration for members of the Su-

perisory Board should be sufficient to attract, keep, and motivate the people who are needed to ensure the correct supervision over the Company. The remuneration for such persons should be compatible with the scope of the tasks entrusted to individual members of the Supervisory Board, and also should take into account the performance of additional functions. At the same time, remuneration for members of the Supervisory Board should not depend on options and other derivative instruments, or any other variable components, and should not depend on the Company's results. The main components of the remuneration system for members of the Supervisory Board include: a fixed monthly salary and additional benefits.

Remuneration of managing personnel

With respect to the managing personnel, the Remuneration Policy stipulates that the Supervisory Board is the body authorised to determine the rules governing the remuneration of Management Board members for performance of their functions on the Management Board. The remuneration of Management Board members should correspond to the size of the business and should be reasonable in relation to the Company's economic results, while the level of the remuneration of Management Board members should be sufficient to attract, keep, and motivate the people needed to ensure the proper management of the Company. When determining and verifying the amount of remuneration of Management Board members, the Supervisory Board should take into account in particular the scope of duties and responsibilities, the workload necessary to properly perform the entrusted scope of duties, and the level of remuneration in similar positions in other entities operating in the market. Incentive programs should make the level of remuneration of Management Board members dependent on the actual long-term financial position of the Company and on the long-term increase of value for shareholders, as well as on the stability of the Company's operations.

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

- a fixed monthly base salary;
- an annual bonus;
- compensation resulting from termination of the employment contract with a Management Board member for reasons not attributable to him or her;
- compensation under the non-competition agreement after termination of employment; and
- additional benefits.

Members of the Management Board are entitled to an annual bonus in the amount determined as a percentage, depending on the achievement of the financial or material objectives defined by the Supervisory Board, calculated on the basis of the consolidated net profit of the UNIBEP Group for each financial year, determined on the basis of consolidated financial statements of the UNIBEP Group, approved by an authorised body. The Supervisory Board deter-

mines the amount of the bonus and the conditions for its award to individual members of the Management Board by means of a resolution. Additional benefits for Management Board members may include a company car, technical tools and equipment necessary to perform the duties of a Management Board members, covering travel costs, fuel cards, reimbursement of documented essential expenses incurred in connection with the performance of duties to the extent and in the amount appropriate for the duties entrusted, benefits resulting from occupational health and safety regulations, third party liability insurance for Management Board members, private medical packages, benefits resulting from the Company's Social Benefits Fund, training courses and participation in other events whose subject matter relates to the type of work performed and aimed at improving competences.

Remuneration of key managers

With respect to key managers, the Remuneration Policy indicates that the body authorised to determine the principles of remuneration of key managers is the Management Board, which determines the remuneration on the basis of the Corporate Collective Labour Agreement implemented in the Company, and the Rules for awarding bonuses to white-collar workers. The remuneration for key managers should correspond to the size of the business and be reasonable in relation to the Company's economic results, while the level of remuneration for key managers should be sufficient to attract, keep, and motivate the people needed to ensure the proper management of the Company. When determining and verifying the amount of remuneration for key managers, the Company should take into account in particular the scope of duties and responsibilities, the workload necessary to properly perform the entrusted scope of duties, and the level of remuneration in similar positions paid by other entities operating in the market. Incentive programs should make the level of remuneration for key managers dependent on the actual long-term financial position of

the Company and on a long-term increase of value for shareholders, as well as on the stability of the Company's operations.

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

- a fixed monthly base salary;
- a monthly bonus;
- a performance bonus; and
- additional benefits.

Key managers are entitled to a monthly bonus dependent on the timely and high-quality performance of tasks determined according to the scope of activities, which should be awarded and paid in accordance with the principles set out in detail in the Rules for awarding bonuses to white-collar workers. At the same time, key managers are entitled to a performance bonus dependent on the financial or material objectives defined by the Management Board within the supervised areas, which should be awarded and paid in accordance with the principles set out in detail in the Performance bonus rules. Additional benefits for key managers may include a company car, technical tools and equipment necessary to perform their duties, reimbursement of travel and entertainment expenses to the extent and in the amount appropriate for the functions entrusted to them, private medical insurance, and training aimed to improve their competences. The Company's Management Board is responsible for carrying out performance appraisal of key managers.

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

7.6 Diversity policy for the managing and supervising authority

The Company has not drawn up a formally documented diversity policy in the form of a single document. However, certain principles of conduct in this respect have been developed over the years, including written principles of conduct entitled "Community of Principles and Objectives", with which every newly recruited employee of the company is familiarised.

Due to the location of the company's headquarters in the Podlaskie Province, which is considered to be a melting pot of various nations, cultures, and communities, employees and members of the Company's governing bodies come from different backgrounds and cultures, represent different mindsets and points of view, and have different life and professional experi-

ences. There are age differences among the Company's employees and members of its governing bodies. In addition to employees between the ages of thirty and fifty, who constitute the largest age group, the Company employs a number of people over fifty and under thirty. The Unibep Group employs both women and men in various capacities.

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

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

The Company places great emphasis on the policy of equal treatment and diversity management, especially in the area of recruitment, performance evaluation, training, promotion, and remuneration. The activities carried out in the area of diversity are, among others, inclusion of its principles in internal documents,

such as those defining its organisational culture and the Corporate Collective Labour Agreement. An important part of the implementation of the principles of diversity is creating the right atmosphere at work, which makes employees feel appreciated and respected, and have an opportunity to develop and achieve their professional potential in full.

With respect to its managing and supervising bodies, the Company declares that the composition of the Management Board and the Supervisory Board is diversified in terms of education, age, and professional experience. At the same time, the Management Board of the Company lacks is not diversified in terms of sex.

7.7 Information on the auditing firm

The Parent Company and the following subsidiaries: Unidevelopment SA, Osiedle Marywilska sp. z o.o., Szczęśliwicka Sp. z o.o., Unigo Sp. z o.o., Budrex Sp. z o.o., and Unihouse SA, concluded contracts with Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw at 22 Al. Jana Pawła II Street, for audits and reviews of financial statements.

The total annual remuneration for 2020 is equal to PLN 547,000 plus additional costs (including, for Unibep SA, the amount of PLN 195,000 for conducting audits and PLN 97,000 for conducting reviews).

The total annual remuneration of the auditing firm for 2019 is equal to to PLN 541,000 plus additional costs (including for Unibep SA the amount of PLN 195,000 for conducting audits and PLN 97,000 for conducting reviews). In addition, Deloitte AS entered into a contract worth NOK 237,000 plus additional costs in 2019.

The cooperation related to the service of audits of separate and consolidated financial statements of Unibep SA is based on the agreement on the provision of auditing and other attestation services dated 26 July 2019. The agreement provides for performance by the selected entity of audit/review activities for the annual and semi-annual separate and consolidated financial statements of Unibep SA for the years 2019-2021, respectively.

The auditing firm was selected by the Company's Supervisory Board based on the recommendation of the Audit Committee. The Audit Committee's recommendation for the selection of the audit firm met the applicable conditions. The recommendation was drawn up in accordance with the "Policy on the selection of an audit firm to carry out the statutory audit of financial statements of UNIBEP SA and the UNIBEP Group".

On 21 January 2019, the Parent Company concluded an agreement with Deloitte, with its registered office at AS Dronning Eufemias gate 14, NO-0103 Oslo, Nor-

way, for auditing the financial statements of UNIBEP SA in the Norwegian market in accordance with Norwegian standards for the amount of NOK 370,000 plus additional costs. The subject of this agreement was to provide services related to audits of the financial statement; consequently, rendering of services by the above-mentioned Deloitte Group entity did not require any additional consent.

The entity authorized to audit financial statements did not render any other services to the Parent Company or the Group in 2020.

However, the selected entity conducted audits/reviews of Unibep SA's financial statements for 2017-2019.

The Company has implemented the "Policy regarding the selection of an audit firm to carry out a statutory audit of the financial statements of UNIBEP SA and the UNIBEP Group", drawn up by the Audit Committee and adopted by the Supervisory Board by way of a resolution on 6 February 2018. The aforementioned policy stipulates that the selection of an audit firm is made by the Supervisory Board on the basis of a recommendation of the Audit Committee, which (with the exception of a renewed order for an audit again) submits to the Management Board at least two proposals concerning audit firms, at the same time recommending one of them and justifying its preference. The recommendation of the Audit Committee must not be influenced by third parties. Other objectives of the policy include defining the criteria for verification of audit firms and the duration of cooperation with the selected audit firm.

In addition, on 6 February 2018, the Supervisory Board adopted the "Policy on the provision of permitted non-audit services to UNIBEP SA by an audit firm conducting an audit, by entities affiliated with that audit firm, and by a member of the audit firm's network". The main objective of that policy is to eliminate the risk of lack of independence in the course of certain services other than a statutory audit rendered by expert

auditors, audit firms, or members of their networks. The aforementioned policy provides for listing prohibited services that are not financial audit activities and permitted services that are not financial audit activities, and specifies that the provision of permitted services that are not financial audit activities is only possible after prior approval by the Audit Committee. The policy is in force at the Company and in the Company's Group.

8. OTHER INFORMATION

8.1 Description of risks and hazards

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

RISK RELATED TO THE MACROECONOMIC SITUATION

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

RISKS RELATED TO THE IMPACT OF THE PANDEMIC ON THE ECONOMY AND THE ISSUER

The restrictions related to the coronavirus pandemic (COVID-19) affect directly and/or indirectly the social life and the economic situation; the effects include an increased level of unemployment, a reduced level of consumption, limited opportunities for unrestricted business, and increased risk of loss of liquidity by companies. There is a risk that the aforementioned restrictions and their negative effects may translate into a higher likelihood of materialisation of some of the risk factors listed below, which influence the debt servicing capacity of the Issuer's Group. The effects of the pandemic affect and may affect negatively the operations and the financial results of the Issuer's Group.

FOREIGN EXCHANGE RISK

Within the framework of their operations, companies in the Issuer's Group sign contracts that are (or may be) denominated or expressed in foreign currencies. In terms of export revenues, hedging against currency risk is primarily effected through a natural hedging mechanism, which consists in signing contracts with subcontractors in the currency of the main contract, thus transferring the risk to them.

It is the Issuer's Group's intention to close the foreign currency positions by balancing foreign currency transactions related to revenues and costs. The Issuer has signed agreements with banks concerning foreign currency transactions, which offers the possibility of using hedging instruments, provided that closing of a natural position in a given period is not possible.

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

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

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

CREDIT RISK

In the event of default to pay liabilities, financial institutions have grounds to terminate loan agreements and may enforce their repayment or require them to be paid from the assets offered as collateral. However, one cannot eliminate the possibility that, due to failure to pay liabilities, the creditor banks exercise their right to file a petition for bankruptcy with a court. Failure by the Issuer's Group to meet its credit obligations will result in an increase of interest rates, which will increase its debt and may result in demands for payment of other liabilities by the Issuer. The Issuer's Group applies a moderate credit exposure policy towards individual financial institutions, while cooperating with ones that are highly reliable. In order to secure current liquidity for the future, the Issuer's Group has multi-purpose loans and credit facilities in several banks, where it maintains significant unused credit limits. In addition,

the Group performs property development projects through special purpose vehicles that are directly financed by financial institutions. The Group is not concerned about losing access to financing, despite the fact that financial institutions analyse the company's financial results on an ongoing (quarterly) basis. The loan agreements contain provisions on maintaining minimum financial ratios, such as solvency, interest coverage, capitalisation, and EBITDA, which are subject to review and analysis. The Group monitors the aforementioned provisions on an ongoing basis and in good time, in order to renegotiate said limitations, in the event of an emerging possibility of approaching the required thresholds. This provides the Group with financial security, in the event of materialization of the risks related to, among others, deterioration of the market situation or limitation of the banks' credit activity, and also makes it possible to take advantage of market opportunities (e.g. acquisitions).

CREDIT RISK FOR COUNTERPARTIES

Trade receivables are also among the Group's assets that are exposed to an increased credit risk. Before signing a contract, each counterparty is evaluated for its ability to meet financial obligations. A significant number of the current contracts are being performed for tried and reliable partners (regular clients). In the event of doubt as to the counterparty's ability to pay, conclusion of the contract is subject to the provision of appropriate collateral (financial or on property). Moreover, contracts signed with clients include clauses that provide for the right to suspend the performance of works if there is a delay in the payment of amounts due for the services provided. If possible, contractual provisions are also established that condition payments to subcontractors on receipt of funds from the client. However, one cannot exclude the possibility of a downturn in the real estate market and the construction segment, which will affect the payment capacity of investors, thus increasing the credit risk for the Group's counterparties.

LIQUIDITY RISK

There is a risk that the Group's ordering party will not make the agreed payments, despite completion of a given stage of work, which may lead to a deterioration of the Group's financial liquidity and, in extreme cases, to financial losses. In order to mitigate the liquidity risk, the Group keeps an adequate amount of cash and enters into credit facility agreements with banks, which serve as additional liquidity protection. It is the intention of the Group's companies to sign contracts only with reliable and financially sound partners who have access to bank financing. The Group uses its own funds to finance investment purchases, ensuring appropriate durability of the financing structure for this type of assets. In view of the fact that the investment programme is also implemented through the subsidiaries (the majority of shares in the companies are owned by UNIBEP SA or the daughter company UNIDEVELOPMENT SA), the Group grants internal loans for its implementation. Large residential and commercial

projects are and will be performed by special purpose vehicles. New projects are financed from the company's own funds, bank loans, or bond issues. Liquidity management is supported by the current system for monitoring expected revenues and expenditures, by means of an appropriate IT system module. Taking into account the actions taken as described above, the financial condition of the Group, and the security provided by credit lines, the liquidity risk should be considered as limited.

POLITICAL RISK IN THE EASTERN MARKETS

In connection with the situation in Belarus, the Issuer's Group is particularly exposed to the political risk regarding the Eastern markets. At present, it is expected that it may be difficult to win new significant contracts in the Belarusian market in the coming periods. In addition, the Group has, as of today, decided not to perform contracts in Russia.

The Group constantly conducts acquisition activities in the Ukrainian market, which makes the Issuer's Group exposed to the political risk of that country.

Schedules of works and expenditures on all of the contracts performed in the East are designed so as to minimize the Issuer's Group's risk related to the potential need to complete works earlier.

RISK RELATED TO THE START OF OPERATIONS IN NEW MARKETS

The Group strives to diversify its operations and seek new sources of profit. Operating in new markets entails the need to know in detail the principles of operation and cooperation, among others with local authorities, institutions, and business partners. A company launching operations in a new market is usually exposed to greater operating costs (e.g. costs of promotion of the company or its products) and costs required to eliminate various barriers at the initial stage of operations. As a result, the first periods of operations in a new market may involve greater costs or losses and it may take longer to achieve the expected rates of return. Entering a new market also entails tax risks resulting from the need to become familiar with new rules and regulations characteristic of a given country.

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

Apart from operations in new markets in geographical terms, the Group introduces new products/services in markets where it is operating now. An example is operations in the real estate development segment, in the area of commercial projects (PRS market), and working on new products in the modular house production plant (e.g. nursing homes). Therefore, there is a number of different types of risks related to launching new products in the market. The Groups aims to minimise such risks by taking such actions as careful preparation before entering a new area and cooperation with

experienced business partners and consultants. As a rule, these types of projects (depending on their scale or specific conditions) are performed via special purpose vehicles, which partly reduces the risk borne by the Group.

RISK OF FAILURE TO ACT OR LACK OF FINANCIAL EFFECTS OF A PUBLIC-PRIVATE PARTNERSHIP

Assuming that actions will be taken within the framework of a public-private partnership (PPP), the Group expects to achieve economic benefits in this area. However, it cannot be excluded that the scenario will be so unfavourable that the Group will incur expenditures, but will not make any efforts to be an active participant in this process. On the other hand, the efforts related to the development of PPP activities carry risks similar to the development of a new market or introduction of a new product in the market. Entry barriers, getting familiar with market rules, operating costs – these and other aspects may give rise to the risk of lower than expected rate of return of a new business. However, actions within the framework of PPP are basically in line with the strategy of diversification of activities and ultimate reduction of risks. The Group's activities are based on several pillars, which makes it possible to reduce temporary risks and allows for lower efficiency in individual areas.

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

Performance of a contract often depends on the client's ability to obtain financing, which is reflected in the contractual provisions. Consequently, signing a contract alone does not guarantee that a project will be performed (or performed in its entirety). This may lead to a loss of some of the anticipated revenues and profits. The vast majority of domestic contracts that are currently being performed is provided with appropriate financing. This risk also covers operations carried out in international markets. Currently, the transaction financing parameters must be verified with a double effort.

RISK RELATED TO A NEGATIVE IMPACT OF CHANGES IN LAWS ON THE ISSUER'S OPERATIONS

In recent years, the Polish legal system has been characterized by frequent changes in regulations and inconsistent judicial decisions. Attention should also be paid to the process of adaptation of Polish law to the requirements of the European Union and the impact of European case-law on court decisions in individual cases. It is impossible to predict the impact of legal changes, both ones that are currently underway and those expected to happen in the future, on the Issuer's operations. There is no doubt that these factors constitute a potential risk factor and may have a seri-

ous impact on the legal environment of business operations, including the Issuer's operations. This applies in particular to the regulations governing the construction market, the property development market, the securities market, employment relations, social insurance, and the broadly-defined civil law system. It is also possible that the catalogue of activities requiring appropriate permits or licenses may be extended. There is a risk of unfavourable changes in regulations or their interpretation in the future. This may have a negative impact on the Issuer's operations, market position, sales, financial results, and growth prospects.

RISK RELATED TO INSTABILITY OF TAX LAW PROVISIONS

In practice, tax authorities apply laws relying not only directly on regulations, but also on their interpretations made by higher authorities or courts. Such interpretations change, are replaced by others, or contradict each other. To some extent, this also applies to case-law. This results in uncertainty as to the manner in which the law is applied by the tax authorities or in automatic application of the law in accordance with interpretations available at a given time, which may not be in line with various, often complex factual situations occurring in business transactions. The vagueness of many regulations that make up the Polish tax system additionally contributes to this risk. On the one hand, this raises doubts as to the correct application of the regulations and, on the other, makes it necessary to consider, to a greater account, the above-mentioned interpretations. The lack of stability in the practice of application of tax laws may have a negative impact on the operations and financial standing of the Issuer's Group.

INTEREST RATE RISK

The Issuer has and will have financial liabilities that are dependent on current interest rates. Therefore, the Issuer is exposed to the risk of changed interest rates of its liabilities, which is particularly important in the event of high volatility of market interest rates (e.g. significant uncertainty or crisis in financial markets). Any increase in the level of interest rates will increase the cost of financing and thus reduce the Issuer's Group's profits. The aforementioned factor may have a material adverse effect on the Issuer's growth prospects, performance, and ability to service its debt (including bonds or loans).

COMPETITIVE RISK

The UNIBEP Group's operations are exposed to the competitive risk. The Group's financial results may be materially affected by the pricing policy of its competitors, which consists in offering general contractor contracts at lower margins. This may result in the need to lower the prices of the products and services offered and the margins, which may lead to deteriorated financial results of the Group. Construction of residential, office, and industrial buildings constitutes the basic segment of the Issuer's operations, which generates over 50% of its revenue. In this basic segment of

operations, the following entities are considered to be the Group's main competitors: Erbud, Budimex, Skanska, Hochtief, Strabag, and Warbud.

In the property development segment, the Group competes mainly with developers performing projects in Warsaw and Poznań. The property development market in Poland is highly competitive.

The Group, through Unihouse SA, also operates in the modular construction segment. In this segment, the following entities are considered to be the Group's main competitors: Moelven ByggModul AB, Lindbäck's Bygg AB, Derome Husproduktion AB, HARMET OÜ, Scandibyg, and Kodumaja AS.

RISK OF OPERATION IN CONDITIONS OF FIERCE COMPETITION FROM OTHER REAL ESTATE DEVELOPERS

The Group operates in the highly competitive market property development market in Poland. Its competitors could have a material adverse effect on the Group's business, cash flows, financial standing, results of operations, or prospects, including, in particular, an oversupply of residential properties if too many property development projects are completed or an increase in the price of land for new projects, which could affect the profitability of the current property development projects.

RISK RELATED TO FAILURE TO EXPAND THE GROUP'S OPERATIONS TO OTHER MARKETS

The strategy of the Issuer provides for an expansion of the property development activity to new markets in the nearest future. The Group intends to achieve long-term value growth by increasing the scale of its operations in the Tricity area. In the near future, the Group also plans to grow the operations of its modular construction segment in the German and Swedish markets.

If a decision is made to expand operations to new markets, the Issuer has carefully analysed potential projects (contracts) prior to making the decision to perform the projects (contracts); however, despite a careful analysis, the identification and performance of future projects (contracts) may not be as successful as expected. Additionally, with regard to property development projects in locations new to the Group, the Issuer may face more uncertainties in terms of administrative, formal, operational, and financial needs of projects, which may translate, for example, into lower margins on these projects in comparison to projects performed in the Warsaw or Poznań markets.

RISK RELATED TO THE GROUP'S SALE OF FLATS AT REDUCED PRICES

The value of residential property and the related real estate selling price depends primarily on location, architectural design, and construction quality standards. In the event of an incorrect assessment of the attractiveness of a property or project, the Group's

companies may not be able to sell properties at the previously assumed prices or at all. The need to lower the sales price in order to attract buyers means a drop of margins achieved by the Issuer's Group, reduced cash flows, and a negative effect on the financial standings and prospects of the Group's operations.

RISKS ASSOCIATED WITH LIABILITY UNDER ENVIRONMENTAL PROTECTION LAW

In accordance with environmental protection laws, entities that use land on which pollution or unfavourable transformation of natural topography takes place may be obliged to eliminate them, bear the costs of reclamation, or pay administrative penalties. The Group cannot exclude the possibility that companies of the Group will be obliged to pay compensation or administrative penalties, or to perform land reclamation, should any pollution be detected on the land used by those companies. This may have a material adverse effect on the Group's operations, financial position, or results. The Group performs technical and legal analyses for land to be used on future projects in order to mitigate this risk. Materialization of this risk may expose the Group to negative impacts, including impacts on its operations, finances, and growth prospects.

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

The performance of a construction project may be hindered by protests of residents, associations, or non-governmental organizations. Administrative bodies and companies involved in management and supply of utilities may attempt to impose costs on real estate developers for the construction of additional infrastructure not directly related to the real project being carried out or, alternatively, to set long deadlines for the construction of infrastructure they are required to provide. Moreover, when building the infrastructure planned as a part of a real estate development project, developers may face difficulties in obtaining permits needed to build utility networks (energy, water, wastewater, heat), and even obstruction during formal and legal proceedings on the part of utility providers. Such events may cause difficulties during administrative proceedings, construction of infrastructure (including utilities), and the project as a whole, which may lead to a delay or, in extreme cases, suspension of the project, or to a significant increase in its costs. The factors discussed above may have a significant negative impact on the growth prospects, achieved results, and financial standing of construction companies, including the Group.

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

Activities in the construction industry are characterized by a noticeable susceptibility to weather conditions. When construction project schedules are drafted and

financial results are budgeted, typical weather conditions for a given season of the year are assumed. The best conditions for construction work usually occur during the summer months and they deteriorate significantly in the winter months, especially when snow and frost are present (from December to February, it is usually impossible to carry out construction work on development projects). In addition, construction work may be impossible due to irregular weather phenomena occurring in a given period, including torrential rains in the summer and very low negative temperatures in the winter, which also hinders finishing work.

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

RISK OF IMPEDED CONTINUITY OF LAND PURCHASE

The possibility to purchase new land in advance provides real estate developers with the ability to maintain regularity in running operations, including profits. One cannot eliminate the risk that the quantity of land purchased in good locations will be insufficient to ensure smooth operation and stable growth. In particular, one cannot exclude the risk of other real estate developers' demand concentrated in the most attractive locations, the risk of unfavourable commercial conditions, as well as delays or difficulties in obtaining financing for specific land.

Despite the mitigation of risks, purchased land may be burdened with defects, including geological defects, such as lack of ground bearing capacity, archaeological findings discovered during the performance of a project, or soil contamination. It is also possible that owners of adjacent properties will express their objections during the procedures related to obtaining the land development conditions and the building permit. The aforementioned factors may slow down or limit the growth of real estate developers, including companies of the Group, which may have a negative impact on their scale of operations, results, and financial standing.

The Group actively searches the real estate markets in which it operates and analyses market offers on an ongoing basis in order to mitigate the aforementioned risk. Joint performance of projects with land owners has a positive impact on the minimisation of this risk, as it makes it possible to obtain attractive land at a much lower cost.

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

This risk refers to situations where real pieces of es-

tate purchased or planned to be purchased by the Group's companies are encumbered with legal defects, i.e. they are the property of an entity other than the seller or are encumbered with rights of third parties, as well as cases in which the legal status of a piece of real estate is not regulated, i.e. when potential sellers are not able to prove their legal title to a specific piece of real estate, in particular when no land and mortgage register was established for it. The existence of such legal defects involves the possibility of claims concerning such properties against the Group's companies pursued by third parties, while an unregulated legal status involves significant difficulties or inability to carry out the process of purchase of a piece of real estate for the purposes of development activities. Moreover, if the Group's companies sell flats or buildings located on land encumbered with legal defects, there is a risk that the buyers will make claims under implied warranty for defects on account of the legal defects of the land on which individual flats are located. This may have a material adverse effect on the Group's operations, in particular its financial standing or results. The Group conducts legal analyses of the status of the properties selected for purchase to mitigate this risk. Materialization of this risk may expose the Group to negative impacts on its operations and financial standing, and on its growth prospects.

RISK OF AN INCREASE IN THE COSTS OF CONSTRUCTION PROJECTS

Financial results and margins achieved on property development projects carried out by the Group's companies largely depend on the transaction prices of the purchased plots of land. In the event of a significant increase in prices, the Group may experience a decreased level of margins on its development operations, which may have a significant negative impact on the Group's growth prospects, achieved results, and financial standing. Consequently, there is a risk of an increase in such costs of construction projects as land prices, prices of subcontracted services, prices of building materials, forced changes in the design, soil contamination, archaeological findings or unexploded bombs and ordnances, and other similar events with a potential impact on the increase in costs.

An increase in the prices of construction materials and subcontracted services, and lack of continuity in the supply of materials that constitute a significant component of the project cost estimate may adversely affect the profitability of individual construction projects. Such changes are not easy to predict and may be caused by demand or supply factors. Should the aforementioned circumstances occur, there is a risk that the Group will not be able to fully compensate for their negative impact by increasing the prices of the flats sold. In the event of price increases for demand-related reasons, one should also take into account the risk of hindered access to materials and subcontractors' services due to excessive demand, as well as the risk of delays in contract performance.

Real estate developers, including the Group's compa-

nies, will be significantly exposed to negative impacts on their growth prospects, operations, achieved results, and financial standing, should the aforementioned be materialized.

MATERIALS PRICE RISK

The Group is exposed to a price risk related to an increase in prices of the most frequently purchased construction materials, such as steel and concrete. The prices specified in contracts signed with clients are fixed for the entire term of the contracts, which usually last for 6 to 36 months, while contracts with subcontractors are concluded at a later date, depending on the progress of individual parts of the scope of work. The Group monitors prices of the most frequently purchased construction materials on an ongoing basis and the parameter of the contracts it concludes are adjusted according to the situation in the market, in terms of, for example, the contract duration and value, in order to reduce the price risk. Thanks to the quickly growing scale of its operations, the Group has a growing impact on the security of supplies and stability of prices offered by its regular trade partners.

The aforementioned factors and trends are taken into account whenever a contract price is calculated and in negotiations with clients and subcontractors. Nevertheless, there is a risk that in the event of a significant upward trend (i.e. sharp increases in prices of materials and subcontracted services, and labour costs), the contracts currently being won will not achieve the planned profitability.

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

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

In order to minimize the risk, the Group verifies its counterparties in terms of their procedures, quality control, and capacity to deliver, and implements a policy of diversification of subcontractors, acts in accordance with the implemented internal tender procedures, as well as applies relevant provisions in contracts to ensure effective and rapid replacement of unreliable subcontractors. In addition, the Group's companies are protected in each contract with subcontractors by provisions concerning liability for improper performance of works and delays, as well as liability during

the warranty period. Materialization of this risk may expose the Group to negative impacts, including an impact on its operations and finances, and on growth prospects.

RISK ASSOCIATED WITH PROHIBITED CONTRACTUAL CLAUSES

The risk of recognition that the standard contract formats used contain prohibited clauses results from provisions of the Act on Competition and Consumer Protection of 16 February 2007. The President of the Office for Competition and Consumer Protection may impose on a company a penalty not exceeding 10% of the revenue earned in the financial year preceding the year in which the penalty is imposed, if the company, even unintentionally, resorted to a practice that infringes on the collective interests of consumers. A practice infringing on the collective interests of consumers is defined as an unlawful activity of a company that is contrary to such interests. First of all, the catalogue of behaviours considered to be practices that infringe on the collective interests of consumers is not finite and the practices listed in the Act are only examples. This means that the Office for Competition and Consumer Protection may recognise certain market behaviour of real estate developers as practices infringing on the collective interests of consumers and impose a penalty, even though it is not expressly provided for in the Act.

Secondly, the risk results from the possibility that contractual clauses contained in standard contract formats used by real estate developers are recognised as prohibited clauses. The vast majority of contracts signed by real estate developers are contracts with consumers. According to the evolving case law, in particular of the Supreme Court, the provisions of the register of prohibited provisions should be interpreted broadly and not only decisions with the same wording as the provisions in the register, but also similar decisions should be considered as prohibited. The extent to which a provision in a contract used by a company is similar to a provision listed in the register may determine whether that particular provision is regarded as prohibited. Even if the Group believes is that the contractual provisions used in its contracts concluded with consumers are not similar to those listed in the register, there is a risk that the Office for Competition and Consumer Protection will classify a specific provision as prohibited and, on this basis, will impose a penalty on the real estate developer. The Group's companies thoroughly analyse the standard contract formats they use as to whether the provisions contained therein can be considered as prohibited contractual clauses that infringe on the interests of consumers.

RISK RELATED TO THE CONSTRUCTION PROCESS

The main feature of construction operations is the need to engage significant resources throughout the entire duration of the project, until the building is handed over to the client. The services provided by the Group are based on individual contracts, which

are drawn up taking into account specific conditions and using available procedures and technologies. Due to the length of the entire construction process, there may be various changes to the initial terms and conditions first negotiated.

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

- ongoing design and construction changes at almost every stage of the process;
- inadequate initial estimation of the project costs;
- significant changes in costs during project performance;
- errors in management of the entire construction process; and
- errors related to the technical and technological solutions used.

All of the afore-mentioned and other negative events can result in an extension of the entire product manufacturing process and an increase in costs and deferral of payments, thus directly causing a decrease in the Group's result for a specific contract and a negative impact on the Group's financial standing.

RISK RELATED TO CONSTRUCTION INFRASTRUCTURE

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

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

RISK RELATED TO SALES OF REAL ESTATE DEVELOPMENT PROJECTS

The UNIBEP Group offers premises/flats for sale that

are built as part of its own real estate development projects. Real estate development projects involve a number of risks. There is a risk that the Group will sell fewer commercial/housing units than anticipated and, as a consequence, its cash inflows will be reduced. This could also affect the level of sales/profits in a given financial year. The need for a quick recovery of cash could entail the need to adjust prices of flats and/or bring increase the expenditures on promotion, thus affecting the profitability of a project. In the Group's opinion, there is currently no pressure for a quick cash recovery at the expense of price reductions (the cash level is stable, while liquidity is additionally secured with the available credit facilities). Currently, it is not necessary to either urgently adjust prices or significantly increase the costs of promotion, although one cannot exclude the need for such steps in the future.

RISK RELATED TO COLLATERAL ESTABLISHED ON UNIBEP ASSETS

The companies of the UNIBEP Group take out loans to finance the construction projects in progress. Conclusion of credit agreements involves the need to provide collateral for banks on land where projects are to be carried out to secure repayment of the debt. The Group is aware of the fact that, even though loans taken out by special purpose vehicles established by the Group are paid off on time, one cannot exclude the possibility that in the future, when faced with an extremely negative financial position, the Group could cease to repay its debts on time or violate the terms and conditions of loan agreements. Consequently, banks would be entitled to satisfy their claims from the collateral, e.g. by taking over the ownership of the encumbered assets. Such a situation could result in a decrease in the number of assets owned by individual special purpose vehicles established by the Group and in an overall depreciation of assets.

To mitigate the risk, the Group pays special attention to the rational management of the financial structure and to forecasting of the demand for debt financing before making any decision to carry out of each development project, while managing and forecasting the level of financial liquidity in a reasonable manner. Materialization of this risk may expose the Group to negative impacts, including on its operations and financial standing, and on growth prospects.

RISK RELATED TO AN INCREASED SHARE OF PUBLIC SECTOR CONTRACTS IN THE CONTRACT BACKLOG

In recent years, the Group also made efforts to win contracts in the public sector (public procurement). Due to the public procurement procedure, the contract conclusion and project start dates may be postponed for such reasons as verification of the contract award procedure by the Public Procurement Office or appeals and complaints lodged by other bidders. Such circumstances may lead to changed project schedules, which may affect the size of the contract backlog in the reporting period.

The Group is also exposed to the risk of disputes with public clients resulting from different interpretations of contractual provisions, lack of willingness to settle disputes amicably, lack of sufficient ability to make decisions during contract performance, etc. (this applies mainly to the road construction sector). Potential disputes may result in additional costs for the company and/or impediments to participation in future public tender procedures.

Currently, the road construction works division of the Group has the greatest share in the public procurement sector, while the share of the residential, office, and industrial construction division has significantly reduced the share of public procurement in its portfolio to the benefit of the private sector (three public procurement projects are currently in progress).

RISKS ASSOCIATED WITH DISPUTES

The UNIBEP Group strives to perform contracts in accordance with the contractual terms and conditions. There may be events related to different or conflicting interpretation of contractual provisions during project performance. This may result in untimely payments from clients or claims concerning their justification. In such cases, it cannot be excluded that our rights will be finally enforced by means of litigation. The company monitors potential disputes that might arise while performing contracts. Legal services are provided for each segment on an individual basis and preventive measures are taken if necessary and in advance in order to minimise the risk of a dispute.

RISKS RELATED TO THE EMPLOYMENT OF WORKERS AND KEEPING PROFESSIONAL STAFF

In order for the Group to provide high quality products and services, it must be managed by professional staff and hire qualified workers. The Group's competitive position and strength has been built with the help of talented and experienced staff. Nevertheless, there is a risk of losing or reducing the pool of experienced and professional management staff. To mitigate that risk, the Group has an appropriate human resources policy aimed at minimising staff turnover. Materialization of that risk could expose the Group to negative impacts on its operations.

RISK OF IT SYSTEMS FAILURE

The risk of potential loss of data, either partial or total, resulting from failure of the Group's computer systems or potential hacking attacks on the Group's computer systems could delay performance of contracts and projects. In an effort to mitigate the risk, security procedures have been implemented in the entire Group in the form of data archiving and protection against unauthorized access or loss. Materialization of this risk may expose the Group to negative impacts, including an impact on its operations, financial standing, and growth prospects.

RISK OF PENALTIES FOR FAILURE TO PERFORM OR DE-

LAYED PERFORMANCE OF CONTRACTS

The Group is exposed to the risk of penalties for non-performance or delayed performance of contracts resulting from the fact that it carries out projects in the construction sector. When carrying out construction projects, the Group's companies negotiate schedules with the ordering parties that minimise the potential risk of delays. However, the Issuer assumes the risk of such sanctions or penalties. In the case of non-standard contracts or contracts involving extreme terms and conditions (e.g. tight deadlines), the Group's companies demand a higher margin for the project in order to compensate for the risk associated with the project, and to protect themselves against possible contractual penalties.

RISK RELATED TO BONDS

As of the balance sheet date, the Group had contingent liabilities for the amount of PLN 441.3 million. The contingent liabilities were mainly related to performance bonds and warranty bonds, which companies of the Group use in the course of their operations, mainly for their construction services. Should companies of the Group fail to perform their contracts, there is a risk of liabilities on account of enforced bonds. There have been only four cases where the Group received a demand of payment under a submitted bond that were approved. The amount of the claims was PLN 13.2 million. The Issuer assesses the risk of enforcement of the submitted bonds as limited.

RISK RELATED TO CONCENTRATION OF SALES REVENUES

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

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

RISK RELATED TO PROLONGATION OF ADMINISTRATIVE PROCEEDINGS IN THE AREA OF REAL ESTATE DEVELOPMENT LAW AND CONSTRUCTION LAW

The Group's operations related to property develop-

ment projects require obtaining relevant administrative decisions and permits. The Group's entities must obtain, in particular, decisions on development conditions for properties not covered by local zoning plans and building permits, which may require obtaining additional documents, such as approvals, opinions, or consents of the owners or holders of adjacent properties. Additionally, in the course of a project, there is a risk that its execution may be suspended by competent authorities, in particular as a result of protests of the owners or holders of adjacent properties or for other reasons provided for by law.

Once the construction process is complete, an occupancy permit must be obtained. Additionally, in the course of the investment process, in some cases it is necessary to obtain a decision on the division of real estate and, in any case, in order to market the completed premises, it is necessary to obtain a certificate of their independence. Obtaining the relevant administrative documents often entails lengthy administrative procedures, which creates the risk that it will not be possible to complete individual phases of a project within the deadlines assumed by the Group. In particular, a delay in issuing an occupancy permit by the competent authority may postpone the dates of handover of flats and signing of the final notarial deeds with buyers, which determine the date of recording revenues from sales of flats and premises. These circumstances could have a significant impact on the Issuer's business, cash flows, financial standing, results, or prospects.

RISK RELATED TO SEASONALITY OF THE INDUSTRY

The Polish residential real estate market is characterised high dependence on the economic situation, which causes the number of new residential units completed to change from year to year depending on, among other things, general macroeconomic factors in Poland, demographic changes in different urban areas, availability of financing, and prices of existing residential units. The increased demand for residential real estate usually results in higher margins achieved by real estate developers and an increase in the number of new real estate development projects in progress. Due to the significant time lag between the decision to start a property development project and the completion of the project (often resulting from the protracted process of obtaining the required administrative permits and the time required to actually build the property), there is a risk that once the project is completed, the market will be saturated and the real estate developer will not be able to sell the flats without reducing the sales price, which will result in a reduction of the achieved margin or a loss to the Group. After a period of good situation in the construction industry, the market usually experiences a downward trend caused by real estate developers' reluctance to start new projects due to lower achievable margins. The above circumstances could have a material impact on the business.

RISK RELATED TO ENSURING ADEQUATE INFRASTRUC-

TURE FOR THE GROUP'S REAL ESTATE DEVELOPMENT PROJECTS

Real estate development projects may be carried out only if the appropriate technical infrastructure required by law is provided (connections to utility networks and access to public roads). The need to build the appropriate infrastructure required for a real estate development project or to rebuild existing infrastructure can have a significant impact on the cost of the construction work. Because of the delays related to providing proper infrastructure on the projects performed by the Issuer's Group, there can also be delays in completion of those real estate development projects and unexpected increase in costs. This may have an adverse impact on the Group's operations and financial position, and on the profitability of the real estate development projects being performed. The Issuer strives to minimise this risk by obtaining all necessary approvals and opinions from infrastructure operators before concluding property purchase agreements.

RISK OF USE OF INAPPROPRIATE CONSTRUCTION TECHNOLOGY OR INCORRECT ARCHITECTURAL DOCUMENTATION FOR A PROJECT

Changes in the technologies used in the real estate development sector cannot be excluded, e.g. those related to materials and components, new technological solutions, or introduction of more efficient project performance methods. The use of incorrect construction technology and the possibility that the designers may make mistakes in the architectural documentation of a project may lead to performance of projects with technological defects, and elimination of such defects will require significant expenditures and extension of the project performance time, which may increase the project performance costs, especially if the mistakes are not detected at an early stage of the project. There is a risk that the accepted architectural designs contain technical deficiencies or that the construction technology used turns out to be incorrect for the specific project. The Group mitigates this risk by careful and ongoing control of the architects' selection of materials appropriate for the assumed project standard; however, deficiencies in architectural designs and irregularities in construction technology may adversely affect the Group's financial result, cash flows, and reputation.

RISK OF OCCUPATIONAL ACCIDENTS

The Group's operations involve the risk of occupational accidents. Potential occupational accidents may lead to delays in the construction process, which may translate into failure to complete the contract on time. In addition, the occurrence of an occupational accident may lead to claims for damages against the Group. Such events may adversely affect the Group's reputation and financial result.

LITIGATION RISK

The Group's operations involve the risk of disputes and litigation in connection with the projects completed and currently being performed by the Group. As a result of disputable events, the Group may be called upon to perform under the implied warranty for defects or guarantee, for example to repair defects, if any, or to refund a part of or the entire price. Potential disputes and litigation may involve amounts in excess of the contract value and may take years to resolve. Such events may adversely affect the Group's reputation and financial result. Information on proceedings pending before a court, a competent arbitration authority, or a public administration authority is provided in the Issuer's current and interim reports.

RISK OF CONTROL BY FOREIGN STATE AUTHORITIES

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

8.2 Litigation

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

As of the date of this Report, the total value of the proceedings concerning receivables is equal to PLN 73,134 thousand (the total value of the proceedings for the Parent Company is equal to 69,058 thousand PLN).

At the same time, as of the date of drawing up of this Report, the total value of the proceedings concerning liabilities is equal to PLN 128,538 thousand (the total value of the proceedings for the Parent Company is equal to PLN 128,475 thousand).

The Company identifies a number of significant proceedings. The proceedings of the highest value are those between UNIBEP SA and the Podlaskie Provincial Road Administration (Client) and UNIBEP SA and the General Directorate for National Roads and Motorways (Client), which are described below.

1. On 12 October 2018, the Consortium of UNIBEP SA and Most Sp. z o.o. filed a lawsuit with the Regional Court in Białystok, 1st Civil Division, for payment of PLN 8,286 thousand in contractual penalties for withdrawal from the contract and PLN 23,243 thousand in auxiliary claims regarding the Sokółka – Dąbrowa Białostocka project. The case has been referred to the Commercial Division. The witnesses were examined at the first two hearings held on 24-25 June 2019 and 25-27 September 2019. On 6 November 2019, the claim was increased by the amount of PLN 4,807 thousand arising from the final settlement of the contract. The Respondent filed a response to the increased claim and the Court gave the Plaintiff until 29 May 2020 to file a reply to the Respondent's response. The reply was filed. Further witnesses and requests for evidence on the acceptance of expert opinions will be examined in the course of further legal proceedings. No hearing date has been set yet.

On 14 August 2020, the Podlaskie Provincial Road Administration filed with the competent court a petition constituting an extension of the claim in which the Ordering Party demanded from Unibep SA and Most Sp. z o. o. the payment of the contractual penalty for withdrawal from the Contract in the amount of approx. PLN 8.3 million and a demand for the Ordering Party to be awarded with the additional compensation exceeding, in the Ordering Party's opinion, the value of the aforementioned contractual penalty, i.e. the amount of approx. PLN 104 million. As indicated in the said petition, the additional compensation was calculated by the Ordering Party as the difference between the amount of gross remuneration due to the Consortium under the Contract and the amount of gross remuneration under the contract concluded by the Ordering Party with the contractor that continued the project, less the amount of contractual penalty for withdrawal from the Contract. The demand for payment of additional compensation is a continuation of the Ordering Party's claims against the Consortium resulting from the Ordering Party's withdrawal from the Contract. We filed our response to the extension of the claim of the Podlaskie Provincial Road Administration on 1 March 2021.

The Court will decide whether the withdrawal from the Contract by the Ordering Party was justified and what claims arise therefrom; however, the Consortium is of the opinion that the Ordering Party has effectively withdrawn from the Contract, thus all claims raised by the Employer have no legal basis. The Consortium maintains its position that, similarly to the Ordering Party's claim for payment of a contractual penalty for withdrawal from the Contract, also the Ordering Party's claim for additional damages is entirely unfounded. The Company fully disputes the damage allegedly suffered by the Ordering Party, as to both its grounds and its amount.

To sum up, a litigation is currently pending between the parties, in which cases for payment

have been combined for joint consideration, involving claims by the Consortium for a total amount of approx. PLN 36.34 million and claims by the Ordering Party for payment of a contractual penalty for withdrawal from the contract in the amount of approx. PLN 8.3 million, and additional damages in the amount of approx. PLN 104 million, i.e. for the total amount of approx. PLN 112.3 million plus interest.

2. On 29 March 2019, the Consortium of UNIBEP SA and PORR SA brought an action against the General Directorate for National Roads and Motorways for payment of PLN 16,926 thousand in total (of which PLN 5,078 thousand to Unibep SA) on account of additional works within the project entitled Reconstruction of the S8 national road. On 26 April 2019, an order for payment was issued in writ-of-payment proceedings, against which the Respondent filed an objection. After an exchange of pleadings, the first hearing was set for 9 April 2021. At the hearing before the Regional Court in Warsaw, the court examined some of the witnesses. The court granted the Consortium's motion for evidence and obliged the General Directorate for National Roads and Motorways to submit relevant documents to the file (internal letters from the Engineer concerning the removal of the paving blocks, which the contractor did not have). The court set another hearing for 16 July 2021, at which the remaining witnesses will be examined.
3. On 20 August 2019, an action was brought in the Regional Court in Białystok for payment of PLN 4,744 thousand for additional costs on the Łapy Markowszczyzna project, of which PLN 1,086

thousand was for Budrex sp. z o.o. and PLN 3,658 thousand was for Unibep. The aforementioned amounts concern unforeseen costs, i.e. the costs due to additional works connected, among others, with the change of the technology of the works, equal to PLN 1,051 thousand, incurred by Budrex sp. z o.o., the increased costs of aggregate transport at the project site caused by the detour, equal to PLN 3,658 thousand, incurred by Unibep, and the cost of PLN 36 thousand incurred by Budrex sp. z o.o. By the court's order dated 6 March 2020, evidence from the Institute's opinion was admitted. The Institute presented an opinion in the case in which it recognized the costs incurred by Budrex sp. z o.o. in the amount of PLN 207 thousand and in the case of Unibep SA in the amount of PLN 1,995 thousand as legitimate. Despite the statement that the claims were justified, the Institute pointed out that, in its opinion, the amount of the incurred costs had not been proved in the case. Because the opinion is highly ambiguous and does not settle the merits of the claims or a lack thereof, objections to the opinion were prepared. On 29 September 2020, a supplementary opinion was served concerning the objections filed by the Respondent. There were objections to the opinion and a complaint about the costs awarded to the Institute for its preparation (the complaint was not accepted by the Court). We are currently awaiting a notification stating that the opinion has been received by the Court.

For a detailed description of other court proceedings, see note no. 6.39 to the Consolidated Financial Statements for 2020.

8.3 Information on charity and sponsorship activities

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

We provide more information on our charity and sponsorship activities in our Sustainability Report, which is a separate component of the Consolidated Annual Report for 2020.

8.4 Distinctions, awards

Two consulting firms working for the construction industry, Deloitte and Spectis, have published reports on the largest companies operating in this industry in Poland. In both reports, the Unibep Group was ranked 6th in terms of its revenues in 2019. This is yet another report in the market that indicates the strong and stable position of the Unibep Group in the construction industry.

"Kaldnes Dockside bygg F" – in the multi-family residential building category and "Under the Sails Gdańsk Integration and Family House" – in the public utility building category won the contest organized by the Ministry of Climate, conducted as part of a campaign entitled "A House with Climate". The results of the contest were announced on 9 November 2020 during an

online conference entitled "Ecosphere". Both projects were carried out by Unihouse SA.

The Unibep Group ranked 6th in the Builder magazine's ranking of the 100 largest general contracting companies by revenue in 2019. The ranking was prepared by the magazine's editorial team in cooperation with PwC Polska and Bisnode Polska.

The Unibep Group has been ranked 3rd in the Golden Hundred Companies of Podlasie ranking. This was already the 17th edition of this business ranking, which is organised by "Kurier Poranny", one of the most important daily newspapers published in north-eastern Poland.

3rd place among construction companies, 74th place on the list of 300 Best Polish Employers - this is Unibep SA's position in the Best Polish Employers ranking. The list, published by the monthly magazine "Forbes", was based, among others, on the opinions of the employees of individual companies. Statista, the co-author of the best known "Best Employers" rankings in the world, was the substantive partner of the ranking.

8.5 Information on the Sustainability Report

The Company informs that the Sustainability Report, which contains information on non-financial data, in particular on environmental policy, human resources, and construction safety issues, is a separate document provided to the public as part of the 2020 annual interim report.

9. REPRESENTATIONS OF THE MANAGEMENT BOARD

To the best of our knowledge, the financial statements of UNIBEP SA (separate and consolidated, respectively) for the 12-month period ending on 31 December 2020, and the comparable data, were prepared in compliance with the applicable accounting principles and reflect in a true, fair, and transparent manner the economic and financial position, and the financial result of Unibep and the Unibep Group, and this Management Board's Report offers a true picture of the development, achievements, risks and hazards, and situation of the Issuer and its Group, including a description of the primary hazards and risks.

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

Based on the representations of the Supervisory Board of Unibep SA on the selection of the audit firm responsible for auditing the annual financial statements in accordance with the regulations, including the se-

lection and the procedure of selection of the audit firm, the Management Board of Unibep SA hereby declares that:

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

SIGNATURES OF MANAGING PERSONS

This Management Board's Report on operations was drawn up and accepted for publication by the Management Board of UNIBEP SA, on 19 April 2021.

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

.....
Adam Poliński
 Member of the
 Management Board



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