Brønnøysundregistrene

Årsregnskap for regnskapsåret 2019

Organisasjonsnr:	994 859 242
Navn/foretaksnavn:	UNIHOUSE ODDZIAL UNIBEP W BIELSKU-PODLASKIM
Forretningsadresse:	ul. 3 maja 19 17-100 Bielsk -Podlaski

Brønnøysundregistrene
16.12.2021

2020 .100501

Brønnøysundregistrene – Regnskapsregisteret

VEDLEGG TIL ÅRSREGNSKAP 2019

UNIHOUSE ODDZIAL UNIBEP W BIELSKU-PODLASKIM
c/o Polish Connection
Hovfaret 8
0275 OSLO

Organisasjonsnr.
994 859 242

NUF

Registrerte opplysninger per 30.11.2020		Eventuelle endringer dette regnskapsåret	
Startdato	Avslutningsdato	Startdato	Avslutningsdato
01.01.2019	31.12.2019		
Konsernforhold: Foreninger som følger regler for frivillig virksomhet, kan ikke være morselskap	Morselskap: NEI	Endret konsernforhold: ☐ Morselskap	☐ Ikke morselskap

Kun for aksjeselskap som har meldt fravalg av revisjon

Selskapet har besluttet at årsregnskapet ikke skal revideres ☐ Ja

Årsregnskapet er utarbeidet av ekstern autorisert regnskapsfører ☐ Ja

Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet ☐ Ja

Årsregnskapet er satt opp etter reglene for frivillig virksomhet ☐ Avkrysning er kun aktuelt for foreninger (FLI) som er registrert i Frivillighetsregisteret

Hvis enheten ikke følger norsk regnskapslov eller frivillighetsregisterloven, kryss av ☐ IFRS selskap ☐ IFRS konsern

Hvis enheten velger å avvike fra regnskapsloven § 6-1, kryss av ☐ Funksjon selskap ☐ Funksjon konsern

Følges regnskapsreglene for små foretak? ☐ Ja ☒ Nei

Jeg bekrefter at vedlagte årsregnskap er fastsatt av kompetent organ den **Dato**

Sted/dato, Underskrift av representant for enheten

Emot

Bare til bruk for Regnskapsregisteret

UTL4

G ☒ NYVE ☐ Admr ☐ Kregn Ja ☐ Nei ☒ Aktiv. regn ☐

M ☐ Rets ☐ Ant.s 272

☐ ov.b ☐ årsb ☐ res ☐ bal ☐ e.bal ☐ gj.bal ☐ rev ☐ i-rev ☐ k-res ☐ k-bal ☐ k-n ☐ k-rev ☐ i-k-rev ☐ n

☐ k-regn ☐ kto ☐ d.k ☐ ik-fv ☐ konsf ☐ ifrs ☐ fr-rev ☐ ☐ ☐ ☐ ☐ ☐ funk ☐ u.off ☐ brev

BR-1001-11

Organisasjonsnr: 994 859 242
UNIHOUSE ODDZIAL UNIBEP W
BIELSKU-PODLASKIM

RESULTATREGNSKAP

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		3 202 613 766	3 156 444 161
Sum inntekter		**3 202 613 766**	**3 156 444 161**
Kostnader			
Varekostnad		807 793 732	825 565 652
Lønnskostnad		227 929 301	198 163 431
Avskrivninger		21 968 397	15 650 186
Annen driftskostnad		2 057 627 770	2 097 285 592
Sum kostnader		**3 115 319 200**	**3 136 664 861**
Driftsresultat		**87 294 566**	**19 779 300**
Finansinntekter og finanskostnader			
Annen renteinntekt		9 306 040	10 506 249
Annen finansinntekt		1 675 937	19 041 053
Sum finansinntekter		**10 981 977**	**29 547 302**
Annen rentekostnad		20 752 952	12 735 314
Annen finanskostnad		3 502 985	1 678 149
Sum finanskostnader		**24 255 937**	**14 413 463**
Netto finans		**-13 273 960**	**15 133 839**
Ordinært resultat før skattekostnad		**74 020 606**	**34 913 139**
Skattekostnad på ordinært resultat		14 160 183	7 345 183
Ordinært resultat etter skattekostnad		**59 860 423**	**27 567 956**
Ekstraordinære poster		-21 420 356	-6 654 506
Årsresultat		**38 440 067**	**20 913 450**
Årsresultat etter minoritetsinteresser		**38 440 067**	**20 913 450**
Overføringer og disponeringer			
Udekket tap			20 913 450
Overføring til annen egenkapital		38 440 067	
Sum overføringer og disponeringer		**38 440 067**	**20 913 450**

-

Organisasjonsnr: 994 859 242
UNIHOUSE ODDZIAL UNIBEP W
BIELSKU-PODLASKIM

BALANSE

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker o.l.		7 427 764	24 083 843
Goodwill		13 043 481	13 018 713
Sum immaterielle eiendeler		**20 471 245**	**37 102 556**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		23 940 390	120 486 311
Maskiner og anlegg		17 205 076	38 651 817
Driftsløsøre, inventar, verktøy, kontormaskiner o. l.		5 859 502	21 966 421
Sum varige driftsmidler		**47 004 968**	**181 104 549**
Finansielle anleggsmidler			
Investeringer i aksjer og andeler		361 393 396	248 325 670
Andre langsiktige fordringer		351 103 060	233 580 214
Sum finansielle anleggsmidler		**712 496 456**	**481 905 884**
Sum anleggsmidler		**779 972 669**	**700 112 989**
Omløpsmidler			
Varer			
Varer		43 295 384	75 884 215
Sum varer		**43 295 384**	**75 884 215**
Fordringer			
Kundefordringer		451 158 995	538 455 586
Andre kortsiktige fordringer		271 282 851	451 528 523
Sum fordringer		**722 441 846**	**989 984 109**
Investeringer			
Andre finansielle instrumenter		1 455 742	4 830 962
Sum investeringer		**1 455 742**	**4 830 962**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o. l.		330 252 627	100 771 678
Sum bankinnskudd, kontanter og lignende		**330 252 627**	**100 771 678**

Sum omløpsmidler	**1 097 445 599**	**1 171 470 964**
SUM EIENDELER	**1 877 418 268**	**1 871 583 953**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital		
Innskutt egenkapital		
Selskapskapital	8 126 567	8 111 136
Overkurs	425 039 330	470 297 573
Sum innskutt egenkapital	**433 165 897**	**478 408 709**
Opptjent egenkapital		
Annen egenkapital	38 440 067	
Udekket tap		6 792 422
Sum opptjent egenkapital	**38 440 067**	**-6 792 422**
Sum egenkapital	**471 605 964**	**471 616 287**
Gjeld		
Langsiktig gjeld		
Utsatt skatt	42 975	1 407 851
Sum avsetninger for forpliktelser	**42 975**	**1 407 851**
Annen langsiktig gjeld		
Gjeld til kredittinstitusjoner	187 053 770	119 447 194
Øvrig langsiktig gjeld	182 761 596	180 138 515
Sum annen langsiktig gjeld	**369 815 366**	**299 585 709**
Sum langsiktig gjeld	**369 858 341**	**300 993 560**
Kortsiktig gjeld		
Leverandørgjeld	445 899 446	501 368 239
Betalbar skatt	3 086 687	886 277
Annen kortsiktig gjeld	586 967 830	596 719 590
Sum kortsiktig gjeld	**1 035 953 963**	**1 098 974 106**
Sum gjeld	**1 405 812 304**	**1 399 967 666**
SUM EGENKAPITAL OG GJELD	**1 877 418 268**	**1 871 583 953**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Journalnummer:	2020 972348

Enheten

Organisasjonsnummer:	994 859 242
Organisasjonsform:	Norskreg. utenlandsk foretak
Foretaksnavn:	UNIHOUSE ODDZIAL UNIBEP W BIELSKU-PODLASKIM
Forretningsadresse:	ul. 3 maja 19 17-100 Bielsk -Podlaski

Regnskapsår

Årsregnskapets periode:	01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	LESZEK MAREK GOLABIECKI
Dato for fastsettelse av årsregnskapet:	13.11.2020

Grunnlag for avgivelse

År 2019: Årsregnskap er elektronisk innlevert.
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019.

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 30.11.2020

Brønnøysundregistrene
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Telefoner: Opplysningstelefonen 75 00 75 00 Administrasjonen 75 00 75 09 Telefaks 75 00 75 05
E-post firmapost@brreg.no Internett www.brreg.no
Organisasjonsnummer: 974 760 673

grupa unibep

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Compiled in accordance with the International Financial Reporting Standards

www.unibep.pl

Bielsk Podlaski, 2 April 2020

(amounts in the tables are expressed in PLN unless otherwise stated)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	as at 31.12.2019	as at 31.12.2018
ASSETS			
LONG-TERM FIXED ASSETS			
Fixed assets	6.1	117,655,186.83	93,915,469.42
Intangible assets	6.2	25,130,950.54	27,093,793.66
Available-for-sale financial assets		100.00	258,150.00
Investments in entities measured using equity method	6.30	28,842,986.87	8,839,221.97
Deposits under contracts with clients	6.18	34,094,667.36	46,764,782.59
Loans granted	6.9	-	6,457,970.23
Financial assets measured at fair value by WF/ICD		31,677.61	1,687,696.44
Long-term prepayments	6.8	3,084,857.76	2,509,675.04
Deferred income tax assets	6.16	37,727,998.00	37,346,195.00
Total (long-term) fixed assets		**246,568,424.97**	**224,872,954.35**
SHORT-TERM CURRENT ASSETS			
Inventory	6.6	261,263,592.37	225,182,504.86
Trade receivables and other receivables	6.4	213,341,540.43	252,492,929.63
Deposits under contracts with clients	6.18	23,062,098.81	42,120,139.91
Contractual assets	6.17	124,445,233.95	104,817,928.21
Current income tax receivables		2,507,262.12	16,005,469.79
Financial assets measured at fair value by WF/ICD		628,233.31	2,088,793.69
Loans granted	6.9	51,708,970.65	29,878,330.88
Short-term prepayments	6.8	3,536,878.69	2,589,153.34
Cash and cash equivalents	6.7	178,374,337.04	56,182,453.01
Total (short-term) current assets		**858,868,147.37**	**731,357,703.32**
TOTAL ASSETS		**1,105,436,572.34**	**956,230,657.67**

(amounts in the tables are expressed in PLN unless otherwise stated)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	as at 31.12.2019	as at 31.12.2018
LIABILITIES			
Equity			
Share capital		3,507,063.40	3,507,063.40
Exchange differences on translation of foreign entities		-	-3,936.57
Other capitals, including:	6.10.	215,438,494.87	207,082,774.98
Supplementary capital from sales of shares at premium		60,905,278.22	60,905,278.22
Retained earnings (loss)		51,892,592.56	47,920,560.80
Equity attributable to parent company's shareholders		**270,838,150.83**	**258,506,462.61**
Equity attributable to non-controlling interests		5,890,206.14	5,149,261.59
Total equity		**276,728,356.97**	**263,655,724.20**
Long-term liabilities			
Credits, loans and other financial liabilities – long-term	6.12	102,983,412.40	67,952,074.13
Long-term provisions	6.14	32,853,231.66	30,891,161.21
Deposits under contracts with clients	6.18	50,185,312.33	48,744,915.67
Deferred revenues – long-term	6.19	897,309.84	608,721.46
Provisions for deferred income tax	6.16	5,070,980.00	1,826,566.00
Total long-term liabilities		**191,990,246.23**	**150,023,438.47**
Short-term liabilities			
Trade liabilities and other liabilities	6.15	250,340,577.96	235,105,690.50
Deposits under contracts with clients	6.18	47,478,892.87	46,953,614.22
Contractual obligations	6.17	168,426,363.36	90,388,906.89
Credits, loans and other financial liabilities – short-term	6.12	30,718,393.17	51,470,116.07
Current income tax liabilities		4,854,104.81	826,681.12
Short-term provisions	6.14	134,811,738.28	117,758,861.50
Deferred revenues – short-term	6.19	87,898.69	47,624.70
Total short-term liabilities		**636,717,969.14**	**542,551,495.00**
TOTAL LIABILITIES		**1,105,436,572.34**	**956,230,657.67**

Accounting value	270,838,150.83	258,506,462.61
Number of shares	33,070,634	34,070,634
Accounting value per share (in PLN)	8.19	7.59

(amounts in the tables are expressed in PLN unless otherwise stated)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	01.01-31.12.2019	01.01-31.12.2018
Operating activities			
Revenues from contracts with clients, including:	6.21	**1,659,657,628.18**	**1,658,622,328.70**
- from sales transactions for which the value of revenues was not finally determined as at the end of the reporting period (IFRS 15)		-4,644,004.92	-591,713.27
Costs of products, goods and materials sold	6.22	**1,530,482,686.79**	**1,562,507,813.65**
Gross profit (loss) on sales		**129,174,941.39**	**96,114,515.05**
Selling costs	6.20	8,428,348.44	9,274,322.82
General and administrative costs	6.20	53,742,860.80	46,296,410.15
Other operating revenues	6.23	7,149,053.49	8,607,891.48
Other operating expenses	6.23	21,831,125.80	8,044,307.64
Expected credit losses	6.23	12,354,123.73	6,325,940.77
Profit (loss) on operational activities		**39,967,536.11**	**34,781,425.15**
Financial revenues	6.24	4,826,599.86	4,788,722.44
- including, interest calculated using the effective interest rate		3,594,180.61	3,587,539.05
Financial expenses	6.24	12,472,232.26	5,955,250.90
Share in net profits (losses) of subsidiary units measured using the equity method		6,505,966.46	3,753,739.73
Pre-tax profit (loss)		**38,827,870.17**	**37,368,636.42**
Income tax	6.16	8,774,682.70	9,804,211.12
Net profit (loss) on continuing operations		**30,053,187.47**	**27,564,425.30**
Net profit (loss)		**30,053,187.47**	**27,564,425.30**
of which attributable to:			
shareholders of parent company		29,327,692.99	26,253,551.48
non-controlling interests		725,494.48	1,310,873.82

Net profit/loss on continuing operations, of which:	**30,053,187.47**	**27,564,425.30**
Net profit/loss attributable to the shareholders of the parent company	29,327,692.99	26,253,551.48
non-controlling interests	725,494.48	1,310,873.82
Net profit/loss attributable to entity's shareholders per share (in PLN)	0.88	0.77
Net profit/loss diluted attributable to entity's shareholders per share (in PLN)	0.88	0.77

	01.01-31.12.2019	01.01-31.12.2018
Net profit (loss)	**30,053,187.47**	**27,564,425.30**
Other comprehensive income to be reclassified to profit or loss under specified conditions:		
Exchange differences on translation of foreign entities	3,936.57	-189.22
Effective portion of changes in fair value of cash flows hedges	-3,125,228.86	-2,992,499.96
Income tax relating to items that may be reclassified in later periods	593,793.00	568,575.00
Other comprehensive income not to be reclassified to profit or loss:		
Actuarial gains (losses) on defined benefit plans	-439,463.00	-199,777.00
Income tax relating to items not to be reclassified in later periods	83,497.00	37,958.00
Total other post-tax comprehensive income	**- 2,883,465.29**	**- 2,585,933.18**
Total comprehensive income	**27,169,722.18**	**24,978,492.12**
of which attributable to:		
shareholders of parent company	26,444,227.70	23,667,618.30
Non-controlling interests	725,494.48	1,310,873.82

(amounts in the tables are expressed in PLN unless otherwise stated)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period 01.01.2019 - 31.12.2019

	Share capital	Exchange differences on translation of foreign entities	Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from sales of shares at premium	Previous years' profit (loss)	Current net profit (loss)	Total	Equity of non-controlling shareholders	Equity total
As at 1 JANUARY 2019	3,507,063.40	-3,936.57	2,285,772.00	35,613,714.68	108,278,010.08	60,905,278.22	21,667,009.32	26,253,551.48	258,506,462.61	5,149,261.59	263,655,724.20
- transfer of previous year's profit to retained earnings	-	-		-	-		26,253,551.48	-26,253,551.48			
- profit sharing	-	-		-	31,286,102.73		-31,286,102.73	-			
- profit sharing for dividend	-	-		-	-		-7,275,539.48	-	-7,275,539.48		-7,275,539.48
- allocation of supplementary capital to cover losses	-	-		-	-13,205,980.98		13,205,980.98	-			
- buy-back of own shares from reserve capital	-	-		-6,837,000.00	-		-	-	-6,837,000.00	15,450.07	-6,821,549.93
- current year profit or loss	-	-		-	-		-	29,327,692.99	29,327,692.99	725,494.48	30,053,187.47
- other comprehensive income	-	3,936.57	-2,887,401.86	-	-		-	-	-2,883,465.29	-	-2,883,465.29
As at 31 DECEMBER 2019	3,507,063.40		-601,629.86	28,776,714.68	126,358,131.83	60,905,278.22	22,564,899.57	29,327,692.99	270,838,150.83	5,890,206.14	276,728,356.97

For the period 01.01.2018 - 31.12.2018

	Share capital	Exchange differences on translation of foreign entities	Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from sales of shares at premium	Previous years' profit (loss)	Current net profit (loss)	Total	Equity of non-controlling shareholders	Equity total
AS AT 31 DECEMBER 2017	3,507,063.40	- 3,747.35	4,871,515.96	35,613,714.68	94,605,024.86	60,905,278.22	28,589,201.63	25,777,923.08	253,765,974.48	3,838,387.77	257,604,362.25
- the effect of applying of IFRS 9	-	-	-	-	-	-	- 2,674,323.24	-	- 2,674,323.24	-	- 2,674,323.24
- the effect of applying of IFRS 15 for the first time	-	-	-	-	-	-	- 9,438,680.13	-	-9,438,680.13	-	-9,438,680.13
AS AT 1 JANUARY 2018	3,507,063.40	- 3,747.35	4,871,515.96	35,613,714.68	94,505,024.86	60,905,278.22	16,476,198.26	25,777,923.08	241,652,971.11	3,838,387.77	245,491,358.88
- transfer of previous year's profits or losses to retained earnings							25,777,923.08	- 25,777,923.08		-	
- profit sharing					24,693,619.90	-	-24,693,619.90	-		-	
- profit sharing for dividend							- 5,518,475.02	-	- 5,518,475.02	-	- 5,518,475.02
- allocation of supplementary capital to cover losses					-9,624,982.90		9,624,982.90	-		-	
- allocation of the reserve capital for the payment of dividend					-1,295,651.78		-	-	- 1,295,651.78	-	- 1,295,651.78
- current year profit or loss					-		-	26,253,551.48	26,253,551.48	1,310,873.82	27,564,425.30
- other comprehensive income	-	- 189.22	- 2,585,743.96	-	-	-	-	-	- 2,585,933.18	-	- 2,585,933.18
AS AT 31 DECEMBER 2018	3,507,063.40	-3,936.57	2,285,772.00	35,613,714.68	108,278,010.08	60,905,278.22	21,667,009.32	26,253,551.48	258,506,462.61	5,149,261.59	263,655,724.20

(amounts in the tables are expressed in PLN unless otherwise stated)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	01.01.-31.12.2019	01.01.-31.12.2018
Cash flows from operating activities		
I. Gross profit (loss)	38,827,870.17	37,368,636.42
II. Total adjustments:	146,699,075.16	-148,405,774.76
1. Amortisation:	15,873,520.66	10,530,247.18
2. Exchange gains (losses)	-255,437.29	-649,538.26
3. Interest and profit sharing (dividends)	4,437,716.16	3,994,276.36
4. Profit (loss) on investment activities	829,017.14	-947,915.23
5. Change in provisions	18,677,265.23	4,520,134.34
6. Change in inventory	-28,399,231.31	-31,723,347.35
7. Change in receivables	50,472,101.10	-19,840,167.08
8. Change in short-term liabilities, excluding financial liabilities	73,818,208.72	-26,440,983.04
9. Change in prepayments and accruals	-917,017.98	-60,492,484.41
10. Other adjustments	-129,482.83	-377,216.97
11. Income tax paid/refunded	12,292,415.56	-26,978,780.30
Net cash from operating activities	**185,526,945.33**	**-111,037,138.34**
Cash flows from investment activities		
Purchase of tangible fixed assets in use and intangible assets	-4,868,506.22	-18,780,790.90
Inflows from sales of tangible fixed assets in use and intangible assets	913,292.65	513,971.60
Inflows from sales of shares	2,056,350.00	6,950,000.00
Purchase of shares, stocks and other capital assets (including capital contributions)	-8,329,634.46	-2,501,000.00
Received interest	2,288,546.60	3,210,752.53
Dividends obtained	11,202,201.58	16,617,484.00
Loans repaid	961,821.70	17,297,509.38
Loans granted	-23,904,139.96	-40,922,369.61
Other (including execution of derivative instruments)	586,690.08	-337,168.75
Net cash from investment activities	**-19,093,378.03**	**-17,951,611.75**
Cash flows from financing activities		
Inflows from loans, credits, bonds and notes	141,130,241.60	79,459,021.66
Repayment of loans, credits, bonds and notes	-153,439,676.56	-42,090,322.46
Purchase of own shares	-7,190,000.00	-
Payment of liabilities arising from lease contracts	-7,730,046.33	-4,186,019.89
Interest paid	-9,547,304.28	-7,908,196.14
Dividends paid	-7,515,539.48	-6,814,126.80
Net cash from financial activities	**-44,292,325.05**	**18,460,356.37**
Net change in cash	**122,141,242.25**	**-110,528,393.72**
including:		
- exchange rates differences	186,469.92	140,654.56
Opening balance of cash	**56,046,624.87**	**166,570,192.17**
Closing balance of cash	**178,187,867.12**	**56,041,798.45**
- including: of limited disposability	23,280,006.30	10,447,608.60

Explanations to the cash flow statement are included in Note 6.28.

1. General information

1.1. Information on the Group and its activities

The UNIBEP capital group was established in 2004 as a result of the establishment of the limited liability company UNIHOUSE, in which 100% of the capital was acquired by UNIBUD BEP Sp. z o.o. (currently UNIBEP S.A.).

As at 31.12.2019, the UNIBEP Group comprised the following entities: Unidevelopment S.A., Budrex- Kobi Sp. z o.o., UNEX Costruction Sp. z o.o., Unibep PPP Sp. z o.o., Unihouse S.A., Seljedalen AS, Lovsetvegen 4 AS, MP Sp. z o.o., MP Sp. z o.o. Sp.k., Idea Sp. z o.o., Idea Sp. z o.o. Sp.k., UDM Sp. z o.o., Lykke Sp. z o.o., Czarnieckiego MP Sp. z o.o. Sp.k., Unigo Sp. z o.o., UNIDE FIZ (Fundusz Inwestycyjny Zamknięty), GN INVEST UDM Sp. z o.o. S.K.A., G81 UDM Sp. z o.o. S.K.A., Unibalaton Sp. z o.o., Unibalaton UDM Sp. z o.o. S.K.A., Lykke UDM Sp. z .o.o. S.K.A., Kondratowicza UDM Sp. z o.o. S.K.A., Hevelia UDM Sp. z o.o. S.K.A., Szczęśliwicka Sp. z o.o., Smart City Sp. z o.o. Sp.k., Monday Development S.A., Bukowska Sp. z o.o., Sokratesa Sp. z o.o., Osiedle Idea Sp. z .o.o., Osiedle Marywilska Sp. z o.o., Monday Sołacz Sp. z o.o., Bukowska 18 MP Sp. z o.o. Sp.k., Zielony Sołacz Tarasy MP Sp. z o.o. Sp.k., Monday Kosmonautów MP Sp. z o.o. Sp.k., URSA PARK Smart City Sp. z o.o., Sp.k. Wiepofama Development Sp. z o.o., Wiepofama Development Sp. z o.o. Sp.k., Coopera IDEA Sp. z o.o. Sp.k., Mickiewicza Idea Sp. z o.o. Sp.k., Asset Idea Sp. z o.o. Sp.k., UNI1 Idea Sp. z o.o. Sp.k., MD Inwestycje Sp. z o.o., MD Inwestycje Sp. z o.o., Monday Mate Garbary Sp.k..

A diagram of the UNIBEP Group is presented in section 2.1.

Changes in the UNIBEP Group composition as compared to the information presented in previous reports are discussed in sections 2.1., 6.30. and 6.31.

The parent company UNIBEP S.A. is registered in the District Court in Białystok, 12th Commercial Department of the National Court Register in the Register of Entrepreneurs under number 0000231271. The Company holds tax identification number (NIP) 543-02-00-365 and statistical identification number (REGON) 000058100. The registered office of the Company is in Bielsk Podlaski at ul. 3 Maja 19.

According to the Polish Classification of Activities, the core business of the parent company is the performance of general construction work related to the erection of buildings in Poland and abroad.

The Group's activity includes a wide range of construction and assembly services, road construction, development, manufacturing and other activities.

1.1. Basis for preparation of financial statements

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as "EU IFRS".
EU IFRS include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for use in the EU.

When preparing the financial statements for 2019, the Group applied the same accounting principles as when preparing the annual financial statements for 2018 except for changes to the standards as well as new standards and interpretations approved by the European Union binding for the reporting periods which begin on or after 1 January 2019. In 2019, the Group adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Board, approved for use in the EU, applying to the Group's activity and binding for the reporting periods from 1 January 2019.

The financial statements were prepared based on the historical cost principle, except for derivative financial instruments measured at fair value and assets measured at fair value through other comprehensive income, in accordance with the *Accounting Principles* presented below. These consolidated financial statements, except for the consolidated cash flow statement, were prepared on an accrual basis.

The financial statements present financial data for the period from 1 January 2019 to 31 December 2019 and comparable financial data for the period from 1 January 2018 to 31 December 2018.
These consolidated financial statements have been prepared based on the assumption that the Group will continue its business activity in the foreseeable future. As at the signing of these financial statements, the Management Board of parent company is not aware of any facts or circumstances which would imply a threat to the Company continuing as a going concern for a period of at least 12 months of the balance sheet date due to an intended or forced discontinuance or material limitation of its activity.

1.2. Functional currency and presentation currency of the financial statements

The functional currency of the parent company and the presentation currency of these separate financial statements is Polish zloty (PLN). All amounts in these consolidated financial statements are presented in Polish zlotys, unless indicated otherwise.

1.3. Changes to IFRS

Changes to the existing standards applied for the first time in the Group's financial statements for 2019

The following new standards, changes to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in the Group's financial statements for 2019:

- **IFRS 16 "Leases"** approved in the EU on 31 October 2017 (effective for the annual periods beginning on or after 1 January 2019);
- **Changes to IFRS 9 "Financial Instruments"** – Prepayment features with negative compensation – approved in the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to IAS 19 "Employee Benefits"** – Plan amendment, curtailment or settlement – approved in the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term interests in associates and joint ventures approved in the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to different standards "Improvements to IFRS (2015-2017 cycle)"** – changes made as part of the procedure of making annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) aimed mainly at resolving inconsistencies and clarifying terminology – approved in the EU on 14 March 2019 (effective for the annual periods beginning on or after 1 January 2019);
- **Interpretation of IFRIC 23 "Uncertainty over Income Tax Settlement"** – approved by the EU on 23 October 2018 (effective for the annual periods beginning on or after 1 January 2019).

Section 1.4 describes the effect of applying of IFRS 16 on the financial statements. As at the date of publication of these financial statements, no significant effect of other new standards and interpretations on the financial statements was found.

New standards and amendments to existing standards which have already been issued by the IASB and endorsed by the EU but are not yet in force.

By approving these financial statements, the following new standards were issued by the IASB and approved for application in the EU, but have not yet come into force:

- **Changes to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of materiality – approved in the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- **Changes to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Reform of the Reference Interest Rate – approved in the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- **Changes to references to the conceptual framework in IFRS** – approved in the EU on 29 November 2019 (effective for the annual periods beginning on or after 1 January 2020).

New standards and changes to the existing standards issued by the IASB but not yet approved for application in the EU

At present, the IFRS, in the form approved by the EU, do not differ in a significant way from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and changes to standards, which as at the date of publication of these financial statements have not yet been approved for application in the EU (the following effective dates refer to the full versions of the standards):

- **IFRS 17 "Insurance Contracts"** – (effective for annual periods commencing on or after 1 January 2021);
- **Changes to IFRS 3 "Business Combinations"** – definition of a business (applicable to mergers where the acquisition date falls at the beginning of the first annual period beginning on or after 1 January 2020 and to the acquisition of assets which took place on or after the date of the beginning of the aforementioned annual period);
- **Changes to IAS 1 "Presentation of Financial Statements"** – Classification of liabilities as short-term or long-term (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to commence the process of approving this temporary standard for application in the EU until the final version of IFRS 14 is issued;
- **Changes to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sales or contribution of assets between an investor and its associate or joint venture and subsequent changes (the effective date of the changes was deferred until the completion of research on the equity method).

According to the estimates of the Group's companies, the above-mentioned new standards and changes to the existing standards would have had no material effect on the financial statements had they been applied by the Group as at the balance sheet date.

The hedge accounting for the portfolio of financial assets and liabilities whose principles have not been approved for application in the EU is still outside the scope of regulations approved by the EU.

According to the Group's estimates, the application of hedge accounting for a portfolio of financial assets or liabilities in accordance with **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have a material effect on the financial statements had they been adopted for application as at the balance sheet date.

1.4. EFFECT OF APPLYING OF NEW STANDARDS ON THE FINANCIAL STATEMENTS

IFRS 16 "Leases"

IFRS 16 is effective for periods beginning on or after 1 January 2019 and has been adopted by the European Union. It replaced IAS 17 and Interpretation of IFRIC 4, SIC 15,27. The Group has been applying IFRS 16 from 1 January 2019.

The new standard has introduced a single model for recognising leases in the lessee's accounting records, consistent with the recognition of financial lease under IAS 17. Under IFRS 16, a contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period for remuneration.

The essential element that differs from the definitions of leases in IAS 17 and IFRS 16 is the requirement to exercise control over a specific asset in use, either directly or by implication.

A transfer of the right to control of the use takes place when there is an identified asset for which the lessee is entitled to virtually all economic benefits and the right to manage the use of the asset over a given period. If the definition of a lease is met, the right to use the asset is recognised together with the corresponding lease liability established at the amount of discounted future payments over the lease term, except for short-term leases (up to 12 months) and leases where the underlying asset is of low value (below PLN 20,000). Expenses related to the use of leased assets, previously included in costs of external services, will now be classified as depreciation and interest expenses.

In connection with the application of IFRS 16 as of 1 January 2019, contracts under which assets owned by other entities are used were selected and analysed with a view to meeting the criteria for recognition as a lease under IFRS 16.

In accordance with the possibility allowed by the standard, the new rules were adopted retrospectively with reference to the cumulative initial effect to retained earnings from previous years. Therefore, the comparative data for the financial year 2018 were not restated in accordance with the modified retrospective approach.

As a result of the analysis, the following groups of contracts were identified which would require a different recognition in the accounting records than before:

1. Right of perpetual usufruct of land
2. Long-term lease contracts

The Group includes the right-of-use assets within the same reporting item under which assets would be presented if they were owned by the lessee and therefore they are presented in the "Tangible fixed assets in use" note, in the "Right-of-use assets" item (these are: lease contracts for office space, machines and equipment, vehicles, other tangible fixed assets in use and the right of perpetual usufruct of land used for the Group's own needs). The Group qualifies the right of perpetual usufruct of land on the implemented development projects in inventories and shows it as an asset in the inventory note under the line "Right-of-use assets".

Right-of-use assets are subject to depreciation, and interest on lease liabilities is charged to financial expenses (except for the right of perpetual usufruct of land recognised in inventory). The Group recognises long- and short-term lease liabilities, respectively, on the other side. Costs related to the lease of perpetual usufruct of land during the development project are charged to inventory (payments for perpetual usufruct of land have so far been capitalised in inventory). The above allocation method is related to the fact that it applies to land on which the Group implements development projects, which are subject to adjustments (including land development, obtaining development conditions, removing legal defects, etc.). In connection with the entry into force of the Act on transformation of the right of perpetual usufruct of developed land for housing purposes into the right of ownership of such land, the Group treats transformation fees analogously to fees for perpetual usufruct.

As at the date of implementation of IFRS 16, the Group made estimates and applied its judgements in order to determine the effect of the above IFRS on its lease liabilities and right-of-use assets. This mainly concerned the discount rate adopted for the valuation of liabilities and the duration of the leases (including the possibility of prolonging or early termination of the lease contract). Estimates that affect subsequent reporting periods also include the depreciation rate and residual value adopted for individual assets.

The Group took advantage of simplifications concerning short-term leases (less than 12 months) and leases with respect to which the underlying asset has a low value (below PLN 20,000). No financial liabilities and related right-of-use assets were recognised for these contracts. Lease payments in such a situation are recognised as expenses on a straight-line basis over the lease term.

(amounts in the tables are expressed in PLN unless otherwise stated)

Other simplifications allowed by the standard, which the Group has used are the following:

1. Application of a single discount rate to a portfolio of lease contracts with similar characteristics;
2. Exclusion of initial direct costs for the measurement of right-of use assets at the date of initial application;
3. To base this assessment on its own judgement as to whether the leases are onerous in accordance with IAS 37 immediately before the date of first application, as an alternative to an impairment assessment,
4. Using the time horizon (using the knowledge gained after the fact) in determining the lease term if the contract includes options to extend or terminate the lease.

In order to calculate the discount rates for the purposes of IFRS 16, the Group assumed that the discount rate should reflect the financing expenses that would be incurred to purchase the leased item.

In order to estimate the discount rate, the Group took into account the type, duration, currency and potential margin it would pay to financial institutions to obtain financing. The weighted average discount rate applied by the Group companies is 6.47%.

Following the adoption of IFRS 16, the Group recognises lease liabilities relating to contracts that were previously classified as operating leases in accordance with IAS 17 Leases. These liabilities were measured at the present value of lease payments outstanding at the date of application of IFRS 16. Right-of-use assets at the date of first application, in the case of leases previously classified as operating leases in accordance with IAS 17, were measured by the Group at an amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to the lease, recognised in the statements of financial position immediately before the date of first application, and in the case of the right of perpetual usufruct of land acquired on a secondary market- by the acquisition price paid.
Liabilities under the lease of the rights of perpetual usufruct of development land are presented in short-term liabilities, which is related to the so-called operating cycle of sales of inventories (current assets). At the moment of handing over the obligation to pay for perpetual usufruct or transformation fee in the form of notarial deeds of sales of finished products, the obligation to pay for perpetual usufruct or transformation fee is transferred to the purchaser of the share in the land belonging to the premises sold. Until now, this asset and liability under the lease of the right of perpetual usufruct of development land remains in the balance sheet of the Group's companies.

Effect on the statements of financial position

The effect of the implementation of IFRS 16 on the recognition of additional financial liabilities and related right-of-use assets as at 1 January 2019 is presented in the table below:

STATEMENTS OF FINANCIAL POSITION

	31.12.2018 (IAS 17)	effect of IFRS 16	01.01.2019 (IFRS 16)
ASSETS			
Fixed assets			
Tangible fixed assets in use	93,915,469.42	11,693,117.83	105,608,587.25
Intangible assets	27,093,793.66	-2,741,542.51*	24,352,251.15
Total	**121,009,263.08**	**8,951,575.32**	**129,960,838.40**
Fixed assets			
Tangible fixed assets in use	225,182,504.86	4,565,242.00	229,747,746.86
Intangible assets	**225,182,504.86**	**4,565,242.00**	**229,747,746.86**
Total	**346,191,767.94**	**13,516,817.32**	**359,708,585.26**
LIABILITIES			
Long-term liabilities			
Credits, loans and other financial liabilities	67,952,074.13	11,634,569.14	79,586,643.27
Short-term liabilities			
Credits, loans and other financial liabilities	51,470,116.07	1,882,248.18	53,352,364.25
Total liabilities	**119,422,190.20**	**13,516,817.32**	**132,939,007.52**

* applies to the right of perpetual usufruct of land

Effect on equity

The implementation of IFRS 16 had no effect on retained earnings and equity as at 1 January 2019 due to the recognition of right-of-use assets and lease liabilities in the same amount.

Effect on financial ratios

Due to the recognition of lease contracts in the statements of financial position, the implementation of IFRS 16 by the Group affected its financial ratios, including the debt to equity ratio and the debt to EBITDA ratio. Additionally, as a result of the implementation of IFRS 16, the measures of profit (including operating profit, EBITDA) and debt, as well as cash flows from operating activities were changed. The parent company has analysed the effect of these changes on fulfilling the financial covenants included in the credit contracts to which it is a party and no risk of their violation has been identified.

2. The basis for the preparation of the consolidated financial statements

2.1. Companies included in the consolidated financial statements

The UNIBEP Group, apart from the parent company UNIBEP S.A., comprises:

1. **Unidevelopment S.A.** with its registered office in Warsaw established on 09.04.2008 – notarial repertory deed no. 2235/2008 and registered on 29.04.2008 in the register of entrepreneurs under number 0000304859, Business Registry Number (REGON) 141412526, Tax Identification Number (NIP) 5213483781. On 30.04.2013, the change of the legal form of the Company from a limited liability company to a joint-stock company – KRS0000454437. The parent company UNIBEP S.A. holds 97.63% of the Company's shares. The parent company is consolidated using the full method.
2. **UNEX Construction Sp. z o.o.** with its registered office in Warsaw (formerly VIZELA Investments Sp. z o.o.). On 04.07.2011, UNIBEP S.A. took up 100% of shares in this company. The Company was registered in the National Court Register under the number 0000381511, Business Registry Number (REGON) 142872709, Tax Identification Number (NIP) 5272651352. The Company is consolidated using the full method.
3. **Budrex - Kobi Sp. z o.o.** with its registered office in Białystok, registered in the National Court Register under the number 0000073755, Business Registry Number (REGON) 051980964, Tax Identification Number (NIP) 9661544351. On 01.07.2015, UNIBEP S.A. acquired 100% of shares of this Company. On 20.12.2017, an increase in the share capital to PLN 430,000 took place. The Company implements bridge projects. The Company is consolidated using the full method.
4. **UNIBEP PPP Sp. z o.o.** with its registered office in Bielsk Podlaski. On 12.12.2017, UNIBEP S.A. took up 100% of shares in this company. The Company was registered in the National Court Register under the number 0000708771, Business Registry Number (REGON) 368966772, Tax Identification Number (NIP) 5432185055. The Company is consolidated using the full method.
5. **Unihouse S.A.** with its registered office in Bielsk Podlaski. On 01.04.2019, Unihouse S.A. was established in an organisation with its registered office in Bielsk Podlaski. The Company's equity amounted to PLN 100,000.00. On 01.07.2019, the Company was registered in the National Court Register under the name of Unihouse S.A. under the number 0000793054, Tax Identification Number (NIP) 5432187657, Business Registry Number (REGON) 383776590. On 01.11.2019, Unibep S.A. in exchange for the contribution in kind of the Organised Part of the Enterprise took up 21,500,000 new issue shares with the total nominal value of PLN 2,150,000.00. The capital increase was registered on 31.12.2019. The share capital on that day was PLN 2,250,000.00. Unibep S.A. is the sole owner of Unihouse S.A. The Company is consolidated using the full method.
6. **GN INVEST UDM Sp. z o.o. S.K.A.** with its registered office in Warsaw. The owners of the Company's shares are: UNIDE FIZ – 50,000 shares and UDM Sp. z o.o. – 50 shares. The Company is registered in the National Court Register under the number 0000439883, Business Registry Number (REGON) 015732154, Tax Identification Number (NIP) 5222732982. The Company is consolidated using the full method.
7. **G81 UDM Sp. z o.o. S.K.A.** with its registered office in Bielsk Podlaski. The owners of the Company's shares are: UNIDE FIZ – 19,000,000 shares and UDM Sp. z o.o. – 1,000 shares. The Company is registered in the National Court Register under the number 0000438708, Business Registry Number (REGON) 200452552, Tax Identification Number (NIP) 5432179652. The Company is consolidated using the full method.
8. **MP Sp. z o.o. Sp.k.** with its registered office in Poznań. Hevelia UDM Sp. z o.o. S.K.A. owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The shareholders' share in the Company's profits/losses is as follows: 99% – Hevelia UDM Sp. z o.o. S.K.A. and 1% – MP Sp. z o.o. The Company is registered in the National Court Register under the number 0000511235, Tax Identification Number (NIP) 9721235152, Business Registry Number (REGON) 301902400. The Company is consolidated using the full method.
9. **MP Sp. z o.o.** with its registered office in Poznań. Unidevelopment S.A. is the owner of 100% of shares of the Company. The Company is registered in the National Court Register under the number 0000394406, Tax Identification Number (NIP) 9721235146, Business Registry Number (REGON) 301902422. The Company is consolidated using the full method.
10. **Idea Sp. z o.o.** with its registered office in Warsaw. On 09.09.2011, Unidevelopment S.A. acquired joint control. Unidevelopment S.A. holds 50% of shares. The Company is consolidated using the full method. The Company is registered in the National Court Register under the number 0000226688, Tax Identification Number (NIP) 5213418163, Business Registry Number (REGON) 140696042. The Company is consolidated using the full method.
11. **Idea Sp. z o.o. Sp.k.** with its registered office in Warsaw. The purchase of the Company's shares by UNIDEVELOPMENT Sp. z o.o. took place on 09.09.2011. In 2012, Unidevelopment Sp. z o.o. on the basis of an amendment to the articles of association increased its share from profits to 48.99%. On 18.12.2015, Unidevelopment S.A. increased its share in profit/loss to 98%, Idea Sp. z o.o. holds 2% of shares. The Company is registered in the National Court Register under the number 0000362446, Tax Identification Number (NIP) 5213578406, Business Registry Number (REGON) 142567076. The Company is consolidated using the full method.
12. **UDM Sp. z o.o.** with its registered office in Warsaw. On 06.06.2012, Unidevelopment S.A. took up 99.34% of shares, and it became a 100% shareholder on 20.09.2012. The Company is registered in the National Court Register under the number 0000424904, Business Registry Number (REGON) 146180032, Tax Identification Number (NIP) 5213632838. The Company is consolidated using the full method.
13. **Lykke Sp. z o.o.** with its registered office in Warsaw. On 28.06.2012, Unidevelopment S.A. took up 99.90% of shares. On 15.01.2013, Unidevelopment S.A. increased its share to 100%. The Company is registered in the National Court Register under the number 0000428046, Tax Identification Number (NIP) 5213634406, Business Registry Number (REGON) 146233053. The Company is consolidated using the full method.
14. **Czarnieckiego MP Sp. z o.o. Sp.k.** with its registered office in Poznań. 99% of shares in the newly established Company were taken up by Unidevelopment S.A. On 23.04.2013, Unidevelopment S.A. increased its share to 100%. On 23.03.2015, Lykke UDM Sp. z o.o. S.K.A. became a 100% owner of the Company as a result of the acquisition of the increased capital in this Company by

Unidevelopment S.A., in exchange for shares held by Unidevelopment in Czarnieckiego Sp. z o.o. On 20.04.2015, Lykke UDM Sp. z o.o. S.K.A. sold 1 share in Czarnieckiego Sp. z o.o. to MP Sp. z o.o. On 11.06.2015, the District Court in Poznań Nowe Miasto and Wilda registered the transformation of Czarniecki Sp. z o.o. into Czarnieckiego MP Sp. z o.o. Sp.k. All partners of Czarnieckiego Sp. z o.o. participated in the transformation and thus no refunds of payments were made to the shareholders. As at the reporting date, the share in the Company's profits/losses is as follows: 99% – Lykke UDM Sp. z o.o. S.K.A. and 1% – MP Sp. z o.o. On 27.09.2012, the Company was registered in the National Court Register under the number 0000562385, Tax Identification Number (NIP) 5213637356, Business Registry Number (REGON) 146316030. The Company is consolidated using the full method.

15. **Unigo Sp. z o.o.** with its registered office in Warsaw. 100% of shares in the newly established Company were taken up by Unidevelopment S.A. On 30.10.2012, the Company was registered in the National Court Register under the number 0000436818, Tax Identification Number (NIP) 5213639562, Business Registry Number (REGON) 146366618. The Company is consolidated using the full method.

16. **Hevelia UDM Sp. z o.o. S.K.A.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 03.10.2013, the Company was registered in the National Court Register under the number 0000479378, Business Registry Number (REGON) 146903861, Tax Identification Number (NIP) 5213656425. The Company is consolidated using the full method.

17. **Kondratowicza UDM Sp. z o.o. S.K.A.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 03.10.2013, the Company was registered in the National Court Register under the number 0000479383, Business Registry Number (REGON) 146903915, Tax Identification Number (NIP) 5213656419. The Company is consolidated using the full method.

18. **Lykke UDM Sp. z o.o. S.K.A.** with its registered office in Warsaw. On 03.10.2013, the Company was registered in the National Court Register under the number 0000479375, Business Registry Number (REGON) 146903855, Tax Identification Number (NIP) 5213656454. On 23.03.2015, the Extraordinary Meeting of Shareholders decided to increase the share capital from PLN 50,000 to PLN 711,081, i.e. by PLN 661,081, through the issue of 661,081 series B registered shares with a nominal value of PLN 1 and a total value of PLN 661,081. Series B shares were allocated to be taken up by the sole Shareholder – Unidevelopment S.A. in exchange for a contribution in kind in the form of 100 shares with a nominal value of PLN 50 each, with a total nominal value of PLN 5,000 in Czarnieckiego Sp. z o.o. The fair value of the contribution in kind is PLN 6,610,810, except that the amount corresponding to the value of the increased share capital was transferred to the share capital and the surplus to the Company's supplementary capital. On 13.04.2015, the increase of the share capital was registered in the National Court Register. The Company is consolidated using the full method.

19. **Unibalaton UDM Sp. z o.o. S.K.A.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 03.10.2013, the Company was registered in the National Court Register under the number 0000479328, Business Registry Number (REGON) 146903967, Tax Identification Number (NIP) 5213656448. The Company is consolidated using the full method.

20. **Unibalaton Sp. z o.o.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 23.10.2013, the Company was registered in the National Court Register under the number 0000481994, Business Registry Number (REGON) 146931159, Tax Identification Number) NIP 5213658074. The Company is consolidated using the full method.

21. **Szczęśliwicka Sp. z o.o.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 03.03.2014, the Company was registered in the National Court Register under the number 0000500220, Business Registry Number (REGON) 147129636, Tax Registration Number (NIP) 5213667529. The Company is consolidated using the full method.

22. **Monday Development S.A.** with its registered office in Poznań. The Company is registered under KRS number 0000323647, Business Registry Number (REGON) 301054767, Tax Identification Number (NIP) 7811832838. On 05.01.2016, UNIDEVELOPMENT S.A. acquired ordinary shares from a new issue in Monday Development S.A. with its registered office in Poznań. As a result of this merger UNIDEVELOPMENT S.A. holds 10,000,000 shares with a value of PLN 1,400,000.00, which constitutes 92.69% of the equity of the acquired company. Monday Development S.A. As a result of the sales of 350,000 shares on 10.03.2017, Unidevelopment S.A. held 9,650,000 shares in the Company, constituting 89.45% of the share capital. After the next transaction on 24.03.2017, Unidevelopment S.A. held 9,659,670 shares in the Company, constituting 89.54% of the share capital. On 25.04.2017, Unidevelopment S.A. acquired another 1,078,815 shares. As at 31.12.2017, after these transactions Unidevelopment S.A. holds 10,738,485 shares of the Company, constituting 99.54% of the share capital. The shares were acquired in cash. In 2018, own shares with a nominal value of PLN 7 thousand were redeemed. At the end of 2018, Unidevelopment S.A. held 100% of the share capital. On 16.12.2019, the District Court in Poznań registered the merger of Monday Development S.A. with UDM2 Sp. z o.o. pursuant to Art. 492 § 1 point 1 read with Art. 492 § 1 point 1 of the Commercial Companies Code. In connection with the merger, 535,833 new series D shares were issued, which were released to the owner of the Acquired Company in accordance with the Merger Plan. Unidevelopment held 100% of shares in

    UDM 2 Sp. z o.o. The basic type of activity of Monday Development S.A. is development activity. The Company is consolidated using the full method.

23. **Bukowska Sp. z o.o.** with its registered office in Poznań. Unidevelopment S.A. holds 100% of shares. On 07.09.2016, the Company was registered in the National Court Register under the number 0000635572, Business Registry Number (REGON) 365338584, Tax Registration Number (NIP) 9721266402. The Company is consolidated using the full method.

24. **Sokratesa Sp. z o.o.** (formerly: Kosmonautów Sp. z o.o. with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 07.09.2016, the Company was registered in the National Court Register under the number 0000635566, Business Registry Number (REGON) 365338348, Tax Registration Number (NIP) 9721266394. The Company is consolidated using the full method.

25. **Osiedle Idea Sp. z o.o.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 07.11.2016, the Company was registered in the National Court Register under the number 0000645217, Business Registry Number (REGON) 365800901, Tax Registration Number (NIP) 5213754381. The Company is consolidated using the full method.

26. **Osiedle Marywilska Sp. z o.o.** with its registered office in Warsaw. Unidevelopment S.A. holds 100% of shares. On 20.01.2009, the Company was registered in the National Court Register under the number 0000321850, Business Registry Number (REGON) 141720541, Tax Registration Number (NIP) 5213518261. The Company is consolidated using the full method.

27. **Monday Solacz Sp. z o.o.** with its registered office in Poznań. Monday Development S.A. holds 100% of shares. On 14.07.2015, the Company was registered in the National Court Register under the number 0000567047, Business Registry Number (REGON) 362010446, Tax Registration Number (NIP) 9721253055. The Company is consolidated using the full method.

28. **Smart City Sp. z o.o. Sp.k.** with its registered office in Warsaw. On 27.10.2014, the Company was registered in the National Court

Register under the number 0000352079, Business Registry Number (REGON) 142349764, Tax Registration Number (NIP) 5252476532. On 09.06.2015, the District Court for the Capital City of Warsaw registered Unidevelopment S.A. as a general partner in this Company. The agreed contribution of Unidevelopment S.A. to "Smart City Sp. z o.o." Sp.k. amounts to PLN 14,500,000. As of 31.12.2016, the contribution made by Unidevelopment S.A. to "Smart City Sp. z o.o." Sp.k. amounts to PLN 11,030,000.00. The agreed contribution of the second general partner, i.e. ChallangeEghteen Sp. z o.o. is PLN 46,091,000. This contribution was made in full: PLN 1,000 as a cash contribution and PLN 46,090,000 as a non-cash contribution. On 23.02.2017, contributions for Unidevelopment S.A. were reimbursed by Smart City Sp. z o.o. Sp.k. in the amount of PLN 5,660,000.00. On 24.07.2017, contributions in the amount of PLN 2,870,000.00 were reimbursed, and on 06.10.2017 – PLN 2,499,000.00. As at 31.12.2017, the contribution made was PLN 1,000.00. The share of Unidevelopment S.A. in the profits/losses of the Company is 50%. The Company measured using the equity method.

29. **Bukowska 18 MP Sp. z o.o. Sp.k.** with its registered office in Poznań. Monday Development S.A. Owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The shareholders' share in the Company's profits/losses is as follows: 99% of the contribution is made by Monday Development S.A. and 1% of the contribution by MP Sp. z o.o. The Company is registered under the number 0000689209, Tax Identification Number (NIP) 9721277340, Business Register Number (REGON) 367998178. The Company is consolidated using the full method.

30. **Zielony Sołacz Tarasy MP Sp. z o.o. Sp.k.** with its registered office in Poznań. Monday Development S.A. owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Monday Development S.A. owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The Company is registered in the National Court Register under the number 0000689262, Tax Identification Number (NIP) 9721277334, Business Registry Number (REGON) 367998066. The Company is consolidated using the full method.

31. **Monday Kosmonautów MP Sp. z o.o. Sp.k.** (formerly: Monday Malta Monday Palacza Sp. z o.o. Sp.k.) with its registered office in Poznań. Monday Development S.A. owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Monday Development S.A. owns 99% of the contribution and MP Sp. z o.o. owns 1% of the contribution. The Company is registered in the National Court Register under the number 0000689250, Tax Identification Number (NIP) 9721277328, Business Registry Number (REGON) 367991928. On 06.02.2018, a resolution was adopted to change the name of the company to Monday Kosmonautów MP Sp. z o.o. Sp.k. The Company is consolidated using the full method.

32. **URSA PARK Smart City Sp. z o.o. Sp.k.** with its registered office in Warsaw. On 03.08.2017, Unidevelopment S.A. joined URSA PARK Smart City Sp. z o.o. Sp.k. On 31.03.2010, the Company was registered in the National Court Register, Business Registry Number (REGON) 1423700140, Tax Identification Number (NIP) 5252476443. The agreed contribution of Unidevelopment S.A. to URSA PARK Smart City Sp. z o.o. Sp.k. amounts to PLN 14,500,000.00. As at 31.12.2017, the contribution made by Unidevelopment S.A. to URSA PARK Smart City Sp. z o.o. Sp.k. is PLN 8,750,000.00. In August 2018, the contributions of PLN 6,950,000.00 were reimbursed, and in November the contribution of PLN 1,500,000.00 was made and in December the contribution of PLN 1,000,000.00 was made. In the period from 01.01.2019 to 31.12.2019, Unidevelopment S.A. made contributions to URSA PARK Smart City Sp. z o.o. Sp.k. in the amount of PLN 3,500,000.00 and received reimbursement of contributions in the amount of PLN 1,800,000.00. As at 31.12.2016, the contribution made by Unidevelopment S.A. to URSA PARK Smart City Sp. z o.o. Sp.k. amounted to PLN 6,000,000.00. The remaining part of the agreed contribution in the amount of PLN 23,000,000.00 will be paid by Unidevelopment S.A. within the terms and conditions specified in the articles of association of URSA PARK Smart City Sp. z o.o. Sp.k.

33. **Wiepofama Development Sp. z o.o.** with its registered office in Poznań. On 22.02.2018, Unidevelopment S.A. acquired 50 shares of the nominal value of PLN 2,500. Unidevelopment S.A. holds 50% of shares. The Company is registered under KRS number 0000699449, Business Registry Number (REGON) 368514780, Tax Identification Number (NIP) 6692540559. The Company is

consolidated using the equity method. On 20 November 2019, by notarial deed 13620/2019 the name of the company was changed from Wiepofama Development sp. z o.o. to Fama Development sp. z o.o. On 28.01.2020, the change was registered in the National Court Register.

34. **Wiepofama Development Sp. z o.o. Sp.k.** with its registered office in Poznań. On 22.02.2018, Unidevelopment S.A. joined the Company. The amount of the agreed contribution amounts to PLN 5,001,000.00. The Company is registered under KRS number 0000700179, Business Registry Number (REGON) 368545131, Tax Identification Number (NIP) 6692540677. The Company is consolidated using the equity method. On 5 February 2020, the General Meeting of Shareholders, in connection with the change of the company's name, which is a general partner, adopted a resolution on changing the name of the company from Wiepofama Development Sp. z o.o. Sp.k. to Fama Development Sp. z o.o. Sp.k. This change has not yet been registered in the National Court Register.

35. **Coopera IDEA Sp. z o.o. Sp.k.** with its registered office in Warsaw. Value of shares PLN 10,000.00. Unidevelopment S.A. owns 98% of the contribution and Idea Sp. z o.o. owns 2% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Unidevelopment S.A. owns 98% and Idea Sp. z o.o. owns 2%. On 03.07.2018, the Company was registered under the National Court Register number 0000738151, Business Registry Number (REGON) 380657725, Tax Identification Number (NIP) 5213832767. The Company is consolidated using the full method.

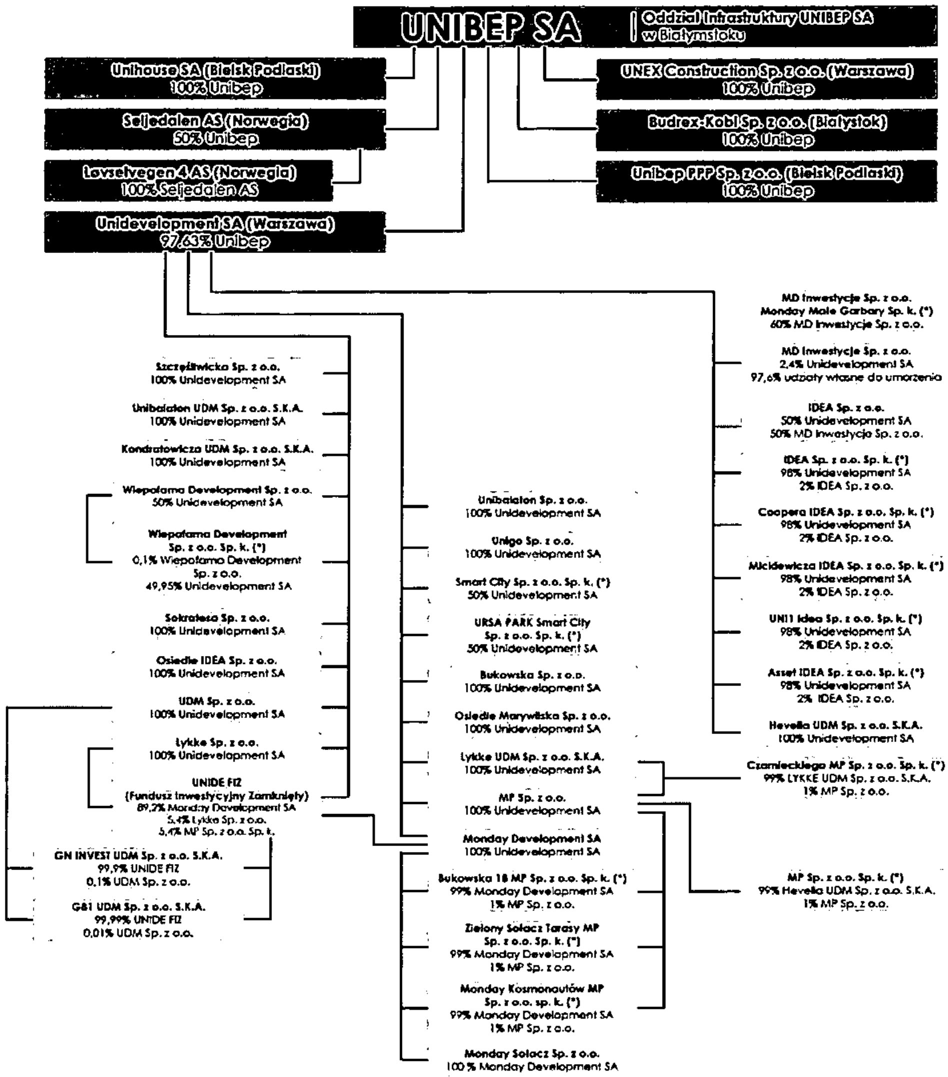
36. **Mickiewicza IDEA Sp. z o.o. Sp.k.** with its registered office in Warsaw. Value of shares PLN 10,000.00. Unidevelopment S.A. owns 98% of the contribution and Idea Sp. z o.o. owns 2% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Unidevelopment S.A. owns 98% and Idea Sp. z o.o. owns 2%. On 11.07.2018, the Company was registered under the National Court Register number 0000740041, Business Registry Number (REGON) 380731829, Tax Identification Number (NIP) 5213833821. The Company is consolidated using the full method.

37. **Asset IDEA Sp. z o.o. Sp.k.** with its registered office in Warsaw. Value of shares PLN 10,000.00. Unidevelopment S.A. owns 98% of the contribution and Idea Sp. z o.o. owns 2% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Unidevelopment S.A. owns 98% and Idea Sp. z o.o. owns 2%. On 10.07.2018, the Company was registered under the National Court Register number 0000739776, Business Registry Number (REGON) 380725639, Tax Identification Number (NIP) 5213833666. The Company is consolidated using the full method.

38. **UNI1 IDEA Sp. z o.o. Sp.k.** with its registered office in Warsaw. Value of shares PLN 10,000.00. Unidevelopment S.A. owns 98% of the contribution and Idea Sp. z o.o. owns 2% of the contribution. The shareholders' share in the Company's profits/losses is as follows: Unidevelopment S.A. owns 98% and Idea Sp. z o.o. owns 2%. On 29.11.2018, the Company was registered under the National Court Register number 0000759909, Business Registry Number (REGON) 381908750, Tax Identification Number (NIP) 5213848047. The Company is consolidated using the full method.

39. **MD Inwestycje Sp. z o.o.** with its registered office in Poznań is registered under the National Court Register number 0000440149, Tax Identification Number (NIP) 9721241543, Business Registry Number (REGON) 302277015. The Company is consolidated using the full method. On 17.04.2019, Unidevelopment S.A. acquired 29 shares in MD Inwestycje Sp. z o.o. On that day, MD Inwestycje acquired 2,050 of its own shares for redemption. As a result of these changes, Unidevelopment S.A. holds 50 shares in MD Inwestycje Sp. z o.o. and the remaining 2,050 shares are held by MD Inwestycje for redemption. On 18.04.2019, resolutions were adopted by the General Meeting of Shareholders of MD Inwestycje sp. z o.o. concerning voluntary redemption of 2,050 shares and reduction of the share capital to the amount of PLN 5,000.00. After the registration of the share capital reduction by the National Court Register, Unidevelopment S.A. will be the sole shareholder in the company, but already now, due to the fact that MD Inwestycje cannot exercise its rights from the shares to be redeemed, Unidevelopment S.A. is indeed the sole shareholder. The above operation results in a change in the Group's percentage shareholding in Idea Sp. z o.o., which after taking control of MD Inwestycje Sp. z o.o. increased to 97.63% and in MD Inwestycje Sp. z o.o. Monday Mate Garbary Sp. k., where this share is 58.58% due to the fact that MD Inwestycje Sp. z o.o. holds 60% of shares in the profits and losses of MD Inwestycje Sp. z o.o. Monday Mate Garbary Sp.k.
40. **MD Inwestycje Sp. z o.o. Monday Mate Garbary Sp.k.** with its registered office in Poznań is registered under the National Court Register number 0000445096, Tax Identification Number (NIP) 2090002698, Business Registry Number (REGON) 302317298. The Company is consolidated using the full method.
41. **Seljedalen AS** org. no. 912 118 169 with its registered office in Ranheim, Norway was acquired on 10.09.2013. UNIBEP S.A. holds 50% of shares. The Company was established to carry out development activities on the Norwegian market. The Company measured using the equity method.
42. **Lovsetvegen 4 AS** org. no. 912 575 543 with its registered office in Melhus. The Company was founded in 19.09.2013. 100% of shares were acquired on 23.09.2015 by Seljedalen AS. The Company conducts development and property rental activities. The Company measured using the equity method.
43. The UNIBEP Group structure includes a closed-end investment fund of non-public assets – **UNIDE Closed-End Investment Fund**. The fund was registered on 09.08.2012 in the Regional Court in Warsaw under number RFI 781. The fund is managed by SATURN Fund TFI S.A. with its registered office in Warsaw. The fund was established for an indefinite period of time. The fund's investment objective is to increase the value of the fund's assets as a result of the increase in the value of deposits. Investors in the fund include: Monday Development S.A., Lykke Sp. z o.o., MP Sp. z o.o. Sp.k. On 20.08.2019, the Polish Financial Supervision Authority issued a decision on withdrawal of the authorisation to pursue the business by SATURN TFI S.A., so far the managing authority of UNIDE FIZ AN fund, for which BNP Paribas Bank Polska S.A. is the depositary. From the date of the decision the investment fund was represented by a depositary. On 18 November 2019, the Fund's statute was changed. Under this change, the management of UNIDE FIZ AN was entrusted to Towarzystwo Funduszy Inwestycyjnych BDM S.A. in Bielsko Biała.

DIAGRAM OF THE UNIBEP CAPITAL GROUP (AS AT 31.12.2019)



- Entities from the UNIDEVELOPMENT capital group

* Share of a partner in profits and losses of the limited partnership in accordance with the limited partnership's articles of association

(amounts in the tables are expressed in PLN unless otherwise stated)

Name of the entity and legal form	Registered office	Objective of the enterprise	Nature of the relationship	Consolidation method applied	Date of obtaining control/shares	Balance sheet value of shares	Percent of the share capital held	Share in total number of votes at the general meeting
Unidevelopment S.A.	Warsaw	real property development activities	subsidiary	full method	09.04.2008	60,555,486.00*****)	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-Kabi Sp. z o.o.	Białystok	work related to construction of bridges and tunnels	subsidiary	full method	01.07 2015	18,000,150.00	100%	100%
UNIBEP PPP Sp. z o.o.	Bielsk Podlaski	performance of construction projects	subsidiary	full method	06.11.2017	5,000.00	100%	100%
Unihouse S.A.	Bielsk Podlaski	performance of construction projects	subsidiary	full method	01.04 2019	48,592,824.63	100%	100%
Seljedalen AS	Trondheim, Norway	real property development activities	jointly controlled entity	equity method	10.09.2013	7,986.00	50%	50%
Lovsetvegen 4 AS	Melhus, Norway	real property development activities	indirectly jointly controlled entity	equity method	23.09 2015	6,493,178.84	50%	50%
MP Sp. z o.o.	Poznań	real property development activities	indirect subsidiary	full method	10.08.2011	10,000.00	97.63%	97.63%
MP Sp. z o.o. Sp.k.	Poznań	real property development activities	indirect subsidiary	full method	10.08.2011	4,434,100.00	97.63%**)	97.63%***)
IDEA Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	09.09.2011	25,000.00	97.63%	97.63%
IDEA Sp. z o.o. Sp.k.	Warsaw	real property development activities	indirect subsidiary	full method	09.09.2011	2,340,000.00	97.63% *)**)	97.63%***)
UDM Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	06.06.2012	15,000.00	97.63%	97.63%
Lykke Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	28.06.2012	14,398,210.00	97.63%	97.63%
Czarnieckiego MP Sp. z o.o. Sp.k.	Poznań	real property development activities	indirect subsidiary	full method	31.08.2012	6,610,811.90	97.63%**)	97.63%
Unigo Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	26.10.2012	5,000.00	97.63%	97.63%
UNIDE FIZ (Closed-End Investment Fund)	Warsaw	activity of the funds	indirect subsidiary	full method	11.09.2012	40,556,358.19	97.63%	97.63%
GN INVEST UDM Sp. z o.o. S.K.A.	Warsaw	real property development activities	indirect subsidiary	full method	18.05.2010	209,790.21	97.63%	97.63%
G81 UDM Sp. z o.o. S.K.A.	Bielsk Podlaski	real property development activities	indirect subsidiary	full method	22.06.2011	8,083,574.02	97.63%	97.63%
Unibalaton Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	08.08.2013	50,000.00	97.63%	97.63%
Unibalaton UDM Sp. z o.o. S.K.A.	Warsaw	real property development activities	indirect subsidiary	full method	03.10.2013	50,000.00	97.63%	97.63%
Lykke UDM Sp. z o.o. S.K.A.	Warsaw	real property development activities	indirect subsidiary	full method	03.10.2013	6,660,810.00	97.63%	97.63%
Kondratowicza UDM Sp. z o.o. S.K.A.	Warsaw	real property development activities	indirect subsidiary	full method	03.10.2013	50,000.00	97.63%	97.63%
Hevelia UDM Sp. z o.o. S.K.A.	Warsaw	real property development activities	indirect subsidiary	full method	03.10.2013	4,484,000.00	97.63%	97.63%
Szczęśliwicka Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	04.02.2014	50,000.00	97.63%	97.63%
Smart City Sp. z o.o. Sp.k.	Warsaw	real property development activities	indirect associate	equity method	09.06.2015	1,000.00	48.82%**)	0%***)
Monday Development S.A.	Poznań	real property development activities	indirect subsidiary	full method	05.01.2016	55,813,090.65	97.63%	97.63%
Bukowska Sp. z o.o.	Poznań	real property development activities	indirect subsidiary	full method	14.07.2016	5,000.00	97.63%	97.63%
Sokratesa Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	14.07.2016	5,000.00	97.63%	97.63%
Osiedle Idea Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	14.07.2016	5,000.00	97.63%	97.63%
Osiedle Marywilska Sp. z o.o.	Warsaw	real property development activities	indirect subsidiary	full method	08.12.2016	13,500,000.00	97.63%	97.63%
Monday Sołacz Sp. z o.o.	Poznań	real property development activities	indirect subsidiary	full method	27.10.2016	240,000.00	97.63%	97.63%
Bukowska 18 MP Sp. z o.o. Sp.k.	Poznań	real property development activities	indirect subsidiary	full method	11.08.2017	10,000.00	97.63%**)	97.63%
Zielony Sołacz Tarasy MP Sp. z o.o. Sp.k.	Poznań	real property 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 property development activities	indirect subsidiary	full method	11.08.2017	10,000.00	97.63%**)	97.63%
URSA PARK Smart City Sp. z o.o. Sp.k.	Warsaw	real property development activities	indirect associate	equity method	03.08.2017	29,000,000.00	48.82%**)	0%***)
Wiepofama Development Sp. z o.o.	Poznań	real property development activities	indirect associate	equity method	22.02.2018	2,500.00	48.82%**)	48.82%***)
Wiepofama Development Sp. z o.o. Sp.k.	Koszalin	real property development activities	indirect associate	equity method	22.02.2018	5,001,000.00	48.82%****)	48.82%***)
Coopera IDEA Sp. z o.o. Sp.k.	Warsaw	real property development activities	indirect subsidiary	full method	03.07.2018	10,000.00	97.63%*)**)	97.63%***)
Mickiewicza IDEA Sp. z o.o. Sp.k.	Warsaw	real property 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 property development activities	indirect subsidiary	full method	10.07.2018	10,000.00	97.63%*)**)	97.63%***)
UNI1 Idea Sp. z o.o. Sp.k.	Warsaw	real property development activities	indirect subsidiary	full method	29.11.2018	10,000.00	97.63%*)**)	97.63%***)
MD INWESTYCJE Sp. z o.o.	Poznań	real property development activities	indirect subsidiary	full method	17.04.2019	5,000.00	97.63%******)	97.63%******)
MD INWESTYCJE Sp. z o.o. Monday Małe Gabaryty Sp.k.	Poznań	real property development activities	indirect subsidiary	full method	17.04.2019	100.00	58.58%*)**)	96.65%***)

* *total share including participation in the general partner company*
** share in profits/losses of the Company
*** in a limited partnership, the share of votes in the general partner company
**** *the share in profits/losses of the Company is distributed in two stages, in the first stage the shareholders' contributions are returned, in the second stage the remaining profit is distributed among the shareholders, with the Unibep Group receiving 48.82%.*
***** *the amount does not take into account the equity and other subsidies*
******MD Inwestycje has its own shares to be redeemed (97.6%) for redemption. After the registration of the reduction of the share capital by the National Court Register, Unidevelopment SA will be the sole shareholder, therefore it is assumed that the shares of this company attributable to Unidevelopment amount to 100%.

Bielsk Podlaski, 2 April 2020

2.2. Rules adopted for conversion of financial data

The financial statements of foreign entities for consolidation purposes are converted into the Polish currency in the following manner:

- particular items of assets and liabilities of the balance sheet, except for equity, are converted according to the average exchange rate announced for a given currency by the National Bank of Poland as at the balance sheet date;
- relevant items of the profit and loss account are converted at the exchange rate being the arithmetic mean of average exchange rates as at the date ending each month of the reporting period, announced for a given currency by the National Bank of Poland;
- the equity of the entity is converted according to the average exchange rate as at the day of taking control, announced for a given currency by the National Bank of Poland;
- exchange gains and losses arising as a result of such conversion are recognised in the consolidated balance sheet directly in equity as a separate item.

The financial data in EUR have been converted according to the following rules:

- individual items of assets and liabilities in the balance sheet, except for equity – according to the average exchange rate of the National Bank of Poland as of 31 December 2019 – PLN/EUR 4.2585, 31 December 2018 – PLN/EUR 4.30, 2018 relevant items of the profit and loss account – according to the average exchange rate in the period from 1 January 2019 to 31 December 2019 – PLN/EUR 4.3018 and in the period from 1 January 2018 to 31 December 2018 – PLN/EUR 4.2669
- equity of the entity – according to the average exchange rate of the National Bank of Poland as at the date of taking control over the entity.

The financial data in NOK have been converted according to the following rules:

- particular items of assets and liabilities of the balance sheet, except for equity – according to the average exchange rate of the National Bank of Poland as at 31 December 2019 – PLN/NOK 0.4320, 31 December 2018 – PLN/NOK 0.4325
- relevant items of the profit and loss account – at the average exchange rate in the period from 1 January to 31 December 2019 – PLN/NOK 0.4367 and in the period from 1 January 2018 to 31 December 2018 – PLN/NOK 0.4432
- equity of the entity – according to the average exchange rate of the National Bank of Poland as at the date of taking control over the entity.

3. Accounting and consolidation principles adopted

3.1. Accounting principles

These financial statements were prepared in accordance with the principles described below, taking into account the applicable changes to the International Financial Reporting Standards ("IFRS").

TANGIBLE FIXED ASSETS IN USE

Tangible fixed assets in use include own items: *Tangible fixed assets in use*, *Tangible fixed assets under construction*, and *Right-of-use assets*

Tangible fixed assets in use are assets maintained by the Group in order to use them in the production process or in the supply of goods and services or for administrative purposes with an expected economic useful life of over one year. Tangible fixed assets in use include in particular the following groups:

- land (including land intended for opencast mining, e.g. gravel mine);
- buildings, premises, civil and water engineering structures;
- technical equipment and machines;
- vehicles;
- other tangible fixed assets in use;
- expenditure in third party tangible fixed assets in use;

Tangible fixed assets in use are recognised in the accounting records if and only if the following two criteria are met simultaneously:

- there is a probability that the Group will obtain future economic benefits related to a given asset;
- acquisition price or manufacturing cost of an asset by the Group can be determined in a reliable manner.

At the time of initial recognition, an item of tangible fixed assets in use that qualifies for recognition as an asset is measured at acquisition price or manufacturing cost.

Commenced investments relating to tangible fixed assets under construction are measured at the amount of total costs directly related to their acquisition or manufacture, including the financial expenses, less the impairment write-offs.

After the initial recognition, tangible fixed assets in use are disclosed at acquisition price or manufacturing cost ("cost") less total amortisation charges and total impairment losses.

Tangible fixed assets in use, including land intended for opencast operations, are depreciated on a straight-line basis in order to distribute their initial value, less their residual value and accumulated amortisation and impairment losses, over the period corresponding to their estimated useful life.
Depreciation is based on the cost of the asset less its residual value.
The amount of depreciation rates is determined on the basis of the expected useful life, which is subject to annual verification by the Group's companies. Useful lives of particular groups of tangible fixed assets in use are presented below:

- land intended for opencast mining – 10 years;
- buildings, premises, civil and water engineering structures – between 5 to 40 years;
- technical equipment and machines – between 2 to 15 years;
- vehicles – between 3 to 8 years;
- other tangible fixed assets in use – between 2 to 10 years.

In justified individual cases the above-mentioned periods may be extended.

The above useful lives and the residual value of individual tangible fixed assets in use are reviewed at least at the end of each financial year and if expectations differ from previous estimates, changes are recognised prospectively as changes in accounting estimates.

Low value tangible fixed assets in use with a value not exceeding PLN 3,500, except for power tools, may be depreciated once in the month in which they were acquired, if the simplification adopted in this way does not significantly distort financial results and assets. A one-off purchase of a larger number of low value tangible fixed assets in use may be recognised and depreciated as one collective asset. As regard to items classified as equipment, due to their low value, the Group applies a simplified approach consisting in a one-off recognition of the asset value in the cost of material consumption at the time of putting the assets into use. In subsequent periods, off-balance sheet equipment records are kept.

Depreciation of tangible fixed assets in use begins when they are available for use, which means bringing the asset to the location and conditions necessary for it to be used as intended by management. In practice, the Group adopts a simplification and depreciation starts at the beginning of the month following the month in which the tangible fixed asset in use became available for use.

If there are indications of possible impairment loss of tangible fixed assets in use, these assets are reviewed for possible impairment loss.
The amount of impairment losses is determined as the excess of the carrying amount of these items over their recoverable amount.
Impairment losses are recognised in the income statement under "Other operating expenses".
An assessment shall be made at each reporting date to determine whether there is any objective evidence that the write-off may be reversed. A possible reversal of a previously recognised revaluation write-off is recognised in the income statement under "Other operating revenues" respectively.

Subsequent expenditures are recognised in the carrying amount of a given tangible fixed asset in use only when it is possible that this item will bring economic benefits to the Group, and the cost of the given item can be reliably measured. The costs of current maintenance of tangible fixed assets in use and their maintenance affect the profit or loss of the period in which they were incurred.

INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that they will generate economic benefits in the future. The initial recognition of intangible assets is made according to their acquisition prices or manufacturing cost. In the subsequent period of use, the measurement is made at the acquisition price or manufacturing cost less depreciation and impairment losses.

Intangible assets held by the Group, except for intangible assets with indefinite useful lives, are amortised on a straight-line basis over the period corresponding to their estimated useful lives, i.e. in principle 2-10 years. This period may be extended in justified cases.

Goodwill arising from taking control of a subsidiary is not amortised and is subject to annual impairment test. In order to test for possible impairment, goodwill acquired as a result of the merger is allocated to cash generating units. Allocations are made to those cash generating units or groups of cash generating units which are expected to benefit from the synergy of merger which created this goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level in the entity at which the goodwill is monitored for internal management purposes. Nevertheless, a single cash generating unit cannot be larger than an operating segment established in accordance with the principles described in the *Segment Reporting* section. The annual impairment test of a cash generating unit to which goodwill has been allocated is carried out at the end of the financial year. The impairment test consists in comparing the carrying amount of the cash generating unit with its recoverable value, i.e. the higher of two amounts: fair value less selling costs and value in use.

Impairment losses are recognised in the income statement under "Other operating expenses".

Research work includes innovative and planned search for solutions undertaken with the aim of acquiring and assimilating new scientific and technical knowledge. At the stage of research work, the Group is not yet able to prove the existence of such intangible asset which will generate economic benefits in the future.

Development work is the practical application of research findings or other knowledge in planning or designing the production of new or substantially improved materials, devices, products, processes, systems or services prior to serial production or use. At the development stage, the Group is able to identify such intangible asset which will generate economic benefits in the future.

In the case of difficulties in separating research and development work in the implemented project, the Group treats the entire work as research work.
Research work does not lead to the creation of an asset, therefore the costs of such work are recognised in the costs of the period when they are incurred, as well as the costs of development works that do not meet the criteria for capitalisation.
Development work costs are capitalised as intangible assets that are technically possible to complete an intangible asset so that it can be used or sold.

LEASE UNTIL 31 DECEMBER 2018

In accordance with IAS 17, a lease contract is considered to be finance lease if, by virtue of the leased object, the benefits and the entire risk are essentially transferred to the lessee.

The leased object is recognised in assets, a tangible fixed asset in use or investment at the lower of its fair value and the present value of the minimum lease payments at the beginning of the lease. Lease payments are apportioned between the financial expenses and reduction of the liability so as to produce a constant interest rate on the remaining liability.

Tangible assets used under finance lease contracts are subject to depreciation based on the principles applied for the entity's own assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease payments (excluding costs of such services as insurance or maintenance) are recognised in the income statement on a straight-line basis. This applies even if the lease payments made by the lessee vary over different lease term periods. This means, in particular, that the initial payment for an operating lease is recognised initially as prepayments.

Subsequently, the initial payment is recognised on a straight-line basis over the lease term in the income statement together with the straight-line settlement of all other payments under the operating lease contract.

LEASE FROM 1 JANUARY 2019

The contract includes a lease if all of the following conditions are met:

- the asset is identified (note: an asset is not identified if the supplier has a significant right to replace the asset),
- the client is entitled to virtually all economic benefits,
- the client determines how and for what purposes the asset is used or it is determined top-down , but the client operates the asset or has designed it.

Lease from a lessee

If the contract meets the definition of a lease, then, at the beginning of the lease, the lessee recognises a right-of-use asset and a lease liability in its statements of financial position.

The right-of-use asset is initially recognised in the value of the lease liability, and then increased by:

- any lease payments made on or before the commencement date less any lease incentives received,
- the lessee's initial direct costs relating to the contract,
- estimate of costs to be borne by the lessee at the end of the contract.

After the commencement date, it measures the right-of-use asset using the cost model.
In order to apply the cost model, the right-of-use asset is measured at cost:

- less total depreciation (amortisation) and total impairment losses,
- adjusted for any revaluation of the lease liability.

The lease liability is initially measured at the current value of future lease payments over the lease term, discounted at the rate specified in the lease contract. Otherwise, if this rate cannot be determined, the lessee's incremental borrowing rate should be used.

Lease payments to be recognised in the measurement of the lease liability at the initial recognition date shall include:

- fixed lease payments minus any applicable lease incentives – fixed lease payments include, in principle, fixed lease payments, which may, in their form, contain elements of volatility but are generally unavoidable,
- variable fees depending only on the index or rate,
- amounts paid by the lessee in respect of the guaranteed residual value,
- call option exercise price,
- penalties for termination of the lease - are recognised only if it has been assumed in determining the lease term that there is reasonable assurance that the lessee will exercise the termination option.

After initial recognition, the lease liability is measured through:

- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the lease payments made,
- revaluating the carrying amount to reflect any reassessment or change in the lease or to reflect revalued substantially fixed lease payments.

The amount of the revaluation of the lease liability is regarded as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining amount of the revaluation is recognised in profit or loss.

If a contract meets the definition of a lease but the payments are variable (not index or rate dependent but, for example, turnover), the cost of such contracts is not included in the measurement of the lease liability but is recognised directly in profit or loss.

The Group identified the following types of significant lease contracts:

- right of perpetual usufruct of land,
- office lease contract,
- machines and equipment lease contracts,
- vehicle lease contracts.

The Group allows for taking advantage of simplifications concerning all short-term leases (less than 12 months) and leases with respect to which the underlying asset has a low value (below PLN 20,000). No financial liabilities and related right-of-use assets are recognised for these contracts. Lease payments in such a situation are recognised as expenses on a straight-line basis over the lease term.

When identifying lease contracts, the Group makes estimates and applies judgements that have a significant effect on the value of lease liabilities and right-of-use assets. This mainly concerns the discount rate adopted for the valuation of liabilities and the duration of the leases (including the possibility of prolonging or early termination of the lease contract). Estimates that affect subsequent reporting periods also include the depreciation rate and residual value adopted for individual assets.

The lease term is the non-cancellable lease term, which covers the aggregate:

- possible renewal periods of the lease contract if the lessee has reasonable assurance that it will exercise this option; and
- possible lease contract notice periods if the lessee has reasonable assurance that it will not exercise this option.

The exercise by the Group's companies of the option to extend/terminate the lease should take into account all relevant facts and circumstances known and controlled by the Group.

INVENTORY

The inventory includes assets that meet the following criteria:

- held for sale in the ordinary course of the Group's business;
- in the course of production held for sale, or
- in the form of materials or raw materials used in the production process or in the provision of services.

Real property is also classified as inventory as a result of a change in the classification of investment property, which occurs when the land acquired by the Group no longer meets the criteria of an investment property.

Inventory items that are stored on construction sites for construction specific purposes or that are processed on their own or by a subcontractor and that are not certain to be easily used for other contracts or sold are not considered as inventory items. Such items are charged directly to contract costs and are thus included in the measurement

of the contract according to the percentage of completion.

Inventory is measured at the lower of these two values: acquisition cost or manufacturing costs and selling price. Net selling price is the selling price possible to obtain as at the balance sheet date, excluding value added tax and excise tax, less rebates, discounts and similar price adjustments, as well as costs related to adapting the item to be sold and making this sale.

Expenditure of inventory, except for land and inventory acquired for development activities, is determined using the first-in, first-out (FIFO) method. The distribution of land and inventory related to development activities, such as apartments, premises, etc., is determined by the detailed identification method.
The Group recognises revaluation write-offs on inventory based on current sales or use plans. Net recoverable amount is the estimated net selling price as defined above ("Post-initial recognition measurement" section).
Revaluation write-offs on inventory are recognised in the income statement for a given period under *Other operating costs*.

BORROWING COSTS

Borrowing costs that are directly attributable to qualifying assets are capitalised as part of the acquisition price or manufacturing cost of these items.

The capitalisation of borrowing costs allocated to assets begins when:

- expenditure on this asset is incurred;
- borrowing costs are incurred; and
- activities necessary to prepare the asset for its intended use or sale are in progress.

In the case of development activities, in the Group's opinion, the above conditions are jointly met at the time of commencement of work on the land designated for development (including commencement of necessary technical and administrative work prior to commencing physical construction, such as obtaining permits) and obtaining financing.

Capitalisation of borrowing costs is discontinued when substantially all activities necessary to prepare the qualifying asset for its intended use or sale have been completed, which in the Group's opinion takes place at the time of obtaining the use permit.

The items of the UNIBEP Group's qualifying assets may include, e.g. inventory relating to development activities, tangible fixed assets in use, intangible assets.

CASH AND CASH EQUIVALENTS

Cash includes cash in hand and cash in bank. Cash equivalents, on the other hand, include short-term highly liquid investments that are readily convertible to specific amounts of cash that are subject to an insignificant risk of changes in value, e.g.:

- cheques and bills of exchange payable within less than 3 months;
- cash in transit (as at the balance sheet date), between different bank accounts of the entities, including cash withdrawn from the entity's bank account, via an ATM, based on a credit card;
- term deposits with a bank with a maturity of less than 3 months;
- treasury bonds, maturing up to 3 months.

At the time of initial recognition, cash is recognised at its nominal value, and after the initial recognition as at the balance sheet date, cash is recognised at its nominal value, including any impairment losses. In the case of cash equivalents, the nominal value of bank term deposits is the value of funds at the Group's disposal, which also includes interest accrued by the bank on deposits until the balance sheet date.

SHORT-TERM AND LONG-TERM TRADE RECEIVABLES

Among items of trade receivables and other receivables, mainly trade receivables, receivables from tax, subsidy, customs, social security, advances granted for the supply of tangible fixed assets in use as well as goods, materials and services and other receivables not classified to other asset lines are distinguished.

Trade receivables are the amounts due from clients for goods sold or services provided in the ordinary course of the Group's business.
Trade receivables and other receivables constituting financial assets are classified as "measured at amortised cost" (the *Financial instruments* section).

Trade receivables and other financial receivables are measured in accordance with the rules presented for this category in the *Financial Instruments* section.
At the moment of initial recognition, trade receivables and other receivables constituting financial assets are recognised at fair value. For short-term receivables, the fair value is equal to the nominal amount.
Receivables that do not constitute financial assets are disclosed in the amount due.

After initial recognition, trade receivables and other receivables constituting financial assets are disclosed at amortised cost (corresponding to the amount payable in the case of short-term receivables) less created revaluation write-offs.
At the end of each reporting period, the Group measures expected credit losses in accordance with the methodology described in point "Financial instruments". Write-offs for expected credit losses are recognised as a deduction from the carrying amount of receivables and, on the other side, as an expense in the income statement under a separate item *Expected credit losses.*

CONTRACTUAL ASSETS AND LIABILITIES

Contractual assets and liabilities arise from the application of IFRS 15 *Revenues from contracts with clients.*

The Group transfers control over a good or service as time passes and thus fulfils the obligation to perform the service and recognises revenues as time passes if one of the following conditions is met:
- the client simultaneously receives and benefits from the service as it is performed,
- as a result of performance, an asset is created or improved and control over that asset is exercised by the client as it arises or improves,
- as a result of the performance of the service, there is no item with an alternative use for the Group and the Group has an enforceable right to pay for the performance of service to date.

Generally, the Group recognises the transfer of control over time in the case of construction contracts, including the construction of facilities from modules and panels manufactured by the Group, real property construction contracts and contracts for the execution of a development project commissioned by an investor provided that the item related to the sales of land is not included in revenues and expenses related to the performance of the contract (the sales of land is shown as *Revenues from sales of goods and materials*).

In the case of transfer of control by the Group over time, revenues are determined using the percentage of completion method. The Group determines the progress of performance of the contract by determining the share of costs incurred from the date of conclusion of the contract until the date of revenue recognition in the estimated total costs of the contract. In cases justified by the nature of the contract, the Group may determine the percentage of completion of the contract according to other methods.

TRADE LIABILITIES AND OTHER LIABILITIES

Trade liabilities are commitments payable for goods or services which have been delivered or performed and have been invoiced or otherwise formally confirmed with the supplier. Reverse factoring liabilities (reverse factoring, confirming – supply financing, etc.) are treated as trade liabilities.

Other liabilities are tax, customs and social security liabilities, payroll liabilities, advances received for deliveries and other liabilities of similar nature.

Trade liabilities and other liabilities are classified as "financial liabilities" and measured in accordance with the policy presented in the *Financial instruments* section.

CONTINGENT LIABILITIES AND RECEIVABLES

A contingent liability is an obligation to provide services that are contingent on the occurrence of specified events. Contingent liabilities are not shown in the balance sheet, but are disclosed in the notes.

Contingent receivables are not disclosed in the balance sheet, however they are disclosed in the additional information if the effect of measures embodying economic benefits is probable.

TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the functional currency using the average exchange rate announced by the Central Bank on the day preceding the date of transactions/operations. Monetary items of assets and liabilities expressed in a foreign currency are converted as at the balance sheet date according to the rate valid for this day. Exchange rate differences resulting from the settlement of transactions in foreign currencies and the balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised under financial revenues or expenses, except where they represent an adjustment of borrowing costs (further policy of the "Borrowing costs" section).

Realised exchange rate differences relating to receivables, liabilities from the Group's operating activities and foreign exchange are recognised in operating revenues or expenses. Unrealised exchange rate differences relating to operating activities and other realised and unrealised exchange rate differences are recognised under financial revenues or expenses and presented per balance under "Financial revenues" or "Financial expenses" item, respectively.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are converted at the rate preceding the date of the transaction/operation (especially for entities with a functional currency of PLN, the conversion is made at the average exchange rate of the National Bank of Poland applicable on the day preceding the transaction). Non-monetary foreign currency balance sheet items measured at fair value are converted at the exchange rate at the date when the fair value was estimated (in particular for entities with a functional currency of PLN, the conversion is made on the basis of the average rate of exchange published by the NBP at the date when the fair value was estimated).

EQUITY

The equity shown in the consolidated statements of financial position consists mainly of share capital, exchange rate differences from conversion of foreign entities, other capitals: supplementary capital, including share premium, revaluation reserve, reserve capitals and retained earnings. Classification into the appropriate group in the statements of financial position is made taking into account dedicated resolutions and internal regulations of the Group.

The Group's share capital corresponds to the value of issued and registered ordinary and preference shares of the Parent Company recognised at nominal value in accordance with the Commercial Companies Code (CCC) and the Parent Company's Articles of Association.
The capital created in accordance with the requirements of the CCC is not subject to distribution, but may be used to cover the losses of the entity.

Foreign exchange differences from the conversion of foreign entities are recognised as a separate component of the Group's equity in accordance with the accounting principles described in the General information section.

Other capitals include in particular:
- revaluation reserve;
- reserve capital;
- supplementary capital;
- supplementary capital from sales of shares at premium.

Retained earnings (losses) consist of previous years' retained earnings (loss) and current net profit (loss).

Non-controlling interests are the capital established in accordance with the rules presented in the *Consolidation rules section.*

The share capital at the initial recognition is presented at nominal value.

Declared, but not paid capital contributions are recognised as outstanding capital contributions and shown as a receivable if the Group has an unconditional claim to make payments by the shareholder.

If the Parent Company acquires its own capital instruments, these instruments (acquired own shares) are included in a separate line of own capital with a negative sign, except for the situation of creating a reserve (special purpose) capital for the buy-back of own shares. In such a case, the buy-back of own shares is presented as a decrease in this reserve capital. Purchase, sale, issue or cancellation of the Group's own equity instruments does not result in recognition of any profits or losses in the consolidated financial result. Amounts paid or received are recognised directly in equity. Own shares may be acquired and retained by the parent company or another entity that is a member of the Group. The redemption of own shares is accounted for as the share premium in correspondence with other lines of capital, e.g.: share capital, share redemption capital in accordance with shareholder redemption resolutions of own equity instruments. From the point of view of the separate financial statements of a subsidiary that acquires shares of the parent company, the shares acquired are financial assets which are recognised in accordance with the accounting policy presented under *Financial assets.*

The liability on adopted dividend is recognised at the time of establishing the shareholder's right to receive the dividend as a reduction of equity.

As for the recipient of the dividend, revenue and receivable are recognised when the shareholder's right to receive the dividend is established.

Advance dividends are recognised in accordance with the principles set out above.

BANK LOANS, CREDITS AND OTHER FINANCIAL LIABILITIES

"Other financial liabilities" item includes:

- lease liabilities,
- bill-of-exchange liabilities,
- bond liabilities,
- financial liabilities measured at fair value through profit or loss,
- derivative financial instruments used in cash flow hedge accounting,
- liabilities on the purchase of shares and stocks,
- liabilities on the settlements with shareholders,
- other financial liabilities.

Financial liabilities are recognised in accordance with the principles described in the *Financial instruments* section.

PROVISIONS

Provisions are an obligation resulting from past events to make payments of a reliably determined value that will result in the use of the entity's existing or future assets whose amount or payment term is uncertain.

Provisions are created in the amount corresponding to the estimated expenditure necessary to meet the current obligation as at the balance sheet date. The most reasonable estimate of the expenditure required to settle the present obligation is the amount that the Group would reasonably expect to pay in performing the obligation at the balance sheet date or for which it would transfer the obligation to a third party.

Where the expected effect of the change in time value of money is material, the amount of the provision is determined by discounting the forecast future cash flows to current value using an interest rate which reflects a current market assessment of the time value of money and the risk factors, if any, associated with the liability. A subsequent increase in the provision due to the passage of time reflecting the reversal of the discounting made is recognised in financial expenses. The amount of the created provision also includes future events which may affect the amount necessary for the Group to fulfil its obligation, if there is sufficient and objective evidence that such events will occur.

PROVISION FOR WARRANTY REPAIRS

The provision is created in connection with the warranty obligations incumbent on the Group's companies resulting from the construction services provided. The amount of the provision is determined on the basis of the Group's experience with the number of warranty repairs performed. As a rule, a provision is created in the amount of 0.5% of net income resulting from individual construction contracts. The exception is the modular construction and construction, where a provision is created up to 2% of net income, and residential construction – provisions amounting to 1% of net income. In justified cases, on the basis of a decision of the Management Board, a provision is created in an individually determined amount, which may deviate from the above-mentioned framework.

PROVISION FOR REPAIRS UNDER THE DEVELOPER'S WARRANTY GRANTED

In case of execution of development projects, the Group is obliged to provide a warranty for defects in the finished products sold. Therefore, provisions are created for estimated costs of performing the obligation within the scope of warranty. The value of the provision is calculated according to the following formula:

$$R=\Sigma Pi*Wi$$

where:

R – means the value of the provision in PLN

Pi – this is the estimated number of units (in pcs) after expiry of the guarantee and/or warranty granted by the general contractor
Wi – this is the estimated value of warranty repair (in PLN) under both the warranty and the product.

The value of W indicator is estimated by the Execution Department and approved by the Unit Manager.

The provision in question is created as of the date of obtaining a use permit and recognised on the other side in the selling costs.

PROVISION FOR LOSSES ON CONSTRUCTION CONTRACTS

If it is probable that total costs related to the performance of the contract will exceed total revenues, the expected loss (surplus of total estimated expenses over total estimated revenues) is charged to the expense in a period and is shown in the manufacturing costs of products and services sold.

PROVISION FOR ESTIMATED COSTS OF COMPLETION OF A DEVELOPMENT PROJECT

As at the date of obtaining the use permit for the investment, the Group estimates the value of costs necessary to be incurred before the completion of the development project. The above applies in particular to the costs of subcontractors' services which have not been performed at the date of obtaining the use permit.

PROVISION FOR DISPUTABLE ISSUES

In the case of legal proceedings against the Group, the legal department and external law firms providing services to the Group in consultation with the Management Board make a detailed analysis of potential risks associated with the proceedings and on this basis a decision is made on the necessity to recognise a provision for disputable issues.

The estimates and related assumptions are based on historical experience or opinions of independent experts, and other factors which are considered rational in given circumstances, and their results provide grounds for the judgement of the balance value which does not directly stem from other sources.

OTHER PROVISIONS

The Group companies may also create provisions for the audit of financial statements and other expenses as decided by the Management Board.

In principle, provisions on the other side are included in the current period expenses. The exception is a provision for the estimated costs of development project completion.

The provision for the estimated costs of development project completion is recognised as an inventory item. At the time of sales of the relevant finished goods, it is transferred (together with the cost of the finished product sold) to the manufacturing cost of the products and services sold. The write-off is established proportionally to the share of finished products sold in the total investment cost.

The accounting records of other provisions charged to expenses consist of:

- an increase in the manufacturing costs of products and services sold – in the case of provision for costs of subcontractors, warranty repairs, construction and provision for disputable issues concerning contracts in the process of execution;
- an increase in selling costs – in case of provision for repairs under the developer's warranty;
- an increase in other operating expenses – if they relate indirectly to the Group's operating and financial activities or if they are related to random events and provisions for disputable issues concerning the contracts submitted to the service.

In the same way, the amount of provisions is increased if the risk of obligation performance has increased.

The provision is used in connection with the creation of a liability for which it was created. The reserve may be used only for the purpose for which it was originally established.
The exchange of the provision for a liability, given the transformation of the expected risk of obligation performance into certainty, results in a decrease in the provision and an increase in liabilities.

The reversal of part or all of the unused provision in the event of a reduction or cessation of the risk justifying its creation, as of the date on which it proved to be unnecessary, consists in a decrease of the provision and:

- a decrease in manufacturing costs of products and services sold – in the case of provision for warranty repairs, construction provision and provision for disputable issues concerning contracts in the process of execution;
- a decrease in selling costs – in case of a provision for repairs under the developer's warranty;
- a decrease in other operating expenses – if the provision concerns indirectly operating activities, financial activities or random events, as well as a provision for disputable issues concerning contracts submitted to the service.

EMPLOYEE BENEFITS

The Group is obliged by the applicable provisions of law to collect and pay retirement benefit contributions. These benefits, in accordance with the IAS 19 "Employee Benefits" constitute a national program in the form of specified contributions program. The obligation to contribute to the pension plan is recognised as an employee benefit expense charged to profit or loss for the period in which the employees render service. By type, the above costs are recognised as social security and other benefits, except for benefits which have been capitalised in tangible fixed assets or inventory.

The employees of the Group's companies are entitled to receive retirement severance pay of a certain amount at retirement. This benefit is classified as post-employment defined benefit plan. The provision on this account is estimated by an actuary using the forecast unit benefit method. Actuarial gains/losses are recognised in other comprehensive income. Other changes in the provision are recognised in the profit or loss or capitalised in inventory if the changes concern production employees.

The Group recognises provisions in the amount of anticipated payments to employees for short-term cash bonuses if the Group has a legal or constructive obligation to make such payments based on the services provided by employees in the past and the obligation can be reliably estimated.

In particular, the Group creates the following provisions for short-term employee benefits:

1) provision for the performance of material tasks;
2) provision for facility-based bonuses;
3) provision for monthly bonuses;
4) provision for annual awards;
5) provision for annual managerial bonuses;
6) provision for bonus for the Management Board;
7) provision for unused holiday leaves.

The basis for calculating the provision for unused holidays is a statement of the number of unused, as at the balance sheet date, days of leave by employees. The amount of the provision per employee is determined on the basis of the product of the number of unused days of leave of a given employee and his/her gross daily remuneration increased by the employer's social security contributions.

Provisions for employee bonuses are recognised when:

- the entity has a present legal or constructive obligation to make such payments as a result of meeting certain criteria, and
- a reliable estimate of such a provision is possible. For example, a provision for facility-based bonuses is recognised when it becomes probable that the contract will be successfully completed and the facility-based bonuses will be due to employees. The valuation of the provision takes into account the fact that some employees may leave without obtaining the right to receive payments.

In principle, the above provisions are created as part of the costs of the period. An exception is made for provisions relating to production employees, which are capitalised as the inventory manufacturing cost.

DEFERRED INCOME TAX

For financial reporting purposes, deferred tax is calculated in relation to temporary differences as at the reporting date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements. The provision for deferred tax is recognised in relation to all positive temporary differences:

- except where the provision for deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or tax loss, and
- except when the timing of the reversal of the temporary difference is under the investor's control and it is probable that the temporary difference will not reverse in the foreseeable future in the case of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures.

Deferred tax assets are recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses carried forward to subsequent years, to the extent that it is probable that taxable income will be available against which the above-mentioned differences, assets and losses can be utilised:

- except where the deferred tax assets relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss, and
- in the case of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, a deferred tax asset is recognised in the statements of financial position only to the extent that it is probable that the aforementioned temporary differences will be reversed in the foreseeable future and that taxable profit will be available against which the deductible temporary differences can be offset.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the provision is released, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. In the case of taxable foreign operation conducted within one entity, e.g.: foreign branch, representative office, for the purpose of calculating deferred tax, a simplified tax rate appropriate for the entity's tax residence is applied.

Income tax is recognised in the income statement except when income tax relates to items recognised in other comprehensive income – then it is recognised in other comprehensive income and items recognised in equity – it is recognised directly in equity.

The Group compensates with itself deferred income tax assets with provisions for deferred income tax if and only if it has an enforceable legal title to carry out the compensation of receivables with current tax and deferred income tax liabilities concerns the same taxpayer and is imposed by the same tax authority.

CURRENT INCOME TAX

Current tax liabilities and receivables for the current and previous periods are measured at the amounts expected to be paid to the tax authorities (to be reimbursed from the tax authorities) using the tax rates and tax regulations that were legally or actually in force as at the reporting date.

PREPAYMENTS AND ACCRUALS

Prepayments are expenses incurred as at the balance sheet date and constitute deferred expenses. Recognition is made if the costs incurred relate to more than one reporting period. Insurance, guarantees, structure-settled VAT as well as other costs meeting the above definition, among others, constitute items of prepayments.

Prepayments are initially recognised at the amount paid. Prepayments are written off on the time basis or on the basis of the amount of service. The time and the method of settlement should depend on the nature of settled costs.

In order to settle the costs in time, it is necessary to meet the requirement to include them in the assets of the Group, and therefore it must be certain that a given asset will bring economic benefits in the future.

Accrued expenses are liabilities due for goods or services which have been received/performed but not invoiced or formally agreed with the supplier. In particular, accrued expenses include costs of subcontractors that were not invoiced at the balance sheet date. These settlements in the statements of financial position are shown in liabilities under *Long-term provisions and short-term provisions.*

DEFERRED INCOME

Deferred income constitutes received funds in respect of payments to be made in subsequent reporting periods, which will give rise to a title to recognise the relevant income. Their settlement in time is aimed at maintaining the principle of matching revenues and expenses.

The Group classifies the following as deferred income:

- advances received as part of development activities;
- initial fees paid by tenants during the construction of investment properties;
- subsidies;
- interest on bills of exchange settled in time;
- settlement of the right of perpetual usufruct of land received free of charge.

Development advances and initial fees paid by lessees during the construction period of development properties are initially recognised at the nominal value of cash received. Development advances are an element of the selling price and will affect the profit or loss when the revenue on sales is recognised. Subsidies received in cash are recognised at nominal value and non-monetary subsidies are recognised at fair value. Subsidies are recognised if there is reasonable assurance that the subsidy will be received and the entity will comply with the criteria for receiving the subsidy. Subsidies to tangible fixed assets and development work included in deferred income are recognised gradually in the income statement, by way of equal write-offs over the estimated useful life of the asset. Subsidies to costs are recognised as revenue in the period in which the entity recognises the cost to be offset by the subsidy.

SEGMENT REPORTING

The Group's operating segments constitute a part of the Group's business activities, in connection with which it may earn revenues and incur expenses, and its results are subject to regular review by the main decision-making body, while the results of the review are used to make decisions on the allocation of resources to individual segments. Operating segments identified on the basis of internal reports are subject to periodic reviews by the chief operating decision maker – the management board of the parent company.

Operating segments that show similarities in their long-term profits or losses and economic characteristics may be aggregated into reporting segments if qualitative criteria and quantitative thresholds are met. As regards the qualitative criteria, the operating segments must be similar in each of the following aspects:

- the type of products and services offered;
- the type of production process;
- the type or group of clients who are purchasers of the goods or services offered;
- methods used to distribute products or provide services;
- the type of regulatory environment (if applicable).

Operating segments are recognised separately if any of the quantitative thresholds listed below is met:

- shown segment revenues (both those generated from sales to external clients and from exchanges between segments) constitute 10 percent or more of total external and internal revenues of all operating segments;
- shown in absolute value segment profit or loss constitutes 10 percent or more of the greater of the following absolute values: the combined profit of all operating segments that did not show a loss; and the combined loss of all operating segments that showed a loss;
- assets assigned to a segment constitute 10 percent or more of total assets.

If the total external revenue that can be allocated to operating segments constitutes less than 75 per cent of the Group's consolidated revenues, then additional segments covered by the reporting obligation are identified, even if they do not reach the 10 percent thresholds specified above. The above approach is applied until the moment when revenues from the segments covered by the reporting obligation reach at least 75 percent of the Group's consolidated revenues.

Data on segment revenues, expenses, assets and liabilities are presented in accordance with the information regularly presented to the key operating decision-maker.

The segment result is determined at the level of gross profit on sales.

REVENUES FROM SALES

Revenues are incomes of gross economic benefits in a given period generated as a result of the ordinary activity of the Group, resulting in the increase of equity, other than an increase of capital resulting from the payments of the shareholders. Revenues include only received or due inflows of economic benefits, therefore amounts collected on behalf of third parties (e.g. value added tax) do not constitute the Group's revenues. In addition, revenues are shown net of any returns, rebates and discounts.

The Group recognises revenues taking into account the 5-step model described below. The model may be applied to individual contracts or to a portfolio of contracts (or obligations to perform service) with similar characteristics if an entity reasonably expects that the effect on its financial statements of applying the principles below will not differ materially from applying the principles below to individual contracts (or obligations to perform service).

Identification of a contract with a client

A contract with a client meets its definition when all the following criteria are met:

- the parties to the contract have approved it and are obliged to fulfil the obligations arising therefrom;
- the entities are able to identify the rights of each party concerning the goods or services to be transferred;
- the entities are able to identify the terms of payment for the goods or services to be transferred;
- the contract has economic substance, i.e. the risk, time of performance or amount of future cash flows is expected to change as a result of the contract;
- it is probable that the entity will receive the remuneration it will be entitled to in exchange for goods or services that will be provided to the client.

Identification of obligations to perform service

For a portfolio of contracts with similar characteristics, the Group companies assess the goods or services promised in the contract with the client and identifies as an obligation to perform service each promise to deliver to the client separately identifiable goods or services (or a package of goods or services) or groups of separate goods or services which are substantially the same and where the delivery to the customer is of the same nature.

Transaction price determination

In order to determine the transaction price, the Group takes into account the terms of the contract and its usual commercial practices. The transaction price is the amount of consideration which the Group expects to receive in exchange for the delivery of promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, certain sales taxes, fuel surcharge, excise).

When determining the transaction price, the Group takes into account all the following factors:
- variable remuneration,
- conditions limiting the recognition of variable elements of remuneration;
- the existence of a significant element of financing;
- cash remuneration;
- remuneration paid to the purchaser.

Allocation of the transaction price to individual obligations to perform service

The Group assigns a transaction price to each obligation to perform service (or to separate goods or services) in an amount which reflects the amount of remuneration which the Group expects to receive in return for the delivery of the promised goods or services to the client.

Recognition of revenues at the moment of (or in the course of) meeting the obligations to perform service

Obligations to perform service may be fulfilled with time or at a certain time. The Group recognises revenues when the obligation to perform service is met by transferring significant risks to the client as a result of which the client obtains control over this asset. In the case of development activities, the moment of performance is considered to be the moment of signing the acceptance protocol and receipt of the keys to the apartment. Revenues are recognised as amounts equal to the transaction price that has been allocated to a given obligation to perform service.

The Group transfers control over a good or service as time passes and thus fulfils the obligation to perform the service and recognises revenues as time passes if one of the following conditions is met:
- the client simultaneously receives and benefits from the service as it is performed,
- as a result of performance, an asset is created or improved and control over that asset is exercised by the client as it arises or improves,
- as a result of the performance of the service, there is no item with an alternative use for the Group and the Group has an enforceable right to pay for the performance of service to date.

Generally, the Group recognises the transfer of control over time in the case of contracts for construction services, including the construction of facilities from modules and panels produced by the Group, contracts for the construction of real property and contracts for the execution of a development project on behalf of an investor provided that the element related to the sales of land is not included in revenues and expenses related to the performance of the contract (the sales of land is shown as *Revenues from the sales of goods and materials)*.

In the case of transfer of control by the Group over time, revenues are determined using the percentage of completion method. The Group determines the progress of performance of the contract by determining the share of costs incurred from the date of conclusion of the contract until the date of revenue recognition in the estimated total costs of the contract. In cases justified by the nature of the contract, the Group may determine the percentage of completion of the contract according to other methods.

If the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent that it is probable that it will be recovered, and contract costs are recognised as expenses in the period in which they are incurred.

If it is probable that total costs related to the performance of the contract will exceed total revenues, the expected loss (surplus of total estimated costs over total estimated revenues) is charged to the expense in a period and is shown in the manufacturing costs of products and services sold.

If the value of estimated revenues using the percentage of completion method exceeds the invoiced revenues, the resulting difference is recognised under *Net revenues from sales of products and services* and recognised assets under *Contractual assets*. On the other hand, if the value of estimated revenues using the percentage of completion method is lower than the invoiced revenues, the resulting difference is recognised under *Net revenues from sales of products and services* and the liability is recognised under *Contractual liabilities*.

The following items of revenues from operating activities are disclosed in the Group's financial statements:
1) Net revenues from sales of products and services,
2) Net revenues from sales of goods and materials,
3) Other operating revenues,
Other operating revenues do not constitute revenues from the core operating activity.

The products and services sold by the Group include in particular: sales of construction services, developer sales including investor replacement and commercialisation services, sales related to modular construction, sales of other services and sales of products. At the same time, penalties and compensation calculated by the recipients of services to the Group in the course of the project are recognised as a decrease in net revenues from sales of products and services.

The realised exchange rate differences relating to transactions with clients and the result of the realisation of derivative instruments are also recognised in the revenues from sales if the hedged item had an effect on the revenues of sales, as well as the discount on deposit receivables.

Revenues from sales of goods and materials include in particular sales of land where the Group does not execute development projects, sales of apartments purchased for further resale, sales of design documentation purchased for further resale, and sales of other assets classified as materials.

OTHER REVENUES, OPERATING EXPENSES AND EXPECTED CREDIT LOSSES

Other operating revenues and expenses and expected credit losses include expenses and revenues indirectly related to the entity's operating activities, in particular revenues and expenses related to the entity's operating activity:
- creation and reversal of revaluation write-offs and expected credit losses on tangible fixed assets, intangible assets, receivables, loans, equity instruments, cash and inventory;
- sales of tangible fixed assets in use, tangible fixed assets under construction and intangible assets;
- creation and reversal of provisions, except for provisions recognised in manufacturing costs, selling costs or general and administrative costs;
- received or accrued penalties and fines, compensation for contracts transferred to the service and court fees incurred and received;
- on account of charges with penalties and fines; compensation for contracts transferred to the service;
- revenues from warranty deposits;
- revenues from operating leases and the result on the sales of tangible fixed assets subject to leaseback of an operating lease character;
- profits or losses arising from the reclassification of investment properties from/to inventory;
- received subsidies to revenues and expenses;
- the costs of membership fees;
- a profit from a bargain purchase;
- the result of the sale of subsidiaries;
- taking over the undertakings;
- revaluation of financial assets;
- and other revenues and expenses not directly related to the Group's core operating activity.

FINANCIAL REVENUES AND EXPENSES

Financial revenues and expenses include mainly items of revenues and expenses related to the financing of the Group's operations.

The financial revenues related to financing the Group's operations include in particular:
- net exchange rate gains arising from liabilities related to financing activities (loans, credits, bonds, lease, etc.);
- net foreign exchange gains on loans granted in foreign currencies;
- interest on receivables, loans granted and funds accumulated in the form of bank deposits;
- gains on unrealised exchange rate differences on settlements;
- revenues from unwinding and changes in the estimation of the refund period for the discounted receivables;
- revenues from fair value measurement of derivatives for which no hedge accounting was applied;
- gains on realisation of derivatives for which cash flow hedge accounting is applied, if the hedged item affects financial results;
- the ineffective part of profits related to hedging instruments.

The financial expenses associated with financing the Group's operations include in particular:

- interest on a bank overdraft;
- interest on short-term and long-term loans, credits, debt financial instruments and other sources of financing;
- unwinding and changing the estimation of the return period of the discount on long-term liabilities;
- net exchange rate losses arising from liabilities which are the source of financing for the Group's operations;
- net foreign exchange losses on loans granted in foreign currencies;
- losses on realisation and fair value measurement of derivatives for which no hedge accounting was applied;
- losses on realisation of derivatives for which cash flow hedge accounting is applied, if the hedged item affects financial expenses;
- the ineffective part of losses related to hedging instruments;
- costs of issuing bonds financing the Group's operations (these costs constitute an element of interest cost calculated using the effective interest rate).

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, according to which the gross result is adjusted by the effects of non-monetary transactions, by prepayments and accruals of past or future cash inflows or payments related to operating activities and by items of revenues and expenses related to cash flows from investment or financing activities.

The Group classifies the interest received as investment activities, as it results mainly from the investments undertaken by the Group. On the other hand, interest paid is shown in financial activities, as it constitutes in particular an element of the financing expense.

The cash flow statement shows the balance of cash and cash equivalents without taking into account the effects of periodical valuation of cash and cash equivalents denominated in foreign currencies, less liabilities on bank overdrafts. At the same time, the cash flow statement, in a separate item, discloses the value of cash and cash equivalents in relation to which the Group has limited rights of disposal.

FINANCIAL INSTRUMENTS

Financial assets

The Group has in particular such financial assets as:

- investments in other entities;
- investment certificates;
- bonds;
- derivative instruments;
- loans granted;
- deposits under construction contracts (i.e. deposits retained by recipients of construction services);
- cash and cash equivalents;
- other financial receivables.

The Group recognises a financial asset or a financial liability in the statements of financial position if and only if it becomes bound by the contractual provisions of the instrument.
Upon initial recognition, all financial instruments are measured at fair value. In the case of financial assets which are not measured at fair value through profit or loss after the initial recognition date, the initial fair value is adjusted by transaction costs directly attributable to the acquisition.

Financial assets that are debt instruments are classified as measured at initial recognition at amortised cost or at fair value on the basis of:

- the entity's business model for financial asset management,
  and
- characteristics of contractual cash flows for a financial asset.

Debt instruments are measured at initial recognition at amortised cost if both conditions are met, i.e.:

- the financial asset is held in accordance with a business model which aims to maintain financial assets for the purpose of obtaining contractual cash flows, and
- the terms of the contract relating to the financial asset give rise to cash flows on specified dates which are merely the repayment of principal amount and interest on the principal outstanding amount.

A debt instrument is measured at fair value through other comprehensive income if both conditions are met, i.e.:

- the financial asset is held according to a business model which aims both to receive contractual cash flows and to sell the financial asset,
  and
- the terms of the contract relating to the financial asset give rise to cash flows on specified dates which are merely the repayment of principal amount and interest on the principal outstanding amount.

All other debt instruments are measured at fair value through profit or loss after initial recognition.

Notwithstanding the above, at the time of initial recognition, the Management Board may classify a financial asset as measured at fair value through profit or loss if such classification reduces or eliminates an inconsistency in measurement or recognition.

Derivative instruments not covered by hedge accounting are measured at fair value through profit or loss.

Equity (share) instruments

Financial assets constituting investments in equity instruments which are not held for trading are measured at fair value:

- through other comprehensive income,

or

- through profit and loss.

The choice is be made for each instrument separately.

Equity instruments that are not held for trading may be measured at fair value through other comprehensive income, but such classification may not be changed.

Dividends received from these investments are recognised in profit or loss, unless they represent a recovery of part of the initial cost of this investment. Changes in fair value are recognised in other comprehensive income, without the possibility of reclassification of previous profits and losses between the profit and loss account and other comprehensive income.

Equity instruments held for trading are measured at fair value through profit or loss.

Unlisted equity instruments are measured at fair value even if their fair value cannot be reliably determined.

Debt instruments

IFRS 9 distinguishes three categories of debt instruments: those measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification depends on the business model of financial asset management and whether contractual cash flows are purely principal and interest payments, the so-called SPPI test.

The SPPI test is considered to be passed when solely equity and interest constitute cash flows. Under the basic terms of a loan contract, they may include the time value of money, credit risk, liquidity risk, administrative costs, profit margin. By contrast, a test shall be considered unsuccessful when the exposure is not exposed to risks and volatilities unrelated to the underlying terms of the loan contract, e.g. exposure to volatility of equity or commodity prices, interest-bearing assets expressed as a multiplier of the basic interest rate, bonds convertible into shares.

Financial assets that do not pass the cash flow test are recognised at fair value through profit or loss.

The entity's business model means the way in which an entity manages its financial assets in order to generate cash flows and create value for the Company. The entity's business model determines whether the cash flows will come from the collection of contractual cash flows, the sale of financial assets or both.

If the financial instrument is held for the purpose of collecting cash flows, it may be classified as measured at amortised cost only if, in addition, it meets the requirement for principal and interest payments only. Debt instruments may be classified as at fair value through other comprehensive income if they meet the principal and interest payment only requirement (SPPI) and are held in a portfolio in which the Group holds both assets to collect cash flows and sells the assets. Financial assets that do not contain cash flows that come exclusively from principal and interest payments (SPPI) must be measured at fair value through profit or loss.

The recognition of a financial asset is discontinued only if:

a) the contractual rights to cash flows from the financial asset have expired,
or
b) the financial asset has been transferred and this transfer qualifies for derecognition (by transferring substantially all risks and rewards of ownership).

When a financial asset is derecognised in its entirety, the difference between the carrying amount calculated at the date of derecognition and the consideration received (including any newly acquired assets after deducting any newly incurred liabilities) is recognised in the income statement.

As at the balance sheet date, to estimate expected credit losses in relation to trade receivables and loans granted, the Group applies the simplified method using the provisioning ratio, which takes into account historical data. Other methods of estimating expected credit losses may also be used.

Impairment

The application of IFRS 9 fundamentally changes the approach to the impairment of financial assets by moving from the concept of a loss under IAS 39 to an expected loss regardless of whether there is an indication of impairment or not.

As at the balance sheet date, the Group applied a simplified model acceptable under IFRS 9, based on a group analysis of a homogeneous portfolio of receivables, to estimate expected credit losses in relation to trade receivables and warranty deposits. The model uses data on invoices issued within 2-5 years before the analysis date to create a write-off matrix that sets default rates for specific payment delays, i.e. overdue periods. Default rates are then used to calculate expected credit losses for the entire homogeneous portfolio of receivables.

Taking into account the above methodology of calculation of expected credit losses, the value of receivables may also be updated on an individual basis if, according to the individual assessment of the Management Board, the risk of bad debt is significant, in particular with regard to:

- receivables from counterparties put in liquidation or bankruptcy,
- receivables disputed by debtors and whose payment is overdue, and according to the assessment of the debtor's property and financial situation, repayment of the contractual receivables is subject to significant risk.

As a result of individual analysis, if despite significant overdue receivables, the Group has a credible declaration of the contractor's payment, the creation of the write-off may be withheld.

As regards loans, long-term receivables and other similar items, expected credit losses are calculated on the basis of internal assessment (determined by the module) or external ratings, if available. The module estimates the probability of default at the initial recognition date and balance sheet date. This is based on a comparison of the borrower's financial data at the date of the loan and at the balance sheet date and takes into account the additional information resulting from the answers to the supplementary questions that are part of the model. The module proposes the classification of exposures into one of three steps (1-3) of the expected credit loss model. In the case of classification into Grade 1 or Grade 2, the module calculates the amount of the impairment loss based on: (1) the individually assigned rating (determined on the basis of the financial data provided) and market default profiles for that rating; (2) the repayment schedule of the loan or long-term receivable; and (3) expected recoveries from collateral and other credit risk mitigants.

The Group also estimates the expected credit losses related to the contractual assets, using the default rate calculated for receivables from the first overdue range.

In addition, IFRS 9 "Financial Instruments" amended the provision of IAS 1 and therefore from 1 January 2018 a separate presentation of impairment of receivables in the statement of comprehensive income is required. Before the separation, this item was presented as a total item in other operating expenses.

Financial liabilities

Upon initial recognition, financial liabilities are recognised at cost, which is the fair value of remuneration received for them. Transaction costs are recognised in the initial recognition of financial liabilities. This does not apply to financial liabilities measured at fair value through profit or loss.

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of the following:

a) financial liabilities measured at fair value through profit or loss. Such a liability, including derivatives being liabilities, is measured at fair value.
b) financial liabilities arising when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing engagement approach.

The measurement of financial liabilities relating to a hedging instrument is subject to hedge accounting requirements.

A financial liability is no longer recognised if and only if the liability has expired, that is when the obligation specified in the contract has been fulfilled, discontinued or its deadline for its recovery has expired.

HEDGE ACCOUNTING

The Group's companies use derivative instruments in order to hedge against the risk of exchange rate volatility related to transactions settled in foreign currencies.
Derivatives, mainly options or forward contracts, are intended to hedge future cash flows.

Criteria for applying hedge accounting

For these derivatives, the hedge accounting rules can be applied only if all conditions for the application of hedge accounting are met, i.e.:

- at the time of establishing the hedge, a formalised documentation of the hedging relationship has been prepared, which defines the adopted risk management objective and hedging strategy. The documentation designates the hedging instrument that hedges a given position or transaction and specifies the type of risk it hedges against. The Group's company determines the manner in which the effectiveness of the hedging instrument in compensating for changes in cash flows from the hedged transaction will be assessed in terms of reducing the risk against which the Group's company is hedged;
- the hedge is expected to be highly effective in offsetting changes in cash flows, in accordance with a documented risk management strategy for that particular hedging relationship;
- for cash flow hedge accounting, a cash flow hedge relates to a forecast transaction that is highly probable and subject to the risk of changes in cash flows that could affect profit or loss;
- the effectiveness of the hedge can be reliably assessed, i.e. the fair value of the hedged item or its cash flows and the fair value of the hedging instrument can be reliably measured;

- the hedge is verified on an ongoing basis and its high effectiveness is established in all reporting periods for which the hedge was established.

If the above conditions are not met, the derivative is subject to the valuation rules applicable to financial assets measured through profit or loss.

Cash flow hedge

This is a hedge of the risk of fluctuations in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) may affect profit or loss. Cash flow hedges are recognised as follows:

- the part of profits or losses related to the hedging instrument that constitute an effective hedge is recognised in other comprehensive income and shown in the revaluation reserve, while the ineffective part of profits or losses related to the hedging instrument is recognised in the financial result under *Financial revenues* or *Financial expenses*, respectively;
- if the hedged planned transaction results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income (effective hedge) are transferred to profit or loss in the same period or periods in which the hedged cash flows affect profit or loss and are presented in the same item as the hedged item;
- if the hedged planned transaction results in the recognition of a non-financial asset or non-financial liability, the amounts recognised directly in other comprehensive income (effective hedge) are recognised in the profit or loss in the same period or periods in which the acquired assets or acquired liabilities affect the profit or loss of the period and are presented in the same item in which the effect of the hedged item is presented.

SHARES IN SUBSIDIARIES

Shares in subsidiaries in the consolidated financial statements are initially recognised at cost. After initial recognition, investments are measured at cost, taking into account any impairment losses. The initial cost includes: fair value of payment and transaction costs.

An investment in a subsidiary and associate is tested for impairment when there are indications of impairment. If there are any indications, the recoverable amount of this investment is determined, i.e. the higher of two amounts: fair value less selling costs and value in use. Impairment loss is established in the amount of the surplus of the carrying amount over the recoverable amount and is recognised in the profit or loss under *Other operating expenses*.

EQUITY METHOD

In accordance with this method, as at the date of acquisition of shares in a jointly controlled entity or affiliate, the value is recognised at cost, including transaction costs, and in subsequent periods after the acquisition, it is adjusted for changes in the net assets of the entity over which the Group has significant influence in accordance with its share in that entity. This means that profit or loss attributable to the Group is included in the Group's profit or loss and other comprehensive income attributable to the Group is included in its other comprehensive income. In other words, the Group shows as part of the result its share in the profit or loss of the affiliate or joint venture in the line *Share in net profits (losses) of entities measured using the equity method* and separately shows as part of other comprehensive income the Group's share in other comprehensive income of the affiliate or joint venture.
Any distribution of an entity's results transferred to the Group (e.g. an affiliate or joint venture paying a dividend to the Group) reduces the value of the investment in the affiliate, and/or a joint venture when a dividend is declared (the Group's right to receive the dividend arises).

Investments in entities measured by the equity method are tested for impairment if there is objective evidence of impairment.
The amount of the impairment loss on investments in entities measured with the equity method is determined in accordance with the requirements of IAS 36 Impairment, i.e. it corresponds to the difference between the carrying amount of the financial asset and its recoverable amount (the higher of its value in use and fair value less costs to sell the asset). The revaluation write-off is not allocated to individual assets forming the accounting value of investments in entities measured using the equity method. The amount of the impairment loss is recognised in the *Impairment of investments in entities measured using the equity method*.

If the objective evidence of impairment of the investment ceases to exist, the impairment test shall be repeated and, if necessary, the write-off shall be reversed to an amount no higher than the carrying amount of the investment that would have been determined had no impairment loss been made at all.

GOODWILL

Goodwill arising on acquisition results from the occurrence, as at the acquisition date, of an excess of the cost of acquisition of the entity over the Company's share in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities.

For the purpose of impairment testing, goodwill is allocated to individual Company's units generating cash flows that should benefit from the synergies resulting from the merger. Entities generating cash flows to which goodwill is allocated are tested for impairment once a year or more frequently if it can be credibly assumed that impairment has occurred. If the recoverable value of the entity generating cash flows is smaller than its carrying amount, the impairment loss is allocated first in order to decrease the carrying amount of goodwill allocated to this entity, and then to other assets of this entity proportionally to the carrying amount of individual assets of this entity. An impairment loss recognised for goodwill is not reversed in a subsequent period.

FIXED ASSETS (DISPOSAL GROUP) HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed assets (disposal group) are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction and the sale is considered highly probable. Fixed assets or a disposal group are measured at the lower of the following two amounts: their carrying amount and fair value less selling costs. Fixed assets held for sale or assets of the disposal group held for sale are shown in a separate item under current assets. Liabilities of the disposal group intended for sale are shown in a separate item under current liabilities.
Discontinued operations are an element of an entity that has been disposed of or is classified as held for sale, and:

- is a separate, important field of activity or geographical area of activity;
- is part of a single coordinated disposal plan for a separate, important field of activity or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to its resale.

If operations are classified as discontinued operations, the presentation of data in the statement of comprehensive income and the cash flow statement for the financial year is amended in accordance with the detailed guidelines of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, respectively, and data for the comparative period is restated to reflect operations that have been discontinued at the balance sheet date.

3.2. Accounting principles

Consolidated financial statements include financial statements of the parent company and statements of entities controlled by the parent company (subsidiaries), jointly controlled entities and affiliates prepared as at the balance sheet date or other reporting date.

In order to determine whether the Group exercises control over the entity, a detailed analysis of facts and circumstances indicating the existence of control is performed. In particular, the following elements shall be considered:

- exercising power over an entity – where power is understood as the Group's possession of currently existing and significant rights that enable it to manage on an ongoing basis the relevant activities of the entity, i.e. those that have a significant impact on the returns generated by the entity, e.g. sales and purchases of goods and services, management of financial assets, acquisition or disposal of assets, and financing activities;
- exposure to, or right to, variable returns on investments – variable returns are those that are not fixed and can change as a result of the investee's actions, for example, dividends, interest, service charges, changes in the fair value of the investment, tax benefits;

Transactions in exchange of shares between entities under common control, in the absence of specific regulations in IAS/IFRS, are recognised in the separate financial statements of the parent company without results, and the possible profit from the valuation of the exchanged shares is recognised in the reserve capital from exchange of shares.

The financial results of entities acquired or sold during the year are included in the consolidated financial statements from/until their acquisition or disposal, respectively.

Full consolidation of subsidiaries is carried out in accordance with the following principles:

- all relevant assets and liabilities of subsidiaries and the parent company are aggregated in full, regardless of the proportion of ownership of the subsidiary by the Parent Company;
- after aggregation, consolidation adjustments and exclusions are made;
- all relevant revenues and liabilities of subsidiaries and the parent are aggregated in full, regardless of the proportion of ownership of the subsidiary by the Parent Company;
- after aggregation, consolidation adjustments and exclusions are made.

Jointly controlled entities and affiliates are consolidated using the equity method.

Non-controlling interest is the capital of subsidiaries that is not attributable, directly or indirectly, to the parent company.

These shares are presented in the consolidated statements of financial position of the Group within the equity (separately from the equity of the owners of the parent company) in the position *Non-controlling interests.*
Transactions with non-controlling shareholders that do not result in a loss of control are reported as equity transactions. The difference between the fair value of the consideration transferred and the share acquired in the balance sheet value of the subsidiary's net assets is recognised in equity under the item *Retained earnings*. Similarly, gains or losses on the disposal of non-controlling interests are determined. These gains or losses are also disclosed in equity under *the item Retained earnings*.

The consolidated net result is attributed to the shareholders of the parent company and non-controlling interests.

(amounts in the tables are expressed in PLN unless otherwise stated)

3.3. Selected financial data converted into EUR

3.3.1. Key items of the statements of financial position converted into EUR (as at the last day of the period)

	as at 31.12.2019		as at 31.12.2018	
	PLN	EUR	PLN	EUR
Fixed assets	246,568,424.97	57,900,299.39	224,872,954.35	52,296,035.90
Current assets	858,868,147.37	201,683,256.40	731,357,703.32	170,083,186.82
Total assets	**1,105,436,572.34**	**259,583,555.79**	**956,230,657.67**	**222,379,222.72**
Equity	276,728,356.97	64,982,589.40	263,655,724.20	61,315,284.70
Liabilities and provisions for liabilities	828,708,215.37	194,600,966.39	692,574,933.47	161,063,938.02
Total liabilities	**1,105,436,572.34**	**259,583,555.79**	**956,230,657.67**	**222,379,222.72**

For conversion of the data from the statements of financial position as at 31 December 2019, the EUR exchange rate set by the National Bank of Poland as at that date, i.e. the rate of PLN/EUR 4.2585, was adopted.

For conversion of the data from the statements of financial position as at 31 December 2018, the EUR exchange rate set by the National Bank of Poland as at that date, i.e. the rate of PLN/EUR 4.30, was adopted.

3.3.2. Basic items of the statements of comprehensive income converted into EUR

	01.01.-31.12.2019		01.01.-31.12.2018	
	PLN	EUR	PLN	EUR
Revenues from contracts with clients	1,659,657,628.18	385,805,390.34	1,658,622,328.70	388,718,350.25
Costs of products, goods and materials sold	1,530,482,686.79	355,777,276.21	1,562,507,813.65	366,192,742.66
Gross profit (loss) on sales	129,174,941.39	30,028,114.14	96,114,515.05	22,525,607.60
Profit (loss) on operational activities	39,967,536.11	9,290,886.63	34,781,425.15	8,151,450.74
Gross profit (loss)	38,827,870.17	9,025,958.94	37,368,636.42	8,757,795.22
Net profit (loss)	30,053,187.47	6,986,188.91	27,564,425.30	6,460,058.90
Total comprehensive income	27,169,722.18	6,315,896.18	24,978,492.12	5,854,013.95

To convert the data of the statements of comprehensive income for the period from 01.01.2019 to 31.12.2019, the average EUR exchange rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month in a given period, determined by the National Bank of Poland on that day, i.e. the rate of PLN/EUR 4.3018.

To convert the data of the statements of comprehensive income for the period from 01.01.2018 to 31.12.2018, the average EUR exchange rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month in a given period, determined by the National Bank of Poland on that day, i.e. the rate of PLN/EUR 4.2669.

3.3.3. Basic items of the cash flow statement converted into EUR

	01.01.-31.12.2019		01.01.-31.12.2018	
	PLN	EUR	PLN	EUR
A. Cash flows from operating activities	185,526,945.33	43,127,747.76	-111,037,138.34	-26,022,906.17
B. Cash flows from investment activities	-19,093,378.03	-4,438,462.51	-17,951,611.75	-4,207,178.92
C. Cash flows from financing activities	-44,292,325.05	-10,296,230.66	18,460,356.37	4,326,409.42
D. Total net cash flows (A+/- B+/-C)	122,141,242.25	28,393,054.59	-110,528,393.72	-25,903,675.67
F. Opening balance of cash	56,046,624.87	13,034,098.81	166,570,192.17	39,936,270.87
G. Closing balance of cash	178,187,867.12	41,842,871.23	56,041,798.45	13,032,976.38

To convert the data of cash flow statement for the period 01.01.2019 - 31.12.2019, the following EUR rates were adopted:

- to calculate data from items A, B, C, D – average exchange rate calculated as an arithmetic mean of the exchange rates in force on the last day of each month in a given period, established by the National Bank of Poland for that day, i.e. PLN/EUR 4.3018,
- to calculate data from the F item – the exchange rate established by the National Bank of Poland as at 31 December 2018, i.e. PLN/EUR 4.30,
- to calculate data from the G item – the exchange rate established by the National Bank of Poland as at 31 December 2019, i.e. PLN/EUR 4.2585.

To convert the data of cash flow statement for the period 01.01.2018 - 31.12.2018, the following EUR rates were adopted:

- to calculate data from items A, B, C, D – average exchange rate calculated as an arithmetic mean of the exchange rates in force on the last day of each month in a given period, established by the National Bank of Poland for that day, i.e. PLN/EUR 4.2669,
- to calculate data from the F item – the exchange rate established by the National Bank of Poland as at 31 December 2017, i.e. PLN/EUR 4.1709,
- to calculate data from the G item – the exchange rate established by the National Bank of Poland as at 31 December 2018, i.e. PLN/EUR 4.30.

4. Financial risk management

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

Foreign currency risk

As part of its operating activities, the Group enters into contracts which are (or may be) denominated or expressed in foreign currencies. In terms of export earnings, hedging against currency risk is primarily effected through a natural hedging mechanism, which consists in signing contracts with subcontractors in the currency of the 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 executed margin – this relates to contracts executed in Belarus. In the case of contracts executed in Norway and Sweden, the natural hedging mechanism is estimated at approx. 20%. Natural security for contracts performed in Poland and expressed in EUR does not exceed 10%.

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

The Group's strategy with respect to financial instruments hedging the foreign exchange risk is based on the procedure of foreign exchange risk management adopted by the Management Board, which assumes:
1) hedging amounts not greater than the planned net foreign exchange flows,
2) using simple and predictable tools, e.g. Forward, sale of put option.

Analysing the planned foreign currency transactions that may occur in 2020, based on the current order book, the Group estimates the maximum total foreign exchange risk exposure to be approx. EUR 8 mln and approx. NOK 400 mln (in 2019 – EUR 6.7 mln, SEK 26 mln and NOK 248 mln).

The table below shows the estimated sensitivity of the net income to EUR, NOK and SEK exchange rate fluctuations (assuming no hedging through financial instruments):

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 1,296,000 - PLN + 16,200,000	PLN + 1,085,400 PLN + 1,053,000 PLN + 10,044,000
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN - 1,296,000 - PLN - 16,200,000	PLN - 1,085,400 PLN - 1,053,000 PLN - 10,044,000

Some of the Group's assets and liabilities are denominated in foreign currencies and then converted into Polish zloty on the basis of the average rate of exchange published by the National Bank of Poland on the valuation date. The carrying value of the Group's assets and liabilities of significant value determined in foreign currencies as at the balance sheet date is as follows:

Assets

	31.12.2019	31.12.2018
EUR	**16,579,593.34**	**21,642,065.86**
- fixed assets	-	4,808,633.53
- inventory	73,472.49	55,027.10
- receivables	7,953,151.56	12,997,071.07
- cash	8,552,969.29	3,781,334.16
NOK	**48,290,288.20**	**46,480,041.01**
- fixed assets	-	2,375,240.88
- inventory	101,068.52	97,688.52
- receivables (including loans granted)	23,484,014.03	20,735,107.85
- cash	24,530,705.65	23,272,003.76
- other	174,500.00	-
SEK	**2,398,958.86**	**1,852,614.67**
- fixed assets	-	404,104.04
- inventory	859,986.93	689,507.34
- receivables	470,894.27	476,382.73
- cash	1,054,077.66	282,620.56
- other	14,000.00	-

(amounts in the tables are expressed in PLN unless otherwise stated)

Liabilities

	31.12.2019	31.12.2018
EUR	**9,753,945.62**	**8,736,646.23**
- liabilities	4,285,356.26	4,949,951.56
- provisions for liabilities and accruals	5,468,589.36	3,786,694.67
NOK	**23,313,682.59**	**42,178,309.40**
- liabilities	19,360,228.66	41,078,073.19
- provisions for liabilities and accruals	3,953,453.93	1,100,236.21
SEK	**396,151.86**	**329,252.00**
- liabilities	396,151.86	329,252.00

Taking into account the above-mentioned values of the Group's assets and liabilities expressed in foreign currencies, the sensitivity of the net income to changes in exchange rates is as follows:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 1,105,755 PLN + 81,114 PLN + 1,011,553	PLN + 2,090,678 PLN + 61,696 PLN + 174,220
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK - 0.05 PLN/NOK - 0.05	PLN - 1,105,755 PLN - 81,114 PLN - 1,011,176	PLN - 2,090,678 PLN - 61,696 PLN - 174,220

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 foreign exchange risk management procedure mentioned above.
Derivative instruments are measured as at the balance sheet date at 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 National Bank of Poland rates) as at the balance sheet date and interest rate differentials 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 expenses of the reporting period (time value of derivatives). Profits and losses determined as at the settlement date are disclosed in the result account.

The total nominal value of FX-Forward-type exchange forward contracts as at
31 December 2019 was NOK 100 mln and EUR 1.8 mln (NOK 145 mln as at 31 December 2018).

Taking into account the above-mentioned values of forward contracts, the sensitivity of the net income to FX rate changes (which translate into changes in the value of forward contracts) is as follows:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/NOK + 0.05	PLN -291,600 PLN - 4,050,000	- PLN - 5,872,500
RATE DECREASE	PLN/EUR - 0.20 PLN/NOK + 0.05	PLN +291,600 PLN + 4,050,000	- PLN + 5,872,500

Summarising the changes in future revenues, changes in assets and liabilities and changes in the value of hedging instruments due to changes in foreign exchange rates, total sensitivity of the net income to changes in foreign exchange rates is presented in the table below:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 2,110,155 PLN + 81,114 PLN + 13,161,176	PLN + 3,176,078 PLN + 1,114,696 PLN + 4,345,720
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK - 0.05 PLN/NOK - 0.05	PLN - 2,110,155 PLN - 81,114 PLN - 13,161,176	PLN - 3,176,078 PLN - 1,114,696 PLN - 4,345,720

(amounts in the tables are expressed in PLN unless otherwise stated)

Interest rate risk

Interest rate risk is mainly related to the use of bank loans, lease 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 cash flows. Lease is not decisive in the financing of the Company (it concerns mainly purchases of vehicle fleet and specialist road machines).
The Group invests its financial surpluses in the form of short-term deposits. Deposits are based on fixed interest rates and are usually concluded for a period of 3-7 days. The amount of interest obtained will depend, among other things, on the level of interest rates.

In order to hedge against the risk of interest rate changes, the Group's parent company concluded two IRS-type transactions securing the payment of interest on issued three-year own bonds, whose maturity date is June 2021 and February 2022. Therefore, the issued bonds do not generate any risk related to interest rate changes.

The mentioned instruments are valued as on the balance sheet date and at a reliably determined fair value. The effects of periodical valuation of derivative instruments are recognised either as financial revenues 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 effect on the 2019 profit or loss. All interest-bearing liabilities in the Group amount to 12.1% of the balance sheet total and no significant changes are expected by the end of 2020.

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

The amounts of interest-bearing liabilities and assets exposed to interest rate risk are presented in the table below:

	31.12.2019	31.12.2018
	PLN	PLN
Loans granted	51,469,355	35,781,634
Bank credits, bonds, lease	68,928,021	89,422,190
Cash	178,374,337	56,182,453
TOTAL	**298,771,713**	**181,386,277**

The above-mentioned data concerning bank loans, bonds and financial lease exposed to the risk of interest rate changes do not include series E and F bonds issued by UNIBEP S.A. on which interest was secured by the aforementioned IRS-type transactions. Therefore, there is no interest rate risk for this part of the liabilities.

In order to carry out the interest rate sensitivity analysis, on the basis of historical changes in value and on the basis of the Group's knowledge and experience in the financial markets, changes in interest rates which are "reasonably possible" were estimated as at 31.12.2019 at -1 / +1 percentage point for the Polish zloty in the case of bank credits, bonds and lease liabilities, and -0.5 / +0.5 percentage point for other areas.

The table below presents the sensitivity of the net financial result to interest rate changes.

	Changes in interest rates	Effect on net income 2020	Effect on net income 2019
Loans granted	+/- 100 bp	PLN +/- 416,902	PLN +/- 289,831
Bank credits, bonds, lease	+/- 100 bp	PLN +/- 558,317	PLN +/- 724,320
Cash	+/- 50 bp	PLN +/- 722,416	PLN +/- 227,539

Credit risk

The Group's financial assets 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 related to the loss of funds held in bank accounts or deposits, the Group undertakes cooperation in this respect only with institutions of stable and reliable financial standing. At the same time, the Group's companies' take steps to disperse the cash in such a way that a significant amount of it is not located in just one financial institution. Cash is sent to bank accounts maintained outside Poland only in such amounts as to secure the nearest payments, which are made from such accounts.

When granting loans to external entities, the Group follows the general rule that they may be granted only in connection with projects implemented by the Group. This was done only in connection with the implemented projects, when the projects had secured financing and when the loans were covered by at least 100% of the established collateral.

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

(amounts in the tables are expressed in PLN unless otherwise stated)

When determining the risk of impairment of receivables from counterparties (trade receivables increased and deposits retained by investors), the Group uses a model to estimate expected credit losses. The model uses historical data on the rotation of receivables between individual overdue baskets. On this basis, the probability of non-payment is determined for each basket. The product of the probability so calculated and the volume of receivables from a given basket determines the expected credit loss for each basket. Data on expected credit losses as at 31.12.2019 are presented in the table below:

Specification/days of delay	0	up to 90	91-180	181-360	361-720	Above 720	Total
Receivables from counterparties	172,524,570	15,703,106	9,510,121	11,215,052	25,867,965	15,317,012	250,137,826
Expected loss rate	0.24%	8.28%	12.81%	22.52%	61.93%	100.00%	14.71%
Expected loss	416,123	1,299,770	1,217,992	2,525,785	16,019,603	15,317,012	36,796,285
Deposits withheld by counterparties	63,444,323	2,420,729	4,936	1,576	1,514,889	901,372	68,287,825
Expected loss rate	2.56%	10.70%	77.61%	85.32%	100.00%	100.00%	6.30%
Expected loss	1,622,021	259,130	3,831	1,345	1,514,889	901,372	4,302,587
Contractual assets	130,994,529	-	-	-	-	-	130,994,529
Expected loss rate	0.21%	-	-	-	-	-	0.21%
Expected loss	269,640	-	-	-	-	-	269,640
Total expected loss	**2,307,784**	**1,558,900**	**1,221,822**	**2,527,130**	**17,534,492**	**16,218,384**	**41,368,512**

The comparative data for 2018 are presented in the specification below:

Specification/days of delay	0	up to 90	91-180	181-360	361-720	Above 720	Total
Receivables from counterparties	185,395,919	26,850,337	9,463,597	29,916,397	14,006,580	11,624,727	277,257,556
Expected loss rate	0.20%	6.23%	8.81%	14.63%	43.63%	98.02%	8.93%
Expected loss	377,179	1,671,659	833,288	4,377,500	6,110,543	11,394,457	24,764,627
Deposits withheld by counterparties	90,429,830	819,650	1,928,440	-	-	914,858	94,092,778
Expected loss rate	0.06%	0.11%	21.97%	0.00%	100.00%	100.00%	1.48%
Expected loss	51,375	926	423,617	-	-	914,858	1,390,775
Contractual assets	109,854,012	-	-	-	-	-	109,854,012
Expected loss rate	0.19%	-	-	-	-	-	0.19%
Expected loss	208,063	-	-	-	-	-	208,063
Total expected loss	**636,617**	**1,672,585**	**1,256,905**	**4,377,500**	**6,110,543**	**12,309,315**	**26,363,465**

In 2019, the Group wrote off receivables with a total value of PLN 334,739.81. In 2018, it was PLN 729,295.54.

The Group's exposure to the maximum credit risk is presented in the table below:

	31.12.2019	31.12.2018
	PLN	PLN
Cash	178,374,337	56,182,453
Receivables from counterparties	233,420,098	297,851,020
Loans granted	51,708,971	36,336,301
TOTAL	**463,503,405**	**390,369,774**

Liquidity risk

In order to minimise the liquidity risk, the Group tries to maintain an adequate amount of cash (as at 31 December 2019, the Group's bank accounts had PLN 178.4 mln in cash) and concludes credit facility contracts, which serve as additional security of liquidity. In addition, it forecasts and monitors cash flows on an ongoing basis. These activities are supported by systemic solutions for determining expected revenues and measuring actual expenditures, broken down by individual business lines of the Group. The relevant services in the Group forecast cash flows over the next 12 months and analyse a very detailed statements of income and expenses over the next 30 days. If necessary, an increase in the available credit limits is negotiated in advance.

As at 31 December 2019, the Group had the following credit limits in current accounts with the following banks:

- PKO BP S.A. in the amount of PLN 15 mln is valid until November 2020,
- BNP Paribas Bank Polska S.A. in the amount of PLN 15 mln is valid until June 2020,
- Santander Bank Polska S.A. in the amount of PLN 10 mln is valid until September 2020,
- mBank S.A. in the amount of PLN 10 mln is valid until February 2020,
- BGK in the amount of PLN 30 mln is valid until November 2020,
- ING Bank Śląski S.A. in the amount of PLN 5 mln is valid until June 2020,
- Santander Bank Polska S.A. in the amount of PLN 10 mln is valid until September 2020,
- mBank S.A. in the amount of PLN 3 mln is valid until June 2020.

(amounts in the tables are expressed in PLN unless otherwise stated)

The Group is not afraid of losing the availability of financing despite the fact that financial institutions analyse the Company's profits or losses on an ongoing (quarterly) basis. The credit contracts contain provisions on maintaining minimum financial ratios, such as solvency, interest cover, capitalisation and EBITDA, which are reviewed and analysed. The Group monitors the aforementioned provisions on an ongoing basis and in good time, in order to renegotiate said limitations, in the event of an emerging possibility of "coming closer" to the required thresholds.

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

The Group tries to sign contracts only with reliable, financially sound partners who have access to bank financing. Moreover, in contracts for specific construction or road work, the Company always tries to establish performance bonds and to remove defects in the form of bank or insurance guarantees, and not in the form of its own cash retained by investors. This is possible thanks to the Group's wide access to guarantee limits both in banks and insurance companies. The Group had such limits in the total amount of PLN 701 mln. Their use amounted to 59%, i.e. PLN 417 mln. At the same time, in contracts with subcontractors, if possible, contractual provisions are created which condition the payments to subcontractors from the receipt of funds from the investor.

In order to finance investment purchases, the Group uses its own funds and long-term bank credits, ensuring appropriate durability of the financing structure for this type of assets. Large residential as well as commercial projects are and will be implemented in the form of special purpose vehicles (also on the Norwegian market from 2015). New projects will be financed from the Group's own funds and from bank credits. In addition, the Group's parent company issued own bonds with a nominal value of PLN 64 mln. PLN 30 mln is due to the series E with the redemption date specified for June 2021. The remaining PLN 34 mln relates to series F with the redemption date in February 2021.

Taking into account the actions taken and described above, the financial standing of the Group and hedging with credit lines, the liquidity risk should be considered as negligible.

As at 31 December 2019, aging of the Group's liabilities is presented in the table below (data in PLN):

	up to 1 month	from 2 to 3 months	from 4 to 12 months	Above 1 year	TOTAL
- trade liabilities and other liabilities	151,745,389	98,031,856	515,167	48,166	**250,340,578**
- deposits under contracts with clients	25,285,770	14,394,492	13,833,199	56,566,612	**110,080,073**
- lease liabilities	1,107,714	2,234,225	9,666,887	26,348,497	**39,357,322**
- liabilities on account of credits and loans (except for current account credits)	1,179,861	2,379,743	10,296,506	16,537,278	**30,393,388**
- liabilities under bonds	-	899,300	2,489,300	67,492,900	**70,881,500**
- off-balance sheet liabilities (guarantees, sureties, etc.)	62,225,194	35,882,052	156,456,245	164,632,843	**419,196,333**
TOTAL	**241,543,927**	**153,821,667**	**1,93,257,302**	**331,626,296**	**920,249,193**

Capital management

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

The Group manages its capital structure and makes changes to it as a result of economic conditions. In order to maintain or adjust the capital structure, the Group companies may buy back their own shares, return capital to shareholders, issue new shares and pay dividends. In 2019, no changes were made to the objectives and process rules in this area.

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

CAPITAL MANAGEMENT (PLN)

	31.12.2019		31.12.2018	
	Group	Entity	Group	Entity
Interest-bearing credits, loans and bonds	133,701,805.57	93,633,208.91	119,422,190.20	92,450,861.90
Trade liabilities and other liabilities	521,285,251.33	362,200,422.59	422,019,808.40	377,947,934.98
Cash and cash equivalents	178,374,337.04	142,522,279.80	56,182,453.01	43,571,289.15
Net debt	476,612,719.86	313,311,351.70	485,259,545.59	426,827,507.73
Equity	276,728,356.97	203,524,065.25	263,655,724.20	204,812,806.89
Net capital and debt	753,341,076.83	516,835,416.95	748,915,269.79	631,640,314.62
	63.27%	60.62%	64.79%	67.57%

(amounts in the tables are expressed in PLN unless otherwise stated)

5. Financial instruments

CARRYING AMOUNT

The tables below present the balance sheet values of all the Group's financial instruments, broken down by classes and categories of assets and liabilities:

As at 31.12.2019

Classes of financial instruments	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging instruments in cash flow hedge accounting	Total
Deposits under construction contracts	57,156,766.17	-	-97,664,205.20	-	-40,507,439.03
Trade receivables and other receivables *	193,252,128.48	-	-	-	193,252,128.48
Loans granted	51,708,970.65	-	-	-	51,708,970.65
Derivative financial instruments measured by WF	-	31,677.61	-	-	31,677.61
Derivative financial instruments in cash flow hedge accounting	-	9,462.17	-	618,771.14	628,233.31
Cash and cash equivalents	178,374,337.04	-	-	-	178,374,337.04
Credits, loans and other external sources of financing	-	-	-133,701,805.57	-	-133,701,805.57
Trade liabilities and other liabilities	-	-	-250,340,577.96	-	-250,340,577.96
	480,492,202.34	41,139.78	-481,706,588.73	618,771.14	-554,475.47

* excluding receivables from advances

As at 31.12.2018

Classes of financial instruments	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging instruments in cash flow hedge accounting	Total
Available-for-sale financial assets	-	258,150.00	-	-		258,150.00
Deposits under construction contracts	88,884,922.50	-	-	-95,698,529.89		-6,813,607.39
Trade receivables and other receivables *	227,999,708.95	-	-	-		227,999,708.95
Loans granted	36,336,301.11	-	-	-		36,336,301.11
Derivative financial instruments measured by WF	-	-	-45,962.27	-		-45,962.27
Derivative financial instruments in cash flow hedge accounting	-	32,490.13	-	-	3,744,000.00	3,776,490.13
Cash and cash equivalents	56,182,453.01	-	-	-	-	56,182,453.01
Credits, loans and other external sources of finance	-	-	-	-119,376,227.93	-	-119,376,227.93
Trade liabilities and other liabilities	-	-	-	-235,105,690.50	-	-235,105,690.50
	409,403,385.57	290,640.13	-45,962.27	-450,180,448.32	3,744,000.00	-36,788,384.89

* excluding receivables from advances

Derivative instruments are measured as at the balance sheet date at 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 National Bank of Poland rates) as at the balance sheet date and interest rate differentials between the quoted and base currencies.

(amounts in the tables are expressed in PLN unless otherwise stated)

Items of revenues, costs, profits and losses recognised in the statements of comprehensive income by category of financial instruments

For the period from 01.01.2019 to 31.12.2019

	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Revenues/expenses from interest	3,840,189.74	-	-6,138,797.98	-2,298,608.24
Exchange profit/loss	860,854.73	-	160,232.79	1,021,087.52
Expected credit losses (creation/release) *	-12,166,955.35	-	-	-12,166,955.35
Profit/loss on disposal/execution of financial instruments	-	-18,328.78	-	-18,328.78
Total	**-7,465,910.88**	**-18,328.78**	**-5,978,565.19**	**-13,462,804.85**

* - trade receivables and other receivables	-11,908,889.18
- deposits under construction contracts	-2,911,811.54
- loans	2,653,745.37

For the period from 01.01.2018 to 31.12.2018

	Financial assets measured at amortised cost	Financial liabilities measured through profit or loss	Financial liabilities measured at amortised cost	Total
Revenues/expenses from interest	2,295,872.10	- 20,032.88	-1,826,230.60	**449,608.62**
Exchange profit/loss	822,167.22	-	1,338,528.14	**2,160,695.36**
Expected credit losses (creation/release) *	-11,339,933.37	-	-	**- 11,339,933.37**
Profit/loss on disposal/execution of financial instruments	-	-193,609.06	-	**- 193,609.06**
Total	**- 8,221,894.05**	**-213,641.94**	**- 487,702.46**	**-8,923,238.45**

* - trade receivables and other receivables	-9,505,792.54
- deposits under construction contracts	-445,772.83
- loans	-1,388,368.00

Financial assets and liabilities measured at fair value

Financial assets measured at fair value

For the period from 01.01.2019 to 31.12.2019

	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value through profit or loss	-	31,677.61	-	31,677.61
Derivative financial instruments in cash flow hedge accounting	-	628,233.31	-	628,233.31
Total	-	**659,910.92**	-	**659,910.92**

For the period from 01.01.2018 to 31.12.2018

	Level 1	Level 2	Level 3	Total
Derivative financial instruments in cash flow hedge accounting	-	3,776,490.13	-	3,776,490.13
Total	-	**3,776,490.13**	-	**3,776,490.13**

Financial liabilities measured at fair value

For the period from 01.01.2019 to 31.12.2019

There were no financial liabilities measured at fair value

For the period from 01.01.2018 to 31.12.2018

	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value through profit or loss	-	45,962.27	-	45,962.27
Total	-	**45,962.27**	-	**45,962.27**

(amounts in the tables are expressed in PLN unless otherwise stated)

Derivative financial instruments

Financial assets under measurement of derivative instruments

	as at 31.12.2019	as at 31.12.2018
- measured through profit or loss		
IRS	31,677.61	-
TOTAL:	**31,677.61**	-
- measured in hedge accounting		
Forward	628,233.31	3,776,490.13
TOTAL:	**628,233.31**	**3,776,490.13**

Financial liabilities under measurement of derivative instruments

	as at 31.12.2019	as at 31.12.2018
- measured through profit or loss		
IRS	-	45,962.27
TOTAL:	-	**45,962.27**
- measured in hedge accounting		
Forward	-	-
TOTAL:	-	-

The total nominal value of FX-Forward-type exchange forward contracts as at 31 December 2019 was NOK 100 mln and EUR 1.8 mln (NOK 145 mln as at 31 December 2018). The periods of expected settlements related to the hedges held are presented in the table below:

Hedged currency/deadline	Q1 2020	Q3 2020	Q4 2020	TOTAL
NOK	-	50,000,000.00	50,000,000.00	100,000,000.00
EUR	1,800,000.00	-	-	1,800,000.00

Forward EUR rate 4.3822
Forward NOK (average) rate 0.4364

Financial assets under forwards and IRS transactions measured at fair value

	as at 31.12.2019	as at 31.12.2018
a) less than 1 year	628,233.31	2,088,793.69
b) from 1 to 3 years	31,677.61	1,687,696.44
TOTAL:	**659,910.92**	**3,776,490.13**

Financial liabilities under forwards and IRS transactions measured at fair value

	as at 31.12.2019	as at 31.12.2018
a) less than 1 year	-	45,962.27
TOTAL:	-	**45,962.27**

The impact of derivatives and hedging transactions on the items of the result statement and on the statements of comprehensive income is presented below:

Result statement

	01.01-31.12.2019	01.01-31.12.2018
Revenues from sales	3,780,640.00	4,416,580.00
Financial revenues and expenses:	36,283.14	-351,173.81
From the execution of derivative instruments	-18,328.78	-193,609.06
Under measurement of derivative instruments	54,611.92	-157,564.75
The effect of derivative instruments on the profit or loss for the period	**3,816,923.14**	**4,065,406.19**

Statement on comprehensive income in the part concerning other comprehensive income		
Impact of hedging transactions:	**- 3,125,228.86**	**-2,992,499.96**
Effect of measurement of hedging transactions (effective part)	284,671.14	377,940.04
Reclassification to revenues from sales in connection with the execution of a hedged item	-3,409,900.00	-3,370,440.00
OTHER COMPREHENSIVE INCOME	**691,694.28**	**1,072,906.23**

(amounts in the tables are expressed in PLN unless otherwise stated)

6. Notes to the consolidated financial statements

6.1. Fixed assets

As at 31.12.2019

	as at 31.12.2019
Own tangible fixed assets in use	80,471,037.99
Right-of-use assets	37,184,148.84
Total tangible fixed assets in use	**117,655,186.83**

Own tangible fixed assets in use

	as at 31.12.2019
Lands	7,309,053.31
Buildings, premises, civil and water engineering structures	55,427,704.35
Technical equipment and machines	12,608,969.72
Vehicles	726,853.49
Other tangible fixed assets in use	2,320,192.66
Tangible fixed assets under construction	2,078,264.46
Own tangible fixed assets in use	**80,471,037.99**

Right-of-use assets

	as at 31.12.2019
Lands	5,403,575.24
Buildings and premises	12,320,530.01
Technical equipment and machines	5,163,955.65
Vehicles	10,639,260.37
Other right-of-use assets	3,656,827.57
Right-of-use assets	**37,184,148.84**

As at 31.12.2018

	as at 31.12.2018
Lands	7,327,985.11
Buildings, premises, civil and water engineering structures	55,012,813.66
Technical equipment and machines	18,257,018.52
Vehicles	7,274,550.56
Other tangible fixed assets in use	5,168,444.03
Tangible fixed assets under construction	874,657.54
Tangible fixed assets in use	**93,915,469.42**

Ownership structure of tangible fixed assets in use:

	as at 31.12.2018
Own	80,999,515.94
Lease	12,915,953.48
TOTAL	**93,915,469.42**

(amounts in the tables are expressed in PLN unless otherwise stated)

Change in own tangible fixed assets in use

For the period from 01.01.2019 to 31.12.2019

	Lands	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets in use	Own tangible fixed assets under construction	Own tangible fixed assets in use total
Opening balance of gross value	7,436,842.90	68,366,305.85	46,815,125.28	19,421,950.30	10,171,183.18	874,657.54	153,086,065.05
Application of IFRS16	-	-	-9,788,416.43	-11,891,089.83	-2,725,734.60	-	-24,405,240.86
Increases	-	2,618,410.63	2,157,717.63	83,554.69	367,253.78	4,696,330.17	9,923,266.90
- purchase	-	10,070.54	1,260,313.69	75,319.33	367,253.78	4,696,330.17	6,409,287.51
- reception from tangible fixed assets under construction	-	1,952,600.96	884,383.16	-	-	-	2,836,984.12
- reception from lease	-	-	13,020.78	8,235.36	-	-	21,256.14
- other	-	655,739.13	-	-	-	-	655,739.13
Decreases	-	20,779.60	1,804,820.39	2,096,637.10	590,340.39	3,492,723.25	8,005,300.73
- sales	-	-	310,502.01	117,898.08	2,173.78	-	430,573.87
- liquidation and other	-	20,779.60	1,494,318.38	1,978,739.02	588,166.61	-	4,082,003.61
- transfer to fixed assets	-	-	-	-	-	3,492,723.25	3,492,723.25
Closing balance of gross value	7,436,842.90	70,963,936.88	37,379,606.09	5,517,778.06	7,222,361.97	2,078,264.46	130,598,790.36
Opening balance of amortisation	108,857.79	13,353,492.19	28,558,106.76	12,147,399.74	5,002,739.15	-	59,170,595.63
Application of IFRS16	-	-	-5,210,161.11	-5,258,324.98	-367,484.52	-	-10,835,970.61
Increases	18,931.80	2,198,073.96	3,041,833.15	382,345.99	853,488.75	-	6,494,673.65
- depreciation of leased assets	-	-	428,511.67	261,159.28	-	-	689,670.95
- current amortisation	18,931.80	2,198,073.96	2,613,321.48	121,186.71	853,488.75	-	5,805,002.70
Decreases:	-	15,333.62	1,619,142.43	2,480,496.18	586,574.07	-	4,701,546.30
- redemption of sold and liquidated tangible fixed assets in use	-	15,333.62	1,619,142.43	2,480,496.18	586,574.07	-	4,701,546.30
Closing balance of amortisation	127,789.59	15,536,232.53	24,770,636.37	4,790,924.57	4,902,169.31	-	50,127,752.37
Opening balance of revaluation write-offs	-	-	-	-	-	-	-
- increase	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-
Closing balance of revaluation write-offs	-	-	-	-	-	-	-
Opening balance of net value	7,327,985.11	55,012,813.66	13,678,763.20	641,785.71	2,810,193.95	874,657.54	80,346,199.17
Closing balance of net value	7,309,053.31	55,427,704.35	12,608,969.72	726,853.49	2,320,192.66	2,078,264.46	80,471,037.99

UNIBEP GROUP
Consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards
(amounts in the tables are expressed in PLN unless otherwise stated)

GRUPA UNIBEP

Change in right-of-use assets

For the period from 01.01.2019 to 31.12.2019

	Lands	Buildings and premises	Technical equipment and machines	Vehicles	Other right-of-use assets	Total right-of-use assets
Opening balance of gross value	7,340,433.68	-	9,788,416.43	11,891,089.83	2,725,734.60	31,745,674.54
Increases	-	13,149,036.62	3,251,457.23	9,403,784.18	2,107,500.00	27,911,778.03
- conclusion of new leases	-	13,149,036.62	3,251,457.23	9,403,784.18	2,107,500.00	27,911,778.03
Decreases	-	-	214,843.00	1,537,138.21	-	1,751,981.21
- expiration of contracts and lease assignment	-	-	214,843.00	1,537,138.21	-	1,751,981.21
Closing balance of gross value	7,340,433.68	13,149,036.62	12,825,030.66	19,757,735.80	4,833,234.60	57,905,471.36
Opening balance of amortisation	1,734,000.58		5,210,161.11	5,258,324.98	367,484.52	12,569,971.19
Increases	202,857.86	828,506.61	2,509,507.41	4,375,524.63	808,922.51	8,725,319.02
- current amortisation	202,857.86	828,506.61	2,509,507.41	4,375,524.63	808,922.51	8,725,319.02
Decreases:	-	-	58,593.51	515,374.18	-	573,967.69
- cancellation of expiration of contracts and lease assignments	-	-	58,593.51	515,374.18		573,967.69
Closing balance of amortisation	1,936,858.44	828,506.61	7,661,075.01	9,118,475.43	1,176,407.03	20,721,322.52
Opening balance of revaluation write-offs	-	-	-	-	-	-
- increase	-	-	-	-	-	-
- decrease	-	-	-	-	-	-
Closing balance of revaluation write-offs	-	-	-	-	-	-
Opening balance of net value	5,606,433.10	-	4,578,255.32	6,632,764.85	2,358,250.08	19,175,703.35
Closing balance of net value	5,403,575.24	12,320,530.01	5,163,955.65	10,639,260.37	3,656,827.57	37,184,148.84

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(amounts in the tables are expressed in PLN unless otherwise stated)

Change in tangible fixed assets in use

For the period 01.01.2018 - 31.12.2018

	Lands	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets in use	Tangible fixed assets under construction	Total tangible fixed assets in use
Opening balance of gross value	7,436,842.90	51,066,622.41	44,316,740.64	19,679,598.20	7,086,719.73	10,028,188.11	139,614,711.99
Increases	-	17,299,683.44	3,218,187.81	2,073,126.73	3,298,901.35	10,489,440.01	36,379,339.34
- purchase	-	17,156.61	1,118,087.86	222,639.52	634,811.19	10,489,440.01	12,482,135.19
- reception from tangible assets under construction	-	17,282,526.83	1,851,539.95	-	508,903.80	-	19,642,970.58
- lease	-	-	248,560.00	1,850,487.21	2,155,186.36	-	4,254,233.57
Decreases	-	-	719,803.17	2,330,774.63	214,437.90	19,642,970.58	22,907,986.28
- sales	-	-	545,407.51	2,049,456.38	95,426.16	-	2,690,290.05
- liquidation and other	-	-	174,395.66	281,318.25	119,011.74	-	574,725.65
- transfer to tangible fixed assets in use	-	-	-	-	-	19,642,970.58	19,642,970.58
Closing balance of gross value	7,436,842.90	68,366,305.85	46,815,125.28	19,421,950.30	10,171,183.18	874,657.54	153,086,065.05
Opening balance of amortisation	89,925.99	11,731,702.44	24,744,842.24	11,641,141.45	4,283,483.76	-	52,491,095.88
Increases	18,931.80	1,621,789.75	4,530,710.97	2,691,818.54	952,568.94	-	9,815,820.00
- current amortisation	18,931.80	1,621,789.75	4,530,710.97	2,691,818.54	952,568.94	-	9,815,820.00
Decreases:	-	-	717,446.45	2,185,560.25	233,313.55	-	3,136,320.25
- redemption of sold and liquidated fixed assets	-	-	717,446.45	2,185,560.25	233,313.55	-	3,136,320.25
Closing balance of amortisation	108,857.79	13,353,492.19	28,558,106.76	12,147,399.74	5,002,739.15	-	59,170,595.63
Opening balance of revaluation write-offs	-	-	33,117.00	4,660.00	-	-	37,777.00
- increase	-	-	-	-	-	-	-
- decrease	-	-	33,117.00	4,660.00	-	-	37,777.00
Closing balance of revaluation write-offs	-	-	-	-	-	-	-
Opening balance of net value	7,346,916.91	39,334,919.97	19,538,781.40	8,033,796.75	2,803,235.97	10,028,188.11	87,085,839.11
Closing balance of net value	7,327,985.11	55,012,813.66	18,257,018.52	7,274,550.56	5,168,444.03	874,657.54	93,915,469.42

(amounts in the tables are expressed in PLN unless otherwise stated)

Amortisation of tangible fixed assets in use was recognised in the following items of the profit and loss account:

	01.01-31.12.2019	01.01-31.12.2018
Manufacturing costs of products and services sold	12,673,884.05	8,340,750.52
residential, office and industrial construction	1,996,497.77	1,128,336.69
infrastructure	7,161,825.57	4,974,102.04
real property development activities	242,735.40	121,239.65
modular construction	3,272,825.31	2,117,072.14
Selling costs	38,898.41	21,140.79
General and administrative costs	2,415,746.77	1,336,121.49
TOTAL	**15,128,529.23**	**9,698,012.80**

Lease – supplementary data

	01.01.-31.12.2019
Depreciation and amortisation	8,723,555.37
Depreciation capitalised in inventory	64,331.00
Interest expenses	1,552,297.58
Interest capitalised in inventory	319,970.00
Total expenditure under lease contracts	9,389,385.33
Short-term lease costs	487,267.14
Low value lease costs below PLN 20 thousand	234,859.47

As lessees, the Group entities use the following tangible fixed assets in use under financial lease contracts:

As at 31.12.2018

	Share value	Net balance sheet value
Technical equipment and machines	9,597,442.81	4,452,219.85
Vehicles	11,188,370.25	6,130,405.87
Other tangible fixed assets in use	2,492,761.46	2,333,327.76
TOTAL	**23,278,574.52**	**12,915,953.48**

As at 31.12.2019, security was established on tangible fixed assets in use for a total value of PLN 56,211,578.00 in the form of registered pledges and mortgages for the purpose of credits, loans and performance bonds.
As at 31.12.2019, the use of credit and loans amounted to PLN 17,012,043.20. Net value of tangible fixed assets in use constituting the collateral – PLN 46,050,019.38.

As at 31.12.2018, a security was established on intangible fixed assets and on the right of perpetual usufruct of land for the value of PLN 48,541,636.09. Collateral of PLN 60,400,000 in the form of registered pledges and mortgages for the purpose of credits and guarantees.
As at 31.12.2018, the use of credits amounted to PLN 13,292,548.01, while the net value of tangible fixed assets in use constituting the collateral amounted to – PLN 44,635,93.33.

As at 31.12.2019, liabilities under the purchase of tangible fixed assets in use and intangible assets amounted to PLN 970,643,16.

The total value of received or due indemnities in relation to those fixed assets which were impaired or lost in the particular reporting periods amounts to:

- for the year ended 31.12.2019 – PLN 54,549.80;
- for the year ended 31.12.2018 – PLN 17,738.15.

6.2. Intangible assets

	as at 31.12.2019	as at 31.12.2018
Research and development expenses	4,729,307.74	51,974.26
Goodwill	15,747,474.94	15,747,474.94
Acquired concessions, patents, licences and similar assets, including:	3,086,120.47	2,994,001.42
- computer software	2,641,125.97	2,736,746.21
- other intangible assets, including licences	444,994.50	257,255.21
Intangible assets under construction	1,568,047.39	5,558,800.53
Right of perpetual usufruct of land	-	2,741,542.51
Intangible assets	**25,130,950.54**	**27,093,793.66**

(amounts in the tables are expressed in PLN unless otherwise stated)

Change in the value of intangible assets

For the period 01.01.2019 - 31.12.2019

	Research and development expenses	Goodwill	Computer software	Acquired concessions, licences, patents	Perpetual usufruct	Intangible assets under construction	Total
Opening balance of gross value	435,615.23	15,747,474.94	5,245,035.18	939,571.92	4,475,543.09	5,558,800.53	32,402,040.89
Application of IFRS16 for the first time	-	-	-	-	-4,475,543.09	-	-4,475,543.09
Increases	4,726,218.97	-	501,578.15	297,305.00	-	1,149,503.62	6,674,605.74
- purchase	-	-	134,044.43	297,305.00	-	1,149,503.62	1,580,853.05
- reception from intangible assets under construction	4,726,218.97	-	367,533.72	-	-	0.00	5,093,752.69
Decreases	108,446.94	-	69,597.46	167,520.26	-	5,140,256.76	5,485,821.42
- liquidation	108,446.94	-	69,597.46	167,520.26	-	46,504.07	392,068.73
- transfer from intangible assets under construction	-	-	-	-	-	5,093,752.69	5,093,752.69
Closing balance of gross value	5,053,387.26	15,747,474.94	5,677,015.87	1,069,356.66	-	1,568,047.39	29,115,282.12
					-		
Opening balance of amortisation	383,640.97	-	2,508,288.97	682,316.71	1,734,000.58	-	5,308,247.23
Application of IFRS16	-	-	-	-	-1,734,000.58	-	-1,734,000.58
Increases	48,885.49	-	593,344.12	113,419.98	-	-	755,649.59
- current amortisation	48,885.49	-	593,344.12	113,419.98	-	-	755,649.59
Decreases	108,446.94	-	65,743.19	171,374.53	-	-	345,564.66
- depreciation of the liquidated	108,446.94	-	65,743.19	171,374.53	-	-	345,564.66
Closing balance of amortisation	324,079.52	-	3,035,889.90	624,362.16	-	-	3,984,331.58
Opening balance of net value	51,974.26	15,747,474.94	2,736,746.21	257,255.21	2,741,542.51	5,558,800.53	27,093,793.66
Closing balance of net value	4,729,307.74	15,747,474.94	2,641,125.97	444,994.50	-	1,568,047.39	25,130,950.54

For the period 01.01.2018 - 31.12.2018

	Research and development expenses	Goodwill	Computer software	Acquired concessions, licences, patents	Perpetual usufruct	Intangible assets under construction	Total
Opening balance of gross value	435,615.23	15,747,474.94	4,486,684.89	895,060.77	4,475,543.09	1,533,843.05	27574221.97
Increases	-	-	758,350.29	46,273.15	-	4,560,963.23	5,365,586.67
- purchase	-	-	222,344.54	46,273.15	-	4,560,963.23	4,829,580.92
- reception from intangible assets under construction	-	-	536,005.75	-	-	-	536,005.75
Decreases	-	-	-	1,762.00	-	536,005.75	537,767.75
- liquidation	-	-	-	1,762.00	-	-	1,762.00
- transfer from intangible assets under construction	-	-	-	-	-	536,005.75	536,005.75
Closing balance of gross value	435,615.23	15,747,474.94	5,245,035.18	939,571.92	4,475,543.09	5,558,800.53	32,402,040.89
Opening balance of amortisation	318,207.30	-	1,967,897.59	587,094.36	1,570,268.18	-	4,443,467.43
Increases	65,433.67	-	540,391.38	96,984.35	163,732.40	-	866,541.80
- current amortisation	65,433.67	-	540,391.38	96,984.35	163,732.40	-	866,541.80
Decreases:	-	-	-	1,762.00	-	-	1,762.00
- depreciation of the liquidated	-	-	-	1,762.00	-	-	1,762.00
Closing balance of amortisation	383,640.97	-	2,508,288.97	682,316.71	1,734,000.58	-	5,308,247.23
Opening balance of net value	117,407.93	15,747,474.94	2,518,787.30	307,966.41	2,905,274.91	1,533,843.05	23,130,754.54
Closing balance of net value	51,974.26	15,747,474.94	2,736,746.21	257,255.21	2,741,542.51	5,558,800.53	27,093,793.66

(amounts in the tables are expressed in PLN unless otherwise stated)

The Group's companies created development works for new products on their own.

Amortisation of intangible assets and the right of perpetual usufruct of land (applies to 2018) was recognised in the following items of the profit and loss account:

	01.01-31.12.2019	01.01-31.12.2018
Manufacturing costs of products and services sold	117,336.75	281,890.11
General and administrative costs	627,654.68	550,344.27
Total amortisation of intangible assets	**744,991.43**	**832,234.38**

Intangible asset ownership structure:

	as at 31.12.2019	as at 31.12.2018
Own	25,130,950.54	24,352,251.15
Used pursuant to rent, tenancy or another contract	-	2,741,542.51
Total ownership structure of intangible assets	**25,130,950.54**	**27,093,793.66**

As at 31 December 2019 and 31 December 2018, entities comprising the Group did not have any encumbrances on intangible assets of a legal or bond nature.

In 2019, the main component of intangible assets were goodwill arising from the acquisition of:

- companies currently referred to as Oddział Infrastruktury UNIBEP S.A. In the amounts, respectively: PLN 1,954,050.88 and PLN 3,674,932.90
- Budrex-Kobi Sp. z o.o. road and bridge construction company
- Monday Development S.A. and several other development companies on the Poznań market
- MPB Marywilska Sp. z o.o. development company
- a trademark recognised as a result of obtaining control of Monday Development S.A.

Moreover, in 2019, a significant component of intangible assets was the completed research and development project entitled: "Zero Energy Building".

Oddział Infrastruktury UNIBEP S.A. - as at 31.12.2019, goodwill amounts to PLN 5,628,983.78.
In order to determine the value in use of the acquired goodwill, a discounted cash flow (DCF) analysis was carried out for the cash generating unit to which the goodwill were allocated using a weighted average cost of capital (WACC) of 8.29%. These analyses were based on forecasts of future cash flows and planned cash inflows and outflows. The residual value for discounted cash flows was calculated on the basis of the perpetuity formula with a 1% increase.
The forecasts approved by the Company's management cover the period of 2020-2024. They take into account the planned financial results in the period, as well as assumptions concerning capital expenditures and the current situation of the Company, the order portfolio held, current production capacities and human resources. In addition, they take into account the current and projected market situation, capabilities of companies and opportunities related to acquiring new contracts for implementation. The companies analysed potential orders offered by the infrastructure investment market.
The value in use was determined as part of the Company's tests for impairment of goodwill as at 31 December 2019 and amounted to PLN 43,903 thousand.

Budrex-Kobi Sp. z o.o. - as at 31.12.2019, goodwill amounts to PLN 1,056,851.38.
In order to determine the value in use of the acquired goodwill, a discounted cash flow (DCF) analysis was carried out for the cash generating unit to which the goodwill were allocated using a weighted average cost of capital (WACC) of 8.29%. These analyses were based on forecasts of future cash flows and planned cash inflows and outflows. The residual value for discounted cash flows was calculated on the basis of the perpetuity formula with a 1% increase.
The forecasts approved by the Company's management cover the period of 2020-2024. They take into account the planned financial results in the period, as well as assumptions concerning capital expenditures and the current situation of the company, the order portfolio held, current production capacities and human resources. In addition, they take into account the current and projected market situation, capabilities of companies and opportunities related to acquiring new contracts for implementation. The Company analysed potential orders offered by the infrastructure investment market.
The value in use was determined as part of the Company's tests for impairment of goodwill as at 31 December 2019 and amounted to PLN 22,038 thousand.

Development companies on the Poznań market – as at 31.12.2019, goodwill – PLN 4,328,970.54 and trademark in the amount of PLN 4,372,372.00.

In accordance with IAS 36, the Group tested the goodwill of Monday Development S.A., Monday Sołacz sp. z o.o., Monday Palacza sp. z o.o. for impairment. When testing for impairment, a cash generating unit (CGU Poznań) was identified. The measurement of CGU Poznań was carried out on the basis of cash flows generated by development projects planned to be executed on the Poznań market by such entities as: Monday Development S.A., Bukowska 18 Monday Palacza Sp. z o.o. Sp.k, Monday Kosmonautów MP Sp. z o.o. Sp.k., Fama Development Sp. z o.o. Sp.k. Monday

(amounts in the tables are expressed in PLN unless otherwise stated)

Development S.A. intends to carry out new development projects in the form of special purpose vehicles. CGU Poznań is a group of assets belonging to Unidevelopment Group, including also Non-Material Assets, which are responsible for activities carried out in Poznań. The valuation of CGU Poznań was carried out using the income method of discounted cash flows based on financial projections for the years 2020-2024. On the basis of the obtained data, the balance sheet value was compared with the recoverable value of the cash generating unit. There were no indications to make revaluation write-offs under impairment losses.

Total goodwill subject to impairment testing	4,328,970.54
Trademark assigned to a cash generating unit	4,372,372.00
Residual value	121,936,000.00
Market value of own capitals	67,623,000.00

Specification	P 2020	P 2021	P 2022	P 2023	P 2024
Discount rate during the period (WACC)	6.04%	6.04%	6.04%	6.04%	6.04%
Discount factor	0.94	0.89	0.84	0.79	0.75

Osiedle Marywilska Sp. z o.o. - as at 31.12.2019, goodwill amounts to PLN 357,101.74.

The valuation of Osiedle Marywilska sp. z o.o., in connection with the implementation of the development project, was carried out using the method of fair value measurement of net assets. On the basis of the obtained data, no prerequisites for impairment losses on assets were found. As at 31.12.2019, the fair value of net assets amounts to PLN 20,454,650.12.

6.3. Investment property

As at 31.12.2019 and 31.12.2018, the Group did not hold any investment property.

6.4. Trade receivables and other receivables

	as at 31.12.2019	as at 31.12.2018
Trade receivables	176,263,331.56	208,966,097.05
Receivables under taxes, subsidies, customs duties, social security and other benefits	13,447,291.29	9,542,839.62
Other non-financial receivables	4,046,357.14	9,481,663.70
Other financial receivables	50,000.00	9,108.58
Advances granted for deliveries:	19,534,560.44	24,493,220.68
for the purchase of tangible fixed assets in use	-	727,465.58
for the purchase of goods, materials and services	19,534,560.44	23,765,755.10
Trade receivables and other receivables	**213,341,540.43**	**252,492,929.63**
Expected credit losses on receivables	36,796,285.07	24,764,626.65
TOTAL GROSS SHORT-TERM RECEIVABLES	**250,137,825.50**	**277,257,556.28**

Trade receivables, maturing

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	107,624,326.21	120,832,431.85
b) between 1 and 3 months	31,910,805.68	48,451,787.62
c) between 3 and 6 months	6,439.70	2,659,416.07
d) above 6 months to 1 year	-	20,000.00
e) above 1 year	-	15,000.00
f) overdue receivables	36,721,759.97	36,987,461.51
NET TRADE RECEIVABLES	**176,263,331.56**	**208,966,097.05**

Trade receivables do not bear interest and usually have a payment period of 30 - 60 days. As at 31 December 2019, the estimated expected credit losses amounted to PLN 36,796,285.07. Changes in the expected credit losses are presented in Note 6.5. Expected credit losses have been created to the best of the Group's entities' knowledge and experience through a detailed analysis of the receivables repayment risk. Costs and income related to expected credit losses are presented in the income statement under "Expected credit losses".

(amounts in the tables are expressed in PLN unless otherwise stated)

Overdue trade receivables – breakdown by overdue receivables in the period of:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	11,067,272.22	14,705,962.27
b) between 1 and 3 months	2,046,605.52	12,176,983.22
c) between 3 and 6 months	4,802,636.94	3,034,186.20
d) above 6 months to 1 year	4,664,422.86	4,750,047.23
e) above 1 year	14,140,822.43	2,320,282.59
OVERDUE NET TRADE RECEIVABLES	**36,721,759.97**	**36,987,461.51**

	as at 31.12.2019	as at 31.12.2018
Short-term receivables	**213,341,540.43**	**252,492,929.63**
receivables from related entities not subject to consolidation exclusions	8,281,462.01	8,625,187.40
from other entities	205,060,078.42	243,867,742.23
Expected credit losses on receivables (positive value)	36,796,285.07	24,764,626.65
Gross short-term receivables	**250,137,825.50**	**277,257,556.28**

Trade receivables and other receivables by currency are as follows:

	as at 31.12.2019	as at 31.12.2018
Receivables in PLN	**174,876,250.85**	**184,071,404.48**
Receivables in USD	616.00	616.00
Receivables in USD after conversion into PLN	**2,336.55**	**2,311.85**
Receivables in EUR	7,017,932.40	12,977,071.07
Receivables in EUR after conversion into PLN	**28,252,763.83**	**54,091,974.02**
Receivables in RUB	52,201.00	126,682.17
Receivables in RUB after conversion into PLN	**4,062.36**	**8,651.99**
Receivables in NOK	22,386,264.35	20,735,107.85
Receivables in NOK after conversion into PLN	**9,686,378.70**	**8,991,717.01**
Receivables in BYN	11,415.09	2,986,641.13
Receivables in BYN after conversion into PLN	**20,497.16**	**5,113,032.27**
Receivables in SEK	470,894.27	476,382.73
Receivables in SEK after conversion into PLN	**192,693.41**	**200,220.00**
Receivables in UAH	1,907,636.45	97,125.18
Receivables in UAH after conversion into PLN	**306,035.87**	**13,117.99**
Receivables in GBP	104.40	104.40
Receivables in GBP after conversion into PLN	**521.70**	**500.02**
TOTAL	**213,341,540.43**	**252,492,929.63**

Advances are presented according to the historical rate.

The Group's credit risk is primarily assigned to trade receivables. The amounts presented in the balance sheet are net of expected credit losses. As at the balance sheet date of 31.12.2019 and as at 31.12.2018, there were no receivables from a single external counterparty exceeding 10% of total receivables.
The risk related to this financial asset is described in paragraph 4 of these financial statements – "Financial risk management", subparagraph "Credit risk".

(amounts in the tables are expressed in PLN unless otherwise stated)

6.5. Revaluation write-offs and expected credit losses

EXPECTED CREDIT LOSSES

	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**33,823,161.09**	**20,287,404.31**
Trade receivables and other receivables	24,764,626.65	15,258,834.11
Deposits under construction contracts	1,390,775.42	945,002.59
Contractual assets	208,063.41	-
Loans granted	7,459,695.61	4,083,567.61
a) increases	**27,825,894.38**	**14,641,749.80**
Trade receivables and other receivables	16,630,859.21	10,611,785.56
Deposits under construction contracts	2,953,889.22	445,772.83
Contractual assets	266,511.92	208,063.41
Loans granted	7,974,634.03	3,376,128.00
b) decreases	**15,474,593.12**	**1,105,993.02**
Trade receivables and other receivables	4,599,200.79	1,105,993.02
Deposits under construction contracts	42,077.68	-
Contractual assets	204,935.25	-
Loans granted	10,628,379.40	-
TOTAL EXPECTED CREDIT LOSSES	**46,174,462.35**	**33,823,161.09**
Trade receivables and other receivables	36,796,285.07	24,764,626.65
Deposits under construction contracts	4,302,586.96	1,390,775.42
Contractual assets	269,640.08	208,063.41
Loans granted	4,805,950.24	7,459,695.61

REVALUATION WRITE-OFFS

	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**15,123,041.80**	**15,788,120.84**
Tangible fixed assets in use	-	37,777.00
Inventory	14,131,141.80	14,712,443.84
Cash	991,900.00	1,037,900.00
a) increases	**-**	**1,400,000.00**
Inventory	-	1,400,000.00
b) decreases	**4,454,965.47**	**2,065,079.04**
Tangible fixed assets in use	-	37,777.00
Inventory	4,359,227.53	1,981,302.04
Cash	95,737.94	46,000.00
TOTAL REVALUATION WRITE-OFFS	**10,668,076.33**	**15,123,041.80**
Inventory	9,771,914.27	14,131,141.80
Cash	896,162.06	991,900.00

6.6. Inventory

	as at 31.12.2019	as at 31.12.2018
Materials	26,061,165.87	24,219,793.07
Semi-finished products and work in progress	164,225,626.43	126,367,948.78
Finished products	27,770,360.48	21,831,933.69
Goods	48,321,132.75	66,893,971.12
Right-of-use assets	4,657,221.11	-
GROSS INVENTORY	**271,035,506.64**	**239,313,646.66**
Revaluation write-offs of inventory	9,771,914.27	14,131,141.80
Inventory	**261,263,592.37**	**225,182,504.86**

Information on revaluation write-offs on inventory is presented in Note 6.5.

As at 31.12.2019, the value of inventory on which the collateral in the form of mortgages was established, amounted to PLN 71,386,549.34. In accordance with the credit contracts, between 130% and 150% of the credit amount was secured. As at 31.12.2019, the liabilities under those credits amounted to PLN 7,897,382.42.

As at 31.12.2018, the value of inventory on which the collateral in the form of mortgages was established, amounted to PLN 110,325,400.92. In accordance with the credit contracts, between 130% and 160% of the credit amount was secured. As at 31.12.2018, the liability under those credits amounted to PLN 16,032,746.54.

(amounts in the tables are expressed in PLN unless otherwise stated)

In 2019, borrowing costs in the amount of PLN 11,484,248.16 were capitalised in inventory. The capitalisation rate was 4.40%.

In 2018, borrowing costs in the amount of PLN 10,569,415.23 were capitalised in inventory. The capitalisation rate was 4.69%.

The value of inventory, which is expected to be used/sold in the period exceeding 12 months from 31.12.2019, is PLN 85.69 mln.

In the period between 01.01.2019 and 31.12.2017, the manufacturing costs of products and services sold and the costs of goods and materials sold included PLN 157,145.6 thousand on the sales of inventory.

As at 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Total
Gross inventory	3,324,894.75	15,778,736.15	239,077,552.29	12,854,323.45	271,035,506.64
Revaluation write-offs of inventory	-	-	9,653,364.27	118,550.00	9771914.27
Net inventory	3,324,894.75	15,778,736.15	229,424,188.02	12,735,773.45	261,263,592.37

As at 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Total
Gross inventory	3,117,043.70	13,715,778.98	203,874,496.74	18,606,327.24	239,313,646.66
Revaluation write-offs of inventory	-	-	14,012,591.80	118,550.00	14,131,141.80
Net inventory	3,117,043.70	13,715,778.98	189,861,904.94	18,487,777.24	225,182,504.86

6.7. Cash and cash equivalents

	as at 31.12.2019	as at 31.12.2018
Cash in PLN	**130,529,085.83**	**29,369,433.34**
Cash in EUR	8,552,969.29	3,781,334.16
Cash in EUR after conversion into PLN	**36,422,819.72**	**16,259,736.89**
Cash in USD	82,793.36	5,358.31
Cash in USD after conversion into PLN	**314,424.35**	**20,145.64**
Cash in RUB	14,669,883.63	17,680,471.88
Cash in RUB after conversion into PLN	**896,329.89**	**956,513.53**
Cash in NOK	24,530,705.65	23,272,003.76
Cash in NOK after conversion into PLN	**10,597,264.84**	**10,065,141.62**
Cash in BYN	36,973.92	216,487.36
Cash in BYN after conversion into PLN	**66,571.54**	**381,342.49**
Cash in UAH	91,617.29	24,396.46
Cash in UAH after conversion into PLN	**14,677.09**	**3,310.60**
Cash in SEK	1,054,077.66	282,620.56
Cash in SEK after conversion into PLN	**429,325.84**	**118,728.90**
TOTAL	**179,270,499.10**	**57,174,353.01**
Revaluation write-off of cash	896,162.06	991,900.00
Cash and cash equivalents	**178,374,337.04**	**56,182,453.01**

Cash at bank bears interest at variable rates. Short-term deposits are made for various periods, depending on the Group's current demand for cash and are subject to interest rates set for them. As at the balance sheet date of 31.12.2019, the fair value of cash and cash equivalents amounted to PLN 178,374,337.04. The disclosed revaluation write-off on cash resulted from the parent company's estimates of the possibility of payment of funds accumulated on accounts in OAO AKB "Probizniesbank" – in bankruptcy. UNIBEP S.A. reported its claims and they were accepted and confirmed by the receiver. By 31.12.2019, the receiver paid PLN 207,849.60, whereas in 2019 the amount paid was PLN 51,478.84.
The risk related to this asset is described in paragraph 4 of the Financial Risk Management report.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.8. Prepayments and accruals

Long-term prepayments

	as at 31.12.2019	as at 31.12.2018
Insurance	2,722,953.30	2,224,295.98
Other	361,904.46	285,379.06
Long-term prepayments	**3,084,857.76**	**2,509,675.04**

Short-term prepayments

	as at 31.12.2019	as at 31.12.2018
Insurance	1,889,561.32	1,586,772.49
Other	1,647,317.37	1,002,380.85
Short-term prepayments	**3,536,878.69**	**2,589,153.34**

6.9. Loans granted

As at 31.12.2019

Name of the borrower	Contract date	Amount granted	Repayment date	Closing balance
Klimar Plus Sp. z o.o.	11.06.2018	961,822.70	15.12.2018	PLN 22,330.47
Gemich AS	17.09.2015	NOK 5,000,000.00 / 2,160,000.00	30/06/2020	PLN 474,227.86
Wiepofama Development Sp. z o.o. S.K.	14.12.2017	40,000,000.00	30.06.2020	PLN 41,764,726.55
Wiepofama Development Sp. z o.o. S.K.	22.02.2018	9,000,000.00	30.06.2020	PLN 9,446,272.12
Internal Finance Sp. z o.o. S.K.A.	30.09.2015	4 089 385,92	31.12.2019	PLN 1,413.65
TOTAL				**51,708,970.65**

As at 31.12.2018

Name of the borrower	Contract date	Amount granted	Repayment date	Closing balance
Klimar Plus Sp. z o.o.	11.06.2018	961,822.70	15.12.2018	PLN 990,751.91
Gemich AS	17.09.2015	NOK 5,000,000.00 / 2,162,500.00	31.05.2018	PLN 467,100.15
Wiepofama Development Sp. z o.o. S.K.	14.12.2017	25,000,000.00	30.06.2019	PLN 24,917,414.43
Wiepofama Development Sp. z o.o. S.K.	22.02.2018	3,000,000.00	30.06.2019	PLN 2,827,111.47
MD INWESTYCJE Sp. z o.o.	07.09.2018	100,000.00	31.12.2020	PLN 7,147.70
Internal Finance Sp. z o.o. S.K.A.	30.09.2015	4,089,385.92	31.12.2019	PLN 1,413.65
Internal Finance Sp. z o.o. S.K.A.	12.02.2018	5,230,000.00	31.12.2020	PLN 3,752,724.87
Internal Finance Sp. z o.o. S.K.A.	12.02.2018	3,990,000.00	31.12.2020	PLN 2,862,977.66
Monday Management Sp. z o.o. S.K.A.	15.01.2016	500,000.00	31.12.2018	PLN 142,897.41
Strzeszyn S.K.A.	29.02.2016	1,200,000.00	31.12.2018	PLN 366,761.86
TOTAL				**PLN 36,336,301.11**

As at 31.12.2019, the expected credit losses on loans granted amount to PLN 4,805,950.24.

The risk management of this asset is described in paragraph 4 of these financial statements.

6.10. Capitals

The ownership structure of share capital as at the individual balance sheet dates presented in the financial statements is presented in the tables below.

All shares of the Group are dematerialised and traded on the regulated market of the Warsaw Stock Exchange.

The Parent Company's share capital is divided into 35,070,634 (in words: thirty-five million, seventy thousand, six hundred and thirty-four) shares with a nominal value of PLN 0.10 per share.

(amounts in the tables are expressed in PLN unless otherwise stated)

As at 31.12.2019

SHAREHOLDER	Number of shares held as at the balance sheet date	Share nominal value	Share in the capital at the balance sheet date (%)
Zofia Mikołuszko	8,800,000	880,000.00	25.09
Beata Maria Skowrońska	5,650,000	565,000.00	16.11
Wojciech Stajkowski	2,500,000	250,000.00	7.13
Bożenna Lachocka	2,500,000	250,000.00	7.13
AVIVA OFE AVIVA BZ WBK	3,418,920	341,892.00	9.75
PKO BP Bankowy OFE	2,098,756	209,875.60	5.98
NN OFE SA	2,142,359	214,235.90	6.11
Free float	5,960,599	596,059.90	17.00
Own shares (1), (2)	2,000,000	200,000.00	5.70
TOTAL	**35,070,634**		**100.00**

(1) 1,000,000 own shares were purchased on 7 February 2017, of which the Company informed in current report no. 10/2017.
(2) 1,000,000 own shares were purchased on 29 May 2019, of which the Company informed in current report no. 28/2019.

As at 31.12.2018

SHAREHOLDER	Number of shares held as at the balance sheet date	Share nominal value	Share in the capital at the balance sheet date (%)
Zofia Mikołuszko	8,800,000	880,000.00	25.09
Zofia Iwona Stajkowska	5,000,000	500,000.00	14.26
Beata Maria Skowrońska	5,650,000	565,000.00	16.11
AVIVA OFE AVIVA BZ WBK	3,418,920	341,892.00	9.75
NN OFE SA	2,142,359	214,235.90	6.11
PKO BP Bankowy OFE	2,098,756	209,875.60	5.98
Free float	6,960,599	696,059.90	19.85
Own shares (1)	1,000,000	100,000.00	2.85
TOTAL	**35,070,634**		**100.00**

(1) Own shares were acquired on the basis of Resolution No. 1 of the Management Board of the Company of 20 January 2017 on the purchase by the Company of own shares for redemption and Resolution No. 20 of the Ordinary General Meeting of Shareholders of Unibep S.A. of 18 May 2016 on the creation and use of reserve capital.

The shareholding composition as at the publication date of this report is presented in the table below:*

SHAREHOLDER	Number of shares held	Percentage of the share capital (%)	Number of votes	Percentage of the total number of votes (%)
Zofia Mikołuszko	8,800,000	25.09	8,800,000	25.09
Beata Maria Skowrońska	5,650,000	16.11	5,650,000	16.11
Wojciech Stajkowski	2,500,000	7.13	2,500,000	7.13
Bożenna Lachocka	2,500,000	7.13	2,500,000	7.13
AVIVA OFE AVIVA BZ WBK	3,418,920	9.75	3,418,920	9.75
PKO BP Bankowy OFE	2,098,756	5.98	2,098,756	5.98
Free float	6,602,958	18.83	6,602,958	18.83
Own shares (1), (2), (3)	3,500,000	9.98	3,500,000	9.98
TOTAL	**35,070,634**	**100.00**	**35,070,634**	**100.00**

** Based on information provided to the Issuer pursuant to Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the "MAR Regulation" and the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading of 29 July 2005, as amended.*
(1) 1,000,000 own shares were purchased on 7 February 2017, of which the Company informed in current report no. 10/2017.
(2) 1,000,000 own shares were purchased on 29 May 2019, of which the Company informed in current report no. 28/2019.
(3) 1,500,000 own shares purchased on 27 February 2020 on the basis of the Resolution of the Company's Management Board of 4 February 2020 on the buy-back of own shares, Resolution No. 32 of the Ordinary General Meeting Shareholders of the Company of 13 June 2017 on authorising the Company's Management Board to purchase own shares and adopting the UNIBEP S.A. own share buy-back programme, amended by Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company of 28 February 2019 and Resolution No. 33 of the Ordinary General Meeting of Shareholders of the Company of 13 June 2017 on increasing the amount of the reserve capital from the funds coming from the reserve capital for the buy-back of own shares, amended by Resolution No. 5 of the Extraordinary General Meeting of Shareholders of the Company of 28 February 2019.

No non-cash contributions were made to the Parent Company's share capital.

As at 31.12.2019 and 31.12.2018, subsidiaries did not hold any shares of the parent company.

The supplementary capital from the sales of shares above their nominal value, presented in the statements of financial position and in the statement of changes in equity, was created as a result of:

- issue of the Company's shares on the Warsaw Stock Exchange – PLN 57,113,921.99.
- sales of own shares – PLN 2,312,569.03.
- acquisition of shares under the Incentive Scheme – PLN 2,727,270.
- coverage of loss in a subsidiary - (-) 1,248,482.80

(amounts in the tables are expressed in PLN unless otherwise stated)

On the basis of the Resolution no. 20 of the Ordinary General Meeting of Shareholders of 12 June 2019, net profit for 2018 in the amount of PLN 9,042,481.10 was divided as follows:

1. the amount of PLN 7,275,539.48 was allocated to dividend for shareholders,
2. The amount of PLN 1,766,941.62 was allocated to reserve capital.

Own shares held by the Company were excluded from the dividend payment.

In 2019, the reserve capital allocated for the buy-back of own shares was reduced by PLN 6,837,000.00 in connection with the buy-back of 1,000,000 shares.

The specification of other equity items is presented in the tables below.

Other capitals

	as at 31.12.2019	as at 31.12.2018
Other capitals, including:	**215,438,494.87**	**207,082,774.98**
Reserve capital	28,776,714.68	35,613,714.68
Supplementary capital	126,358,131.83	108,278,010.08
Supplementary capital from sales of shares at premium	60,905,278.22	60,905,278.22
Revaluation reserve	-601,629.86	2,285,772.00

Revaluation reserve includes:

- actuarial gains (losses) on defined benefit plans PLN -1,068,412.00,
- effective part of changes in fair value of cash flows hedges in hedge accounting PLN 501,204.14,
- other PLN -34,422.00.

Retained earnings/loss

	as at 31.12.2019	as at 31.12.2018
Previous years' net profit (loss)	22,564,899.57	21,667,009.32
Current net profit (loss)	29,327,692.99	26,253,551.48
Retained earnings (loss)	**51,892,592.56**	**47,920,560.80**

6.11. Limitations to transferring the title to securities

At present, there are no limitations known 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.

6.12. Credits, loans and other financial liabilities

	as at 31.12.2019	as at 31.12.2018
Credits, loans and other financial liabilities – long-term	**102,983,412.40**	**67,952,074.13**
Liabilities on credits	10,326,006.88	24,558,900.90
Liabilities on loans	5,434,030.47	7,253,153.67
Lease liabilities	25,619,779.07	7,568,258.97
Liabilities on bonds	61,603,595.98	28,571,760.59
Credits, loans and other financial liabilities – short-term	**30,718,393.17**	**51,470,116.07**
Liabilities on bank overdrafts	1,879,887.78	9,211,668.92
Liabilities on credits	7,329,169.10	4,199,989.79
Liabilities on loans	5,807,289.13	1,818,108.73
Lease liabilities	12,531,858.71	4,039,995.11
Liabilities on bonds	3,170,188.46	32,154,391.25
Financial liabilities measured at fair value through profit or loss	-	45,962.27
TOTAL	**133,701,805.57**	**119,422,190.20**

(amounts in the tables are expressed in PLN unless otherwise stated)

LONG-TERM LIABILITIES ON CREDITS 31.12.2019

Bank name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
ING Bank Śląski S.A.	PLN 15,000,000.00	PLN 6,098,598.05	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Pilsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/ 00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
Santander Bank Polska S.A.	PLN 900,000.00	PLN 121,059.95	WIBOR 3M + margin	31.07.2021	contractual mortgage up to the maximum amount of 13,800,000 established in favour of the Bank on the Real Property with the extension of the entry in the first place; transfer of receivables in favour of the Bank under the insurance contract of buildings/constructions for the Real Property for the sum insured not lower than 6,800,000; transfer of receivables from contracts in the amount of PLN 18,000,000; insurance contract in the form of a patronage declaration made by UNIBEP S.A.	investment credit
Santander Bank Polska S.A.	PLN 32,625,000.00	PLN 4,106,348.88	WIBOR 1M + margin	31.12.2021	1. contractual mortgage up to the amount of PLN 139,660,320.00 established on the Real Property; 2. registered pledges up to the amount of security constituting 150% of the maximum available amount of the Credits (i.e. PLN 139,660,320.00) on the property rights vested in the General Partner and the Borrower as partners in the Borrower; 3. registered pledges up to 150% of the maximum available amount of the Credits and financial pledges on all shares in the General Partner's share capital, established to secure repayment of receivables under the Credits, together with a power of attorney granted to the Bank to exercise rights from shares and a statement on submission to enforcement from the pledged shares pursuant to Art. 777 of the Code of Civil Procedure; 4. registered pledges up to 150% of the maximum available amount of the Credits and financial pledges on receivables from accounts; 5. Registered pledges up to 150% of the maximum security amount to be made available under the Contract on receivables from Trust Accounts; 6. power of attorney granted to the Bank to bank accounts; 7. blockade of cash on accounts; 8. transfer to secure cash receivables resulting from Preliminary Sales Contracts, insurance contracts concluded in connection with the performance of a given Stage, construction contracts and performance bonds, agreements concerning the preparation of projects in accordance with which a given Stage is performed and rights to these projects; 9. subordination of the repayment of financial debt from third parties, repayment of debt resulting from the Credit Contract under the Contracts granted, together with the transfer to the Bank of the receivables resulting from the documents being the basis for such debt and a declaration of voluntary submission to enforcement in favour of the Bank; 10. a declaration on voluntary submission to enforcement in favour of the Bank with respect to obligations under the Contract, made in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of a given Credit; 11. statement by the Borrower's General Partner on voluntary submission to enforcement in favour of the Bank of the obligations under this Contract, drawn up in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of each Credit, 12. Surety for the repayment of the Bridging Credit together with all receivables resulting from the Financing Documents in connection with granting the Bridging Credits granted by the Sponsor up to 150% of the maximum available amount of the Bridging Credit	construction credit
TOTAL:		PLN 10,326,006.88				

(amounts in the tables are expressed in PLN unless otherwise stated)

LONG-TERM LIABILITIES ON CREDITS 31.12.2018

Bank Name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
ING Bank Śląski S.A.	PLN 15,000,000.00	PLN 9,427,342.27	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
Santander Bank Polska S.A.	PLN 900,000.00	PLN 331,167.32	WIBOR 3M + margin	31.07.2021	contractual mortgage up to the maximum amount of 13,800,000 established in favour of the Bank on the Real Property with the extension of the entry in the first place; transfer of receivables in favour of the Bank under the insurance contract of buildings/constructions for the Real Property for the sum insured not lower than 6,800,000; transfer of receivables from contracts in the amount of PLN 18,000,000; insurance contract in the form of a patronage declaration made by UNIBEP S.A.	investment credit
Bank Millennium S.A.	PLN 45,000,000.00	PLN 14,576,395.20	WIBOR 1M + margin	19.09.2020	1. borrower's declaration of submission to enforcement under Art. 777 § 1 section 5 of the Code of Civil Procedure up to a maximum amount of 72 mln; 2. mortgage up to 64 mln on the right of perpetual usufruct; 3. assignment of receivables from the insurance contract for the construction period; 4. assignment of rights under the construction works contract; 5. assignment of rights to architectural and construction documentation as security; 6. assignment of receivables contracts with purchasers; 7. registered pledge with an ordinary pledge on shares with a total nominal value of PLN 4,240 thousand; 8. declaration by Unidevelopment S.A. on submission to enforcement under Art. 777 § 1 section 6 of the Code of Civil Procedure up to the maximum amount of PLN 72 mln; 9. surety under civil law granted by Unidevelopment S.A. up to the maximum amount of PLN 72 mln; 10. declaration by the Guarantor on submission to enforcement	revolving credit
mBank S.A.	PLN 2,000,000.00	PLN 223,996.11	WIBOR 1M + margin	30.04.2020	Blank promissory note; contractual mortgage on "IDEA Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowa with its registered office in Warsaw ul. Cybernetyki 9, land property in perpetual usufruct located in Radom, the commune of the City of Radom, at ul. Przytycka/Listopadowa, constituting a plot of land number 231/45, 231/76, 231/81,231/90, 231/91,231/92, 231/93, 231/94, 231/95, 231/96, 231/97, 231/98, 231/99, 231/100, 231/1 01, 231/1 08, 231/109, 231/110, 231/111, 231/112, 231/113, 231/114, 231/115, 231/118, 231/119, 231/120, 231/121, 231/124, 231/1 26, 231/133, 231/134, 231/135, 231/136, 231/137, 231/138, 231/139, 231/140, 231/142 from the area of 0010 KAPTUR, for which the land property of the District Court in Radom, 6th Land and Mortgage Register Department keeps the Land and Mortgage Register KW No. RA1 R/0001 7209/1, resulting from the Contract establishing mortgage no. 37/013/18 of 14 December 2018.	revolving credit
Santander Bank Polska S.A.	PLN 49,763,880.00	PLN 0.00	WIBOR 1M + margin	30.06.2021	1. contractual mortgage up to the amount of PLN 139,660,320.00 established on the Real Property; 2. registered pledges up to the amount of security constituting 150% of the maximum available amount of the Credits (i.e. PLN 139,660,320.00) on the property rights vested in the General Partner and the Borrower as partners in the Borrower; 3. registered pledges up to 150% of the maximum available amount of the Credits and financial pledges on all shares in the General Partner's share capital, established to secure repayment of receivables under the Credits, together with a power of attorney granted to the Bank to exercise rights from shares and a statement on submission to enforcement from the pledged shares pursuant to Art. 777 of the Code of Civil Procedure; 4. registered pledges up to 150% of the maximum available amount of the Credits and financial pledges on receivables from accounts; 5. Registered pledges up to 150% of the maximum security amount to be made available under the Contract on receivables from Trust Accounts; 6. power of attorney granted to the Bank to bank accounts; 7. blockade of cash on accounts; 8. transfer to secure cash receivables resulting from Preliminary Sales Contracts, insurance contracts concluded in connection with the performance of a given Stage, construction contracts and performance bonds, agreements concerning the preparation of projects in accordance with which a given Stage is performed and rights to these projects; 9. subordination of the repayment of financial debt from third parties, repayment of debt resulting from the Credit Contract under the Contracts granted, together with the transfer to the Bank of the receivables resulting from the documents being the basis for such debt and a declaration of voluntary submission to enforcement in favour of the Bank; 10. a declaration on voluntary submission to enforcement in favour of the Bank with respect to obligations under the Contract, made in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of a given Credit; 11. statement by the Borrower's General Partner on voluntary submission to enforcement in favour of the Bank of the obligations under this Contract, drawn up in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of each Credit, 12. Surety for the repayment of the Bridging Credit together with all receivables resulting from the Financing Documents in connection with granting the Bridging Credits granted by the Sponsor up to 150% of the maximum available amount of the Bridging Credit.	construction credit
Santander Bank Polska S.A.	PLN 32,625,000.00	PLN 0.00	WIBOR 1M + margin	31.12.2021		construction credit
Santander Bank Polska S.A.	PLN 7,218,000.00	PLN 0.00	WIBOR 1M + margin	30.06.2019		Bridging credit
Santander Bank Polska S.A.	PLN 3,500,000.00	PLN 0.00	WIBOR 1M + margin	31.12.2020		revolving credit
Total:		PLN 24,558,900.90				

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(amounts in the tables are expressed in PLN unless otherwise stated)

SHORT-TERM LIABILITIES ON CREDITS 31.12.2019

Bank Name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
PKO BP S.A.	PLN 15,000,000.00	PLN 0.00	WIBOR 1M + margin	30.11.2020	transfer of receivables from contracts	overdraft working capital facility
Santander Bank Polska S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR O/N + margin	21.09.2020	transfer of receivables from contracts	overdraft working capital facility
BNP Paribas Bank Polska S.A.	PLN 15,000,000.00	PLN 0.00	WIBOR 1M + margin	30.06.2020	transfer of receivables from contracts	overdraft working capital facility
mBank S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR 1M + margin	25.02.2020	transfer of receivables from contracts	overdraft working capital facility
Bank Gospodarstwa Krajowego	PLN 30,000,000.00	PLN 0.00	WIBOR 1M + margin	17.11.2020	transfer of receivables from contracts	overdraft working capital facility
ING Bank Śląski S.A.	PLN 15,000,000.00	PLN 3,328,762.88	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Pilsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client and included in the land and mortgage registers KW no. BI1 P/00093484/6, KW no. BI1 P/00092594/3, KW no. BI1 P/00041684/9, kept by the District Court in Bielsko Podlaskie; real property located in Bielsko Podlaskie, being in perpetual usufruct of the Client, covered by the land and mortgage registers KW no. BI1 P/00043080/9, KW no. BI1 P/00055499/6, KW no. BI1 P/00101524/9, KW no. BI1 P/00012039/1, KW no. BI1 P/00078166/0, KW no. BI1 P/00079567/8 kept by the District Court in Bielsko Podlaskie; assignment of rights from the insurance policy for the collateral subject described above; assignment of rights from the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
Santander Bank Polska S.A.	PLN 8,000,000.00	PLN 0.00	WIBOR 1M + margin	30.09.2020	contractual mortgage up to the maximum amount of 13,800,000 established in favour of the Bank on the Real Property with the extension of the entry in the first place; transfer of receivables in favour of the Bank under the insurance contract of buildings/constructions for the Real Property for the sum insured not lower than 6,800,000; transfer of receivables from contracts in the amount of PLN 18,000,000; insurance contract in the form of a patronage declaration made by UNIBEP S.A.	overdraft working capital facility
Santander Bank Polska S.A.	PLN 900,000.00	PLN 209,372.68	WIBOR 3M + margin	31.07.2021		investment credit
ING Bank Śląski S.A.	PLN 5,000,000.00	PLN 1,879,887.78	WIBOR 1M + margin	29.06.2020	contractual mortgage up to the amount of 9,100,000 on the land property located in Waslików at ul. Zakladowa, registration set of backhoe loader Caterpillar 428E S/N SNL04124, registration set of backhoe loader Caterpillar 432E S/N JBA01300, registration set of ICE14RF vibratory plates, together with the power supply station, registration set of KAFAR self-propelled machine ORTECO SMART 800, assignment of rights from the insurance policy, assignment of receivables (Consortium of PORR Polska Infrastructure S.A. and Unibep S.A.), assignment of receivables (BUDIMEX S.A.), patronage declaration of UNIBEP S.A. blank bill of exchange together with a bill of exchange declaration	overdraft working capital facility
mBank S.A.	PLN 3,000,000.00	PLN 0.00	WIBOR 1M + margin	29.06.2020	Blank promissory note; contractual mortgage on "IDEA Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowa with its registered office in Warsaw ul. Cybernetyki 9, land property in perpetual usufruct located in Radom, the commune of the City of Radom, at ul. Przytycka/Listopadowa, constituting a plot of land number 231/45, 231/76, 231/81,231/90, 231/91,231/92, 231/93, 231/94, 231/95, 231/96, 231/97, 231/98, 231/99, 231/100, 231/101, 231/ 108, 231/109, 231/110, 231/111, 231/112, 231/113, 231/114, 231/115, 231/118, 231/119, 231/120, 231/121, 231/124, 231/ 126, 231/133, 231/134, 231/135, 231/136, 231/137, 231/138, 231/139, 231/140, 231/142 from the area of 0010 KAPTUR, for which the land property of the District Court in Radom, 6th Land and Mortgage Register Department keeps the Land and Mortgage Register KW No. RA1 R/ 00017209/1, resulting from the Contract establishing mortgage no. 37/013/18 of 14 December 2018.	overdraft working capital facility
mBank S.A.	PLN 2,000,000.00	PLN 223,991.35	WIBOR 1M + margin	30.04.2020		revolving credit
Santander Bank Polska S.A.	PLN 3,500,000.00	PLN 0.00	WIBOR 1M + margin	31.12.2020	1. contractual mortgage up to the amount of PLN 139,660,320.00 established on the Real Property; 2. registered pledges up to the amount of security constituting 150% of the maximum available amount of the Credits (i.e. PLN 139,660,320.00) on the property rights vested in the General Partner and the Borrower as partners in the Borrower; 3. registered pledges up to 1 150% of the maximum available amount of the Credits and financial pledges on all shares in the General Partner's share capital, established to secure repayment of receivables under the Credits, together with a power of attorney granted to the Bank to exercise rights from shares and a statement on submission to enforcement from the pledged shares pursuant to Art. 777 of the Code of Civil Procedure; 4. registered pledges up to 1 150% of the maximum available amount of the Credits and financial pledges on receivables from accounts; 5. Registered pledges up to 150% of the maximum security amount to be made available under the Contract on receivables from Trust Accounts; 6. power of attorney granted to the Bank to bank accounts; 7. blockade of cash on accounts; 8. transfer to secure cash receivables resulting from Preliminary Sales Contracts, insurance contracts concluded in connection with the performance of a given Stage, construction contracts and performance bonds, agreements concerning the preparation of projects in accordance with which a given Stage is performed and rights to these projects; 9. subordination of the repayment of financial debt from third parties, repayment of debt resulting from the Credit Contract under the Contracts granted, together with the transfer to the Bank of the receivables resulting from the documents being the basis for such debt and a declaration of voluntary submission to enforcement in favour of the Bank; 10. a declaration on voluntary submission to enforcement in favour of the Bank with respect to obligations under the Contract, made in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of a given Credit; 11. statement by the Borrower's General Partner on voluntary submission to enforcement in favour of the Bank of the obligations under this Contract, drawn up in accordance with Art. 777 of the Code of Civil Procedure, separately for each Credit, up to an amount representing 150% of the amount of each Credit. 12. Surety for the repayment of the Bridging Credit together with all receivables arising from Financing Documents in connection with granting the Bridging Credits granted by the Sponsor up to 150% of the maximum available amount of the Bridging Credit.	revolving credit
Santander Bank Polska S.A.	PLN 49,763,880.00	PLN 3,567,042.19	WIBOR 1M + margin	30.06.2021		construction credit
TOTAL:		PLN 9,209,056.88				

(amounts in the tables are expressed in PLN unless otherwise stated)

SHORT-TERM LIABILITIES ON CREDITS 31.12.2018

Bank Name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
PKO BP S.A.	PLN 15,000,000.00	PLN 0.00	WIBOR 1M + margin	30.09.2019	transfer of receivables from contracts	overdraft working capital facility
Santander Bank Polska S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR O/N + margin	21.09.2019	transfer of receivables from contracts	overdraft working capital facility
BGŻ BNP Paribas S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR 1M + margin	07.03.2019	transfer of receivables from contracts	overdraft working capital facility
mBank S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR 1M + margin	12.02.2019	transfer of receivables from contracts	overdraft working capital facility
Bank Gospodarstwa Krajowego	PLN 30,000,000.00	PLN 0.00	WIBOR 1M + margin	17.11.2019	transfer of receivables from contracts	overdraft working capital facility
BGŻ BNP Paribas S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR 1M + margin	30.09.2019	transfer of receivables from contracts	overdraft working capital facility
ING Bank Śląski S.A.	PLN 15,000,000.00	PLN 3,325,875.42	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
Santander Bank Polska S.A.	PLN 900,000.00	PLN 208,162.30	WIBOR 3M + margin	31.07.2021	contractual mortgage up to the maximum amount of 13,800,000 established in favour of the Bank on the Real Property with the extension of the entry in the first place; transfer of receivables in favour of the Bank under the insurance contract of buildings/constructions for the Real Property for the sum insured not lower than 6,800,000; transfer of receivables from contracts in the amount of PLN 18,000,000; insurance contract in the form of a patronage declaration made by UNIBEP S.A.	investment credit
Santander Bank Polska S.A.	PLN 8,000,000.00	PLN 4,164,624.91	WIBOR 1M + margin	09.03.2019		overdraft working capital facility
ING Bank Śląski S.A.	PLN 5,000,000.00	PLN 4,480,640.85	WIBOR 1M + margin	29.06.2019	contractual mortgage up to the amount of 9,100,000 on the land property located in Wasilków at ul. Zakładowa, registration set of backhoe loader Caterpillar 428E S/N SNL04124, registration set of backhoe loader Caterpillar 432E S/N JBA01300, registration set of ICE14RF vibratory plates, together with the power supply station, registration set of KAFAR self-propelled machine ORTECO SMART 800, assignment of rights from the insurance policy, assignment of receivables (Consortium of PORR Polska Infrastructure S.A. and Unibep S.A.), assignment of receivables (BUDIMEX S.A.), patronage declaration of UNIBEP S.A. blank bill of exchange together with a bill of exchange declaration	overdraft working capital facility
mBank S.A.	PLN 2,000,000.00	PLN 665,952.07	WIBOR 1M + margin	30.04.2020	Blank promissory note; contractual mortgage on "IDEA Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowa with its registered office in Warsaw ul. Cybernetyki 9, land property in perpetual usufruct located in Radom, the commune of the City of Radom, at ul. Przytycka/Listopadowa, constituting a plot of land number 231/45, 231/76, 231/81,231/90, 231/91,231/92, 231/93, 231/94, 231/95, 231/96, 231/97, 231/98, 231/99, 231/100, 231/1 01, 231/ 108, 231/109, 231/ 1 1, 231/111, 231/112, 231/113, 231/114, 231/115, 231/118, 231/119, 231/120, 231/121, 231/124, 231/ 126, 231/133, 231/134, 231/135, 231/136, 231/137, 231/138, 231/139, 231/140, 231/142 from the area of 0010 KAPTUR, for which the land property of the District Court in Radom, 6th Land and Mortgage Register Department keeps the Land and Mortgage Register KW No. RA1R R/ 00017209/1, resulting from the Contract establishing mortgage no. 37/013/18 of 14 December 2018.	revolving credit
mBank S.A.	PLN 3,000,000.00	PLN 566,403.16	WIBOR O/N + marża	27.06.2019	Own blank promissory note; contractual mortgage on "IDEA Spółka z ograniczoną odpowiedzialnością" Spółka Komandytowa with its registered Own office in Warsaw ul. Cybernetyki 9, land property in perpetual usufruct located in Radom, the commune of the City of Radom, at ul. Przytycka/Listopadowa, constituting a plot of land number 231/45, 231/76, 231/ 81, 231/90, 231/91,231/92, 231/93, 231/94, 231/95, 231/96, 231/97, 231/98, 231/99, 231/100, 231/1 01, 231/ 108, 231/109, 231/110, 231/111, 231/112, 231/113, 231/114, 231/115, 231/118, 231/119, 231/120, 231/121, 231/124, 231/ 126, 231/133, 231/134, 231/135, 231/136, 231/137, 231/138, 231/139, 231/140, 231/142 from the area of 0010 KAPTUR, for which the land property of the District Court in Radom, 6th Land and Mortgage Register Department keeps the Land and Mortgage Register KW No. RA1R R/ 00017209/1, resulting from the Contract establishing mortgage no. 37/013/18 of 14 December 2018.	overdraft working capital facility
Total:		PLN 13,411,658.71				

As at 31.12.2019, granted but not used credits and loans amount to PLN 94,120,112.22.

As at 31.12.2018, granted but not used credits and loans amount to PLN 164,475,815.88.

(amounts in the tables are expressed in PLN unless otherwise stated)

LONG-TERM LIABILITIES ON LOANS 31.12.2019

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 5,434,030.47	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15,000,000.00 on land property situated in Bielsk Podlaski, Al. Pilsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 5,434,030.47				

LONG-TERM LIABILITIES ON LOANS 31.12.2018

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 7,253,153.67	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15,000,000.00 on land property situated in Bielsk Podlaski, Al. Pitsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 7,253,153.67				

SHORT-TERM LIABILITIES ON LOANS 31.12.2019

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
Numbel Holdings Limited	EUR 3,000,000.00 / PLN 12,775,500.00	EUR 936,434.11 / PLN 3,987,804.65	2.5%	30.06.2020	no collateral information in the contract	loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 1,819,484.48	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15,000,000.00 on land property situated in Bielsk Podlaski, Al. Pitsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 5,807,289.13				

(amounts in the tables are expressed in PLN unless otherwise stated)

SHORT-TERM LIABILITIES ON LOANS 31.12.2018

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 1,818,108.73	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15,000,000.00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW no. BI1P/00093484/6, KW no. BI1P/00092594/3, KW no. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW no. BI1P/00043080/9, KW no. BI1P/00055499/6, KW no. BI1P/00101524/9, KW no. BI1P/00012039/1, KW no. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 1,818,108.73				

(amounts in the tables are expressed in PLN unless otherwise stated)

ISSUED BONDS AS AT 31.12.2019

Name of the liability	Issue amount PLN	Value as at the balance sheet date PLN	Terms of interest rate	Issue date	Redemption date
Series E bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces / PLN 100.00 each	30,106,576.07	WIBOR 6M + margin	06.06.2018	06.06.2021
Series F bonds, 3-year, unsecured, interest bonds	PLN 34,000,000.00 / 340,000 pieces / PLN 100.00 each	34,667,208.37	WIBOR 6M + margin	15.02.2019	15.02.2022
		64,773,784.44			

Name of the liability	Issue amount PLN	Value as at the balance sheet date PLN	Terms of interest rate	Issue date	Redemption date
Series D bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces / PLN 100.00 each	30,618,459.56	WIBOR 6M + margin	08.07.2016	08.07.2019
Series E bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces / PLN 100.00 each	30,107,692.28	WIBOR 6M + margin	06.06.2018	06.06.2021
		60,726,151.84			

ISSUED BONDS AS AT 31.12.2018

Series E bonds and series F bonds are listed on the Catalyst market operated by the Warsaw Stock Exchange as part of the alternative trading system.
Interest payment date of series E bonds: 06.06.2020, 06.12.2020, 06.06.2021.
Interest payment date of series F bonds: 15.02.2020, 15.08.2020, 15.02.2021, 15.08.2021, 15.02.2022.

The maturity structure of credits, loans and long-term bonds is as follows:

	as at 31.12.2019	as at 31.12.2018
a) above 1 year to 3 years	75,572,328.88	54,003,780.98
b) above 3 year to 5 years	1,791,304.45	6,380,034.18
TOTAL	**77,363,633.33**	**60,383,815.16**

Credits taken out in foreign currency were converted at the balance sheet valuation rate, i.e. 31.12.2019.

Credits and long-term bonds were measured with the use of the adjusted purchase price method.

The contractual maturity structure of undiscounted cash flows under credits, loans and bonds is as follows:

As at 31.12.2019

	Carrying amount	Undiscounted contractual cash flows
a) up to 1 year	18,186,534.46	19,124,597.25
b) above 1 year to 3 years	75,572,328.88	82,210,207.40
c) above 3 years to 5 years	1,791,304.45	1,819,970.76
TOTAL	**95,550,167.79**	**103,154,775.41**

As at 31.12.2018

	Carrying amount	Undiscounted contractual cash flows
a) up to 1 year	47,384,158.69	48,730,693.34
b) above 1 year to 3 years	54,003,780.98	59,542,270.17
c) above 3 years to 5 years	6,380,034.18	6,529,735.20
TOTAL	**107,767,973.85**	**114,802,698.71**

In the reporting period, none of the credit contracts was terminated and there was no demand for early redemption of bonds.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.13. Lease

The Group's entities have concluded lease contracts concerning the use of land, commercial premises, vehicles and machines.

As at 31.12.2019

	Lease liabilities
a) less than 1 year	12,531,858.71
b) from 1 year to 5 years	17,707,691.65
c) above 5 years	7,912,087.42
TOTAL	**38,151,637.78**

As at 31.12.2018

	Minimum lease payments	Current value of minimum lease payments
a) less than 1 year	4,383,344.76	4,039,995.11
b) from 1 year to 5 years	7,773,382.35	7,568,258.97
Lease liabilities	**12,156,727.11**	**11,608,254.08**
including future financial expenses under financial lease	-548,473.03	-
Current value	**11,608,254.08**	**11,608,254.08**

6.14. Provisions

Employee benefit liabilities recognised in the statements of financial position:

	as at 31.12.2019	as at 31.12.2018
Retirement severance pay	**3,391,426.67**	**2,721,895.00**
current value of the liability as at the balance sheet date	3,391,426.67	2,721,895.00
Disability severance pay	**416,473.01**	**211,487.00**
current value of the liability as at the balance sheet date	416,473.01	211,487.00
Liabilities on retirement and disability benefits, including:	**3,807,899.68**	**2,933,282.00**
- long-term part	3,560,726.66	2,681,205.99
- short-term part	247,173.02	252,076.01

Changes in the liability on retirement and disability benefits are presented in the table below:

	as at 31.12.2019	as at 31.12.2018
Opening balance of current value of liability	**2,933,282.00**	**2,345,510.01**
interest expenses	75,981.27	73,152.00
current employment costs	499,172.67	392,893.44
benefits paid	-183,126.26	-88,082.45
actuarial profit/loss, including those arising from:	482,590.00	209,809.00
- adjustments of actuarial assumptions ex post	*377,146.00*	-13,890.00
- changes in demographic assumptions	*-91,837.00*	-84,421.00
- changes in financial assumptions	*197,281.00*	308,120.00
Closing balance of current value of liability	**3,807,899.68**	**2,933,282.00**

(amounts in the tables are expressed in PLN unless otherwise stated)

The charges to the account on retirement and disability benefits are as follows:

	as at 31.12.2019	as at 31.12.2018
employment value	478,922.67	392,893.44
interest expenses	75,981.00	73,152.00
other adjustments	43,127.00	0.00
Expenses recognised in the profit and loss account	**598,030.67**	**466,045.44**
actuarial profit/loss recognised in the period	439,463.00	209,809.00
Expenses recognised in other comprehensive income	**439,463.00**	**209,809.00**
including costs of employee benefits recognised in the profit and loss account under:		
- manufacturing costs	448,874.96	304,248.64
- general and administrative costs	149,155.71	161,796.80

The actuarial assumptions are based on the following parameters for the years 2018-2019:

- discount rate in 2019 1.99%
- discount rate in 2018 2.73%
- the planned long-term increase in the Group's remuneration base in 2020 and subsequent years is 2.5%

As at 31.12.2020, the actuarial projection of the current values of the Group's future liabilities towards its employees is as follows:

ITEM/BENEFIT	Retirement severance pay	Disability severance pay	TOTAL
current value of the liability as at the balance sheet date 31.12.2019	3,536,943.00	270,956.00	3,807,899.00
current value of the liability as at the balance sheet date 31.12.2020	3,819,544.57	298,775.06	4,118,319.62
including:			
short-term part	178,483.05	38,821.70	217,304.75
long-term part	3,641,061.51	259,953.36	3,901,014.87

As at 31.12.2020, the projection of the amount of provisions for employee benefits presented above is only indicative. The amount of liabilities as at the above date in accordance with IAS 19 may differ significantly from the above forecast, in particular due to the failure to take into account actuarial profits and losses, which will be known only at the date of creating a provision.

According to IAS 19, the amount of the provision for the above date should take into account any significant change in assumptions that occurs in the meantime, in particular significant changes in the structure, current workforce, the emergence of new employees, actual rather than projected salary increases, turnover levels, discounts, etc.
In estimating the forecast, it was assumed that, at the time the forecast is expected to be made, the entity's employees will be neither those who have reached retirement age by that time nor those who have already received their retirement or disability severance pay. If these assumptions are not fully met, a deviation of the above forecast from the actual amount of future provisions should also be expected.

Sensitivity analysis of reserves

The discount rate, the salary increase rate and the rotation rate are key actuarial assumptions that affect the provisions for employee benefits. The choice of the discount rate is related to the current situation on the treasury bond market, while the choice of the planned remuneration increases reflects the Company's strategy in terms of shaping the remuneration policy in the future. In addition, the balance of provisions for employee benefits is affected by the employee turnover rate depending on the historical turnover of the Company's employees.

In accordance with IAS 19, the Company discloses a sensitivity analysis for each significant actuarial assumption at the end of the reporting period, showing what effect changes in the relevant actuarial assumptions would have on the liability.

(amounts in the tables are expressed in PLN unless otherwise stated)

The results of the calculations are as follows as at 31.12.2019:

PARAMETER / BENEFIT	Retirement severance pay	Disability severance pay	Unused holiday leaves	TOTAL
Initial amounts of provisions	3,536,943.00	270,956.00	5,397,824.00	9,205,723.00
Turnover coefficient -1.0%	3,761,597.00	286,682.00	5,397,784.00	9,446,063.00
Turnover coefficient +1.0%	3,339,814.00	256,801.00	5,397,784.00	8,994,399.00
Technical discount rate -1.0%	4,098,434.00	294,635.00	5,397,824.00	9,790,893.00
Technical discount rate +1.0%	3,084,817.00	250,620.00	5,397,824.00	8,733,261.00
base increases				
Remuneration in the Company -1.0%	3,508,498.00	269,130.00	5,397,784.00	9,175,412.00
Remuneration in the Company +1.0%	3,576,723.00	273,229.00	5,397,784.00	9,247,736.00
Minimum remuneration -1.0%	3,120,282.00	252,388.00	5,397,784.00	8,770,454.00
Minimum remuneration +1.0%	4,049,584.00	292,483.00	5,397,784.00	9,739,851.00

The results of the calculations are as follows as at 31.12.2018:

PARAMETER / BENEFIT	Retirement severance pay	Disability severance pay	Unused holiday leaves	total
Initial amounts of provisions	2,721,795.00	211,487.00	5,761,152.00	8,694,434.00
Turnover coefficient -1.0%	2,879,545.00	223,413.00	5,761,152.00	8,864,110.00
Turnover coefficient +1.0%	2,583,350.00	200,690.00	5,761,152.00	8,545,192.00
Technical discount rate -1.00%	3,121,815.00	229,254.00	5,761,152.00	9,112,221.00
Technical discount rate +1.00%	2,398,233.00	196,161.00	5,761,152.00	8,355,546.00
base increases				
Remuneration in the Company -1.0%	2,696,881.00	209,854.00	5,761,152.00	8,667,887.00
Remuneration in the Company +1.0%	2,756,474.00	213,582.00	5,761,152.00	8,731,208.00
Minimum remuneration -1.0%	2,433,544.00	198,328.00	5,761,152.00	8,393,024.00
Minimum remuneration +1.0%	3,076,069.00	226,735.00	5,761,152.00	9,063,956.00

The last measurement of an independent actuary was performed as at 31 December 2019.

	01.01 -31.12.2019	01.01 -31.12.2018
OTHER LONG-TERM PROVISIONS FOR THE BEGINNING OF THE PERIOD	**28,209,955.22**	**25,263,031.30**
Warranty repairs	27,667,455.22	23,906,551.30
Disputable issues	542,500.00	1,356,480.00
a) Increases	**9,351,597.81**	**12,904,648.81**
Warranty repairs	9,351,597.81	12,362,148.81
Disputable issues	-	542,500.00
b) Use	**542,500.00**	**-**
Disputable issues	542,500.00	-
c) Release	**7,726,548.03**	**9,957,724.89**
Warranty repairs – transfer to short-term	7,726,548.03	8,472,233.87
Warranty repairs	-	129,011.02
Disputable issues – transfer to short-term	-	1,356,480.00
CLOSING BALANCE OF OTHER LONG-TERM PROVISIONS	**29,292,505.00**	**28,209,955.22**
Warranty repairs	29,292,505.00	27,667,455.22
Disputable issues	-	542,500.00

	01.01 -31.12.2019	01.01 -31.12.2018
OTHER SHORT-TERM PROVISIONS FOR THE BEGINNING OF THE PERIOD	**117,506,785.49**	**115,454,308.02**
Employee benefits	16,965,953.94	16,870,994.81
Warranty repairs	5,434,517.26	5,602,915.73
Planned losses in long-term contracts	1,824,740.23	7,824,008.23
Costs of subcontractors	89,617,630.37	78,157,655.54
Disputable issues	2,696,138.23	5,752,541.61
Other costs	967,805.46	1,246,192.10
a) Increases	**864,379,686.68**	**835,876,899.04**
Employee benefits	21,840,067.59	14,890,316.01
Warranty repairs	8,006,548.03	9,415,620.37
Planned losses in long-term contracts	-	1,547,901.82
Costs of subcontractors	792,337,993.29	805,760,784.66
Disputable issues	716,448.54	2,845,815.04
Other costs	41,478,629.23	1,416,461.14
b) Use	**847,321,906.91**	**833,824,421.57**
Employee benefits	20,076,024.79	14,795,356.88
Warranty repairs	7,600,020.15	9,584,018.84
Planned losses in long-term contracts	1,739,142.76	7,547,169.82
Costs of subcontractors	776,435,445.73	794,300,809.83
Disputable issues	1,664,885.77	5,902,218.42
Other costs	39,806,387.71	1,694,847.78
OTHER SHORT-TERM PROVISIONS FOR THE END OF THE PERIOD	**134,564,565.26**	**117,506,785.49**
Employee benefits	18,729,996.74	16,965,953.94
Warranty repairs	5,841,045.14	5,434,517.26
Disputable issues	1,747,701.00	2,696,138.23
Planned losses in long-term contracts	85,597.47	1,824,740.23
Costs of subcontractors	105,520,177.93	89,617,630.37
Other costs	2,640,046.98	967,805.46

(amounts in the tables are expressed in PLN unless otherwise stated)

6.15. Trade liabilities and other liabilities

Short-term trade liabilities and other liabilities:

	as at 31.12.2019	as at 31.12.2018
trade liabilities	198,414,301.95	189,170,091.31
Payroll liabilities	2,680,800.19	2,360,945.25
Accruals	5,492,384.08	10,844,321.77
Special funds	13,474.42	12,243.12
Liabilities on tax, customs, social security	18,953,991.50	26,260,826.46
Other liabilities	24,785,625.82	6,457,262.59
Trade liabilities and other liabilities	**250,340,577.96**	**235,105,690.50**

Trade liabilities, maturing:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	117,088,086.24	100,894,434.80
b) between 1 and 3 months	46,105,580.30	35,159,226.02
c) between 3 and 6 months	510,404.14	2,731,702.46
d) above 6 months to 1 year	4,762.36	12,998.84
e) above 1 year	48,166.35	639,758.70
overdue liabilities	34,657,302.56	49,731,970.49
TRADE LIABILITIES	**198,414,301.95**	**189,170,091.31**

Overdue trade liabilities:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	29,519,491.12	45,596,205.75
b) between 1 and 3 months	3,834,531.03	2,601,162.09
c) between 3 and 6 months	468,479.96	712,940.33
d) above 6 months to 1 year	427,475.96	468,614.81
e) above 1 year	407,324.49	353,047.51
OVERDUE TRADE LIABILITIES	**34,657,302.56**	**49,731,970.49**

Short-term liabilities – by currency:

	as at 31.12.2019	as at 31.12.2018
Liabilities in PLN	**230,105,303.65**	**211,849,431.20**
Liabilities in RUB	307.60	6,978,157.72
Liabilities in RUB after conversion into PLN	**18.79**	**383,586.16**
Liabilities in EUR	2,533,605.04	2,884,030.29
Liabilities in EUR after conversion into PLN	**10,789,357.09**	**12,401,330.25**
Liabilities in UAH	9,804,778.72	0.90
Liabilities in UAH after conversion into PLN	**1,570,725.26**	**0.12**
Liabilities in NOK	17,430,060.51	6,111,791.88
Liabilities in NOK after conversion into PLN	**7,531,633.73**	**2,643,349.99**
Liabilities in SEK	396,151.86	329,252.00
Liabilities in SEK after conversion into PLN	**161,352.66**	**138,318.77**
Liabilities in BYN	101,186.77	4,365,412.44
Liabilities in BYN after conversion into PLN	**182,186.78**	**7,689,674.01**
TOTAL	**250,340,577.96**	**235,105,690.50**

Advance payments are presented in the historical exchange rate.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.16. Current and deferred income tax

Deferred income tax assets and provisions are created based on the rate of 19% due to the assumed possibility of settling a significant part of assets and provisions in the Polish CIT, also with respect to foreign markets for taxable and deductible temporary differences concerning assets and liabilities.

Changes in deferred income tax assets and provisions by title are as follows:

For the period 01.01.2019 - 31.12.2019

	Opening balance of assets	Creation/ (use) of an asset through the profit and loss account	Creation/ (use) of an asset through other comprehensive income	Other changes	Closing balance of assets
Provision for warranty repairs	6,194,375.00	607,568.00			6,801,943.00
Provision for employee benefits	4,029,497.00	295,493.00			4,324,990.00
Provision for costs of subcontractors	18,852,205.00	2,021,973.00			20,874,178.00
Provisions for liabilities	108,285.00	145,987.00			254,272.00
Contracts (decrease in revenues)	3,881,371.00	1,047,649.00			4,929,020.00
Contracts – provisions for losses	346,701.00	-330,703.00		171,329.00	187,327.00
Production not completed for tax purposes	10,917,802.00	1,703,323.00		1,257,648.00	13,878,773.00
Unrealised foreign exchange losses	499,382.00	54,888.00		-	554,270.00
Unpaid interest	35,589.00	-13,824.00		-	21,765.00
Receivables discount	406,406.00	-13,904.00		-	392,502.00
Difference between tax and carrying amount of inventory	3,787,693.00	-1,064,772.00	-	-	2,722,921.00
Write-off of other assets	3,626,850.00	3,615,075.00		595,963.00	7,837,888.00
Measurement of derivative instruments	20,804.00	31,188.00			51,992.00
Costs of acquisition of shares	172,884.00	-			172,884.00
Measurement of credits, loans, bonds, promissory notes	138,319.00	7,558.00			145,877.00
Other titles	246,369.00	325,612.00			571,981.00
Tax loss	16,074,810.00	-4,635,696.00			11,439,114.00
Effect of applying of IFRS 9 for the first time	-	-		-595,963.00	-595,963.00
Effect of applying of IFRS 15 for the first time	-	-		-1,428,977.00	-1,428,977.00
Actuarial profits and losses accounted for in the revaluation capital	172,140.00	-	82,994.00	-	255,134.00
Total	**69,511,482.00**	**3,797,415.00**	**82,994.00**	**-**	**73,391,891.00**

For the period 01.01.2018 - 31.12.2018

	Opening balance of assets	Creation/ (use) of an asset through the profit and loss account	Creation/ (use) of an asset through other comprehensive income	Other changes	Closing balance of assets
Provision for warranty repairs	5,497,073.00	697,302.00			6,194,375.00
Provisions for employee benefits	3,981,432.00	48,065.00			4,029,497.00
Provisions for subcontracting costs	17,797,595.00	1,054,610.00			18,852,205.00
Provisions for liabilities	176,961.00	-68,676.00			108,285.00
Contracts (decrease in revenues "-")	2,632,442.00	1,248,929.00			3,881,371.00
Contracts – provisions for losses	1,486,562.00	-1,311,190.00			175,372.00
Production not completed for tax purposes	11,658,599.00	-1,998,445.00			9,660,154.00
Unrealised foreign exchange losses	1,017,638.00	-518,256.00			499,382.00
Unpaid interest	376,875.00	-341,286.00			35,589.00
Receivables discount	491,751.00	-85,345.00			406,406.00
Difference between tax and carrying amount of inventory	4,160,006.00	-372,313.00	-	-	3,787,693.00
Write-off of other assets	222,339.00	2,777,201.00			2,999,540.00
Measurement of derivative instruments	241,502.00	-220,698.00			20,804.00
Costs of acquisition of shares	145,607.00	27,277.00			172,884.00
Measurement of credits, loans, bonds, promissory notes	153,861.00	-15,542.00	.		138,319.00
Other titles	281,870.00	-35,501.00			246,369.00
Tax loss	14,170,751.00	1,904,059.00			16,074,810.00
Effect of applying of IFRS 9 for the first time	-	-		627,310.00	627,310.00
Effect of applying of IFRS 15 for the first time	-	-		1,428,977.00	1,428,977.00
Actuarial profits and losses accounted for in the revaluation capital	133,679.00	-	38,461.00	-	172,140.00
Total	**64,626,543.00**	**2,790,191.00**	**38,461.00**	**2,056,287.00**	**69,511,482.00**

(amounts in the tables are expressed in PLN unless otherwise stated)

For the period 01.01.2019 - 31.12.2019

	Opening balance of provisions	Creation/ (use) of a provision through the profit and loss account	Creation/ (use) of a provision through other comprehensive income	Closing balance of provisions
Contracts (increase in revenues "+")	19,954,887.00	3,739,464.00	-	23,694,351.00
Lease (net value of tangible fixed assets in use – lease liability)	606,323.00	-279,851.00	-	326,472.00
Liabilities discount	2,199,211.00	159,711.00	-	2,358,922.00
Penalties accrued, but not received	1,951,909.00	586,258.00	-	2,538,167.00
Interest not received	117,031.00	34,521.00	-	151,552.00
Unrealised foreign exchange gains	298,898.00	35,070.00	-	333,968.00
Difference between tax and carrying amount of inventory	4,032,717.00	3,799,578.00	-	7,832,295.00
Measurement of bonds, credits, loans, promissory notes	196,569.00	-107,783.00	-	88,786.00
Measurement of derivative instruments	23,171.00	36,637.00	-	59,808.00
Damages accrued, but not received	101,861.00	-101,861.00	-	-
Difference between tax and balance sheet value of fixed assets	3,797,413.00	-564,428.00	-	3,232,985.00
Revaluation capital – measurement of derivative instruments	711,360.00	-	-593,793.00	117,567.00
Actuarial profits and losses accounted for in the revaluation capital	503.00	-	-503.00	-
Total	**33,991,853.00**	**7,337,314.00**	**-594,294.00**	**40,734,873.00**

For the period 01.01.2018 - 31.12.2018

	Opening balance of provisions	Creation/ (use) of a provision through the profit and loss account	Creation/ (use) of a provision through other comprehensive income	Other changes	Closing balance of provisions
Contracts (increase in revenues "+")	19,603,342.00	1,136,579.00	-	-	20,739,921.00
Lease (net value of tangible fixed assets in use – lease liability)	766,873.00	-160,550.00	-	-	606,323.00
Liabilities discount	1,471,269.00	727,942.00	-	-	2,199,211.00
Penalties accrued, but not received	389,169.00	1,562,740.00	-	-	1,951,909.00
Interest not received	385,404.00	-268,373.00	-	-	117,031.00
Unrealised foreign exchange gains	536,563.00	-237,665.00	-	-	298,898.00
Difference between tax and carrying amount of inventory	13,978,823.00	-9,946,106.00	-	-	4,032,717.00
Measurement of bonds, credits, loans, promissory notes	214,261.00	-17,692.00	-	-	196,569.00
Measurement of derivative instruments	268,879.00	-245,708.00	-	-	23,171.00
Damages accrued, but not received	-	101,861.00	-	-	101,861.00
Difference between tax and balance sheet value of fixed assets	3,771,439.00	25,974.00	-	-	3,797,413.00
Effect of applying of IFRS 15 for the first time	-	-	-	-785,034.00	-785,034.00
Revaluation capital – measurement of derivative instruments	1,279,935.00	-	-568,575.00	-	711,360.00
Actuarial profits and losses accounted for in the revaluation capital	-	-	503.00	-	503.00
Deferred tax provisions – decrease due to loss of control	-1,892,553.00	-	-	1,892,553.00	-
Deferred tax provisions – increase as a result of obtaining control	2,436,376.00	-	-	-2,436,376.00	-
Deferred tax provisions – adjustment of previous years	550,472.00	-	-	-550,472.00	-
Total	**43,740,252.00**	**-7,320,998.00**	**-548,072.00**	**-1,879,329.00**	**33,991,853.00**

INCOME TAX RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

	01.01-31.12.2019	01.01-31.12.2018
Current income tax	**5,234,781.70**	**21,009,695.12**
Relating to the financial year	5,234,781.70	20,803,118.08
Adjustments relating to previous years	-	206,577.04
Deferred income tax	**3,539,901.00**	**-11,205,484.00**
Related to the emergence and reversal of temporary differences	3,539,901.00	-11,205,484.00
Tax burden recognised in the profit and loss account	**8,774,682.70**	**9,804,211.12**
Effective tax rate	22.60%	26.24%

(amounts in the tables are expressed in PLN unless otherwise stated)

	as at 31.12.2019	as at 31.12.2018
Current income tax	-	-
Deferred income tax	**677,290.00**	**606,030.00**
Tax on net profit/loss on revaluation of measurement of cash flow hedges	593,793.00	568,072.00
Actuarial profits and losses under defined benefit plan recognised in accordance with paragraph 128 of IAS 19 Employee benefits	83,497.00	37,958.00
Tax advantage/(tax burden) recognised in other total income	**677,290.00**	**606,030.00**
Deferred income tax recognised in retained earnings	-	**2,841,321.00**
Effect of applying of IFRS 9 for the first time	-	627,310.00
Effect of applying of IFRS 15 for the first time	-	2,214,011.00
Tax advantage/(tax burden) recognised in retained earnings	-	**2,841,321.00**

Tax rates in the markets where the Group operates are as follows:
Republic of Belarus – 18%
Ukraine – 18%
Kingdom of Norway – 22%
Kingdom of Sweden – 22%

When creating the deferred tax asset related to tax losses in the above amount, the Group estimated the probability of generating such tax income within the next 5 years, which would allow for the settlement of tax losses. The estimation was made on the basis of financial plans and historical values within the scope of activity taxation.

The Parent Company recognises a tax loss asset of PLN 6,617 thousand, including a loss on the German market of PLN 4,104 thousand. Unibep S.A. has individual interpretations by the Director of National Tax Information confirming the Parent Company's position that a loss incurred on the German market may be deductible in the CIT tax settlement.
The issue to be resolved are the detailed rules for determining the amount of loss to be deducted for each year. In this respect, on 02.08.2019, the Parent Company filed a cassation appeal with the Supreme Administrative Court against the judgement of the Voivodship Administrative Court in Białystok.
Since 1 April 2019, the Parent Company has been in the process of tax inspection in Germany for the years 2014-2016 in the area of corporate tax, tax on goods and services and tax on industrial and commercial activities. On 24 February 2020, the Parent Company received a proposal for a protocol. In the document's summary, the inspector suggested the possibility of changing to a cost-oriented method of determining the facility's result for income tax purposes in Germany, without, however, indicating detailed rules for its application or the estimated result.
The Parent Company, in cooperation with domestic advisers as well as through and with the support of a consulting firm representing Unibep, provided explanations, data and documentation during the inspection to confirm the method used for tax settlements in Germany. In response to the proposal of the inspection protocol, the adviser informed the inspector that she did not see any justification for the change of the previous method of accounting, which was adequate to the profile and manner of conducting business activity on the territory of Germany. The correctness of the applied method was confirmed earlier by the results of the German VAT inspection authorities.

Since 21.10.2019, the Tax Inspectorate of the Republic of Belarus has been conducting an inspection at the Representative Office of Unibep S.A. in Minsk for the correctness of tax settlements for the period September 2015-April 2019. The inspection concerned value added tax and business income tax. On 11.11.2019, the Company received an inspection report confirming the correctness of tax settlements in Belarus made by UNIBEP S.A.

Generally, the Group recognises that tax settlements and other settlements (i.a. under employment, customs, transactions with foreign entities) are and may in the future be subject to inspection by Polish and foreign tax authorities as well as other central and local offices and institutions, which are entitled to impose significant penalties. The arrears revealed as a result of the inspection are encumbered with interest. Tax and other settlements mentioned above may be subject to inspection at any time within 5 years from the end of the financial year to which they relate, and on foreign markets – up to 10 years.
Tax risk, both in Poland and on foreign markets, occurs and we treat it as typical in our business activity. The Group reduces the tax risk abroad by using the services of specialised and accredited, in a given country, tax and accounting offices, as well as audit firms and law firms.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.17. Contractual assets and liabilities

For the period 01.01.2019 - 31.12.2019

	At the beginning of the period	Change in the valuation of long-term contracts	Revenues recognised in the current period included in the balance of previous year's liabilities	Change in the period during which entitlement to remuneration becomes unconditional	Advance payments received for executed contracts	At the end of the period
Valuation of long-term contracts	104,817,928.21	77,637,541.55	-	-58,010,245.81	-	124,445,223.95
Contractual assets	**104,817,928.21**	**77,637,541.55**		**-58,010,245.81**		**124,445,223.95**
Advance payments received from contracts with clients	69,960,635.94	-	-44,089,643.57	-	116,612,162.45	142,483,154.82
Valuation of long-term contracts	20,428,270.95	28,547,919.88	-23,032,982.29	-	-	25,943,208.54
Contractual obligations	**90,388,906.89**	**28,547,919.88**	**-67,122,625.86**		**116,612,162.45**	**168,426,363.36**

For the period 01.01.2018 - 31.12.2018

	At the beginning of the period	Change in the valuation of long-term contracts	Revenues recognised in the current period included in the balance of previous year's liabilities	Change in the period during which entitlement to remuneration becomes unconditional	Advance payments received for executed contracts	Closing balance
Valuation of long-term construction contracts	103,175,482.67	104,817,928.21	-	-103,175,482.67	-	104,817,928.21
Contractual assets	**103,175,482.67**	**104,817,928.21**		**-103,175,482.67**		**104,817,928.21**
Advance payments received from contracts with clients	-	-	-	-	69,960,635.94	69,960,635.94
Valuation of long-term construction contracts	13,854,957.86	20,428,270.95	-13,854,957.86	-		20,428,270.95
Contractual obligations	**13,854,957.86**	**20,428,270.95**	**-13,854,957.86**		**69,960,635.94**	**90,388,906.89**

The Group recognises revenues from construction contracts in accordance with the percentage of completion method, measured by the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. If it is probable that the total contract costs will exceed the total revenues, the expected loss is charged to operating expenses.

	as at 31.12.2019	as at 31.12.2018
The total amount of the transaction price attributed to the provision of service which remained unfulfilled at the end of the reporting period, to be provided during the period:	1,539,793,921.80	1,591,702,833.41
up to 1 year	1,144,152,178.36	1,149,073,619.36
above 1 year	395,641,743.44	442,629,214.05
Total	**1,539,793,921.80**	**1,591,702,833.41**

6.18. Deposits under contracts with clients

	as at 31.12.2019	as at 31.12.2018
Retained by recipients – to be returned after 12 months	34,094,667.36	46,764,782.59
Retained by recipients – to be returned within 12 months	23,062,098.81	42,120,139.91
Total net deposits under construction contracts retained by recipients	**57,156,766.17**	**88,884,922.50**
Revaluation write-off of receivables from deposits	4,302,586.96	1,390,775.42
Total deposits under construction contracts retained by recipients after gross revaluation write-off	**61,459,353.13**	**90,275,697.92**
Retained from suppliers – to be returned after 12 months	50,185,312.33	48,744,915.67
Retained from suppliers – to be returned within 12 months	47,478,892.87	46,953,614.22
Total deposits under construction contracts retained from suppliers	**97,664,205.20**	**95,698,529.89**

DISCOUNT

	as at 31.12.2019	as at 31.12.2018
Discount of deposits under construction contracts retained by recipients	2,065,798.26	2,139,500.34
Discount of deposits under construction contracts retained from suppliers	12,415,867.36	11,578,151.61

(amounts in the tables are expressed in PLN unless otherwise stated)

Information on expected credit losses on the deposit is presented in Note 6.5.

As at 31 December 2019, the largest deposits retained by one recipient amounted to 38.90% (8.13% for one project) of all the receivables from deposits. As at 31 December 2018, the largest deposits retained by one recipient amounted to 34.20% (11.66% for one project) of all the receivables from deposits.

The table below presents the age analysis of deposits under construction contracts at nominal value after discount which are overdue as at the reporting date, but for which no impairment losses have been incurred:

Deposits due from construction contracts, past due, unpaid in the period:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	1,654,537.50	418,528.67
b) between 1 and 3 months	2,430,936.44	1,042,591.07
c) between 3 and 6 months	144,196.00	1,705,499.05
d) above 6 months to 1 year	546,395.96	-
e) above 1 year	1,907,359.59	30,521.76
Total past due deposits under construction contracts	**6,683,425.49**	**3,197,140.55**

6.19. Deferred revenues

	as at 31.12.2019	as at 31.12.2018
Received subsidies	800,697.33	466,351.93
Right of perpetual usufruct	96,612.51	142,369.53
Deferred revenues – long-term	**897,309.84**	**608,721.46**
Other	-	1,869.16
Right of perpetual usufruct	45,756.72	45,755.54
Received subsidies	42,141.97	-
Deferred revenues – short-term	**87,898.69**	**47,624.70**

UNIBEP GROUP
Consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards
(amounts in the tables are expressed in PLN unless otherwise stated)

GRUPA UNIBEP

6.20. Information on operating segments

SEGMENT REPORTING AS AT 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Sales adjustments for other segments	Total amount regarding the entire Group
Revenues from contracts with clients	1,094,547,493.06	338,956,780.41	165,920,065.95	183,435,758.40	-123,202,469.64	1,659,657,628.18
external sale	976,240,308.66	338,897,140.17	165,920,065.95	178,600,113.40	-	1,659,657,628.18
sale to other segments	118,307,184.40	59,640.24	-	4,835,645.00	-123,202,469.64	-
Costs of products, goods and materials sold	1,036,267,395.51	302,656,076.60	128,557,344.85	182,079,712.45	-119,077,842.62	1,530,482,686.79
Gross sales profit	**58,280,097.55**	**36,300,703.81**	**37,362,721.10**	**1,356,045.95**	**-4,124,627.02**	**129,174,941.39**
% gross sales profit	5.32	10.71	22.52	0.74	3.35	7.78
Selling costs			x			8,428,348.44
General and administrative costs						53,742,860.80
Result on other operating activities			x			-27,036,196.11
Profit on operating activities			x			**39,967,536.11**
Financial revenues			x			4,826,599.86
including: interest revenues	46,869.86	33,264.59	2,670,606.09	179,564.64	-	2,930,305.18
derivative instruments	81,379.60	-	-	141,119.03	-	222,498.63
Financial expenses			x			12,472,232.26
including: interest expenses	4,704,432.34	895,580.52	632,668.53	924,316.70	-	7,156,998.09
derivative instruments	22,068.50	-	-	164,146.99	-	186,215.49
Share in consolidated profit (loss) accounted for using the equity method						6,505,966.46
Profit before tax			x			**38,827,870.17**
Income tax			x			8,774,682.70
Net profit			x			**30,053,187.47**

SEGMENT REPORTING AS AT 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Sales adjustments for other segments	Total amount regarding the entire Group
Revenues from contracts with clients	1,111,169,079.65	337,188,900.34	137,510,134.71	142,043,995.84	-69,289,781.84	1,658,622,328.70
external sale	1,051,417,472.86	337,133,567.44	137,510,134.71	132,561,153.69	-	1,658,622,328.70
sale to other segments	59,751,606.79	55,332.90	-	9,482,842.15	-69,289,781.84	-
Costs of products, goods and materials sold	1,081,510,705.37	321,504,946.43	89,777,826.25	137,294,243.89	-67,579,908.29	1,562,507,813.65
Gross sales profit	**29,658,374.28**	**15,683,953.91**	**47,732,308.46**	**4,749,751.95**	**-1,709,873.55**	**96,114,515.05**
% gross sales profit	2.67	4.65	34.71	3.34	2.47	5.79
Selling costs			x			9,274,322.82
General and administrative costs						46,296,410.15
Result on other operating activities			x			-5,762,356.93
Profit on operating activities			x			**34,781,425.15**
Financial revenues			x			4,788,722.44
including: interest revenues	536,200.52	1,815.50	871,185.43	90,040.86	-	1,499,242.31
derivative instruments	-479,181.64	-	-	-814,021.75	-	-1,293,203.39
Financial expenses			x			5,955,250.90
including: interest expenses	4,716,017.43	684,505.09	196,018.07	176,282.57	-	5,772,822.74
derivative instruments	160,177.26	-	-	-1,102,206.84	-	-942,029.58
Share in consolidated profit (loss) accounted for using the equity method						3,753,739.73
Profit before tax			x			**37,368,636.42**
Income tax			x			9,804,211.12
Net profit			x			**27,564,425.30**

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(amounts in the tables are expressed in PLN unless otherwise stated)

As at 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Amounts not allocated to segments	Total
Assets	282,520,411.98	112,964,405.48	310,834,763.34	148,814,572.97	250,302,418.57	1,105,436,572.34
Total assets	**282,520,411.98**	**112,964,405.48**	**310,834,763.34**	**148,814,572.97**	**250,302,418.57**	**1,105,436,572.34**
Equity	-	-	-	-	276,728,356.97	276,728,356.97
Liabilities	385,663,612.57	111,854,484.91	131,424,035.30	126,431,590.72	73,334,491.87	828,708,215.37
Total liabilities	**385,663,612.57**	**111,854,484.91**	**131,424,035.30**	**126,431,590.72**	**350,062,848.84**	**1,105,436,572.34**
Depreciation and amortisation	3,839,410.92	7,427,609.99	1,045,819.59	3,560,680.16	-	15,873,520.66

As at 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Amounts not allocated to segments	Total
Assets	320,484,528.08	168,021,228.02	256,700,407.74	106,353,703.93	104,670,789.90	956,230,657.67
Total assets	**320,484,528.08**	**168,021,228.02**	**256,700,407.74**	**106,353,703.93**	**104,670,789.90**	**956,230,657.67**
Equity	-	-	-	-	263,655,724.20	263,655,724.20
Liabilities	359,835,530.39	89,375,673.65	77,145,865.55	82,360,044.83	83,857,819.05	692,574,933.47
Total liabilities	**359,835,530.39**	**89,375,673.65**	**77,145,865.55**	**82,360,044.83**	**347,513,543.25**	**956,230,657.67**
Depreciation and amortisation	2,473,978.38	5,337,840.88	285,776.02	2,432,651.90	-	10,530,247.18

In 2019, the Group did not obtain revenues from individual external customers exceeding 10% of total revenues.

In 2018, the Group generated revenues exceeding 10% of the total revenues under transactions with external clients from a single client, amounting to PLN 196,732,159.19.

(amounts in the tables are expressed in PLN unless otherwise stated)

The cost of obtaining information on revenues from external clients for particular products and services included in the segments is associated with excessive cost of obtaining such revenues.

INFORMATION ON GEOGRAPHICAL AREAS

Period ended on 31.12.2019

	Revenues from external clients	Fixed assets*
Country	1,285,733,809.25	90,616,753.19
Export, including:	373,923,818.93	52,169,384.18
Scandinavia	158,407,107.69	51,768,052.15
including: Norway	124,755,370.67	51,621,262.60
CIS (Russia, Belarus)	215,516,711.24	401,332.03
Total	**1,659,657,628.18**	**142,786,137.37**

Period ended on 31.12.2018

	Revenues from external clients	Fixed assets*
Country	1,314,285,827.08	72,118,273.92
Export, including:	344,336,501.62	48,890,989.16
Scandinavia	130,262,402.10	48,607,482.28
including: Norway	80,395,593.34	48,607,482.28
CIS (Russia, Belarus)	213,993,840.68	277,419.75
Germany	80,258.84	-
Total	**1,658,622,328.70**	**121,009,263.08**

* *fixed assets, i.e. tangible fixed assets in use, intangible assets.*

The geographical distribution of sales revenues corresponds to the location of customers and is consistent with the Group's internal organisational structure.

The distribution of the total amount of fixed assets and capital expenditures corresponds to their use in the activities of each of the territorial segments.

6.21 Revenues from contracts with clients

NET REVENUES FROM SALES OF PRODUCTS AND SERVICES (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)

	01.01-31.12.2019	01.01-31.12.2018
Total revenues from sales of products – country	**1,282,268,619.14**	**1,309,647,020.89**
Sales of construction services	1,113,377,894.57	1,170,909,664.40
Sales of real property	165,486,325.31	133,270,466.59
Sales of other services	1,296,899.26	3,782,389.90
Sales of products	2,107,500.00	1,684,500.00
Total revenues from sales of products – export	**373,923,818.93**	**344,336,501.62**
Sales of construction services	255,577,732.20	294,467,692.86
Sales of other services	196,420.10	2,000.00
Sales of products	118,149,666.63	49,866,808.76
Net revenues from sales of products and services	**1,656,192,438.07**	**1,653,983,522.51**

NET REVENUES FROM SALES OF PRODUCTS AND MATERIALS (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)

	01.01-31.12.2019	01.01-31.12.2018
Sales of goods – country	-	**1,583,764.56**
Real property development activities	-	1,583,764.56
Sales of materials – country	**3,465,190.11**	**3,055,041.63**
Construction activities	3,465,190.11	3,055,041.63
Net revenues from sales of goods and materials	**3,465,190.11**	**4,638,806.19**

(amounts in the tables are expressed in PLN unless otherwise stated)

Breakdown of revenues by client category

	01.01-31.12.2019	01.01-31.12.2018
Public client	404,953,397.33	411,413,896.77
Private client	1,254,704,230.85	1,247,208,431.93
Revenues from contracts with clients	**1,659,657,628.18**	**1,658,622,328.70**

Breakdown of revenues by price category

	01.01-31.12.2019	01.01-31.12.2018
Flat rate	1,569,192,415.06	1,532,940,466.75
Cost estimation	90,465,213.12	125,681,861.95
Revenues from contracts with clients	**1,659,657,628.18**	**1,658,622,328.70**

6.22 Costs by type

	01.01-31.12.2019	01.01-31.12.2018
Depreciation and amortisation	15,873,520.66	10,530,247.18
Consumption of materials and energy	517,518,519.38	547,139,145.88
External services	1,018,321,693.45	1,054,185,245.91
Taxes and charges	4,838,208.13	5,031,100.09
Remuneration	138,133,466.46	121,710,940.55
Social security and other benefits	30,351,950.17	26,513,624.99
Other costs by type	27,907,750.58	20,519,267.05
Total costs by type	**1,752,945,108.83**	**1,785,629,571.65**
Change in inventory, products, accruals and prepayments	-33,458,891.64	-22,797,414.17
Manufacturing cost of products for internal purposes	-130,149,029.62	-149,352,904.87
General and administrative costs	-53,742,860.80	-46,296,410.15
Sales costs	-8,428,348.44	-9,274,322.82
Manufacturing costs of products and services sold	**1,527,165,978.33**	**1,557,908,519.64**

6.23 Other operating revenues and expenses

OTHER OPERATING REVENUES

	01.01-31.12.2019	01.01-31.12.2018
Profit on disposal of non-financial fixed assets	773,323.85	453,563.65
Released provisions and revaluation write-offs	1,354,031.99	3,569,653.01
Written-off liabilities	1,966,807.77	1,143,157.39
Penalties and damages	944,036.30	2,439,035.61
Other	2,110,853.58	1,002,481.82
Other operating revenues	**7,149,053.49**	**8,607,891.48**

OTHER OPERATING EXPENSES

	01.01-31.12.2019	01.01-31.12.2018
Provisions for liabilities	894,132.00	538,555.00
Revaluation write-offs	-	20,811.60
Costs of disputable issues	3,739,593.41	1,625,398.96
Damage to property and compensation	3,458,167.23	3,360,165.94
Loss on disposal of non-financial assets	55,656.43	-
Loss on disposal of financial fixed assets	10,410,460.40	-
Other	3,273,116.33	2,499,376.14
Other operating expenses	**21,831,125.80**	**8,044,307.64**

EXPECTED CREDIT LOSSES

	01.01-31.12.2019	01.01-31.12.2018
Trade receivables	12,042,236.02	2,295,976.53
Deposits under contracts with clients	2,911,811.54	445,772.83
Contractual assets	53,821.54	208,063.41
Loans granted	-2,653,745.37	3,376,128.00
Expected credit losses	**12,354,123.73**	**6,325,940.77**

(amounts in the tables are expressed in PLN unless otherwise stated)

6.24 Financial revenues and expenses

FINANCIAL REVENUES

	01.01-31.12.2019	01.01-31.12.2018
Interest:	3,595,442.41	3,605,475.16
including, interest calculated using the effective interest rate	3,594,180.61	3,587,539.05
interest on loans granted	2,601,179.47	1,226,847.86
interest on receivables	234,735.39	136,157.12
bank interest	93,128.52	118,301.22
interest revenues from deposit	508,602.33	1,534,557.77
measurement of credits, loans and bonds	156,534.90	571,675.08
other interest	1,261.80	17,936.11
Total other financial revenues	1,231,157.45	1,183,247.28
Financial revenues	**4,826,599.86**	**4,788,722.44**

Other financial revenues

	01.01-31.12.2019	01.01-31.12.2018
Foreign exchange gains	475,308.79	1,707,830.92
Other, including:	755,848.66	-524,583.64
execution of derivative instruments	3,739.72	-
measurement of derivative instruments	218,758.91	-1,293,203.39
commissions on financial operations	454,493.67	768,488.18
other	78,856.36	131.57
Total other financial revenues	**1,231,157.45**	**1,183,247.28**

FINANCIAL EXPENSES

	01.01-31.12.2019	01.01-31.12.2018
Interest, including:	10,792,941.95	6,202,192.18
interest on credits, loans and bonds	5,308,082.08	4,348,142.96
interest on lease	1,325,477.70	334,224.50
measurement of credits, loans and bonds	14,084.66	-24,848.39
interest on liabilities	244,843.38	695,921.11
Interest expenses on deposit	3,621,859.20	454,217.83
other	278,594.93	394,534.17
Total other financial expenses	1,679,290.31	-246,941.28
Financial expenses	**12,472,232.26**	**5,955,250.90**

Other financial expenses

	01.01-31.12.2019	01.01-31.12.2018
Other, including:	1,679,290.31	-246,941.28
commissions	750,879.23	585,761.86
execution of derivative instruments	22,068.50	193,609.06
measurement of derivative instruments	164,146.99	-1,135,638.64
other	742,195.59	109,326.44
Total other financial expenses	**1,679,290.31**	**-246,941.28**

(amounts in the tables are expressed in PLN unless otherwise stated)

6.25 Profit (loss) per share

Calculation of the weighted average number of ordinary shares and the number of dilutive shares

	as at 31.12.2019	as at 31.12.2018
Weighted average number of ordinary shares in the period	33,478,853.18	34,070,634.00
Net profit (loss)	30,053,187.47	27,564,425.30
of which attributable to:		
shareholders of parent company	29,327,692.99	26,253,551.48
Profit (loss) per share	0.90	0.81

6.26 Investment expenditure incurred

INVESTMENT EXPENDITURE

	as at 31.12.2019	as at 31.12.2018
Tangible fixed assets in use:	5,645,595.17	12,482,135.19
buildings, premises, civil and water engineering structures	1,182,872.06	7,318,872.53
technical equipment and machines	1,244,008.26	2,969,627.81
vehicles	82,934.34	222,639.52
other tangible fixed assets in use	367,253.78	1,143,714.99
tangible fixed assets under construction	2,768,526.73	827,280.34
Intangible assets	1,578,153.05	4,829,580.92
TOTAL	**7,223,748.22**	**17,311,716.11**

6.27 Discontinued activities

In 2019 and 2018, discontinued activities did not occur.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.28 Explanations to the cash flow statement

	01.01-31.12.2019	01.01-31.12.2018
Amortisation:	**15,873,520.66**	**10,530,247.18**
amortisation of fixed tangible assets and intangible assets	15,873,520.66	10,530,247.18
Profit (loss) on foreign exchange differences	**-255,437.29**	**-649,238.26**
exchange rate differences on cash, credits, loans, leases, income tax	-255,437.29	-649,238.26
Interest and shares in profit (dividends) include:	**4,437,716.19**	**3,994,276.36**
interest received from promissory notes, granted loans, bonds – total	-2,593,774.42	-1,148,079.29
interest paid on credits, loans, bonds and factoring – total	5,216,097.19	4,341,263.98
commissions on credits, bonds, guarantees, factoring – paid	717,592.54	585,710.23
commissions received	-386,493.67	-409,145.71
accrued commissions	-68,000.00	-
accrued commissions – costs of issue of bonds	216,972.28	-359342.47
total other interest received	-89,110.27	-93,042.43
other unreceived accrued interest	-174,284.35	-158,392.33
valuation of credits, bonds, loans received	-34,579.38	84,749.48
valuation of own bonds	47,632.60	-
interest calculated on loans granted	-7,405.05	-
interest accrued on credits, loans, bonds	93,306.48	-
remaining interest to be paid	-61,983.25	260,503.81
other interest paid – total	236,267.79	555,826.59
paid interest on lease	1,325,477.70	334,224.50
The investment activity profit (loss) results from:	**829,017.14**	**-947,915.23**
revenues from disposal of tangible fixed assets in use and intangible assets	-961,749.99	-571,412.10
net value of disposed tangible fixed assets in use and intangible assets	492,217.89	119,763.10
revaluation of fixed assets	-	-37,777.00
revenues from disposal of financial assets	-306,955.00	-
costs of disposal of financial assets	10,722,342.24	143,559.69
revaluation of financial assets and liabilities	-2,481,790.37	3,376,128.00
valuation of loans granted, promissory notes, foreign bonds	-157,558.95	-575,611.00
profit/loss from the measurement of investments in entities measured with the equity method	-6,505,966.46	-3,753,739.73
derivative instruments	18,328.78	351,173.81
other	10,149.00	-
Change in provisions results from the following items:	**18,677,265.23**	**4,520,134.34**
balance sheet change in provisions for liabilities	19,014,947.23	5,587,173.38
adjustment of the provisions for losses on contracts – for retained earnings IFRS 15	-	-901,730.04
change in provisions not affecting the current profit or loss	-415,677.00	-165,309.00
other adjustments	77,995.00	-
The change in inventory results from the following items:	**-28,399,231.31**	**-31,723,347.35**
balance sheet change in inventory	-36,081,087.51	-25,152,045.15
interest capitalised in inventory	1,742,355.12	47,899.94
adjustment of inventory concerning retained earnings IFRS 15	4,657,221.11	-6,619,202.14
value of inventory acquired as a result of obtaining control (balance of inventory of a subsidiary as at the date of obtaining control with a "+" sign)	1,282,279.97	-
The change in receivables results from the following items:	**50,472,101.10**	**-19,840,167.14**
balance sheet change of short-term receivables	38,582,124.56	-15,817,719.95
balance-sheet change of long-term receivables	12,670,115.23	2,486,811.95
change in financial and investment receivables	-33,616.82	564,790.58
adjustment of change in receivables concerning retained earnings IFRS 9	-	-3,301,633.24
adjustment of change in receivables concerning retained earnings IFRS 15	-	-4,131,758.95
balance of receivables taken over as a result of obtaining control (balance of receivables of the subsidiary as at the date of obtaining control with a "+" sign)	299,277.50	-
change in receivables resulting from investment activities	-727,465.58	-
other adjustments	-318,333.79	359,342.47
Change in the balance of short-term liabilities, excluding financial liabilities, results from the following items:	**73,818,208.72**	**-26,440,983.04**
balance sheet change of short-term liabilities	93,797,622.53	-32,889,272.93
balance sheet change of long-term liabilities	1,440,396.66	8,571,862.57
liabilities on account of contributions to increased capital/contributions to partnerships	-	-5,016,610.00
balance of operational liabilities obtained as a result of obtaining control (balance of liabilities of the subsidiary as at the date of obtaining control with the "-" sign)	-640,696.39	-
change in investment liabilities	-20,779,114.08	916,329.58
other adjustments	-	1,976,707.74
Change in accruals and prepayments	**-917,017.98**	**-60,492,484.41**
balance sheet change of prepayments and accruals – assets	-1,522,908.07	113,148.93
balance sheet change in accruals and prepayments – liabilities	328,862.37	-60,565,083.05
balance of prepayments and accruals obtained as a result of obtaining control (balance of liabilities of the subsidiary as at the date of obtaining control with the "-" sign)	-	-12,500.04
balance of prepayments and accruals of financial expenditure	277,027.72	-
change in deferred revenues – financial revenues	-	-28,050.25
The value of the "other adjustments" item consists of:	**-129,482.83**	**-377,216.97**
revaluation write-offs of cash	-	-991,900.00
other adjustments	-129,482.83	614,683.03
Income tax paid/refunded	**12,292,415.56**	**-26,978,780.30**

(amounts in the tables are expressed in PLN unless otherwise stated)

The balance of cash and cash equivalents disclosed in the consolidated cash flow statement consists of the following items:

	as at 31.12.2019	as at 31.12.2018
Cash at bank and in hand	**178,374,337.04**	**56,182,453.01**
Including:		
foreign exchange differences on balance sheet valuation	-186,469.92	-140,654.56
TOTAL	**178,187,867.12**	**56,041,798.45**

The restricted cash flow statement shows that the funds with limited disposability relate to the funds accumulated on trust accounts in development activity and VAT accounts kept in connection with the split payment mechanism.

There were no investment or financial transactions which did not require the use of cash or cash equivalents.

6.29 Mergers of business entities, loss of control

On 17.04.2019, Unidevelopment S.A. purchased 29 shares in MD Inwestycje Sp. z o.o. On that day, MD Inwestycje purchased 2,050 of its own shares for redemption. As a result of these changes, Unidevelopment S.A. holds 50 shares in MD Inwestycje Sp. z o.o. and the remaining 2,050 shares are held by MD Inwestycje for redemption. On 18.04.2019, resolutions were adopted by the General Meeting of Shareholders of MD Inwestycje Sp. o.o. concerning voluntary redemption of 2,050 shares and reduction of the share capital to the amount of PLN 5,000.00. After the registration of the share capital reduction by the National Court Register, Unidevelopment S.A. will be the sole shareholder in the company, but already now, due to the fact that MD Inwestycje cannot exercise its rights from the shares to be redeemed, Unidevelopment S.A. is indeed the sole shareholder.

The above operation results in a change in the Group's percentage share in MD Inwestycje Sp. z o.o. Monday Mate Garbary Sp.k, where this share is 58.58% due to the fact that MD Inwestycje Sp. z o.o. holds 60% of shares in the profits and losses of MD Inwestycje Sp. z o.o. Monday Mate Garbary Sp.k.

On 16.12.2019, Monday Development S.A. (the acquiring company) was merged with UDM 2 Sp. z o.o. (the acquired company). The companies have effected the merger pursuant to Art. 492 section 1 point 1 of the Commercial Companies Code by transferring all assets of UDM 2 Sp. z o.o. to Monday Development S.A. The merger did not result in a loss of control.

On 11.10.2019, the Parent Company sold 100% of shares in OOO StrojIMP with its registered office in Kaliningrad in the Russian Federation. Until the date of disposal, OOO StrojIMP achieved revenues from sales in the amount of PLN 8,542.22 and incurred a loss of PLN 242.36. The Company had no significant assets.

6.30 Investments in entities measured under equity method

Investments in entities measured under equity method are presented in the table below:

	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**8,839,221.97**	**21,149,466.24**
a) Increases	**31,205,966.46**	**4,307,239.73**
Share in profits / (losses)	6,505,966.46	3,753,739.73
Contributions made/returned	24,700,000.00	553,500.00
b) Decreases	**11,202,201.56**	**16,617,484.00**
Dividend payment	11,202,201.56	16,617,484.00
Investments in entities measured under equity method	**28,842,986.87**	**8,839,221.97**

(amounts in the tables are expressed in PLN unless otherwise stated)

List of jointly controlled entities and associates as at 31 December 2019

Name of the entity	Nature of the relationship	Registered office	Share in the share capital and in the number of votes (%)	
			31.12.2019	31.12.2018
Seljedalen AS	Jointly controlled entity	Ranheim / Norway	50%	50%
Lovsetvegen 4 AS	Indirectly jointly controlled entity	Melhus/Norway	50%	50%
Smart City Sp. z o.o. Sp.k.	Indirect associate	Warsaw/Poland	48.82%*)	48.82%*)
URSA PARK Smart City Sp. z o.o. Sp.k.	Indirect associate	Warsaw/Poland	48.82%*)	48.82%*)
Wiepofama Development Sp. z o.o.	Indirect associate	Poznań/Poland	48.82%	48.82%
Wiepofama Development Sp. z o.o. Sp.k.	Indirect associate	Koszalin/Poland	48.82%	48.82%

*) share in total number of votes at the general meeting is 0

Selected financial data of entities measured using the equity method:

Selected financial data of the jointly controlled entity Seljedalen AS are as follows:

Seljedalen AS	31.12.2019	31.12.2018
Fixed assets	6,803,234.50	7,062,157.57
Current assets	4,800,354.05	402,519.02
Long-term liabilities	-	-
Short-term liabilities	5,934,904.12	888,005.59
Revenues on sales	-	8,142,709.93
Profit (loss) on continued activities	163,915.96	15,899,886.57
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	163,915.96	15,899,886.57
Dividends received from an associate, jointly controlled entity	-	-

Seljedalen AS	31.12.2019	31.12.2018
Net assets	5,668,684.43	6,576,671.00
Group's share in a jointly controlled entity	50%	50%
Other adjustments	-7,283,237.23	- 6,942,126.34
Balance sheet value of the Group's shares in the associate	**- 4,448,895.01**	**-3,653,790.84**

Selected financial data of the jointly controlled entity Lovsetvegen 4 AS are as follows:

Lovsetvegen 4 AS	31.12.2019	31.12.2018
Fixed assets	-	696,375.60
Current assets	5,762,650.07	3,295,854.65
Long-term liabilities	16.30	-
Short-term liabilities	7,490,319.47	3,036,305.62
Revenues on sales	338,195.04	54,788,300.20
Profit (loss) on continued activities	- 2,929,591.36	3,005,342.04
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	- 2,929,591.36	3,005,342.04
Dividends received from an associate / jointly controlled entity	-	-

Lovsetvegen 4 AS	31.12.2019	31.12.2018
Net assets	-1,727,685.70	955,924.63
Group's share in a jointly controlled entity	50%	50%
Other adjustments	-	-
Balance sheet value of the Group's shares in the associate	**-863,842.85**	**477,962.32**

Selected financial data of the indirect associate Smart City Sp z o.o. Sp.k. are as follows:

Smart City Sp. z o.o. Sp.k.	31.12.2019	31.12.2018
Fixed assets	79,524.70	99,013.70
Current assets	668,916.08	4,577,167.96
Long-term liabilities	-	-
Short-term liabilities	776,688.50	1,431,675.37
Revenues on sales	4,383,101.78	8,507,763.39
Profit (loss) on continued activities	982,786.29	1,445,065.36
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	982,786.29	1,445,065.36
Dividends received from an associate / jointly controlled entity	-	-

Smart City Sp. z o.o. Sp.k.	31.12.2019	31.12.2018
Net assets	-28,247.72	3,244,506.29
Group's share in a jointly controlled entity	48.82%	48.82%
Other adjustments	13,789.12	-
Balance sheet value of the Group's shares in the associate	-	**1,583,805.75**

(amounts in the tables are expressed in PLN unless otherwise stated)

Selected financial data of the indirect associate URSA PARK Smart City Sp. z o.o. Sp.k. are as follows:

URSA PARK Smart City Sp. z o.o. Sp.k	31.12.2019	31.12.2018
Fixed assets	116,671.48	58,030.00
Current assets	97,932,331.71	74,603,697.73
Long-term liabilities	-	-
Short-term liabilities	38,018,849.35	48,665,713.18
Revenues from sales	74,774,076.45	70,439,385.39
Profit (loss) on continued activities	18,099,870.79	13,661,960.90
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	18,099,870.79	13,661,960.90
Dividends received from an associate, jointly controlled entity	-	-

URSA PARK Smart City Sp. z o.o. Sp.k	31.12.2019	31.12.2018
Net assets	60,030,153.84	25,996,014.55
Group's share in a jointly controlled entity	48.82%	48.82%
Other adjustments	751,812.11	-6,989,242.43
Balance sheet value of the Group's shares in the associate	30,058,533.21	5,702,011.87

Selected financial data of the indirect associate Wiepofama Development Sp. z o.o. were presented as follows:

Wiepofama Development Sp. z o.o.	31.12.2019	31.12.2018
Fixed assets	1,000.00	1,000.00
Current assets	24,091.24	6,067.40
Long-term liabilities	14,627.06	-
Short-term liabilities	9,781.20	14,487.59
Revenues on sales	167,200.00	-
Profit (loss) on continued activities	8,103.17	-11,190.19
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	8,103.17	- 11,190.19
Dividends received from an associate, jointly controlled entity	-	-

Wiepofama Development Sp. z o.o.	31.12.2019	31.12.2018
Net assets	682.98	-7,420.19
Group's share in a jointly controlled entity	48.82%	48.82%
Other adjustments	600.38	600.79
Balance sheet value of the Group's shares in the associate	933.81	-3,021.75

Selected financial data of the indirect associate Wiepofama Development Sp z o.o. Sp.k. are as follows:

Wiepofama Development Sp. z o.o. sp.k.	31.12.2019	31.12.2018
Fixed assets	46,128,351.05	25,382,937.94
Current assets	59,766,679.62	59,308,112.58
Long-term liabilities	-	131,631.47
Short-term liabilities	52,504,087.51	29,865,604.00
Revenues on sales	3,454,083.37	3,054,734.03
Profit (loss) on continued activities	-1,302,871.89	-307,736.71
Post-tax gain (loss) on discontinued operations	-	-
Other comprehensive income	-	-
Comprehensive income for the period	-1,302,871.89	-307,736.71
Dividends received from an associate, jointly controlled entity	-	-

Wiepofama Development Sp. z o.o. sp.k.	31.12.2019	31.12.2018
Net assets	53,390,943.16	-54,693,815.05
Group's share in a jointly controlled entity	48.82%	48.82%
Other adjustments	-21,969,200.74	-21,969,265.88
Balance sheet value of the Group's shares in the associate	4,096,257.71	4,732,254.63

As at 31.12.2019, contingent liabilities related to jointly controlled companies and associates amounted to PLN 10,368,000.00, and as at 31.12.2018 amounted to PLN 50,618,090.77.
Contingent liabilities related to loan guarantees and corporate guarantees issued.

Share in net profit / (losses) of entities measured under the equity method:

	01.01-31.12.2019	01.01 -31.12.2018
Participation in profit	9,319,203.76	9,099,266.97
Participation in losses	2,813,237.30	5,345,527.24
Total	6,505,966.46	3,753,739.73

(amounts in the tables are expressed in PLN unless otherwise stated)

6.31 Transactions with related parties

As at 31.12.2019

	Trade receivables and other receivables	Trade liabilities and other liabilities	Investments in entities measured under equity method	Loans granted	Credits, loans and other financial liabilities
Jointly controlled, indirectly jointly controlled entities	1,430,125.36	31,020.44	7,986.00	-	-
Indirect associates	6,851,336.65	13,047.03	-	51,254,331.67	170,365.54
Transactions with related parties – total	**8,281,462.01**	**44,067.47**	**7,986.00**	**51,254,331.67**	**170,365.54**

As at 31.12.2018

	Trade receivables and other receivables	Trade liabilities and other liabilities	Investments in entities measured under equity method	Loans granted
Jointly controlled, indirectly jointly controlled entities	2,163,718.78	-	7,986.00	-
Indirect associates	6,461,468.62	5,004,863.88	-	27,763,087.90
Transactions with related parties – total	8,625,187.40	5,004,863.88	7,986.00	27,763,087.90

For the period 01.01.2019 - 31.12.2019

	Revenues from contracts with clients	Purchase of products, goods and materials	Financial revenues	Financial expenses
Jointly controlled, indirectly jointly controlled entities	257,283.20	-	90,332.52	73,043.58
Indirect associates	36,704,776.32	226,776.73	13,451,079.81	-
Transactions with related parties – total	36,962,059.52	226,776.73	13,541,412.33	73,043.58

For the period 01.01.2018 - 31.12.2018

	Revenues from sales of products, materials and goods	Purchase of products, goods and materials	Financial revenues	Financial expenses
Jointly controlled, indirectly jointly controlled entities	7,247,364.30	-	6,509,495.78	-688,599.47
Indirect associates	59,107,961.22	223,723.18	10,704,796.13	-
Transactions with related parties – total	**66,355,325.52**	**223,723.18**	**17,214,291.91**	**-688,599.47**

In previous reporting periods, the note also presented transactions excluded in the process of consolidation.

(amounts in the tables are expressed in PLN unless otherwise stated)

6.32. Management Board and Supervisory Board

The Management Board and Supervisory Board of the UNIBEP GROUP is represented by the Management Board and Supervisory Board of the UNIBEP S.A. Parent Company.

MANAGEMENT BOARD

The Management Board of UNIBEP S.A. acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the By-Laws of the Management Board. The Company's Management Board consists of one or more members. Members of the Management Board, including the President of the Board, are appointed and dismissed by the Supervisory Board for a joint three-year term of office. The number of members of the Management Board shall be determined by the Supervisory Board.

As at the day of drawing up these financial statements, the Management Board of UNIBEP S.A. is composed of the following persons:

- Leszek Marek Gołąbiecki – President of the Management Board
- Sławomir Kiszycki – Vice-President of the Management Board
- Krzysztof Mikołajczyk – Vice-President of the Management Board

SUPERVISORY BOARD

The Supervisory Board of UNIBEP S.A. acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the By-Laws of the Supervisory Board. The Supervisory Board is composed of 5 to 7 members, appointed and dismissed by the General Meeting of Shareholders for a joint three-year term of office.

As at the day of drawing up these financial statements, the Supervisory Board of UNIBEP S.A. is composed of the following persons:

- Jan Mikołuszko – Chairman of the Supervisory Board
- Beata Maria Skowrońska – Deputy Chairman of the Supervisory Board
- Wojciech Jacek Stajkowski – Member of the Supervisory Board
- Jarosław Mariusz Bełdowski – Member of the Supervisory Board (independent)
- Michał Kołosowski – Member of the Supervisory Board (independent)
- Paweł Markowski – Member of the Supervisory Board (independent)
- Dariusz Marian Kacprzyk – Member of the Supervisory Board (independent)

6.33. Shares held by or rights to shares of the members of the management and supervisory bodies

Shares held by the Management Board

No.	Name and surname (company)	Position	Number of shares held	Number of votes	Share in the total number of votes (over 5%)
1	Leszek Marek Gołąbiecki	President of the Management Board	690,000	690,000	---
2	Sławomir Kiszycki	Vice-President of the Management Board	-	-	---
3	Krzysztof Mikołajczyk	Vice-President of the Management Board	-	-	---
4	Zbigniew Gościcki	President of the Management Board of a subsidiary, Unidevelopment S.A.	217	217	—

Number of shares held by the Supervisory Board

No.	Name and surname (company)	Position	Number of shares held	Number of votes	Share in the total number of votes (over 5%)
1	Jan Mikołuszko	Chairman of the Supervisory Board	21,620	21,620	---
2	Beata Maria Skowrońska	Deputy Chairman of the Supervisory Board	5,650,000	5,650,000	16.11%
3	Wojciech Jacek Stajkowski	Member of the Supervisory Board	2,500,000	2,500,000	7.13%
4	Jarosław Mariusz Bełdowski	Member of the Supervisory Board	-	-	---
5	Michał Kołosowski	Member of the Supervisory	-	-	---

		Board			
6	Paweł Markowski	Member of the Supervisory Board	-	-	---
7	Dariusz Marian Kacprzyk	Member of the Supervisory Board	-	-	---

Balance according to the knowledge of UNIBEP S.A. as at 31.12.2019

Bożenna Lachocka, member of the Supervisory Board of Unidevelopment SA is the holder of 2,500,000 shares of Unibep SA, the number of votes is 2,500,000, which gives 7.13% of the total number of votes.

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

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

(amounts in the tables are expressed in PLN unless otherwise stated)

6.34. Information on personal, factual and organisational relations between members of the Management Board and Supervisory Board and certain shareholders with at least 5% of votes at the General Meeting of Shareholders of Unibep S.A.:

MANAGEMENT BOARD OF THE PARENT COMPANY

- **Leszek Marek Gołąbiecki –** is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Sławomir Kiszycki –** is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Krzysztof Mikołajczyk** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.

SUPERVISORY BOARD OF THE PARENT COMPANY

- **Jan Mikołuszko** is the husband of a shareholder (Mrs Zofia Mikołuszko) holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Beata Maria Skowrońska** – shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Wojciech Jacek Stajkowski** – shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Jarosław Mariusz Bełdowski** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Michał Kołosowski** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Paweł Markowski** – is not related to any shareholder holding at least 5% of votes at the General Shareholders Meeting of UNIBEP SA.
- **Dariusz Marian Kacprzyk** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.

6.35. Remuneration of members of the management and supervisory boards of the parent company

REMUNERATIONS OF THE MANAGEMENT BOARD:
For the period 01.01.2019 – 31.12.2019

Name and surname	Remuneration	Sickness benefit	Bonus for profit for 2018 paid in 2019	Total
Leszek Marek Gołąbiecki	744,000.00	-	551,288.51	1,295,288.51
Sławomir Kiszycki	664,079.15	-	551,288.51	1,215,367.66
Jan Piotrowski	-	5,576.34	413,466.38	419,042.72
Krzysztof Mikołajczyk	612,000.00	-	277,532.23	889,532.23
Total:	**2,020,079.15**	**5,576.34**	**1,793,575.63**	**3,319,231.12**

For the period 01.01.2018 – 31.12.2018

Name and surname	Remuneration
Gołąbiecki Leszek Marek	516,000.00
Kiszycki Sławomir	444,000.00
Drobek Marcin Piotr	180,813.66
Piotrowski Jan	357,604.04
Mikołajczyk Krzysztof	304,491.16
Total:	**1,802,908.86**

(amounts in the tables are expressed in PLN unless otherwise stated)

REMUNERATIONS OF THE SUPERVISORY BOARD:

For the period 01.01.2019 - 31.12.2019

Name and surname	Revenues	Revenues of a member of the Supervisory Board under an employment contract with UNIBEP S.A.	Total
Mikołuszko Jan	456,000.00	-	456,000.00
Skowrońska Beata	145,439.87	-	145,439.87
Stajkowski Wojciech	60,000.00	60,000.00	120,000.00
Bełdowski Jarosław	62,059.23	-	62,059.23
Kołosowski Michał	85,314.52	-	85,314.52
Markowski Paweł	60,000.00	-	60,000.00
Kacprzyk Dariusz	60,783.27	-	60,783.27
Total:	**929,596.89**	**60,000.00**	**989,596.89**

For the period 01.01.2018 - 31.12.2018

Name and surname	Revenues	Revenues of a member of the Supervisory Board under an employment contract with UNIBEP S.A.	Total
Mikołuszko Jan	456,000.00	-	456,000.00
Skowrońska Beata	144,000.00	-	144,000.00
Stajkowski Wojciech	60,000.00	70,301.36	130,301.36
Bełdowski Jarosław	60,888.48	-	60,888.48
Kołosowski Michał	85,169.78	-	85,169.78
Markowski Paweł	60,000.00	-	60,000.00
Kacprzyk Dariusz	60,606.33	-	60,606.33
Total:	**926,664.59**	**70,301.36**	**996,965.95**

In addition, in 2019, purchases were made from a member of the Supervisory Board and a person related to the member of the Supervisory Board for the total amount of: PLN 38.8 thousand, remuneration from the employment relationship was paid to persons related to members of the Management Board and Supervisory Board in the amount of PLN 913.6 thousand, and in the comparable period: purchases – PLN 59.8 thousand, remuneration – PLN 906.4 thousand.

6.36. Transactions with related parties carried out through supervisors of the Company and the Capital Group companies

In 2019, there were no transactions other than those based on market conditions, the one-off or total value of which would exceed the equivalent of EUR 500 thousand converted into PLN.

6.37. Contracts concluded between the Parent Company UNIBEP S.A. and members of the management bodies

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

Currently, Leszek Marek Gołąbiecki, President of the Management Board and Company Director, and Sławomir Kiszycki, Vice-President of the Management Board and Financial Director, are bound by employment contracts signed on 12.06.2017 for the period of three years of the fifth term of office of the Management Board.

Jan Piotrowski, Member of the Management Board and Commercial Director, was bound by an employment contract signed on 12.06.2017 for the period of three years of the fifth term of office of the Management Board. As at 07.01.2019, Jan Piotrowski, member of the Management Board and Sales Director, resigned as member of the Management Board of the Company.

Krzysztof Mikołajczyk, Vice-President of the Management Board and Construction Director, is bound by an employment contract signed on 27.04.2018. As for Krzysztof Mikołajczyk, he was appointed as of 1 May 2018, as member of the Management Board of the fifth term. Starting on 01.11.2018, the position of Krzysztof Mikołajczyk changed from member of the Management Board to Vice-President of the Company's Management Board.

(amounts in the tables are expressed in PLN unless otherwise stated)

Pursuant to the provisions of the aforementioned contracts, President of the Management Board and Members of the Management Board of UNIBEP S.A. are entitled to an annual bonus for 2019, calculated on the basis of consolidated net profit of the UNIBEP Capital Group, subject to the fulfilment of additional conditions, for each financial year, in the amount of 1.5 %.

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

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

6.38. Contingent liabilities and receivables

Contingent liabilities on guarantees and sureties granted to other entities are primarily guarantees issued by banks and insurance companies to the benefit of counterparties of the UNIBEP Group's Companies to secure their claims under construction contracts. In case of using the guarantees issued for their benefit, banks and insurance companies are entitled to the right of recourse against the Companies.

The guarantees provided to the clients are an alternative way of securing the retained guarantee deposits.

	as at 31.12.2019	as at 31.12.2018
CONTINGENT RECEIVABLES	**92,482,640.19**	**61,969,029.89**
From other entities	**92,482,640.19**	**61,969,029.89**
Guarantees received*	91,650,039.19	59,728,840.89
Bills of exchange received as collateral	832,601.00	2,240,189.00
CONTINGENT LIABILITIES	**428,603,972.95**	**592,667,548.85**
To related parties	**45,188,957.33**	**157,005,673.00**
Sureties granted	22,777,193.12	134,143,818.02
Guarantees granted*	22,411,764.21	22,861,854.98
To other entities	**383,415,015.62**	**435,661,875.85**
Disputable issues	17,842,470.51	33,040,691.03
Guarantees granted*	363,472,545.11	395,695,925.85
Bills of exchange issued as collateral	100,000.00	100,000.00
Sureties granted	2,000,000.00	6,825,258.97

** without guarantee of return of advance payment*

In 2019, a guarantee for the amount of PLN 194,863,156.99 was granted and guarantees were received in the amount of PLN 142,463,610.85.

DISPUTABLE ISSUES

The following changes have taken place in comparison to the information on disputable issues, included in the consolidated financial statements of Unibep S.A. for 2018:

Claims against Unibep S.A.

Backe Romerike (formerly Agathon Borgen AS) - A hearing was held before the Norwegian Court of Appeal in March 2019. The court case, which lasted more than three weeks, ended with a judgement that Unibep was delivered on 21 June 2019. The Court of Appeal from the claim of the community of residents amounting to NOK 35,000-40,000 thousand awarded them the total amount, including the costs of the trial at both instances, of NOK 9,400 thousand. The amount of principal receivable NOK 7,400 thousand was paid in September 2019. As regards the litigation costs of NOK 2,000 thousand, the Management Board decided to file a cassation, which was filed on 4 September 2019. The cassation was dismissed and costs were paid.

EG BYGG OSLO AS (current name Eiendomsgruppen Oslo AS). On 5 April 2017, the Court received a statement of claim from the investor, filed against Kvartal 1 for payment of NOK 4,000 thousand for defects of wooden gangways on walkways and balconies. Unibep filed a statement of defence, claiming, among others, that the gangways had been made correctly, and that the claim had been filed too late since the defect was discovered, and that, in addition, the claim was time-barred. Finally, the investor's claim was increased to the amount of NOK 6,511 thousand. Unibep S.A. remedied the defects, which consisted of the sum claimed. The legal proceedings are currently suspended and the parties are negotiating the distribution of the sharing of costs of repairs.

In the pending legal proceedings with Rzońca S.A. concerning the payment of final invoices for the amount of PLN 77 thousand and payment of the contractual penalty for the amount of PLN 159 thousand, Rzońca S.A. appealed against these statements of claim. On 15 January 2018, the Court of Appeal submitted a legal enquiry to the Supreme Court. On 28 October 2019, the National Public Prosecutor's Office – within the framework of the procedure before the Supreme Court – took a position, in which it accepted the arguments of Unibep S.A. On 20 November 2019, the Supreme Court agreed with the position of Unibep S.A., considering that the pursuing contractual penalties is inadmissible. The case file will now be transferred back to the Court of Appeal, which will issue a ruling based on the Supreme Court's decision.

Demand of the LC Corp. investor On 22 October 2015, a statement of claim was brought for payment of PLN 1,249 thousand by LC Corp Invest XV Sp. z o.o. PROJEKT 6 Spółka Komandytowa due to defects occurring on the facility constructed by Unibep S.A. at ul. Powstańców 33 in Ząbki. Unibep S.A. does not accept the claim. The Court is in the process of hearing the witnesses of both parties, and experts will then be appointed. The hearing originally scheduled for 2 July 2019 was first postponed until March 2020, after which it was postponed without a deadline.

The statements of claim of Paweł Kardas against Unibep S.A. for the amount of EUR 70 thousand is based on was brought to the Court on 18 December 2019. The Company was sued on account of claims resulting from the final invoice for the execution of finishing works on the Bad Oeynhausen contract. Unibep S.A. is of the opinion that the works were not performed according to the technology and are faulty. In addition, contractual penalties for delayed work were stopped, which in turn made it impossible to put the building into use on time. The plaintiff questions the legitimacy of the deductions and demands the full amount plus interest. The date of the first hearing has not been set yet.

Compensation cases concerning fatal accidents on the Plaza construction site in Suwałki (the construction was carried out in the consortium of Unibep S.A. – 51%, and Mostostal Białystok – 49%). The case is at the stage of supplementary expert opinions on health and safety at work. The date of the next hearing has not been set yet. Due to the insurance held by the Company and the consortium member, the case should not encumber the costs of Unibep S.A.

Cases brought by Unibep S.A.

The case brought by Konsorcjum Unibep S.A. and Most Sp. z o.o. against Podlaskie Voivodship Roads Administration concerning the Dąbrowa Białostocka- Sokółka contract for the total payment of PLN 36,336 thousand. At the first hearing, which took place on 24-25 June 2019, the Court questioned the first part of the summoned witnesses and decided to merge the above case with the case brought by Podlaskie Voivodship Road Administration for the payment of contractual penalties in the amount of PLN 8,286 thousand, for joint consideration. At the second hearing, which took place on 25-27 September 2019, the Court heard further witnesses and gave the parties a three-month period to indicate how they would present their witnesses testifying to the merits of the waiver in the further course of the trial. Requests for evidence on the acceptance of expert opinions will be examined in the course of the legal proceedings.
The statement of claim brought by Unibep S.A. and Most Sp. z o.o. against Podlaskie Voivodship Roads Administration and PZU S.A. (as the issuer of the guarantee) for establishing that the Podlaskie Voivodship Road Administration is not entitled to a due claim for payment of a contractual penalty, to which the guarantee collateral was related, was dismissed in November 2019. The Court held that the second proceedings, i.e. the proceedings for payment referred to above, is pending in parallel, which includes, among others, the claim for payment of contractual penalties, and therefore it made a decision without hearing of evidence and assessing the legitimacy of the claim of the Podlaskie Voivodship Road Administration. Following the submission of the grounds to the judgement on 16 December 2019, an appeal was lodged on 30 December 2019.

On 15 November 2018, a statement of claim was filed in the District Court in Białystok against the Podlaskie Voivodship Roads Administration for the payment of PLN 472 thousand for additional work related to the Łapy–Markowszczyzna contract, as part of rescue archaeological research on the investment. The defendant filed a statement of defence. At the first hearing, witnesses requested by the claimant were questioned. At the second hearing on 18 February 2019, the last witness was questioned. An expert's opinion has been drawn up, and after the allegations of both parties, the Court obliged the expert to perform a supplementary opinion. The court expert filed a motion to exclude him/her from the case. After the resignation of the expert, the Court appointed another one to prepare an opinion. The opinion is favourable for Unibep S.A. It was collected by the Company on 29 October 2019. The parties to the dispute filed their objections to the opinion. At the hearing on 13 January 2020, the expert maintained his/her opinion. The Court has closed the hearing. In the judgement published on 10 February 2020, the Court ruled the claimant's claim legitimate in its entirety. The judgement is not legally valid.

On 15 November 2018, a statement of claim was filed in the District Court in Białystok against the Podlaskie Voivodship Roads Authority for the payment of PLN 469 thousand for additional work related to the Łapy-Markowszczyzna contract for the replacement of land on the investment. The defendant filed a statement of defence. On 13 March 2018, the first hearing was held and the plaintiff's witnesses were interviewed. A second hearing was held on 17 April 2018, at which the defendant's witnesses were interviewed. An expert opinion favourable to Unibep S.A. has been prepared. The defendant filed charges against the submitted opinion; the claimant also commented thereon. The next hearing took place on 18 September 2019. On 27 September 2019, the Court issued a judgement acknowledging Unibep S.A.'s claim in its entirety. The judgement was appealed against by an outside intervener, the designer. Unibep responded to the appeal. We are waiting for the hearing date to be set.

On 29 March 2019, a statement of claim was filed against the General Directorate for National Roads and Motorways for the payment of PLN 16,926 thousand, consisting of PLN 11,848 thousand to the leader of the PORR S.A. consortium and PLN 5,078 thousand to Unibep S.A., for additional works related to the S8 national road reconstruction project. In the present case, a payment order was issued on 26 April 2019 by writ of payment. On 22 May 2019, the defendant lodged a statement of opposition to the order and it was therefore discontinued. The consortium responded to the opposition. The defendant submitted a response. is an exchange of correspondence. The hearing date has not been set yet.

Action against the Bielsk Poviat concerning the deduction of an incorrectly calculated contractual penalty of PLN 290 thousand when paying the current invoice in September 2015. The penalty was calculated for the late completion of the investment task consisting in the construction of the Andryjanki-Siekluki road. In June 2019, the Court issued a judgement in favour of Unibep S.A. On 19 August 2019, the claimant received a copy of the appeal. At the hearing on 21 February 2020, the Court dismissed the defendant's appeal, so the judgement of the first instance court is valid. The amount awarded has been paid, which definitely ends the case.

Action against the Łapy Commune for payment of contractual penalties and amounts on account of claims for additional works on the investment in the total amount of PLN 2,134 thousand. A hearing was held on 10 April 2019 at which the defendant informed about the lodging of the counter-claim. The statement of claim, was delivered to Unibep S.A. on 28 August 2019. The claim of Łapy Commune amounts to PLN 3,369 thousand. In the meantime, the parties have entered into talks aimed at an amicable settlement of the dispute, which have not led to a settlement. At the hearing on 4 March 2020, a number of called witnesses were interviewed, at a further hearing scheduled for 15 April 2020. The Court plans to question the remaining witnesses.

On 13 June 2019, a statement of claim for payment was filed against Przedsiębiorstwo Robót Drogowo-Mostowych Ostrada Sp. z o.o. in Ostrołęka. The statement of claim concerned purchase invoices not paid by the defendant. On 26 June 2019, Unibep S.A. received a payment order for the amount of PLN 612 thousand. Subsequently, a motion was submitted to the court executive officer to secure the claim by seizing bank accounts and the defendant's receivable debts. On 23 August 2019, the whole of the debt arising from these proceedings was enforced.

On 1 July 2019, a statement of claim was filed against Atelier Żoliborz Sp. z o.o. for the payment of PLN 1,522 thousand. The debt includes a claim for the return of a part of the guarantee deposit retained for the good performance of the contract during the guarantee period. On 23 July 2019, an order for payment was issued in this case. On 14 August 2019, an objection against the order was brought before the Court. On 27 November 2019, the claimant responded to the objection and filed an extension of the statement of claim to the amount of PLN 2,173 thousand. The hearing was scheduled for 2 April 2020.

The investor, Aureus Residenzbau GmbH, retained part of the remuneration paid to Unibep S.A. for the execution of the Krefeld contract. The Investor does not recognise the additional works performed on the investment and refuses to return the guarantee deposits due to defects. As a result, Unibep S.A. filed a statement of claim for payment of EUR 728 thousand. Negotiations to resolve the disputes in their entirety, launched in September 2018, have not led to a contract and the legal proceedings suspended for this reason have been initiated. The hearing was held on 7 November 2019 as planned. The next hearing was originally scheduled for 19 March 2020, after which it was postponed until 9 April 2020.

Case against the Investor, i.e. the Archbishopric in Hamburg, for payment of a part of the amount of remuneration for the executed contract which was withheld due to defects. The hearing scheduled for 12 February 2020 took place. The court examined the subject matter of the dispute, confirmed the existence of a factual link between the proceedings in question and the case brought by Schmidt Bedachnungen against Unibep S.A.'s claim for EUR 22 thousand, resulting from the final invoice for the roofing work. Unibep S.A. is of the opinion that the works were not performed in accordance with the technique and are defective, which is confirmed by two expert opinions prepared at the request of Unibep S.A. The Court ruled that it is necessary to produce evidence in the form of a court expert opinion. The investor has refused to allow the expert to enter the investment area, so the hearing of evidence is to be carried out from the photographic documentation.

The Court stated that the cases of Unibep S.A. against Archbishopric in Hamburg and Schmidt Bedachnungen against Unibep S.A. have the same subject matter of dispute, therefore, at the request of Unibep S.A., it referred the case to Unibep S.A. for joint consideration with the case of Schmidt Bedachnungen against Unibep S.A. The next hearing was scheduled for 19 May 2020.

The case brought by Unibep S.A. against Witraż Sp. z o.o. for the payment of PLN 405 thousand, heard by the District Court in Białystok. The subject matter of the case is a claim for damages for defects in window joinery under the Kjeller Gard contract. An expert opinion has not yet been drawn up on the matter. We are waiting for the hearing date to be set.

Investor Strandkanten Pluss II KS suspended payment of the last invoice issued under the Standkanten construction project in Tromso. The investor does not question the amount of the invoice. The amount is withheld as security for claims for defects reported by the community of residents. Since May 2019, Unibep S.A. Has been removing the reported defects under the contract concluded with the Investor. On 26 February 2019, a case for payment of PLN 2,266 thousand was filed. NOK was referred to the arbitration committee. The proceedings before the arbitration committee, due to the degree of complexity, proved fruitless and were finally concluded in June 2019.

Cases brought by Unibep S.A. and Budrex-Kobi Sp. z o.o.

On 20 August 2019, Unibep S.A. and Budrex-Kobi Sp. z o.o. filed a statement of claim in the District Court in Białystok against the Podlasie Voivodship Roads Authority for the total payment of PLN 4,745 thousand for performing additional works and increased costs of aggregate transport caused by the designated detour on the investment project concerning the voivodship road no. 682, Łapy-Markowszczyzna section. By this statement of claim the company seeks payment of PLN 3,658 thousand to Unibep S.A. and PLN 1,087 thousand to Budrex-Kobi Sp. z o.o. At the hearing on 18 February 2020, called witnesses were questioned. The date of the next hearing has not been set yet.

Cases brought by Budrex-Kobi Sp. z o.o.

A case between Budrex-Kobi Sp. z o.o. And Polaqua Sp. z o.o. for payment of the amount of PLN 2,590 thousand plus interest on account of construction of bridges as part of reconstruction of the S8 national road. In March 2019, Polaqua Sp. z o.o. charged Budrex-Kobi Sp. z o.o. with a contractual penalty for untimely performance of the contract in the amount of PLN 6,077,000. In April 2019, Polaqua Sp. z o.o. applied to the guarantor (InterRisk) for payment of the amount of PLN 2,197 thousand from the performance bond. Despite the measures taken to stop payment, no settlement could be reached. In addition, on 15 July 2019, Polaqua Sp. z o.o. set off the amount of PLN 463 thousand due to Budrex-Kobi Sp. z o.o. against the contractual penalty. On 6 November 2019, a statement of claim for payment was filed in the above-mentioned case. The date of the hearing has not been set yet.

On 4 March 2019, Budrex-Kobi Sp. z o.o. filed a statement of claim against the investor PINGGAO Group Co. Ltd. Branch in Poland for payment of PLN 768 thousand plus interest due. Translated documents were submitted to the Court on 30 September 2019. The Court sent the translated documents to the defendant and required him to respond to the statement of claim. To date, no acknowledgement of receipt from China has returned to the Court, according to the information received, delivery may take up to six months.

Cases Involving Unidevelopment S.A.

Administrative proceedings with the participation of Unidevelopment S.A. conducted before the Warsaw City Hall, Environmental Protection Department for the Targówek District. On 25 March 2019, the Management Board of Targówek District issued a decision reducing the penalty for felling trees from PLN 276 thousand to PLN 20 thousand. Unidevelopment S.A. has decided that it does not appeal against the decision in question, which has therefore become final. The amount has been settled.

In the scope of other disputable issues, court cases or explanatory activities, as well as activities of public and administrative authorities (including those on foreign markets) there were no significant changes and on the basis of the information available they do not directly result in the possibility to refer the cases to court. As at 31 December 2019, the sum of costs resulting from other disputable issues is estimated at PLN 509 thousand. The Group's risk estimates concerning disputes and relevant write-offs and provisions have been included in the accounting books.

6.39. Events after the balance sheet date

Information on the possible effect of the COVID 19 coronavirus epidemic on Unibep and the Capital Group's activities

In connection with the appearance of coronavirus in the world and in the area of activity of Unibep and the Capital Group, the Management Board of Unibep SA analysed the current situation of its own and its surroundings and its possible impact on the prospects of the Group. He assessed the opportunities and risks associated with the business, the feasibility of achieving business objectives and the potential effect of the coronavirus epidemic on tangible and intangible resources, the development of business contacts, sales opportunities and activity in the markets of interest, the effects of administrative and ordering decisions. Credit risk and liquidity have been assessed. The situation was analysed in both short- and long-term.

The Parent Company's management sees this situation as a non-adjusting event for the 2019 financial statements; however, it is considered an event after the balance sheet date that requires additional disclosures. Despite the volatile and very dynamic market situation, no significant event has been recorded so far that would affect the sales or supply chain of the entities in the group, but the future financial effect of the COVID-19 pandemic cannot be foreseen.

The analysis of the possessed 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 portfolio of contracts. All deliveries of materials and services do not, as of today, have a negative effect on our obligations to the ordering party, which cannot be excluded for the future. The closure of borders may reduce imports from other countries in Europe and the world, as well as reduce the human resources of our subcontractors coming from abroad. In addition, other restrictions on the activities of communities and organisations imposed by the authorities of our country may slow down or limit the activity of Unibep Group's companies. The possible effects of the disruption of raw material supply chains and the free movement of human capital are difficult to estimate and may be due to the duration of the state of emergency that we currently have not only in the country. The Unibep Group has taken intensive measures to ensure uninterrupted supplies of raw materials and materials necessary for the production and execution of construction contracts.

The sales assumptions of our businesses were verified and a correction of the stress tests was imposed taking into account the current situation. The analysis to date allows us to conclude that the Management Board does not see any risk of threat to the continuation of operations in all areas of the Group in line with current expectations. However, lower revenues are expected in the areas of activity of individual businesses due to a decrease in the efficiency of construction work, or delays in the announcement of tenders, as well as due to a reduction in interest in the apartments offered by the Group. We notice elements of great sensitivity among investors connected with further development of the situation, which causes their in-depth analysis for further investment. At present, we assume postponement of investment decisions

(amounts in the tables are expressed in PLN unless otherwise stated)

after the pandemic has been contained. We predict that in a few months' time the propensity to invest will return to acceptable levels. The above situation encourages sales staffs to intensify their preparation and identification of client needs. In the opinion of the Management Board, the above situation is stable and under control.
The sales markets on which the company and the Group operate have not been closed. Restrictions on transport and movement are part of a continuous analysis, but are not a significant restriction to date. Alternative scenarios allow us to meet our commitments without major disruption.
A certain limitation in functioning may be a slowdown in the work of governmental and self-government administration bodies and supervision on the part of the ordering parties in connection with performing work remotely. We also see possible limitations in the organisational efficiency of the back office within the Group.

We describe the current liquidity situation as good. We are not afraid of a significant effect of potential payment turbulence on our liquidity. Each contract in cubature, modular and infrastructural construction is financed. Our development group operates in a special purpose vehicle model, which means that, as a rule, for each new project, it ensures its financing before it is launched. Our credit situation is in order. There is no series of bonds to be redeemed in 2020. We do not have an accumulation of credit or lease instalments either. Some banks declare their willingness to increase the available funding should the need arise. A relatively high level of cash will meet needs in the near future. However, the 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.

The management will continue to monitor the potential effect of the coronavirus epidemic and, depending on developments, will take all possible steps to mitigate any negative effect on the Group. At the same time, in the face of today's variables, it sees no risk of continuing operations.
Additionally, in terms of monitoring the effects of the epidemic, a crisis team chaired by the President of the Management Board has been established to continuously monitor the risks associated with the threat and their possible effect on the company's smooth operations, timely implementation and cost increase. 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 making 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 S.A. as at the date of publication of this report. The actual scale of the future effect of the COVID-19 pandemic and its impact on the Unibep Group's operations is currently unknown and 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.

Other information and other significant events after the balance sheet date are included in the Management Board's Report on Activities of the UNIBEP Group for 2019 – section 6.5.

6.40. Employment structure

AVERAGE EMPLOYMENT

	as at 31.12.2019	as at 31.12.2018
White-collar workers	890	884
Blue-collar workers	633	631
TOTAL	**1,523**	**1,515**

6.41. Information on contracts with entities authorised to audit financial statements

The Parent Company and the following subsidiaries: Unidevelopment S.A., Monday Development S.A., G81 UDM Sp. z o.o. S.K.A., Szczęśliwicka Sp. z o.o., Unigo Sp. z o.o., Budrex-Kobi Sp. z o.o., Unihouse S.A. concluded with Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw at ul. Al. Jana Pawła II 22 contracts for audits and reviews of financial statements. The total annual remuneration for 2019 is PLN 541 00.00 plus additional costs.

On 21.01.2019, the Parent Company concluded with Deloitte AS Dronning Eufemias gate 14, NO-0103 Oslo a contract for auditing the financial statements of UNIBEP S.A. on the Norwegian market in accordance with Norwegian standards for a value of NOK 237,000 plus additional costs.

Bielsk Podlaski, 2 April 2020

7. Approval of the financial statements

The Group prepared the financial statements for 2018 in accordance with the International Accounting Standards. On 12 June 2019, these financial statements report were approved by the General Meeting of Shareholders.

These financial statements were authorised by the Management Board of UNIBEP S.A.

The publication date of these financial statements is 02.04.2020.

SIGNATURES OF ALL MEMBERS OF THE PARENT COMPANY'S MANAGEMENT BOARD

President of the Management Board

Leszek Marek Gołąbiecki

Vice-President of the Management Board

Sławomir Kiszycki

Vice-President of the Management Board

Krzysztof Mikołajczyk

SIGNATURE OF THE PERSON ENTRUSTED WITH BOOKKEEPING

Chief Accountant

Krystyna Kobylińska

Bielsk Podlaski, 2 April 2020

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Contact:
UNIBEP SA, 17-100 Bielsk Podlaski, ul. 3 Maja 19
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SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Compiled in accordance with the International Financial Reporting Standards

www.unibep.pl

Bielsk Podlaski, 2 April 2020

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	as at 31.12.2019	as at 31.12.2018
ASSETS			
LONG-TERM FIXED ASSETS			
Tangible fixed assets in use	*6.1*	45,531,438.17	78,305,322.00
Intangible assets	*6.2*	8,834,474.92	16,042,267.31
Investments in other entities	6.32	155,961,244.69	107,370,144.26
Investments in jointly controlled entities	6.31	7,986.00	7,986.00
Deposits from contracts with clients	*6.18*	35,861,119.55	47,488,708.94
Loans granted	6.9	57,554,161.45	19,999,166.09
Financial assets measured at fair value by WF/ICD		31,677.61	1,687,696.44
Long-term prepayments	6.8	2,608,746.41	2,233,944.08
Deferred income tax assets	*6.16*	30,210,510.00	29,577,057.00
Total (long-term) fixed assets		**336,601,358.80**	**302,712,292.12**
SHORT-TERM CURRENT ASSETS			
Inventory	*6.6*	18,684,353.52	32,810,539.34
Trade receivables and other receivables	6.4	194,700,067.09	232,815,455.94
Deposits from contracts with clients	*6.18*	25,257,328.64	42,312,485.10
Contractual assets	6.17	86,549,862.91	103,689,002.08
Current income tax receivables		2,416,904.12	15,916,289.97
Financial assets measured at fair value by WF/ICD		628,233.31	2,088,793.69
Loans granted	6.9	496,558.33	31,459,022.99
Short-term prepayments	6.8	2,352,905.22	1,853,449.96
Cash and cash equivalents	6.7	142,522,279.80	43,571,289.15
Total (short-term) current assets		**473,608,492.94**	**506,516,328.22**
TOTAL ASSETS		**810,209,851.74**	**809,228,620.34**

Bielsk Podlaski, 2 April 2020

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	as at 31.12.2019	as at 31.12.2018
LIABILITIES			
Equity			
Share capital	6.10	3,507,063.40	3,507,063.40
Other capital, including:		183,427,986.35	203,345,543.31
Supplementary capital from sales of shares at premium		62,153,761.02	62,153,761.02
Retained earnings (loss)		16,589,015.50	-2,936,882.62
Equity attributable to parent company's shareholders		**203,524,065.25**	**203,915,724.09**
Total equity		**203,524,065.25**	**203,915,724.09**
Long-term liabilities			
Credits, loans and other financial liabilities – long-term	6.12	80,724,050.73	51,646,140.53
Long-term provisions	6.14	30,193,730.13	29,633,532.92
Deposits from contracts with clients	6.18	48,678,009.94	48,254,099.08
Deferred revenues – long-term	6.19	18,546.09	608,721.46
Total long-term liabilities		**159,614,336.89**	**130,142,493.99**
Short-term liabilities			
Trade liabilities and other liabilities	6.15	192,430,280.62	216,779,764.54
Deposits from contracts with clients	6.18	46,436,538.46	45,916,031.06
Contractual liabilities	6.17	73,323,517.52	66,614,835.18
Credits, loans and other financial liabilities – short-term	6.12	12,909,158.18	40,804,721.37
Current income tax liabilities		1,332,076.05	383,205.12
Short-term provisions	6.14	120,615,908.05	104,624,220.29
Deferred revenues – short-term	6.19	23,970.72	47,624.70
Total short-term liabilities		**447,071,449.60**	**475,170,402.26**
TOTAL LIABILITIES		**810,209,851.74**	**809,228,620.34**

Accounting value	203,524,065.25	203,915,724.09
Number of shares	33,070,634.00	34,070,634.00
Accounting value per share (in PLN)	6.15	5.99

Bielsk Podlaski, 2 April 2020

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

SEPERATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	01.01-31.12.2019	01.01-31.12.2018
Operating activities			
Revenues from contracts with clients, including:	6.21	**1,382,105,025.88**	**1,364,771,774.76**
- from sales transactions for which the value of revenues was not finally determined as at the end of the reporting period (IFRS 15)		*-12,019,080.89*	*25,579,088.30*
Costs of products, goods and materials sold	6.22	**1,293,705,230.13**	**1,323,381,671.60**
Gross profit (loss) on sales		**88,399,795.75**	**41,390,103.16**
Selling costs	6.20	-	10,962.00
General and administrative costs	6.20	39,751,789.22	31,971,664.14
Other operating revenues	6.23	4,702,904.69	4,318,243.92
Other operating expenses	6.23	2,591,729.84	3,834,150.00
Expected credit losses	6.23	13,086,746.58	1,339,469.53
Profit (loss) on operating activities		**37,672,434.80**	**8,552,101.41**
Financial revenues	6.24	4,739,330.66	12,775,554.38
- including interest calculated using the effective interest rate method		4,016,070.97	4,542,653.52
Financial expenses	6.24	10,467,778.94	6,232,040.39
Pre-tax profit (loss)		**31,943,986.52**	**15,095,615.40**
Income tax	6.16	6,110,902.06	3,175,883.32
Net profit (loss) on continuing operations		**25,833,084.46**	**11,919,732.08**
Net profit (loss) on discontinued operations		**-9,244,068.96**	**-2,877,250.98**
Net profit (loss)		**16,589,015.50**	**9,042,481.10**

Net profit/loss on continuing operations	**25,833,084.46**	**11,919,732.08**
Net profit/loss on continuing operations attributable to entity's shareholders per share (in PLN)	0.77	0.35
Diluted net profit/loss on continuing operations attributable to entity's shareholders per share (in PLN)	0.77	0.35
Net profit/loss on discontinued operations	**-9,244,068.96**	**-2,877,250.98**
Net profit/loss on discontinued operations attributable to entity's shareholders per share (in PLN)	-0.28	-0.08
Diluted net profit/loss on discontinued operations attributable to entity's shareholders per share (in PLN)	-0.28	-0.08

Bielsk Podlaski, 2 April 2020

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

	01.01-31.12.2019	01.01-31.12.2018
Net profit/loss on continuing operations	**25,833,084.46**	**11,919,732.08**
Other comprehensive income related to continuing operations to be reclassified to profit or loss under specified conditions:		
Effective portion of changes in fair value of cash flows hedges	-	-1,368,500.00
Income tax relating to items that may be reclassified in later periods	-	260,015.00
Other comprehensive income not to be reclassified to profit or loss:		
Actuarial profits (losses) on defined benefit plans	-415,677.00	-190,309.00
Income tax relating to items not to be reclassified in later periods	78,978.00	36,159.00
Other total post-tax income	**-336,699.00**	**-1,262,635.00**
Total comprehensive income from continuing operations	**25,496,385.46**	**10,657,097.08**
of which attributable to: parent company's shareholders	**25,496,385.46**	**10,657,097.08**

	01.01-31.12.2019	01.01-31.12.2018
Net profit (loss) on discontinued operations	**-9,244,068.96**	**-2,877,250.98**
Other comprehensive income related to discontinued operations to be reclassified to profit or loss under specified conditions:		
Effective portion of changes in fair value of cash flows hedges	-3,125,228.86	-1,623,999.96
Deferred tax related to items of other comprehensive income	593,793.00	308,560.00
Other comprehensive income not to be reclassified to profit or loss:		
Actuarial profits (losses) on defined benefit plans Deferred tax related to items of other comprehensive income		
Other total post-tax income	**-2,531,435.86**	**-1,315,439.96**
Total comprehensive income from discontinued operations	**-11,775,504.82**	**-4,192,690.94**
of which attributable to: parent company's shareholders	**-11,775,504.82**	**-4,192,690.94**

	01.01-31.12.2019	01.01-31.12.2018
Other total post-tax income	**-2,868,134.86**	**-2,578,074.96**
Total comprehensive income	**13,720,880.64**	**6,464,406.14**
of which attributable to: parent company's shareholders	**13,720,880.64**	**6,464,406.14**

UNIBEP SA

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards *(amounts in the tables are expressed in PLN unless otherwise stated)*

UNIBEP

SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the period 01.01.2019 – 31.12.2019

	Share capital	Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from sales of shares at premium	Previous years' profits (losses)	Current net profit (loss)	Total equity
As at 1 JANUARY 2019	3,507,063.40	31,182,872.00	35,100,000.00	74,908,910.29	62,153,761.02	-11,979,363.72	9,042,481.10	203,915,724.09
- transfer of previous year's profit to retained earnings	-	-	-	-	-	9,042,481.10	-9,042,481.10	-
- profit sharing	-	-	-	1,766,941.62	-	-1,766,941.62	-	-
- profit sharing for dividend	-	-	-	-	-	-7,275,539.48	-	-7,275,539.48
- allocation of supplementary capital to cover losses	-	-	-	-11,979,363.72	-	11,979,363.72	-	-
- buy-back of own shares from reserve capital	-	-	-6,837,000.00	-	-	-	-	-6,837,000.00
- net profit	-	-	-	-	-	-	16,589,015.50	16,589,015.50
- other comprehensive income	-	-2,868,134.86	-	-	-	-	-	-2,868,134.86
As at 31 DECEMBER 2019	3,507,063.40	28,314,737.14	28,263,000.00	64,696,488.19	62,153,761.02	-	16,589,015.50	203,524,065.25

For the period 01.01.2018 – 31.12.2018

	Share capital	Revaluation reserve	Reserve capital	Supplementary capital	Supplementary capital from sales of shares at premium	Previous years' profits (losses)	Current net profit (loss)	Total equity
As at 31 DECEMBER 2017	3,507,063.40	33,760,946.96	35,100,000.00	76,204,562.07	62,153,761.02	-	5,518,475.02	216,244,808.47
- the effect of applying of IFRS 9	-	-	-	-	-	-2,540,683.59	-	-2,540,683.59
- the effect of applying of IFRS 15	-	-	-	-	-	-9,438,680.13	-	-9,438,680.13
As at 1 JANUARY 2018	3,507,063.40	33,760,946.96	35,100,000.00	76,204,562.07	62,153,761.02	-11,979,363.72	5,518,475.02	204,265,444.75
- transfer of previous year's profit to retained earnings		-	-	-	-	5,518,475.02	-5,518,475.02	-
- profit sharing for dividend		-	-	-	-	-5,518,475.02	-	-5,518,475.02
- distribution of reserve capital from previous years' profit to dividend payment		-	-	-1,295,651.78	-	-	-	-1,295,651.78
- net profit		-	-	-	-	-	9,042,481.10	9,042,481.10
- other comprehensive income		-2,578,074.96	-	-	-	-	-	-2,578,074.96
As at 31 DECEMBER 2018	3,507,063.40	31,182,872.00	35,100,000.00	74,908,910.29	62,153,761.02	-11,979,363.72	9,042,481.10	203,915,724.09

Bielsk Podlaski, 2 April 2020

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Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

SEPARATE CASH FLOW STATEMENT

	01.01-31.12.2019	01.01-31.12.2018
Cash flows from operating activities		
I. a Gross profit (loss) on continuing operations	31,943,986.52	15,095,615.40
I. b Net profit (loss) on discontinued operations	-10,187,981.08	-2,581,036.72
I. Gross profit (loss)	**21,756,005.44**	**12,514,578.68**
II. Total adjustments:	135,920,850.75	-67,061,627.00
1. Amortisation and depreciation:	12,429,464.35	9,199,422.07
2. Exchange gains (losses)	-3,213.12	-628,996.61
3. Interest and profit sharing (dividends)	3,180,642.81	-4,488,134.81
4. Profit (loss) on investment activities	-1,002,283.17	266,291.30
5. Change in provisions	19,432,280.18	7,204,044.11
6. Change in inventory	8,605,284.93	-2,913,681.08
7. Change in receivables	56,201,380.96	-33,321,426.55
8. Change in short-term liabilities excluding financial liabilities	25,455,039.44	-31,460,957.04
9. Change in prepayments and accruals	-972,470.29	199,961.24
10. Other adjustments	52,075.10	-437,531.33
11. Income tax paid/refunded	12,542,649.56	-10,680,618.30
Net cash flows from operating activities	**157,676,856.19**	**-54,547,048.32**
Cash flows from investment activities		
Purchase of tangible fixed assets in use and intangible assets	-2,678,474.25	-18,097,431.33
Inflows from sales of tangible fixed assets in use and intangible assets	844,021.91	353,756.95
Purchase of shares, stocks and other capital assets (including capital contributions)	-100,000.00	-5,000.00
Transfer of funds under contribution in kind of an organised part of an enterprise	-30,055,667.07	-
Received interest	3,618,261.70	5,633,028.03
Dividends obtained	-	6,442,500.00
Loans repaid	10,961,821.70	54,019,368.94
Loans granted	-17,000,000.00	-24,161,821.70
Other (including execution of derivative instruments)	-18,328.78	-193,609.06
Net cash flows from investment activities	**-34,428,364.79**	**23,990,791.83**
Cash flows from financial activities		
Inflows from loans, credits, bonds and notes	40,075,116.56	55,000,000.00
Repayment of loans, credits, bonds and notes	-36,448,600.00	-33,136,000.00
Purchase of own shares	-6,837,000.00	-
Payment of liabilities arising from lease contracts	-6,402,354.67	-3,475,574.27
Interest paid	-7,223,536.18	-7,232,518.18
Dividends paid	-7,275,539.48	-6,814,126.80
Net cash flows from financial activities	**-24,111,913.77**	**4,341,780.75**
Net change in cash flows	**99,136,577.63**	**-26,214,475.74**
Including:		
- exchange rates differences	-39,497.92	146,089.06
Opening balance of cash	**43,425,200.09**	**69,639,675.83**
Closing balance of cash	**142,561,777.72**	**43,425,200.09**
- including: of limited disposability	15,180,588.35	2,122,964.63

Explanations to the cash flow statement included in Note 6.28.

Cash flows from discontinued operations are presented in Note 6.27

1. General information

1.1. Information about the Company and its activities

UNIBEP S.A. was established as a result of a number of transformations that took place in the years 1950-2005. Until 25 September 1998, the entity functioned first as a state enterprise and then as a municipal enterprise under the name of Bielsko Podlaskie Przedsiębiorstwo Budowlane in Bielsk Podlaski, which was transformed into a sole proprietorship limited liability company of the Municipality of Bielsk Podlaski under the name of Przedsiębiorstwo Budowlane BEP – notarial deed of repertory no. 4073/98. Since 30 November 1999, as a result of the decision of the General Meeting of Shareholders, the company's name was changed to UNIBUD BEP Sp. z o.o. On 26 November 2004, a resolution was passed to transform UNIBUD BEP Sp. z o.o. into a joint stock company. UNIBUD BEP Spółka Akcyjna was established on 9 February 2005 – notarial deed of repertory no. 492/2005. Date of registration in the National Court Register 29 March 2005. Since 8 December 2006, the Company has been operating under the new name of UNIBEP S.A.

UNIBEP S.A. is registered in the District Court in Białystok, 12th Commercial Department of the National Court Register in the Register of Entrepreneurs under number 0000231271. The Company holds tax identification number (NIP) 543-02-00-365 and statistical identification number (REGON) 000058100. The registered office of the Company is in Bielsk Podlaski at ul. 3 Maja 19.

According to the Polish Classification of Activities, the core business of UNIBEP S.A. is the performance of general construction work related to the erection of buildings in Poland and abroad.

1.2. Basis for preparation of financial statements

These separate financial statements were prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as "EU IFRS".
EU IFRS include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for use in the EU.

When preparing the financial statements for 2019, the entity applied the same accounting principles as when preparing the annual financial statements for 2018 except for changes to the standards as well as new standards and interpretations approved by the European Union binding for the reporting periods which begin on or after 1 January 2019. In 2019, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Board, approved for use in the EU, applying to the Company's activity and binding for the reporting periods from 1 January 2019.

The financial statements were prepared based on the historical cost principle, except for derivative financial instruments measured at fair value and assets measured at fair value through other comprehensive income, in accordance with the *Accounting Principles* presented below. These separate financial statements, except for the separate cash flow statement, were prepared on an accrual basis.

The financial statements present financial data for the period from 1 January 2019 to 31 December 2019 and comparable financial data for the period from 1 January 2018 to 31 December 2018.
The separate financial statements were prepared with the assumption that the Company will continue as a going concern in the foreseeable future. As at the signing of these financial statements, the Management Board of UNIBEP S.A. is not aware of any facts or circumstances which would imply a threat to the Company continuing as a going concern for a period of at least 12 months of the balance sheet date due to an intended or forced discontinuance or material limitation of its activity.

1.3. Functional currency and presentation currency of the financial statements

The functional currency of the parent company and the presentation currency of these separate financial statements is Polish zloty (PLN). All amounts in these financial statements are presented in Polish zlotys, unless indicated otherwise.

1.4. Changes to IFRS

Changes to the existing standards applied for the first time in the Company's financial statements for 2019

The following new standards, changes to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in the Company's financial statements for 2019:

- **IFRS 16 "Leases"** – approved in the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to IFRS 9 "Financial Instruments"** – Prepayment features with negative compensation – approved in the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to IAS 19 "Employee Benefits"** – Plan amendment, curtailment or settlement – approved in the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to IAS 28 "Investments in Associates and Joint Ventures" –** Long-term interests in associates and joint ventures approved in the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Changes to different standards "Improvements to IFRS (2015-2017 cycle)"** – changes made as part of the procedure of making annual improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) aimed mainly at resolving inconsistencies and clarifying terminology – approved in the EU on 14 March 2019 (effective for the annual periods beginning on or after 1 January 2019);
- **Interpretation of IFRIC 23 "Uncertainty over Income Tax Settlement"** – approved by the EU on 23 October 2018 (effective for the annual periods beginning on or after 1 January 2019).

Section 1.5 describes the effect of applying of IFRS 16 on the financial statements. As at the date of publication of these financial statements, no significant effect of other new standards and interpretations on the financial statements was found.

New standards and changes to existing standards which have already been issued by the IASB and approved by the EU, but are not yet in force

By approving these financial statements, the following new standards were issued by the IASB and approved for application in the EU, but have not yet come into force.

- **Changes to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of materiality – approved in the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- **Changes to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Reform of the Reference Interest Rate - approved in the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- **Changes to references to the conceptual framework in IFRS** (– approved in the EU on 29 November 2019 (effective for the annual periods beginning on or after 1 January 2020).

New standards and changes to the existing standards issued by the IASB, but not yet approved for application in the EU

At present, the IFRS, in the form approved by the EU, do not differ in a significant way from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards and changes to standards, which as at the date of publication of these financial statements have not yet been approved for application in the EU (the following effective dates refer to the full versions of the standards):

- **IFRS 17 "Insurance Contracts"** – (effective for annual periods commencing on or after 1 January 2021);
- **Changes to IFRS 3 "Business Combinations" –** definition of a business (applicable to mergers where the

acquisition date falls at the beginning of the first annual period beginning on or after 1 January 2020 and to the acquisition of assets which took place on or after the date of the beginning of the aforementioned annual period);

- **Changes to IAS 1 "Presentation of Financial Statements"** – Classification of liabilities as short-term or long-term (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to commence the process of approving this temporary standard for application in the EU until the final version of IFRS 14 is issued;
- **Changes to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sales or contribution of assets between an investor and its associate or joint venture and subsequent changes (the effective date of the changes was deferred until the completion of research on the equity method).

According to the Company's estimates, the above-mentioned new standards and changes to the existing standards would have had no material effect on the financial statements had they been applied by the Company as at the balance sheet date.

The hedge accounting for the portfolio of financial assets and liabilities whose principles have not been approved for application in the EU is still outside the scope of regulations approved by the EU.

According to the Company's estimates, the application of hedge accounting for a portfolio of financial assets or liabilities in accordance with **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have a material effect on the financial statements had they been adopted for application as at the balance sheet date.

1.5. EFFECT OF APPLYING OF NEW STANDARDS ON THE FINANCIAL STATEMENTS

IFRS 16 "Leases"

IFRS 16 is effective for periods beginning on or after 1 January 2019 and has been adopted by the European Union. It replaced IAS 17 and Interpretation of IFRIC 4, SIC 15,27. The Company has been applying IFRS 16 from 1 January 2019.

The new standard has introduced a single model for recognising leases in the lessee's accounting records, consistent with the recognition of financial lease under IAS 17. Under IFRS 16, a contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a given period for remuneration.

The essential element that differs from the definitions of leases in IAS 17 and IFRS 16 is the requirement to exercise control over a specific asset in use, either directly or by implication. A transfer of the right to control of the use takes place when there is an identified asset for which the lessee is entitled to virtually all economic benefits and the right to manage the use of the asset over a given period. If the definition of a lease is met, the right to use the asset is recognised together with the corresponding lease liability established at the amount of discounted future payments over the lease term, except for short-term leases (up to 12 months) and leases where the underlying asset is of low value (below PLN 20,000). Expenses related to the use of leased assets, previously included in costs of external services, will now be classified as depreciation and interest expenses.

In connection with the application of IFRS 16 as of 1 January 2019, contracts under which assets owned by other entities are used were selected and analysed with a view to meeting the criteria for recognition as a lease under IFRS 16.

In accordance with the possibility allowed by the standard, the new rules were adopted retrospectively with reference to the cumulative initial effect to retained earnings from previous years. Therefore, the comparative data for the financial year 2018 were not restated in accordance with the modified retrospective approach.

As a result of the analysis, the following groups of contracts were identified which would require a different recognition in the accounting records than before:

1. Right of perpetual usufruct of land
2. Long-term lease contracts

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Unibep S.A. includes the right-of-use assets within the same reporting item under which assets would be presented if they were owned by the lessee and therefore they are presented in the "Tangible fixed assets in use" note, in the "Right-of-use assets" item (these are: lease contracts for office space, machines and equipment, vehicles, other tangible fixed assets in use and the right of perpetual usufruct of land used for the Company's own needs). Right-of-use assets are subject to depreciation, and interest on lease liabilities is charged to financial expenses. The Company recognises long- and short-term lease liabilities, respectively, on the other side.

As at the date of implementation of IFRS 16, the Company made estimates and applied its judgements in order to determine the effect of the above IFRS on its lease liabilities and right-of-use assets. This mainly concerned the discount rate adopted for the valuation of liabilities and the duration of the leases (including the possibility of prolonging or early termination of the lease contract). Estimates that affect subsequent reporting periods also include the depreciation rate and residual value adopted for individual assets.

The Company took advantage of simplifications concerning short-term leases (less than 12 months) and leases with respect to which the underlying asset has a low value (below PLN 20,000). No financial liabilities and related right-of-use assets were recognised for these contracts. Lease payments in such a situation are recognised as expenses on a straight-line basis over the lease term.

Other simplifications allowed by the standard, which the Company has used are the following:

1. Application of a single discount rate to a portfolio of lease contracts with similar characteristics;
2. Exclusion of initial direct costs for the measurement of right-of use assets at the date of initial application;
3. To base this assessment on its own judgement as to whether the leases are onerous in accordance with IAS 37 immediately before the date of first application, as an alternative to an impairment assessment,
4. Using the time horizon (using the knowledge gained after the fact) in determining the lease term if the contract includes options to extend or terminate the lease.

In order to calculate the discount rates for the purposes of IFRS 16, the Company assumed that the discount rate should reflect the financing expenses that would be incurred to purchase the leased item.

In order to estimate the discount rate, the Company took into account the type, duration, currency and potential margin it would pay to financial institutions to obtain financing.
The weighted average discount rate applied by the Company is 6.27%.

Following the adoption of IFRS 16, the Company recognises lease liabilities relating to contracts that were previously classified as operating leases in accordance with IAS 17 Leases. These liabilities were measured at the present value of lease payments outstanding at the date of application of IFRS 16. Right-of-use assets at the date of first application, in the case of leases previously classified as operating leases in accordance with IAS 17, were measured by the Company at an amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to the lease, recognised in the statements of financial position immediately before the date of first application, and in the case of the right of perpetual usufruct of land acquired on a secondary market – by the acquisition price paid.

Effect on the statements of financial position

The effect of the implementation of IFRS 16 on the recognition of additional financial liabilities and related right-of-use assets as at 1 January 2019 is presented in the table below:

STATEMENTS OF FINANCIAL POSITION

	31.12.2018 (IAS 17)	effect of IFRS 16	01.01.2019 (IFRS 16)
ASSETS			
Fixed assets			
Tangible fixed assets in use	78,305,322.00	11,693,117.83	89,998,439.83
Intangible assets	16,042,267.31	-2,741,542.51*	13,300,724.80
Total	**94,347,589.31**	**8,951,575.32**	**103,299,164.63**
LIABILITIES			
Long-term liabilities			
Credits, loans and other financial liabilities	51,646,140.53	7,069,327.14	58,715,467.67
Short-term liabilities			
Credits, loans and other financial liabilities	40,804,721.37	1,882,248.18	42,686,969.55
Total liabilities	**92,450,861.90**	**8,951,575.32**	**101,402,437.22**

*concerns the right of perpetual usufruct of land

Effect on equity

The implementation of IFRS 16 had no effect on retained earnings and equity as at 1 January 2019 due to the recognition of right-of-use assets and lease liabilities in the same amount.

Effect on financial ratios

Due to the recognition of lease contracts in the statements of financial position, the implementation of IFRS 16 by the Company affected its financial ratios, including the debt to equity ratio and the debt to EBITDA ratio. Additionally, as a result of the implementation of IFRS 16, the measures of profit (including operating profit, EBITDA) and debt, as well as cash flows from operating activities were changed. The Company has analysed the effect of these changes on fulfilling the financial covenants included in the credit contracts to which it is a party and no risk of their violation has been identified.

2. Adopted accounting principles

These financial statements were prepared in accordance with the principles described below, taking into account the applicable changes to the International Financial Reporting Standards ("IFRS").

TANGIBLE FIXED ASSETS IN USE

Tangible fixed assets in use include own items: *Tangible fixed assets in use* and tangible fixed assets under construction, and right-of-use *assets*

Tangible fixed assets in use are assets maintained by the Company in order to use them in the production process or in the supply of goods and services or for administrative purposes with an expected economic life of over one year.
Tangible fixed assets in use include in particular the following groups:

- land (including land intended for opencast mining, e.g. gravel mine);
- buildings, premises, civil and water engineering structures;
- technical equipment and machines;
- vehicles;
- Expenditure in third party tangible fixed assets in use;
- other tangible fixed assets in use.

Tangible fixed assets in use are recognised in the accounting records if and only if the following two criteria are met simultaneously:

- there is a probability that the Company will obtain future economic benefits related to a given asset;
- acquisition price or manufacturing cost of an asset by the Company can be determined in a reliable manner.

At the time of initial recognition, an item of tangible fixed assets in use that qualifies for recognition as an asset is measured at acquisition price or manufacturing cost.

Commenced investments relating to tangible fixed assets under construction are measured at the amount of total costs directly related to their acquisition or manufacture, including the financial expenses, less the impairment write-offs.

After the initial recognition, tangible fixed assets in use are disclosed at acquisition price or manufacturing cost ("cost") less total amortisation charges and total impairment losses.

Tangible fixed assets in use, including land intended for opencast operations, are depreciated on a straight-line basis in order to distribute their initial value, less their residual value and accumulated amortisation and impairment losses, over the period corresponding to their estimated useful life.

Depreciation is based on the cost of the asset less its residual value.
The amount of depreciation rates is determined on the basis of the expected useful life, which is subject to annual verification by the Company. Useful lives of particular groups of tangible fixed assets in use are presented below:

- land intended for opencast mining – 10 years
- buildings, premises, civil and water engineering structures – between 5 to 40 years;
- technical equipment and machines – between 2 to 15 years;
- vehicles – between 3 to 8 years;
- other tangible fixed assets in use – between 2 to 10 years.

In justified individual cases the above-mentioned periods may be extended.

The above useful lives and the residual value of individual tangible fixed assets in use are reviewed at least at the end of each financial year and if expectations differ from previous estimates, changes are recognised prospectively as changes in accounting estimates.

Low value tangible fixed assets in use with a value not exceeding PLN 3,500, except for power tools, may be depreciated once in the month in which they were acquired, if the simplification adopted in this way does not significantly distort financial results and assets. A one-off purchase of a larger number of low value tangible fixed assets in use may be recognised and depreciated as one collective asset. As regard to items classified as equipment, due to their low value, the Company applies a simplified approach consisting in a one-off recognition of the asset value in the cost of material consumption at the moment of putting the assets into use. In subsequent periods, off-balance sheet equipment records are kept.

Depreciation of tangible fixed assets in use begins when it is available for use, which means bringing the asset to the location and conditions necessary for it to be used as intended by management. In practice, the Company adopts a simplification and depreciation starts at the beginning of the month following the month in which the tangible fixed asset in use became available for use.

If there are indications of possible impairment loss of tangible fixed assets in use, these assets are reviewed for possible impairment loss.
The amount of impairment losses is determined as the excess of the carrying amount of these items over their recoverable amount.
Impairment losses are recognised in the income statement under "Other operating expenses".
An assessment shall be made at each reporting date to determine whether there is any objective evidence that the write-off may be reversed. A possible reversal of a previously recognised revaluation write-off is recognised in the income statement under "Other operating revenues" respectively.

Subsequent expenditures are recognised in the carrying amount of a given tangible fixed asset in use only when it is possible that this item will bring economic benefits to the Company, and the cost of the given item can be reliably measured.
The costs of current maintenance of tangible fixed assets in use and their maintenance affect the profit or loss of the period in which they were incurred.

INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that they will generate economic benefits in the future. The initial recognition of intangible assets is made according to their acquisition prices or manufacturing cost. In the subsequent period of use, the measurement is made at the acquisition price or manufacturing cost less depreciation and impairment losses.

Intangible assets held by the Company, except for intangible assets with indefinite useful lives, are amortised on a straight-line basis over the period corresponding to their estimated useful lives, i.e. in principle 2-10 years. This period may be extended in justified cases.

Goodwill arising from taking control of a subsidiary is not amortised and is subject to annual impairment test. In order to test for possible impairment, goodwill acquired as a result of the merger is allocated to cash generating units. Allocations are made to those cash generating units or groups of cash generating units which are expected to benefit from the synergy of merger which created this goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level in the entity at which the goodwill is monitored for internal management purposes. Nevertheless, a single cash generating unit cannot be larger than an operating segment established in accordance with the principles described in the *Segment Reporting* section. The annual impairment test of a cash generating unit to which goodwill has been allocated is carried out at the end of the financial year. The impairment test consists in comparing the carrying amount of the cash generating unit with its recoverable value, i.e. the higher of two amounts: fair value less selling costs and value in use.

Impairment losses are recognised in the income statement under "Other operating expenses".

Research work includes innovative and planned search for solutions undertaken with the aim of acquiring and assimilating new scientific and technical knowledge. At the stage of research work, the Company is not yet able to prove the existence of such intangible asset which will generate economic benefits in the future.

Development work is the practical application of research findings or other knowledge in planning or designing the production of new or substantially improved materials, devices, products, processes, systems or services prior to serial production or use. At the development stage, the Company is able to identify such intangible asset which will generate economic benefits in the future.

In the case of difficulties in separating research and development work in the implemented project, the Company treats the entire work as research work.

Research work does not lead to the creation of an asset, therefore the costs of such work are recognised in the costs of the period when they are incurred, as well as the costs of development works that do not meet the criteria for capitalisation.
Development work costs are capitalised as intangible assets that are technically possible to complete an intangible asset so that it can be used or sold.

LEASE UNTIL 31 DECEMBER 2018

In accordance with IAS 17, a lease contract is considered to be finance lease if, by virtue of the leased object, the benefits and the entire risk are essentially transferred to the lessee.

The leased object is recognised in assets, a tangible fixed asset in use or investment at the lower of its fair value and the present value of the minimum lease payments at the beginning of the lease. Lease payments are apportioned between the financial costs and reduction of the liability so as to produce a constant interest rate on the remaining liability.

Tangible assets used under finance lease contracts are subject to depreciation based on the principles applied for the entity's own assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease payments (excluding costs of such services as insurance or maintenance) are recognised in the income statement on a straight-line basis. This applies even if the lease payments made by the lessee vary over different lease term periods. This means, in particular, that the initial payment for an operating lease is recognised initially as prepayments. Subsequently, the initial payment is recognised on a straight-line basis over the lease term in the income statement together with the straight-line settlement of all other payments under the operating lease contract.

LEASE FROM 1 JANUARY 2019

The contract includes a lease if all of the following conditions are met:

- the asset is identified (note: an asset is not identified if the supplier has a significant right to replace the asset),
- the client is entitled to virtually all economic benefits,
- the client determines how and for what purposes the asset is used or it is determined top-down , but the client operates the asset or has designed it.

Lease from a lessee

If the contract meets the definition of a lease, then, at the beginning of the lease, the lessee recognises a right-of-use asset and a lease liability in its statements of financial position.

The right-of-use asset is initially recognised in the value of the lease liability, and then increased by:

- any lease payments made on or before the commencement date less any lease incentives received,
- the lessee's initial direct costs relating to the contract,
- estimate of costs to be borne by the lessee at the end of the contract.

After the commencement date, it measures the right-of-use asset using the cost model.
In order to apply the cost model, the right-of-use asset is measured at cost:

- less total depreciation (amortisation) and total impairment losses,
- adjusted for any revaluation of the lease liability.

The lease liability is initially measured at the current value of future lease payments over the lease term, discounted at the rate specified in the lease contract. Otherwise, if this rate cannot be determined, the lessee's incremental borrowing rate should be used.

Lease payments to be recognised in the measurement of the lease liability at the initial recognition date shall include:

- fixed lease payments minus any applicable lease incentives – fixed lease payments include, in principle, fixed lease payments, which may, in their form, contain elements of volatility but are generally unavoidable,
- variable fees depending only on the index or rate,
- amounts paid by the lessee in respect of the guaranteed residual value,
- call option exercise price,
- penalties for termination of the lease – are recognised only if it has been assumed in determining the lease term that there is reasonable assurance that the lessee will exercise the termination option.

After initial recognition, the lease liability is measured through:

- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the lease payments made,
- revaluating the carrying amount to reflect any reassessment or change in the lease or to reflect revalued substantially fixed lease payments.

The amount of the revaluation of the lease liability is regarded as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining amount of the revaluation is recognised in profit or loss.

If a contract meets the definition of a lease but the payments are variable (not index or rate dependent but, for example, turnover), the cost of such contracts is not included in the measurement of the lease liability but is recognised directly in profit or loss.

The Company identified the following types of significant lease contracts:
- right of perpetual usufruct of land,
- office lease contract,
- machines and equipment lease contracts,
- vehicle lease contracts.

The Company allows for taking advantage of simplifications concerning all short-term leases (less than 12 months) and leases with respect to which the underlying asset has a low value (below PLN 20,000). No financial liabilities and related right-of-use assets are recognised for these contracts. Lease payments in such a situation are recognised as expenses on a straight-line basis over the lease term.

When identifying lease contracts, the Company makes estimates and applies judgements that have a significant effect on the value of lease liabilities and right-of-use assets. This mainly concerns the discount rate adopted for the valuation of liabilities and the duration of the leases (including the possibility of prolonging or early termination of the lease contract). Estimates that affect subsequent reporting periods also include the depreciation rate adopted for individual assets.

The lease term is the non-cancellable lease term, which covers the aggregate:
- possible renewal periods of the lease contract if the lessee has reasonable assurance that it will exercise this option; and
- possible lease contract notice periods if the lessee has reasonable assurance that it will not exercise this option.

The exercise by the Company of the option to extend/terminate the lease should take into account all relevant facts and circumstances known and controlled by the Company.

INVENTORY

The inventory includes assets that meet the following criteria:
- held for sale in the ordinary course of the Company's business;
- in the course of production held for sale, or
- in the form of materials or raw materials used in the production process or in the provision of services.

Real property is also classified as inventory as a result of a change in the classification of investment property, which occurs when the land acquired by the Company no longer meets the criteria of an investment property.

Inventory items that are stored on construction sites for construction specific purposes or that are processed on their own or by a subcontractor and that are not certain to be easily used for other contracts or sold are not considered as inventory items. Such items are charged directly to contract costs and are thus included in the measurement of the contract according to the percentage of completion.

Inventory is measured at the lower of these two values: acquisition cost or manufacturing costs and selling price.

Net selling price is the selling price possible to obtain as at the balance sheet date, excluding value added tax and excise tax, less rebates, discounts and similar price adjustments, as well as costs related to adapting the item to be sold and making this sale.

Expenditure of inventory, except for land and inventory acquired for development activities, is determined using the first-in, first-out (FIFO) method. The distribution of land and inventory related to development activities, such as apartments, premises, etc., is determined by the detailed identification method.

The Company recognises revaluation write-offs on inventory based on current sales or use plans. Net recoverable amount is the estimated net selling price as defined above ("Post-initial recognition measurement" section). Revaluation write-offs on inventory are recognised in the income statement for a given period under *Other operating costs*.

BORROWING COSTS

Borrowing costs that are directly attributable to qualifying assets are capitalised as part of the acquisition price or manufacturing cost of these items.

The capitalisation of borrowing costs allocated to assets begins when:
- expenditure on this asset is incurred;
- borrowing costs are incurred; and
- activities necessary to prepare the asset for its intended use or sale are in progress.

In the case of development activities, in the Company's opinion, the above conditions are jointly met at the time of commencement of work on the land designated for development (including commencement of necessary technical and administrative work prior to commencing physical construction, such as obtaining permits) and obtaining financing.

Capitalisation of borrowing costs is discontinued when substantially all activities necessary to prepare the qualifying asset for its intended use or sale have been completed, which in the Company's opinion takes place at the time of obtaining the use permit.

The items of the Company's qualifying assets may include, e.g. inventory relating to development activities, tangible fixed assets in use, intangible assets.

CASH AND CASH EQUIVALENTS

Cash includes cash in hand and cash in bank. Cash equivalents, on the other hand, include short-term highly liquid investments that are readily convertible to specific amounts of cash that are subject to an insignificant risk of changes in value, e.g.:

- cheques and bills of exchange payable within less than 3 months;
- cash in transit (as at the balance sheet date), between different bank accounts of the entities, including cash withdrawn from the entity's bank account, via an ATM, based on a credit card;
- term deposits with a bank with a maturity of less than 3 months;
- treasury bonds, maturing up to 3 months.

At the time of initial recognition, cash is recognised at its nominal value, and after the initial recognition as at the balance sheet date, cash is recognised at its nominal value, including any impairment losses. In the case of cash equivalents, the nominal value of bank term deposits is the value of funds at the Company's disposal, which also includes interest accrued by the bank on deposits until the balance sheet date.

SHORT-TERM AND LONG-TERM TRADE RECEIVABLES

Among items of trade receivables and other receivables, mainly trade receivables, receivables from tax, subsidy, customs, social security, advances granted for the supply of tangible fixed assets in use as well as goods, materials and services and other receivables not classified to other asset lines are distinguished.
Trade receivables are the amounts due from clients for goods sold or services provided in the ordinary course of the Company's business.
Trade receivables and other receivables constituting financial assets are classified as "measured at amortised cost" (the *Financial instruments* section).

Trade receivables and other financial receivables are measured in accordance with the rules presented for this category in the *Financial Instruments* section.
At the moment of initial recognition, trade receivables and other receivables constituting financial assets are recognised at fair value. For short-term receivables, the fair value is equal to the nominal amount.
Receivables that do not constitute financial assets are disclosed in the amount due.

After initial recognition, trade receivables and other receivables constituting financial assets are disclosed at amortised cost (corresponding to the amount payable in the case of short-term receivables) less created revaluation write-offs.
At the end of each reporting period, the Company measures expected credit losses in accordance with the methodology described in point "Financial instruments". Write-offs for expected credit losses are recognised as a deduction from the carrying amount of receivables and, on the other side, as an expense in the income statement under a separate item *Expected credit losses.*

CONTRACTUAL ASSETS AND LIABILITIES

Contractual assets and liabilities arise from the application of IFRS 15 *Revenues from contracts with clients.*

The Company transfers control over a good or service as time passes and thus fulfils the obligation to perform the service and recognises revenues as time passes if one of the following conditions is met:
- the client simultaneously receives and benefits from the service as it is performed,
- as a result of performance, an asset is created or improved and control over that asset is exercised by the client as it arises or improves,
- as a result of the performance of the service, there is no item with an alternative use for the Company and the Company has an enforceable right to pay for the performance of service to date.

Generally, the Company recognises the transfer of control over time in the case of construction contracts, including the construction of facilities from modules and panels manufactured by the Company, real property construction contracts and contracts for the execution of a development project commissioned by an investor provided that the item related to the sales of land is not included in revenues and expenses related to the performance of the contract (the sales of land is shown as *Revenues from sales of goods and materials*).

In the case of transfer of control by the Company over time, revenues are determined using the percentage of completion method. The Company determines the progress of performance of the contract by determining the share of costs incurred from the date of conclusion of the contract until the date of revenue recognition in the estimated total costs of the contract. In cases justified by the nature of the contract, the Company may determine the percentage of completion of the contract according to other methods.

TRADE LIABILITIES AND OTHER LIABILITIES

Trade liabilities are commitments payable for goods or services which have been delivered or performed and have been invoiced or otherwise formally confirmed with the supplier. Reverse factoring liabilities (reverse factoring, confirming-supply financing, etc.) are treated as trade liabilities.

Other liabilities are tax, customs and social security liabilities, payroll liabilities, advances received for deliveries and other liabilities of similar nature.

Trade liabilities and other liabilities are classified as "financial liabilities" and measured in accordance with the policy presented in the *Financial Instruments* section.

CONTINGENT LIABILITIES AND RECEIVABLES

A contingent liability is an obligation to provide services that are contingent on the occurrence of specified events. Contingent liabilities are not shown in the balance sheet, but are disclosed in the notes.

Contingent receivables are not disclosed in the balance sheet, however they are disclosed in the additional information if the effect of measures embodying economic benefits is probable.

TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY

Transactions denominated in foreign currencies are recorded in the functional currency using the average exchange rate announced by the Central Bank on the day preceding the date of transactions/operations. Monetary items of assets and liabilities expressed in a foreign currency are converted as at the balance sheet date according to the rate valid for this day. Exchange rate differences resulting from the settlement of transactions in foreign currencies and the balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognised under financial revenues or expenses, except where they represent an adjustment of borrowing costs (further policy of the "Borrowing costs" section).

Realised exchange rate differences relating to receivables, liabilities from the Company's operating activities and foreign exchange are recognised in operating revenues or expenses. Unrealised exchange rate differences relating to operating activities and other realised and unrealised exchange rate differences are recognised under financial revenues or expenses and presented per balance under "Financial revenues" or "Financial expenses" item, respectively.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are converted at the rate preceding the date of the transaction/operation (especially for entities with a functional currency of PLN, the conversion is made at the average exchange rate of the National Bank of Poland (NBP) applicable on the day preceding the transaction). Non-monetary foreign currency balance sheet items measured at fair value are converted at the exchange rate at the date when the fair value was estimated (in particular for entities with a functional currency of PLN, the conversion is made on the basis of the average rate of exchange published by the NBP at the date when the fair value was estimated).

EQUITY

The equity shown in the statements of financial position consists mainly of share capital, other capitals: supplementary capital, including share premium, revaluation reserve, reserve capitals and retained earnings. Classification into the appropriate group in the statements of financial position is made taking into account dedicated resolutions and internal regulations of the Company.

The share capital corresponds to the value of issued and registered ordinary and preference shares recognised at nominal value in accordance with the Commercial Companies Code (CCC) and the Company's Articles of Association.
The capital created in accordance with the requirements of the CCC is not subject to distribution, but may be used to cover the losses of the entity.

Other capitals include in particular:

- revaluation reserve;

- reserve capital;
- supplementary capital;
- supplementary capital from sales of shares at premium.

Retained earnings (losses) consist of previous years' retained earnings (loss) and current net profit (loss).

The share capital at the initial recognition is presented at nominal value.

Declared, but not paid capital contributions are recognised as outstanding capital contributions and shown as a receivable if the Company has an unconditional claim to make payments by the shareholder.

If the Company acquires its own capital instruments, these instruments (acquired own shares) are included in a separate line of own capital with a negative sign, except for the situation of creating a reserve (special purpose) capital for the buy-back of own shares. In such a case, the buy-back of own shares is presented as a decrease in this reserve capital.

The liability on adopted dividend is recognised at the time of establishing the shareholder's right to receive the dividend as a reduction of equity.

As for the recipient of the dividend, revenue and receivable are recognised when the shareholder's right to receive the dividend is established.

Advance dividends are recognised in accordance with the principles set out above.

BANK LOANS, CREDITS AND OTHER FINANCIAL LIABILITIES

"Other financial liabilities" item includes:
- lease liabilities,
- bill-of-exchange liabilities,
- bond liabilities,
- financial liabilities measured at fair value through profit or loss,
- derivative financial instruments used in hedge accounting,
- liabilities on the purchase of shares and stocks,
- liabilities on the settlements with shareholders,
- other financial liabilities.

Financial liabilities are recognised in accordance with the principles described in the *Financial Instruments* section.

PROVISIONS

Provisions are an obligation resulting from past events to make payments of a reliably determined value that will result in the use of the entity's existing or future assets whose amount or payment term is uncertain.

Provisions are created in the amount corresponding to the estimated expenditure necessary to meet the current obligation as at the balance sheet date. The most reasonable estimate of the expenditure required to settle the present obligation is the amount that the Company would reasonably expect to pay in performing the obligation at the balance sheet date or for which it would transfer the obligation to a third party.

Where the expected effect of the change in time value of money is material, the amount of the provision is determined by discounting the forecast future cash flows to current value using an interest rate which reflects a current market assessment of the time value of money and the risk factors, if any, associated with the liability. A subsequent increase in the provision due to the passage of time reflecting the reversal of the discounting made is recognised in financial expenses. The amount of the created provision also includes future events which may affect the amount necessary for the Company to fulfil its obligation, if there is sufficient and objective evidence that such events will occur.

PROVISIONS FOR WARRANTY REPAIRS

The provision is created in connection with the warranty obligations incumbent on the Company resulting from the construction services provided. The amount of the provision is determined on the basis of the Company's experience with the number of warranty repairs performed. As a rule, a provision is created in the amount of 0.5% of net income resulting from individual construction contracts. The exception is the modular construction, where a provision is created up to 2% of net income, and residential construction – provisions amounting to 1% of net income. In justified cases, on the basis of a decision of the Management Board, a provision is created in an individually determined amount, which may deviate from the above-mentioned framework.

PROVISION FOR REPAIRS UNDER THE DEVELOPER'S WARRANTY GRANTED

In case of execution of development projects, the Company is obliged to provide a warranty for defects in the finished products sold. Therefore, provisions are created for estimated costs of performing the obligation within the scope of warranty. The value of the provision is calculated according to the following formula:

$$R=\Sigma Pi*Wi$$

where:

R – means the value of the provision in PLN

Pi – this is the estimated number of units (in pcs) after expiry of the guarantee and/or warranty granted by the general contractor

Wi – this is the estimated value of warranty repair (in PLN) under both the warranty and the product.

The value of W indicator is estimated by the Execution Department and approved by the Unit Manager.

The provision in question is created as of the date of obtaining a use permit and recognised on the other side in the selling costs.

PROVISION FOR LOSSES ON CONSTRUCTION CONTRACTS

If it is probable that total costs related to the performance of the contract will exceed total revenues, the expected loss (surplus of total estimated costs over total estimated revenues) is charged to the expense in a period and is shown in the manufacturing costs of products and services sold.

PROVISION FOR ESTIMATED COSTS OF COMPLETION OF A DEVELOPMENT PROJECT

As at the date of obtaining the use permit for the investment, the Company estimates the value of costs necessary to be incurred before the completion of the development project. The above applies in particular to the costs of subcontractors' services which have not been performed at the date of obtaining the use permit.

PROVISION FOR DISPUTABLE ISSUES

In the case of legal proceedings against the Company, the legal department and external law firms providing services to the Company in consultation with the Management Board make a detailed analysis of potential risks associated with the proceedings and on this basis a decision is made on the necessity to recognise a provision for disputable issues.

The estimates and related assumptions are based on historical experience or opinions of independent experts, and other factors which are considered rational in given circumstances, and their results provide grounds for the judgement of the balance value which does not directly stem from other sources.

OTHER PROVISIONS

The Company may also create provisions for the audit of financial statements and other expenses as decided by the Management Board.

In principle, provisions on the other side are included in the current period expenses. The exception is a provision for the estimated costs of development project completion.

The provision for the estimated costs of development project completion is recognised as an inventory item. At the time of sales of the relevant finished goods, it is transferred (together with the cost of the finished product sold) to the manufacturing cost of the products and services sold. The write-off is established proportionally to the share of finished products sold in the total investment cost.

The accounting records of other provisions charged to expenses consist of:

- an increase in the manufacturing costs of products and services sold – in the case of provision for costs of subcontractors, warranty repairs, construction and provision for disputable issues concerning contracts in the process of execution;
- an increase in selling costs – in case of provision for repairs under the developer's warranty;
- an increase in other operating expenses – if they relate indirectly to the Company's operating and financial activities or if they are related to random events and provisions for disputable issues concerning the contracts submitted to the service.

In the same way, the amount of provisions is increased if the risk of obligation performance has increased.

The provision is used in connection with the creation of a liability for which it was created. The reserve may be used only for the purpose for which it was originally established.
The exchange of the provision for a liability, given the transformation of the expected risk of obligation performance into certainty, results in a decrease in the provision and an increase in liabilities.

The reversal of part or all of the unused provision in the event of a reduction or cessation of the risk justifying its creation, as of the date on which it proved to be unnecessary, consists in a decrease of the provision and:

- a decrease in manufacturing costs of products and services sold – in the case of provision for warranty repairs, construction provision and provision for disputable issues concerning contracts in the process of execution;
- a decrease in selling costs – in case of a provision for repairs under the developer's warranty;
- a decrease in other operating expenses – if the provision concerns indirectly operating activities, financial activities or random events, as well as a provision for disputable issues concerning contracts submitted to the service.

EMPLOYEE BENEFITS

The Company is obliged by the applicable provisions of law to collect and pay retirement benefit contributions. These benefits, in accordance with the IAS 19 "Employee Benefits", constitute a national program in the form of specified contributions program. The obligation to contribute to the pension plan is recognised as an employee benefit expense charged to profit or loss for the period in which the employees render service. By type, the above costs are recognised as social security and other benefits, except for benefits which have been capitalised in tangible fixed assets or inventory.

The Company's employees are entitled to receive retirement severance pay of a certain amount at retirement. This benefit is classified as post-employment defined benefit plan. The provision on this account is estimated by an actuary using the forecast unit benefit method. Actuarial gains/losses are recognised in other comprehensive income. Other changes in the provision are recognised in the profit or loss or capitalised in inventory if the changes concern production employees.

The Company recognises provisions in the amount of anticipated payments to employees for short-term cash bonuses if the Company has a legal or constructive obligation to make such payments based on the services provided by employees in the past and the obligation can be reliably estimated.

In particular, the Company creates the following provisions for short-term employee benefits:
1) provision for the performance of material tasks;
2) provision for facility-based bonuses;
3) provision for monthly bonuses;
4) provision for annual awards;
5) provision for annual managerial bonuses;
6) provision for bonus for the Management Board;
7) provision for unused holiday leaves.

The basis for calculating the provision for unused holidays is a statement of the number of unused, as at the balance sheet date, days of leave by employees. The amount of the provision per employee is determined on the basis of the product of the number of unused days of leave of a given employee and his/her gross daily remuneration increased by the employer's social security contributions.

Provisions for employee bonuses are recognised when:

- the entity has a present legal or constructive obligation to make such payments as a result of meeting certain criteria, and
- a reliable estimate of such a provision is possible. For example, a provision for facility-based bonuses is recognised when it becomes probable that the contract will be successfully completed and the facility-based bonuses will be due to employees. The valuation of the provision takes into account the fact that some employees may leave without obtaining the right to receive payments.

In principle, the above provisions are created as part of the costs of the period. An exception is made for provisions relating to production employees, which are capitalised as the inventory manufacturing cost.

DEFERRED INCOME TAX

For financial reporting purposes, deferred tax is calculated in relation to temporary differences as at the reporting date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements. The provision for deferred tax is recognised in relation to all positive temporary differences:

- except where the provision for deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the

transaction, affects neither accounting profit nor taxable profit or tax loss, and
• except when the timing of the reversal of the temporary difference is under the investor's control and it is probable that the temporary difference will not reverse in the foreseeable future in the case of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures.

Deferred tax assets are recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses carried forward to subsequent years, to the extent that it is probable that taxable income will be available against which the above-mentioned differences, assets and losses can be utilised:

• except where the deferred tax assets relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss, and
• in the case of deductible temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, a deferred tax asset is recognised in the statements of financial position only to the extent that it is probable that the aforementioned temporary differences will be reversed in the foreseeable future and that taxable profit will be available against which the deductible temporary differences can be offset.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the provision is released, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. In the case of taxable foreign operation conducted within one entity, e.g.: foreign branch, representative office, for the purpose of calculating deferred tax, a simplified tax rate appropriate for the entity's tax residence is applied.

Income tax is recognised in the income statement except when income tax relates to items recognised in other comprehensive income – then it is recognised in other comprehensive income and items recognised in equity – it is recognised directly in equity.

The Company compensates with itself deferred income tax assets with provisions for deferred income tax if and only if it has an enforceable legal title to carry out the compensation of receivables with current tax and deferred income tax liabilities concerns the same taxpayer and is imposed by the same tax authority.

CURRENT INCOME TAX

Current tax liabilities and receivables for the current and previous periods are measured at the amounts expected to be paid to the tax authorities (to be reimbursed from the tax authorities) using the tax rates and tax regulations that were legally or actually in force as at the reporting date.

PREPAYMENTS AND ACCRUALS

Prepayments are expenses incurred as at the balance sheet date and constitute deferred expenses. Recognition is made if the costs incurred relate to more than one reporting period. Insurance, guarantees, structure-settled VAT as well as other costs meeting the above definition, among others, constitute items of prepayments.

Prepayments are initially recognised at the amount paid. Prepayments are written off on the time basis or on the basis of the amount of service. The time and the method of settlement should depend on the nature of settled costs.

In order to settle the costs in time, it is necessary to meet the requirement to include them in the assets of the Company, and therefore it must be certain that a given asset will bring economic benefits to the Company in the future.

Accrued expenses are liabilities due for goods or services which have been received/performed but not invoiced or formally agreed with the supplier. In particular, accrued expenses include costs of subcontractors that were not invoiced at the balance sheet date. These settlements in the statements of financial position are shown in liabilities under *Long-term provisions and short-term provisions.*

DEFERRED INCOME

Deferred income constitutes received funds in respect of payments to be made in subsequent reporting periods, which will give rise to a title to recognise the relevant income. Their settlement in time is aimed at maintaining the principle of matching revenues and expenses. The Company classifies the following as deferred income:

- advances received as part of development activities;
- initial fees paid by tenants during the construction of investment properties;
- subsidies;

- interest on bills of exchange settled in time;
- settlement of the right of perpetual usufruct of land received free of charge.

Development advances and initial fees paid by lessees during the construction period of development properties are initially recognised at the nominal value of cash received. Development advances are an element of the selling price and will affect the profit or loss when the revenue on sales is recognised. Subsidies received in cash are recognised at nominal value and non-monetary subsidies are recognised at fair value. Subsidies are recognised if there is reasonable assurance that the subsidy will be received and the entity will comply with the criteria for receiving the subsidy. Subsidies to tangible fixed assets and development work included in deferred income are recognised gradually in the income statement, by way of equal write-offs over the estimated useful life of the asset. Subsidies to costs are recognised as revenue in the period in which the entity recognises the cost to be offset by the subsidy.

SEGMENT REPORTING

The Company's operating segments constitute a part of the Company's business activities, in connection with which it may earn revenues and incur expenses, and its results are subject to regular review by the main decision-making body, while the results of the review are used to make decisions on the allocation of resources to individual segments.

Operating segments that show similarities in their long-term profits or losses and economic characteristics may be aggregated into reporting segments if qualitative criteria and quantitative thresholds are met. As regards the qualitative criteria, the operating segments must be similar in each of the following aspects:

- the type of products and services offered;
- the type of production process;
- the type or group of clients who are purchasers of the goods or services offered;
- methods used to distribute products or provide services;
- the type of regulatory environment (if applicable).

Operating segments are recognised separately if any of the quantitative thresholds listed below is met:

- shown segment revenues (both those generated from sales to external clients and from exchanges between segments) constitute 10 percent or more of total external and internal revenues of all operating segments;
- shown in absolute value segment profit or loss constitutes 10 percent or more of the greater of the following absolute values: the combined profit of all operating segments that did not show a loss; and the combined loss of all operating segments that showed a loss;
- assets assigned to a segment constitute 10 percent or more of total assets.

Data on segment revenues, costs, assets and liabilities are presented in accordance with the information regularly presented to the key operating decision-maker.

The segment result is determined at the level of gross profit on sales.

REVENUES FROM SALES

Revenues are incomes of gross economic benefits in a given period generated as a result of the ordinary activity of the Company, resulting in the increase of equity, other than an increase of capital resulting from the payments of the shareholders. Revenues include only received or due inflows of economic benefits, therefore amounts collected on behalf of third parties (e.g. value added tax) do not constitute the Company's revenues. In addition, revenues are shown net of any returns, rebates and discounts.

The Company recognises revenues taking into account the 5-step model described below. The model may be applied to individual contracts or to a portfolio of contracts (or obligations to perform service) with similar characteristics if an entity reasonably expects that the effect on its financial statements of applying the principles below will not differ materially from applying the principles below to individual contracts (or obligations to perform service).

Identification of a contract with a client

A contract with a client meets its definition when all the following criteria are met:

- the parties to the contract have approved it and are obliged to fulfil the obligations arising therefrom;
- the entities are able to identify the rights of each party concerning the goods or services to be transferred;
- the entities are able to identify the terms of payment for the goods or services to be transferred;
- the contract has economic substance, i.e. the risk, time of performance or amount of future cash flows is expected to change as a result of the contract;
- it is probable that the entity will receive the remuneration it will be entitled to in exchange for goods or services that will be provided to the client.

Identification of obligations to perform service

For a portfolio of contracts with similar characteristics, the Company assesses the goods or services promised in the contract with the client and identifies as an obligation to perform service each promise to deliver to the client separately identifiable goods or services (or a package of goods or services) or groups of separate goods or services which are substantially the same and where the delivery to the customer is of the same nature.

Transaction price determination

In order to determine the transaction price, the Company takes into account the terms of the contract and its usual commercial practices. The transaction price is the amount of consideration which the Company expects to receive in exchange for the delivery of promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, certain sales taxes, fuel surcharge, excise).

When determining the transaction price, the Company takes into account all the following factors:
- variable remuneration,
- conditions limiting the recognition of variable elements of remuneration,
- the existence of a significant element of financing,
- cash remuneration,
- remuneration paid to the purchaser.

Allocation of the transaction price to individual obligations to perform service

The Company assigns a transaction price to each obligation to perform service (or to a separate good or service) in an amount that reflects the amount of remuneration that the Company expects to receive in exchange for the delivery of the promised goods or services to the client.

Recognition of revenues at the moment of (or in the course of) meeting the obligations to perform service

Obligations to perform service may be fulfilled with time or at a certain time. The Company recognises revenues when the obligation to perform service is met by transferring significant risks to the client as a result of which the customer obtains control over this asset. In the case of development activities, the moment of performance is considered to be the moment of signing the acceptance protocol and receipt of the keys to the apartment. Revenues are recognised as amounts equal to the transaction price that has been allocated to a given obligation to perform service.

The Company transfers control over a good or service as time passes and thus fulfils the obligation to perform the service and recognises revenues as time passes if one of the following conditions is met:

- the client simultaneously receives and benefits from the service as it is performed,
- as a result of performance, an asset is created or improved and control over that asset is exercised by the client as it arises or improves,
- as a result of the performance of the service, there is no item with an alternative use for the Company and the Company has an enforceable right to pay for the performance of service to date.

Generally, the Company recognises the transfer of control over time in the case of construction contracts, including the construction of facilities from modules and panels manufactured by the Company, real property construction contracts and contracts for the execution of a development project commissioned by an investor provided that the item related to the sales of land is not included in revenues and costs related to the performance of the contract (the sales of land is shown as *Revenues from sales of goods and materials*). In the case of transfer of control by the Company over time, revenues are determined using the percentage of completion method. The Company determines the progress of performance of the contract by determining the share of costs incurred from the date of conclusion of the contract until the date of revenue recognition in the estimated total costs of the contract. In cases justified by the nature of the contract, the Company may determine the percentage of completion of the contract according to other methods.

If the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent that it is probable that it will be recovered, and contract costs are recognised as expenses in the period in which they are incurred.

If it is probable that total costs related to the performance of the contract will exceed total revenues, the expected loss (surplus of total estimated costs over total estimated revenues) is charged to the expense in a period and is shown in the manufacturing costs of products and services sold.

If the value of estimated revenues using the percentage of completion method exceeds the invoiced revenues, the resulting difference is recognised under *Net revenues from sales of products and services* and recognised assets under *Contractual assets*. On the other hand, if the value of estimated revenues using the percentage of completion method is lower than the invoiced revenues, the resulting difference is recognised under *Net revenues* *from sales of products and services* and the liability is recognised under *Contractual liabilities*.

The following items of revenues from operating activities are disclosed in the Company's financial statements:
1) Net revenues from sales of products and services,
2) Net revenues from sales of goods and materials,
3) Other operating revenues,

Other operating revenues do not constitute revenues from the core operating activity. The products and services sold by the Company include in particular: sales of construction services, developer sales including investor replacement and commercialisation services, sales related to modular construction, sales of other services and sales of products. At the same time, penalties and compensation calculated by the recipients of services to the Company in the course of the project are recognised as a decrease in net revenues from sales of products and services.

The realised exchange rate differences relating to transactions with clients and the result of the realisation of derivative instruments are also recognised in the revenues from sales if the hedged item had an effect on the revenues of sales, as well as the discount on deposit receivables.

Revenues from sales of goods and materials include in particular sales of land where the Company does not execute development projects, sales of apartments purchased for further resale, sales of design documentation purchased for further resale, and sales of other assets classified as materials.

OTHER REVENUES, OPERATING EXPENSES AND EXPECTED CREDIT LOSSES

Other operating revenues and expenses and expected credit losses include expenses and revenues indirectly related to the entity's operating activities, in particular revenues and expenses related to the entity's operating activity:

- creation and reversal of revaluation write-offs and expected credit losses on tangible fixed assets, intangible assets, receivables, loans, equity instruments, cash and inventory;
- sales of tangible fixed assets in use, tangible fixed assets under construction and intangible assets;
- creation and reversal of provisions, except for provisions recognised in manufacturing costs, selling costs or general and administrative costs;
- received or accrued penalties and fines, compensation for contracts transferred to the service and court fees incurred and received;
- on account of charges with penalties and fines, compensation for contracts transferred to the service;
- revenues from warranty deposits;
- profits or losses arising from the reclassification of investment properties from/to inventory;
- received subsidies to revenues and expenses;
- the costs of membership fees;
- a profit from a bargain purchase;
- the result of the sale of subsidiaries;
- taking over the undertakings;
- revaluation of financial assets;
- and other revenues and expenses not directly related to the Company's core operating activity.

FINANCIAL REVENUES AND EXPENSES

Financial revenues and expenses include mainly items of revenues and expenses related to the financing of the Company's operations.

The financial revenues related to financing the Company's operations include in particular:

- net exchange rate gains arising from liabilities related to financing activities (loans, credits, bonds, lease, etc.);
- net foreign exchange gains on loans granted in foreign currencies;
- interest on receivables, loans granted and funds accumulated in the form of bank deposits;
- gains on unrealised exchange rate differences on settlements;
- revenues from unwinding and changes in the estimation of the refund period for the discounted receivables;
- revenues from fair value measurement of derivatives for which no hedge accounting was applied;
- gains on realisation of derivatives for which cash flow hedge accounting is applied, if the hedged item affects financial results;
- the ineffective part of profits related to hedging instruments.

The financial expenses associated with financing the Company's operations include in particular:

- interest on a bank overdraft;
- interest on short-term and long-term loans, credits, debt financial instruments and other sources of financing;
- unwinding and changing the estimation of the return period of the discount on long-term liabilities;
- net exchange rate losses arising from liabilities which are the source of financing for the Company's operations;
- net foreign exchange losses on loans granted in foreign currencies;
- losses on realisation and fair value measurement of derivatives for which no hedge accounting was applied;
- losses on realisation of derivatives for which cash flow hedge accounting is applied, if the hedged item affects financial expenses;
- the ineffective part of losses related to hedging instruments;
- costs of issuing bonds financing the Company's operations (these costs constitute an element of interest cost calculated using the effective interest rate).

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, according to which the gross result is adjusted by the effects of non-monetary transactions, by prepayments and accruals of past or future cash inflows or payments related to operating activities and by items of revenues and expenses related to cash flows from investment or financing activities.

The Company classifies the interest received as investment activities, as it results mainly from the investments undertaken by the Company. On the other hand, interest paid is shown in financial activity, as it constitutes in particular an element of the financing expense.

The cash flow statement shows the balance of cash and cash equivalents without taking into account the effects of periodical valuation of cash and cash equivalents denominated in foreign currencies, less liabilities on bank overdrafts. At the same time, the cash flow statement, in a separate item, discloses the value of cash and cash equivalents in relation to which the Company has limited rights of disposal.

FINANCIAL INSTRUMENTS

Financial assets

The Company has in particular such financial assets as:
- investments in other entities;
- investment certificates;
- bonds;
- derivative instruments;
- trade receivables;
- loans granted;
- deposits from construction contracts (i.e. deposits retained by recipients of construction services);
- cash and cash equivalents;
- other financial receivables.

The Company recognises a financial asset or a financial liability in the statements of financial position if and only if it becomes bound by the contractual provisions of the instrument.
Upon initial recognition, all financial instruments are measured at fair value. In the case of financial assets which are not measured at fair value through profit or loss after the initial recognition date, the initial fair value is adjusted by transaction costs directly attributable to the acquisition.
Financial assets that are debt instruments are classified as measured at initial recognition at amortised cost or at fair value on the basis of:

- the entity's business model for financial asset management,
  and
- characteristics of contractual cash flows for a financial asset.

Debt instruments are measured at initial recognition at amortised cost if both conditions are met, i.e.:
- the financial asset is held in accordance with a business model which aims to maintain financial assets for the purpose of obtaining contractual cash flows,
  and
- the terms of the contract relating to the financial asset give rise to cash flows on specified dates which

are merely the repayment of principal amount and interest on the principal outstanding amount.

A debt instrument is measured at fair value through other comprehensive income if both conditions are met, i.e.:

- the financial asset is held according to a business model which aims both to receive contractual cash flows and to sell the financial asset,
  and
- the terms of the contract relating to the financial asset give rise to cash flows on specified dates which are merely the repayment of principal amount and interest on the principal outstanding amount.

All other debt instruments are measured at fair value through profit or loss after initial recognition.

Notwithstanding the above, at the time of initial recognition, the Management Board may classify a financial asset as measured at fair value through profit or loss if such classification reduces or eliminates an inconsistency in measurement or recognition.

Derivative instruments not covered by hedge accounting are measured at fair value through profit or loss.

Equity (share) instruments

Financial assets constituting investments in equity instruments which are not held for trading are measured at fair value:

- through other comprehensive income,
  or
- through profit and loss.

The choice is be made for each instrument separately.

Equity instruments that are not held for trading may be measured at fair value through other comprehensive income, but such classification may not be changed.

Dividends received from these investments are recognised in profit or loss, unless they represent a recovery of part of the initial cost of this investment. Changes in fair value are recognised in other comprehensive income, without the possibility of reclassification of previous profits and losses between the profit and loss account and other comprehensive income.

Equity instruments held for trading are measured at fair value through profit or loss.

Unlisted equity instruments are measured at fair value even if their fair value cannot be reliably determined.

Debt instruments

IFRS 9 distinguishes three categories of debt instruments: those measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification depends on the business model of financial asset management and whether contractual cash flows are purely principal and interest payments, the so-called SPPI test.

The SPPI test is considered to be passed when solely equity and interest constitute cash flows. Under the basic terms of a loan contract, they may include the time value of money, credit risk, liquidity risk, administrative costs, profit margin. By contrast, a test shall be considered unsuccessful when the exposure is not exposed to risks and volatilities unrelated to the underlying terms of the loan contract, e.g. exposure to volatility of equity or commodity prices, interest-bearing assets expressed as a multiplier of the basic interest rate, bonds convertible into shares.

Financial assets that do not pass the cash flow test are recognised at fair value through profit or loss.

The entity's business model means the way in which an entity manages its financial assets in order to generate cash flows and create value for the Company. The entity's business model determines whether the cash flows will come from the collection of contractual cash flows, the sale of financial assets or both.

If the financial instrument is held for the purpose of collecting cash flows, it may be classified as measured at amortised cost only if, in addition, it meets the requirement for principal and interest payments only. Debt instruments may be classified as at fair value through other comprehensive income if they meet the principal and interest payment only requirement (SPPI) and are held in a portfolio in which the Company holds both assets to collect cash flows and sells the assets. Financial assets that do not contain cash flows that come exclusively from principal and interest payments (SPPI) must be measured at fair value through profit or loss.

The recognition of a financial asset is discontinued only if:

a) the contractual rights to cash flows from the financial asset have expired,
   or
b) the financial asset has been transferred and this transfer qualifies for derecognition (by transferring substantially all risks and rewards of ownership).

When a financial asset is derecognised in its entirety, the difference between the carrying amount calculated at the date of derecognition and the consideration received (including any newly acquired assets after deducting any newly incurred liabilities) is recognised in the income statement.

As at the balance sheet date, to estimate expected credit losses in relation to trade receivables and loans granted, the Company applies the simplified method using the provisioning ratio, which takes into account historical data. Other methods of estimating expected credit losses may also be used.

Impairment

The application of IFRS 9 fundamentally changes the approach to the impairment of financial assets by moving from the concept of a loss under IAS 39 to an expected loss regardless of whether there is an indication of impairment or not.

As at the balance sheet date, the Company applied a simplified model acceptable under IFRS 9, based on a group analysis of a homogeneous portfolio of receivables, to estimate expected credit losses in relation to trade receivables and warranty deposits. The model uses data on invoices issued within 2-5 years before the analysis date to create a write-off matrix that sets default rates for specific payment delays, i.e. overdue periods. Default rates are then used to calculate expected credit losses for the entire homogeneous portfolio of receivables.

Taking into account the above methodology of calculation of expected credit losses, the value of receivables may also be updated on an individual basis if, according to the individual assessment of the Management Board, the risk of bad debt is significant, in particular with regard to:
- receivables from counterparties put in liquidation or bankruptcy,
- receivables disputed by debtors and whose payment is overdue, and according to the assessment of the debtor's property and financial situation, repayment of the contractual receivables is subject to significant risk.

As a result of individual analysis, if despite significant overdue receivables, the Company has a credible declaration of the contractor's payment, the creation of the write-off may be withheld.

As regards loans, long-term receivables and other similar items, expected credit losses are calculated on the basis of internal assessment (determined by the module) or external ratings, if available. The module estimates the probability of default at the initial recognition date and balance sheet date. This is based on a comparison of the borrower's financial data at the date of the loan and at the balance sheet date and takes into account the additional information resulting from the answers to the supplementary questions that are part of the model. The module proposes the classification of exposures into one of three steps (1-3) of the expected credit loss model. In the case of classification into Grade 1 or Grade 2, the module calculates the amount of the impairment loss based on: (1) the individually assigned rating (determined on the basis of the financial data provided) and market default profiles for that rating; (2) the repayment schedule of the loan or long-term receivable; and (3) expected recoveries from collateral and other credit risk mitigants.

The Company also estimates the expected credit losses related to the contractual assets, using the default rate calculated for receivables from the first overdue range.

In addition, IFRS 9 "Financial Instruments" amended the provision of IAS 1 and therefore from 1 January 2018 a separate presentation of impairment of receivables in the statement of comprehensive income is required. Before the separation, this item was presented as a total item in other operating expenses.

Financial liabilities

Upon initial recognition, financial liabilities are recognised at cost, which is the fair value of remuneration received for them. Transaction costs are included in the initial recognition of financial liabilities. This does not apply to financial liabilities measured at fair value through profit or loss.

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of the following:

a) financial liabilities measured at fair value through profit or loss. Such a liability, including derivatives being liabilities, is measured at fair value.
b) financial liabilities arising when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing engagement approach.

The measurement of financial liabilities relating to a hedging instrument is subject to hedge accounting requirements.

A financial liability is no longer recognised if and only if the liability has expired, that is when the obligation specified in the contract has been fulfilled, discontinued or its deadline for its recovery has expired.

HEDGE ACCOUNTING

The Company uses derivative instruments in order to hedge against the risk of exchange rate volatility related to transactions settled in foreign currencies.
Derivatives, mainly options or forward contracts, are intended to hedge future cash flows.

Criteria for applying hedge accounting

For these derivatives, the hedge accounting rules can be applied only if all conditions for the application of hedge accounting are met, i.e.:

- at the time of establishing the hedge, a formalised documentation of the hedging relationship has been prepared, which defines the adopted risk management objective and hedging strategy. The documentation designates the hedging instrument that hedges a given position or transaction and specifies the type of risk it hedges against. The Company determines the manner in which the effectiveness of the hedging instrument in compensating for changes in cash flows from the hedged transaction will be assessed in terms of reducing the risk against which the Company is hedged;
- the hedge is expected to be highly effective in offsetting changes in cash flows, in accordance with a documented risk management strategy for that particular hedging relationship;
- for cash flow hedge accounting, a cash flow hedge relates to a forecast transaction that is highly probable and subject to the risk of changes in cash flows that could affect profit or loss;
- the effectiveness of the hedge can be reliably assessed, i.e. the fair value of the hedged item or its cash flows and the fair value of the hedging instrument can be reliably measured;
- the hedge is verified on an ongoing basis and its high effectiveness is established in all reporting periods for which the hedge was established.

If the above conditions are not met, the derivative is subject to the valuation rules applicable to financial assets measured through profit or loss.

Cash flow hedge

This is a hedge of the risk of fluctuations in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) may affect profit or loss. Cash flow hedges are recognised as follows:

- the part of profits or losses related to the hedging instrument that constitute an effective hedge is recognised in other comprehensive income and shown in the revaluation reserve, while the ineffective part of profits or losses related to the hedging instrument is recognised in the financial result under *Financial income* or *Financial expenses*, respectively;
- if the hedged planned transaction results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income (effective hedge) are transferred to profit or loss in the same period or periods in which the hedged cash flows affect profit or loss and are presented in the same item as the hedged item;
- if the hedged planned transaction results in the recognition of a non-financial asset or non-financial liability, the amounts recognised directly in other comprehensive income (effective hedge) are recognised in the profit or loss in the same period or periods in which the acquired assets or acquired liabilities affect the profit or loss of the period and are presented in the same item in which the effect of the hedged item is presented.

SHASES IN SUBSIDIARIES AND JOINT VENTURES

Shares in subsidiaries and associates in the separate financial statements are initially recognised at cost. After initial recognition, investments are measured at cost, taking into account any impairment losses. The initial cost includes: fair value of payment and transaction costs.

An investment in a subsidiary and associate is tested for impairment when there are indications of impairment. If there are any indications, the recoverable amount of this investment is determined, i.e. the higher of two amounts: fair value less selling costs and value in use. Impairment loss is established in the amount of the surplus of the carrying amount over the recoverable amount and is recognised in the profit or loss under *Other operating expenses*.

GOODWILL

Goodwill arising on acquisition results from the occurrence, as at the acquisition date, of an excess of the cost of acquisition of the entity over the Company's share in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities.

For the purpose of impairment testing, goodwill is allocated to individual segments generating cash flows that should benefit from the synergies resulting from the merger. Entities generating cash flows to which goodwill is allocated are tested for impairment once a year or more frequently if it can be credibly assumed that impairment has occurred. If the recoverable value of the entity generating cash flows is smaller than its carrying amount, the impairment loss is allocated first in order to decrease the carrying amount of goodwill allocated to this entity, and then to other assets of this entity proportionally to the carrying amount of individual assets of this entity. An impairment loss recognised for goodwill is not reversed in a subsequent period.

FIXED ASSETS (DISPOSAL GROUP) HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed assets (disposal group) are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction and the sale is considered highly probable. Fixed assets or a disposal group are measured at the lower of the following two amounts: their carrying amount and fair value less selling costs. Fixed assets held for sale or assets of the disposal group held for sale are shown in a separate item under current assets. Liabilities of the disposal group intended for sale are shown in a separate item under current liabilities.
Discontinued operations are an element of an entity that has been disposed of or is classified as held for sale, and:

- is a separate, important field of activity or geographical area of activity;
- is part of a single coordinated disposal plan for a separate, important field of activity or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to its resale.

If operations are classified as discontinued operations, the presentation of data in the statement of comprehensive income and the cash flow statement for the financial year is amended in accordance with the detailed guidelines of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, respectively, and data for the comparative period is restated to reflect operations that have been discontinued at the balance sheet date.

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

3. Selected financial data converted into EUR

3.1. Key items of the statements of financial position converted into EUR (as at the last day of the period)

	as at 31.12.2019		as at 31.12.2018	
	PLN	EUR	PLN	EUR
Fixed assets	336,601,358.80	79,042,235.25	302,712,292.12	70,398,207.47
Current assets	473,608,492.94	111,214,862.73	506,516,328.22	117,794,494.93
Total assets	**810,209,851.74**	**190,257,097.98**	**809,228,620.34**	**188,192,702.40**
Equity	203,524,065.25	47,792,430.49	203,915,724.09	47,422,261.42
Liabilities and provisions for liabilities	606,685,786.49	142,464,667.49	605,312,896.25	140,770,440.98
Total liabilities	**810,209,851.74**	**190,257,097.98**	**809,228,620.34**	**188,192,702.40**

For conversion of the data from the statements of financial position as at 31 December 2019, the EUR exchange rate set by the National Bank of Poland as at that date, i.e. the rate of PLN/EUR 4.2585, was adopted.

For conversion of the data from the statements of financial position as at 31 December 2018, the EUR exchange rate set by the NBP as at that date, i.e. the rate of PLN/EUR 4.30, was adopted.

3.2. Basic items of the statements of comprehensive income converted into EUR

	01.01.-31.12.2019		01.01.-31.12.2018	
	PLN	EUR	PLN	EUR
Revenues from contracts with clients	1,382,105,025.88	321,285,281.95	1,364,771,774.76	319,850,892.86
Costs of products, goods and materials sold	1,293,705,230.13	300,735,792.02	1,323,381,671.60	310,150,617.92
Gross profit (loss) on sales	88,399,795.75	20,549,489.92	41,390,103.16	9,700,274.94
Profit (loss) on operational activities	37,672,434.80	8,757,365.47	8,552,101.41	2,004,289.16
Gross profit (loss)	31,943,986.52	7,425,725.63	15,095,615.40	3,537,841.38
Net profit (loss) on continuing operations	25,833,084.46	6,005,180.26	11,919,732.08	2,793,534.43
Net profit (loss) on discontinued operations	-9,244,068.96	-2,148,883.95	-2,877,250.98	-674,318.82
Total net profit (loss)	**16,589,015.50**	**3,856,296.32**	9,042,481.10	2,119,215.61
Comprehensive income on continued operations	25,496,385.46	5,926,910.93	10,657,097.08	2,497,620.54
Total income on discontinued operations	-11,775,504.82	-2,737,343.63	-4,192,690.94	-982,608.20
Total comprehensive income	**13,720,880.64**	**3,189,567.31**	6,464,406.14	1,515,012.34

To convert the data of the statement of comprehensive income for the period from 01.01.2019 to 31.12.2019, the average EUR exchange rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month in a given period, determined by the NBP on that day, i.e. the rate of PLN/EUR 4.3018.

To convert the data of the statement of comprehensive income for the period from 01.01.2018 to 31.12.2018, the average EUR exchange rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month in a given period, determined by the NBP on that day, i.e. the rate of PLN/EUR 4.2669.

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3.3. Basic items of the cash flow statement converted into EUR

	as at 31.12.2019		as at 31.12.2018	
	PLN	EUR	PLN	EUR
A. Cash flows from operating activities	157,676,856.19	36,653,692.92	-54,547,048.32	-12,783,765.34
B. Cash flows from investment activities	-34,428,364.79	-8,003,246.27	23,990,791.83	5,622,534.35
C. Cash flows from financing activities	-24,111,913.77	-5,605,075.50	4,341,780.75	1,017,549.22
D. Total net cash flows (A+/- B+/-C)	99,136,577.63	23,045,371.15	-26,214,475.74	-6,143,681.77
F. Opening balance of cash	43,425,200.09	10,098,883.74	69,639,675.83	16,696,558.50
G. Closing balance of cash	142,561,777.72	33,476,993.71	43,425,200.09	10,098,883.74

To convert the data of cash flow statement for the period – 01.01.2019 - 31.12.2019, the following EUR rates were adopted:

- to calculate data from items A, B, C, D – average exchange rate calculated as an arithmetic mean of the exchange rates in force on the last day of each month in a given period, established by the NBP for that day, i.e. PLN/EUR 4.3018,
- to calculate data from the F item – the exchange rate established by the NBP as at 31 December 2018, i.e. PLN/EUR 4.30,
- to calculate data from the G item – the exchange rate established by the NBP as at 31 December 2019, i.e. PLN/EUR 4.2585.

To convert the data of cash flow statement for the period – 01.01.2018 - 31.12.2018, the following EUR rates were adopted:

- to calculate data from items A, B, C, D – average exchange rate calculated as an arithmetic mean of the exchange rates in force on the last day of each month in a given period, established by the NBP for that day, i.e. PLN/EUR 4.2669,
- to calculate data from the F item – the exchange rate established by the NBP as at 31 December 2017, i.e. PLN/EUR 4.1709,
- to calculate data from the G item – the exchange rate established by the NBP as at 31 December 2018, i.e. PLN/EUR 4.30.

4. Financial risk management

In conducting its operations, the Company 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.

Foreign currency risk

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

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

The Company's strategy with respect to financial instruments hedging the foreign exchange risk is based on the procedure of foreign exchange risk management adopted by the Management Board, which assumes:
1) hedging amounts not greater than the planned net foreign exchange flows,
2) using simple and predictable tools, e.g. Forward, sale of put option.

Analysing the planned foreign currency transactions that may occur in 2020, based on the current order book, the Company estimates the maximum total foreign exchange risk exposure to be approx. EUR 8 mln (in 2019 – EUR 6.7 mln, SEK 26 mln and NOK 248 mln). In connection with the transfer of production of modular houses to Unihouse S.A., no exchange rate risk is assumed in relation to the turnover expressed in Swedish and Norwegian crowns.

The table below shows the estimated sensitivity of the net income to EUR exchange rate fluctuations (assuming no hedging through financial instruments):

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 1,296,000	PLN + 1,085,400 PLN + 1,053,000 PLN + 10,044,000
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN - 1,296,000	PLN - 1,085,400 PLN - 1,053,000 PLN - 10,044,000

Some of the Company's assets and liabilities are denominated in foreign currencies and then converted into Polish zloty on the basis of the average rate of exchange published by the NBP on the valuation date. The carrying value of the Company's assets and liabilities of significant value determined in foreign currencies as at the balance sheet date is as follows:

Assets

	31.12.2019	31.12.2018
EUR	**15,156,585.36**	**21,698,137.22**
- fixed assets	-	4,808,633.53
- inventory	73,472.49	55,027.10
- receivables	6,902,113.72	13,234,631.25
- cash	8,180,999.15	3,599,845.34
NOK	**23,902,690.79**	**46,480,041.01**
- fixed assets	-	2,375,240.88
- inventory	101,068.52	97,688.52
- receivables (including loans granted)	18,891,499.48	20,735,107.85
- cash	4,910,122.79	23,272,003.76
SEK	**1,735,287.52**	**1,852,614.67**
- fixed assets	-	404,104.04
- inventory	859,986.93	689,507.34
- receivables	464,294.16	476,382.73
- cash	411,006.43	282,620.56

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Liabilities

	31.12.2019	31.12.2018
EUR	**9,649,034.74**	**8,736,646.23**
- liabilities	4,198,112.38	4,949,951.56
- provisions for liabilities and accruals	5,450,922.36	3,786,694.67
NOK	**18,986,062.77**	**42,178,309.40**
- liabilities	15,121,358.84	40,558,403.19
- provisions for liabilities and accruals	3,864,703.93	1,619,906.21
SEK	**317,366.97**	**329,252.00**
- liabilities	317,366.97	329,252.00

Taking into account the above-mentioned values of the Company's assets and liabilities expressed in foreign currencies, the sensitivity of the net income to changes in exchange rates is as follows:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 892,223 PLN + 57,426 PLN + 199,123	PLN + 2,099,762 PLN + 61,696 PLN + 174,220
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK - 0.05 PLN/NOK - 0.05	PLN - 892,223 PLN - 57,426 PLN - 199,123	PLN - 2,099,762 PLN - 61,696 PLN - 174,220

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

Derivative instruments are measured as at the balance sheet date at 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 differentials 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 expenses of the reporting period (time value of derivatives). Profits and losses determined as at the settlement date are disclosed in the profit or loss account.

The total nominal value of FX-Forward-type exchange forward contracts as at 31 December 2019 was NOK 100 mln and EUR 1.8 mln (NOK 145 mln as at 31 December 2018).

Taking into account the above-mentioned values of forward contracts, the sensitivity of the net income to FX rate changes (which translate into changes in the value of forward contracts) is as follows:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/NOK + 0.05	PLN -291,600 PLN - 4,050,000	PLN 0 PLN - 5,872,500
RATE DECREASE	PLN/EUR - 0.20 PLN/NOK + 0.05	PLN + 291,600 PLN + 4,050,000	PLN 0 PLN + 5,872,500

Summarising the changes in future revenues, changes in assets and liabilities and changes in the value of hedging instruments due to changes in foreign exchange rates, total sensitivity of the net income to changes in foreign exchange rates is presented in the table below:

	CURRENCY EXCHANGE RATE INCREASE/DECREASE	EFFECT ON NET INCOME 2020	EFFECT ON NET INCOME 2019
RATE INCREASE	PLN/EUR + 0.20 PLN/SEK + 0.05 PLN/NOK + 0.05	PLN + 1,896,623 PLN + 57,426 PLN - 3,850,877	PLN + 3,185,162 PLN + 1,114,696 PLN + 4,345,720
RATE DECREASE	PLN/EUR - 0.20 PLN/SEK - 0.05 PLN/NOK - 0.05	PLN - 1,896,623 PLN - 57,426 PLN + 3,850,877	PLN - 3,185,162 PLN - 1,114,696 PLN - 4,345,720

Interest rate risk

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Interest rate risk is mainly related to the use of bank loans, leasing and bank deposits by the Company. These transactions are based mainly on a variable interest rate, which exposes the Company to the risk of changes in its profit or loss and cash flows. Lease is not decisive in the financing of the Company (it concerns mainly purchases of vehicle fleet and specialist road machines).
The Company invests its financial surpluses in the form of short-term deposits. Deposits are based on fixed interest rates and are usually concluded for a period of 3-7 days. The amount of interest obtained will depend, among other things, on the level of interest rates.

In order to hedge itself against the risk of interest rate changes, the Company concluded two IRS-type transactions hedging the payment of interest on issued three-year own bonds maturing in June 2021 and February 2022. As a result, the bonds issued do not generate any interest rate risk.

The mentioned instruments are valued as on the balance sheet date and at a reliably determined fair value. The effects of periodical valuation of derivative instruments are recognised either as financial revenues 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 decisive effect on the 2020 profit or loss. All interest-bearing liabilities in the Company amount to 11.5% of the balance sheet total and no significant changes are expected by the end of 2020.

At the same time, the entity grants loans whose interest rate is variable and based on WIBOR 1M plus an appropriate margin (in the case of loans in Poland). These loans are also exposed to interest rate changes. In the case of loans granted in Norway to associates, the interest rate is fixed (depending on NIBOR on the date of signing the loan) and therefore the loans are not exposed to the risk of interest rate changes.

The amounts of interest-bearing liabilities and assets exposed to interest rate risk are presented in the table below:

	31.12.2019	31.12.2018
	PLN	PLN
Loans granted	57,000,000	50,903,522
Bank credits, bonds, lease	32,029,613	62,450,861
Cash	142,522,280	43,571,289
TOTAL	**231,551,893**	**156,925,673**

The above-mentioned data concerning bank loans, bonds and financial lease exposed to the risk of interest rate changes do not include series E and F bonds on which interest was secured by the aforementioned IRS-type transactions. Therefore, there is no interest rate risk for this part of the liabilities.

In order to carry out the interest rate sensitivity analysis, on the basis of historical changes in value and on the basis of the Company's knowledge and experience in the financial markets, changes in interest rates which are 'reasonably possible' were estimated at 31.12.2019 at -1 / +1 percentage point for the Polish zloty in the case of bank credits, bonds and lease liabilities, and -0.5 / +0.5 percentage point for other areas.

	Changes in interest rates	Effect on net income 2020	Effect on net income 2019
Loans granted	+/- 100 bp	+/- 461,700	+/- 412,319
Bank credits, bonds, lease	+/- 100 bp	+/- 259,440	+/- 505,852
Cash	+/- 50 bp	+/- 577,215	+/- 176,464

Credit risk

The Company's financial assets 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 related to the loss of funds held in bank accounts or deposits, the Company undertakes cooperation in this respect only with institutions of stable and reliable financial standing. At the same time, the Company's Financial Department takes steps to disperse the cash in such a way that a significant amount of it is not located in just one financial institution. Cash is sent to bank accounts maintained outside Poland only in such amounts as to secure the nearest payments, which are made from such accounts.

As at 31 December 2019, over 99% of all loans were granted to subsidiaries or associates. The remaining very small part is a loan granted to the Company's regular counterparty. When granting loans to external entities, the Company follows the general rule that they may be granted only in connection with projects implemented by the Company, if such projects have secured financing and if the loans were at least 100% covered by the established securities.

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

In determining the risk of impairment of receivables from counterparties (trade receivables increased and deposits retained by investors), the Company uses a model to estimate expected credit losses. The model uses historical data on the rotation of receivables between individual overdue baskets. On this basis, the probability of non-payment is determined for each basket. The product of the probability so calculated and the volume of receivables from a given basket determines the expected credit loss for each basket. Data on expected credit losses as at 31.12.2019 are presented in the table below:

Specification/days of delay	0	up to 90	91-180	181-360	361-720	Above 720	Total
Receivables from counterparties	148,512,584	9,743,384	9,421,981	15,989,879	30,239,797	14,984,965	228,892,591
Expected loss rate	0.25%	7.65%	9.60%	15.45%	49.98%	97.33%	14.94%
Expected loss	372,149	744,890	904,439	2,471,194	15,115,208	14,584,644	34,192,524
Deposits withheld by counterparties	63,077,683	2,420,729	4,936	478	1,514,889	884,832	67,903,545
Expected loss rate	2.53%	10.70%	77.61%	93.65%	100.00%	100.00%	6.27%
Expected loss	1,597,611	259,130	3,831	447	1,514,889	884,832	4,260,740
Contractual assets	86,549,863	-	-	-	-	-	86,549,863
Expected loss rate	0.21%	-	-	-	-	-	0.21%
Expected loss	182,137	-	-	-	-	-	182,137
Total expected loss	**2,151,897**	**1,004,020**	**908,270**	**2,471,641**	**16,630,096**	**15,469,476**	**38,635,400**

The comparative data for 2018 are presented in the specification below:

Specification/days of delay	0	up to 90	91-180	181-360	361-720	Above 720	Total
Receivables from counterparties	169,920,824	25,979,218	7,441,269	25,516,356	14,315,751	13,499,271	256,672,690
Expected loss rate	0.21%	5.90%	11.00%	15.77%	40.92%	83.48%	9.29%
Expected loss	356,828	1,532,014	818,252	4,023,330	5,857,810	11,269,001	23,857,234
Deposits withheld by counterparties	89,977,848	819,650	1,925,301	-	-	887,737	93,610,536
Expected loss rate	0.04%	0.11%	21.85%	0.0%	100.00%	100.00%	1.44%
Expected loss	37,315	926	420,615	-	-	887,737	1,346,593
Contractual assets	103,689,002	-	-	-	-	-	103,689,002
Expected loss rate	0.20%	-	-	-	-	-	0.20%
Expected loss	207,793	-	-	-	-	-	207,793
Total expected loss	**601,936**	**1,532,940**	**1,238,867**	**4,023,330**	**5,857,810**	**12,156,738**	**25,411,620**

In 2019, the Company wrote off receivables with a total value of PLN 227,782.92. In 2018, it was PLN 719,639.32. The Company's exposure to the maximum credit risk is presented in the table below:

	31.12.2019	31.12.2018
	PLN	PLN
Cash	142,522,280	43,571,289
Receivables from counterparties	240,501,118	294,419,772
Loans granted	57,239,616	51,458,189
TOTAL	**440,263,013**	**389,449,250**

Liquidity risk

In order to minimise the liquidity risk, the Company tries to maintain an adequate amount of cash (as at 31 December 2019, the Company's bank accounts had PLN 142.5 mln in cash) and concludes credit facility contracts, which serve as additional security of liquidity. In addition, it forecasts and monitors cash flows on an ongoing basis. These activities are supported by systemic solutions for determining expected revenues and measuring actual expenditures, broken down by individual business lines of the Company. The relevant services in the Company forecast cash flows over the next 12 months and analyse a very detailed statements of income and expenses over the next 30 days. If necessary, an increase in the available credit limits is negotiated in advance.

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As at 31 December 2019, the Company had available (entirely unused) credit limits in current accounts in the banks listed below:

- PKO BP S.A. in the amount of PLN 15 mln is valid until November 2020,
- BNP Paribas Bank Polska S.A. in the amount of PLN 15 mln is valid until June 2020,
- Santander Bank Polska S.A. in the amount of PLN 10 mln is valid until September 2020,
- mBank S.A. in the amount of PLN 10 mln is valid until February 2020,
- BGK in the amount of PLN 30 mln is valid until November 2020.

The Company is not afraid of losing the availability of financing despite the fact that financial institutions analyse the Company's financial results on an ongoing (quarterly) basis. The credit contracts contain provisions on maintaining minimum financial ratios, such as solvency, interest cover, capitalisation and EBITDA, which are reviewed and analysed. The Company monitors the aforementioned provisions on an ongoing basis and in good time, in order to renegotiate said limitations, in the event of an emerging possibility of "coming closer" to the required thresholds.

This provides the Company with financial security, should it meet the risks related to, among others, deterioration of the market situation, limitation of the banks' credit activity, and also makes it possible to take advantage of market opportunities (e.g. acquisitions).

The Company tries to sign contracts only with reliable, financially sound partners who have access to bank financing. Moreover, in contracts for specific construction or road work, the Company always tries to establish good performance bonds and to remove defects in the form of bank or insurance guarantees, and not in the form of its own cash retained by investors. This is possible thanks to the Company's wide access to guarantee limits both in banks and insurance companies. As at 31 December 2019, the Company had such limits in the total amount of PLN 701 mln, of which 43.8%. i.e. PLN 307 mln was unused. At the same time, in contracts with subcontractors, if possible, contractual provisions are created which condition the payments to subcontractors from the receipt of funds from the investor.

In order to finance investment purchases, the Company uses its own funds and long-term bank credits, ensuring appropriate durability of the financing structure for this type of assets. As the investment program is also implemented through Unibep S.A.'s subsidiaries (majority shares in the companies belong to Unibep S.A., or to a subsidiary: Unidevelopment S.A.), the Company grants loans for its implementation. Large residential as well as commercial projects are and will be implemented in the form of special purpose vehicles (also on the Norwegian market from 2015). New projects will be financed from the Company's own funds and from bank credits. In addition, the Company issued own bonds with a nominal value of PLN 64 mln. PLN 30 mln is due to the E series with the redemption date specified for June 2021. The remaining PLN 34 mln relates to series F with the redemption date in February 2022.

Taking into account the actions taken and described above, the financial standing of the Company and hedging with credit lines, the liquidity risk should be considered as negligible.

Ageing of the Company's liabilities as at 31 December 2019 is presented in the table below (data in PLN):

	up to 1 month	from 2 to 3	from 4 to 12	Above 1 year	TOTAL
- trade liabilities and other liabilities	129,610,683	61,451,341	1,368,257	-	**192,430,281**
- deposits from contracts with clients	24,750,392	14,089,716	13,540,307	54,912,095	**107,292,511**
- lease liabilities	519,097	1,047,003	4,530,098	19,627,510	**25,723,708**
- liabilities on credits and loans	-	-	4,036,353	-	**4,036,353**
- bond liabilities	-	899,300	2,489,300	67,492,900	**70,881,500**
- off-balance sheet liabilities (guarantees, sureties, etc.)	56,496,236	34,984,483	149,539,415	175,304,150	**416,324,284**
TOTAL	**211,376,408**	**112,471,843**	**175,503,730**	**317,336,655**	**816,688,636**

Capital management

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

The Company manages its capital structure and makes changes to it as a result of economic conditions. In order to maintain or adjust the capital structure, the Company may buy back its own shares, return capital to shareholders, issue new shares and pay dividends. In 2019, no changes were made to the objectives and process rules applicable in this area.

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

CAPITAL MANAGEMENT (PLN)

	31.12.2019	31.12.2018
Interest-bearing credits, loans and bonds	93,633,208.91	92,450,861.90
Trade liabilities and other liabilities	362,200,422.59	377,947,934.98
Cash and cash equivalents	142,522,279.80	43,571,289.15
Net debt	313,311,351.70	426,827,507.73
Equity	203,524,065.25	203,915,724.09
Net capital and debt	516,835,416.95	630,743,231.82
	60.62%	67.67%

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5. Financial instruments

CARRYING AMOUNT

The tables below present the carrying amounts of the Company's financial instruments, broken down by classes and categories of assets and liabilities.

As at 31.12.2019

Classes of financial instruments	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging instruments in cash flow hedge accounting	Total
Deposits from construction contracts	61,118,448.19	-	-95,114,548.40	-	-33,996,100.21
Trade receivables and other receivables *	187,038,797.89	-	-	-	187,038,797.89
Loans granted	58,050,719.78	-	-	-	58,050,719.78
Derivative financial instruments measured by WF	-	31,677.61	-	-	31,677.61
Derivative financial instruments in cash flow hedge accounting	-	9,462.17	-	618,771.14	628,233.31
Cash and cash equivalents	142,522,279.80		-	-	142,522,279.80
Credits, loans and other external sources of financing	-	-	-93,633,208.91	-	-93,633,208.91
Trade liabilities and other liabilities	-	-	-192,430,280.62	-	-192,430,280.62
	448,730,245.66	41,139.78	-381,178,037.93	618,771.14	68,212,118.65

*excluding receivables from advances

As at 31.12.2018

Classes of financial instruments	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging instruments in cash flow hedge accounting	Total
Deposits from construction contracts	89,801,194.04	-	-	-94,170,130.14	-	-4,368,936.10
Trade receivables and other receivables *	215,552,200.23	-	-	-	-	215,552,200.23
Loans granted	51,458,189.08	-	-	-	-	51,458,189.08
Derivative financial instruments measured by WF	-	-	-45,962.27	-	-	-45,962.27
Derivative financial instruments in cash flow hedge accounting	-	32,490.13	-	-	3,744,000.00	3,776,490.13
Cash and cash equivalents	43,571,289.15	-	-	-	-	43,571,289.15
Credits, loans and other external sources of financing	-	-	-	-92,404,899.63	-	-92,404,899.63
Trade liabilities and other liabilities	-	-	-	-216,779,764.54	-	-216,779,764.54
	400,382,872.50	32,490.13	-45,962.27	-403,354,794.31	3,744,000.00	758,606.05

*excluding receivables from advances

Derivative instruments are measured as at the balance sheet date at 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 differentials between the quoted and base currencies.

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Items of income, costs, profits and losses recognised in the statement of comprehensive income by category of financial instruments

For the period 01.01.2019 – 31.12.2019

	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Revenues/expenses from interest	3,353,066.94	268,152.21	-1,130,486.84	**2,490,732.31**
Exchange profit/loss	640,947.37	-	1,362,365.43	**2,003,312.80**
Expected credit losses (creation/release) *	-9,415,150.51	-	-	**-9,415,150.51**
Profit/loss on disposal/execution of financial instruments	-	-193,609.06	-	**-193,609.06**
Total	**-5,421,136.20**	**74,543.15**	**231,878.59**	**-5,114,714.46**

* - trade receivables and other receivables -8,976,816.25
- deposits from construction contracts -438,334.26

For the period 01.01.2018 – 31.12.2018

	Financial assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Revenues/costs from interest	3,394,487.87	-	- 4,290,808.92	**-896,321.05**
Exchange profit/loss	257,156.88	-	506,920.43	**764,077.31**
Expected credit losses (creation/release) *	- 12,918,769.90	-	-	**- 12,918,769.90**
Profit/loss on disposal/execution of financial instruments	-	- 18,328.78	-	**-18,328.78**
Total	**- 9,267,125.15**	**- 18,328.78**	**- 3,783,888.49**	**- 13,069,342.42**

* - trade receivables and other receivables -10,004,623.16
- deposits from construction contracts -2,914,146.74

Financial assets and liabilities measured at fair value

Financial assets measured at fair value

For the period from 01.01.2019 to 31.12.2019

	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value through profit or loss	-	31,677.61	-	**31,677.61**
Derivative financial instruments in cash flow hedge accounting	-	628,233.31	-	**628,233.31**
Total	-	**659,910.92**	-	**659,910.92**

For the period from 01.01.2018 to 31.12.2018

	Level 1	Level 2	Level 3	Total
Derivative financial instruments in cash flow hedge accounting	-	3,776,490.13	-	**3,776,490.13**
Total	-	**3,776,490.13**	-	**3,776,490.13**

Financial liabilities measured at fair value

For the period from 01.01.2019 to 31.12.2019

There were no financial liabilities measured at fair value

For the period from 01.01.2018 to 31.12.2018

	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value through profit or loss	-	45,962.27	-	45,962.27
Total	-	**45,962.27**	-	**45,962.27**

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Derivative financial instruments

Financial assets under measurement of derivative instruments

Exchange forward contracts

	as at 31.12.2019	as at 31.12.2018
- measured through profit or loss		
IRS	31,677.61	-
TOTAL:	**31,677.61**	**-**
- measured in hedge accounting		
Forward	628,233.31	3,776,490.13
TOTAL:	**628,233.31**	**3,776,490.13**

Financial liabilities under measurement of derivative instruments

Exchange forward contracts

	as at 31.12.2019	as at 31.12.2018
- measured through profit or loss		
IRS	-	45,962.27
TOTAL:	**-**	**45,962.27**
- measured in hedge accounting		
Forward		
TOTAL:	-	-

The total nominal value of FX-Forward-type exchange forward contracts as at 31 December 2019 was NOK 100 mln and EUR 1.8 mln (NOK 145 mln as at 31 December 2018). The periods of expected settlements related to the hedges held are presented in the table below:

Hedged currency/deadline	Q1 2020	Q3 2020	Q4 2020	TOTAL
NOK	-	50,000,000.00	50,000,000.00	100,000,000.00
EUR	1,800,000.00	-	-	1,800,000.00

Forward EUR rate 4.3822
Forward NOK (average) rate 0.4364

Financial assets under forwards and IRS transactions measured at fair value

Ageing structure

	as at 31.12.2019	as at 31.12.2018
a) less than 1 year	628,233.31	2,088,793.69
b) from 1 to 3 years	31,677.61	1,687,696.44
TOTAL:	**659,910.92**	**3,776,490.13**

Financial liabilities under forwards and IRS transactions measured at fair value

Ageing structure

	as at 31.12.2019	as at 31.12.2018
a) less than 1 year	-	45,962.27
TOTAL:	**-**	**45,962.27**

The effect of derivatives and hedging transactions on the items of the statement of profit or loss and on the statement of comprehensive income is presented below:

Statement of profit or loss

	01.01-31.12.2019	01.01-31.12.2018
Revenues from sales		-973,750.00
Financial revenues and expenses:	59,311.10	425,716.96
From the execution of derivative instruments	-18,328.78	-
from the measurement of derivative instruments	77,639.88	425,716.96
The effect of derivative instruments on the profit or loss for the period	**59,311.10**	**1,399,466.96**
Statement of comprehensive income in the part concerning other comprehensive income		
Effect of hedging transactions:	**-**	**-1,368,500.00**
Effect of measurement of hedging transactions (effective part)	-	-1,455,010.00
Reclassification to revenues from sales in connection with the execution of a hedged item	-	86,510.00
OTHER COMPREHENSIVE INCOME		

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6. Notes to the financial statements

6.1. Tangible fixed assets in use

As at 31.12.2019

	as at 31.12.2019
Own tangible fixed assets in use	20,285,244.11
Right-of-use assets	25,246,194.06
Total tangible fixed assets in use	**45,531,438.17**

Own tangible fixed assets in use

	as at 31.12.2019
Lands	1,507,713.43
Buildings, premises, civil and water engineering structures	8,823,889.33
Technical equipment and machines	7,424,942.04
Vehicles	562,171.92
Other tangible fixed assets in use	552,935.59
Tangible fixed assets under construction	1,413,591.80
Own tangible fixed assets in use	**20,285,244.11**

Right-of-use assets

	as at 31.12.2019
Lands	2,370,075.48
Buildings and premises	9,371,237.21
Technical equipment and machines	4,268,838.96
Vehicles	5,890,098.16
Other right-of-use assets	3,345,944.25
Right-of-use assets	**25,246,194.06**

As at 31.12.2018

	as at 31.12.2018
Lands	2,792,664.23
Buildings, premises, civil and water engineering structures	49,302,765.89
Technical equipment and machines	16,712,131.38
Vehicles	4,409,808.93
Other tangible fixed assets in use	4,271,942.13
Tangible fixed assets under construction	816,009.44
Tangible fixed assets in use	**78,305,322.00**

Ownership structure of tangible fixed assets in use:

	as at 31.12.2018
Own	67,944,506.05
Lease	10,360,815.95
TOTAL	78,305,322.00

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Change in own tangible fixed assets in use

For the period from 01.01.2019 to 31.12.2019

	Lands	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets in use	Own tangible fixed assets under construction	Total own tangible fixed assets in use
Opening balance of gross value	2,901,522.02	61,184,967.88	42,963,924.79	14,364,387.57	8,245,413.66	816,009.44	130,476,225.36
Application of IFRS16 for the first time	-	-	-7,093,599.12	-7,055,893.43	-2,492,761.46	-	-16,642,254.01
Increases	-	781,721.66	1,468,188.90	83,554.69	325,688.70	2,568,681.11	5,227,835.06
- purchase	-	8,566.47	997,775.97	75,319.33	325,688.70	2,568,681.11	3,976,031.58
- reception from tangible fixed assets under construction	-	773,155.19	457,392.15	-	-	-	1,230,547.34
- reception from lease	-	-	13,020.78	8,235.36	-	-	21,256.14
Decreases	1,266,019.00	47,245,775.60	13,878,244.34	3,124,270.16	3,934,279.86	1,971,098.75	71,419,687.71
- sales	-	-	301,205.00	117,898.08	-	-	419,103.08
- liquidation and other	-	1,576.00	1,383,723.22	2,143,713.90	571,135.81	-	4,100,148.93
- contribution in kind of organised part of an enterprise	1,266,019.00	47,244,199.60	12,193,316.12	862,658.18	3,363,144.05	740,551.41	65,669,888.36
- transfer to tangible fixed assets in use	-	-	-	-	-	1,230,547.34	1,230,547.34
Closing balance of gross value	1,635,503.02	14,720,913.94	23,460,270.23	4,267,778.67	2,144,061.04	1,413,591.80	47,642,118.70
Opening balance of amortisation	108,857.79	11,882,201.99	26,251,793.41	9,954,578.64	3,973,471.53	-	52,170,903.36
Application of IFRS16	-	-	-3,681,276.06	-3,176,537.73	-159,433.70	-	-7,017,247.49
Increases	18,931.80	1,720,142.54	2,727,746.65	335,920.66	631,193.20	-	5,433,934.85
- depreciation of leased assets			428,511.67	261,159.28	-	-	689,670.95
- current amortisation	18,931.80	1,720,142.54	2,299,234.98	74,761.38	631,193.20	-	4,744,263.90
Decreases:	-	7,705,319.92	9,262,935.81	3,408,354.82	2,854,105.58	-	23,230,716.13
- contribution in kind of organised part of an enterprise	-	7,703,743.92	7,763,489.73	931,462.43	1,853,895.16	-	18,252,591.24
- redemption of sold and liquidated tangible fixed assets in use	-	1,576.00	1,499,446.08	2,476,892.39	1,000,210.42	-	4,978,124.89
Closing balance of amortisation	127,789.59	5,897,024.61	16,035,328.19	3,705,606.75	1,591,125.45	-	27,356,874.59
Opening balance of revaluation write-offs	-	-	-	-	-	-	-
- increase	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-
Closing balance of revaluation write-offs	-	-	-	-	-	-	-
Opening balance of net value	2,792,664.23	49,302,765.89	13,299,808.32	530,453.23	1,938,614.37	816,009.44	68,680,315.48
Closing balance of net value	1,507,713.43	8,823,889.33	7,424,942.04	562,171.92	552,935.59	1,413,591.80	20,285,244.11

Bielsk Podlaski, 2 April 2020

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Change in right-of-use assets

For the period from 01.01.2019 to 31.12.2019

	Lands	Buildings and premises	Technical equipment and machines	Vehicles	Other right-of-use assets	Total right-of-use assets
Opening balance of gross value	7,340,433.68	-	7,093,599.12	7,055,893.43	2,492,761.46	23,982,687.69
Increases	-	9,680,595.77	3,251,457.23	7,452,283.22	2,107,500.00	22,491,836.22
- conclusion of new leases	-	9,680,595.77	3,251,457.23	7,452,283.22	2,107,500.00	22,491,836.22
- contribution in kind of organised part of an enterprise	-	-	-	-	-	-
Decreases	3,576,614.75	-	214,843.00	3,178,617.69	455,227.22	7,425,302.66
- expiration of contracts and lease assignment	-	-	214,843.00	742,002.97		956,845.97
- contribution in kind of organised part of an enterprise	3,576,614.75	-	-	2,436,614.72	455,227.22	6,468,456.69
Closing balance of gross value	3,763,818.93	9,680,595.77	10,130,213.35	11,329,558.96	4,145,034.24	39,049,221.25
Opening balance of amortisation	1,734,000.58		3,681,276.06	3,176,537.73	159,433.70	8,751,248.07
Increases	190,822.14	309,358.56	2,238,691.84	2,836,646.49	788,538.83	6,364,057.86
- current amortisation	190,822.14	309,358.56	2,238,691.84	2,836,646.49	788,538.83	6,364,057.86
Decreases:	531,079.27	-	58,593.51	573,723.42	148,882.54	1,312,278.74
- contribution in kind of organised part of an enterprise	531,079.27	-	-	573,723.42	148,882.54	1,253,685.23
- cancellation of expiration of contracts and lease assignments	-	-	58,593.51	-	-	58,593.51
Closing balance of amortisation	1,393,743.45	309,358.56	5,861,374.39	5,439,460.80	799,089.99	13,803,027.19
Opening balance of revaluation write-offs	-	-	-	-	-	-
- increase	-	-	-	-	-	-
- decrease	-	-	-	-	-	-
Closing balance of revaluation write-offs	-	-	-	-	-	-
Opening balance of net value	5,606,433.10	-	3,412,323.06	3,879,355.70	2,333,327.76	15,231,439.62
Closing balance of net value	2,370,075.48	9,371,237.21	4,268,838.96	5,890,098.16	3,345,944.25	25,246,194.06

Bielsk Podlaski, 2 April 2020

UNIBEP SA

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UNIBEP

Change in tangible fixed assets in use

For the period from 01.01.2018 to 31.12.2018

	Lands	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets in use	Tangible fixed assets under construction	Total tangible fixed assets in use
Opening balance of gross value	2,901,522.02	43,902,441.05	40,562,812.85	15,141,802.89	5,379,655.09	9,980,810.91	117,869,044.81
Increases		17,282,526.83	3,113,398.85	1,046,904.91	3,054,642.88	10,478,169.11	34,975,642.58
- purchase	-	-	1,013,298.90	150,139.52	390,552.72	10,478,169.11	12,032,160.25
- reception from tangible fixed assets under construction	-	17,282,526.83	1,851,539.95	-	508,903.80	-	19,642,970.58
- lease	-	-	248,560.00	896,765.39	2,155,186.36	-	3,300,511.75
Decreases	-	-	712,286.91	1,824,320.23	188,884.31	19,642,970.58	22,368,462.03
- sales	-	-	541,007.51	1,595,411.06	86,456.16	-	2,222,874.73
- liquidation and other	-	-	171,279.40	228,909.17	102,428.15	-	502,616.72
- transfer to tangible fixed assets in use	-	-	-	-	-	19,642,970.58	19,642,970.58
Closing balance of gross value	2,901,522.02	61,184,967.88	42,963,924.79	14,364,387.57	8,245,413.66	816,009.44	130,476,225.36
Opening balance of amortisation	89,925.99	10,449,433.77	22,837,915.38	9,612,936.03	3,386,855.81	-	46,377,066.98
Increases	18,931.80	1,432,768.22	4,123,808.22	2,104,837.16	806,959.40	-	8,487,304.80
- current amortisation	18,931.80	1,432,768.22	4,123,808.22	2,104,837.16	806,959.40	-	8,487,304.80
Decreases	-	-	709,930.19	1,763,194.55	220,343.68	-	2,693,468.42
- redemption of sold and liquidated tangible fixed assets in use	-	-	709,930.19	1,763,194.55	220,343.68	-	2,693,468.42
Closing balance of amortisation	108,857.79	11,882,201.99	26,251,793.41	9,954,578.64	3,973,471.53	-	52,170,903.36
Opening balance of revaluation write-offs	-	-	33,117.00	4,660.00	-	-	37,777.00
- decrease	-	-	33,117.00	4,660.00	-	-	37,777.00
Closing balance of revaluation write-offs	-	-	-	-	-	-	-
Opening balance of net value	2,811,596.03	33,453,007.28	17,691,780.47	5,524,206.86	1,992,799.28	9,980,810.91	71,454,200.83
Closing balance of net value	2,792,664.23	49,302,765.89	16,712,131.38	4,409,808.93	4,271,942.13	816,009.44	78,305,322.00

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Amortisation of tangible fixed assets in use was recognised in the following items of the profit and loss account:

	01.01-31.12.2019	01.01-31.12.2018
Manufacturing costs of sold products and services	10,271,978.08	7,359,141.48
residential, office and industrial construction	1,996,497.77	1,128,336.69
infrastructure	5,556,639.96	4,113,732.65
modular construction	2,718,840.35	2,117,072.14
General and administrative costs	1,437,302.24	1,010,356.12
TOTAL	**11,709,280.32**	**8,369,497.60**

Lease – supplementary data

	01.01 - 31.12.2019
Depreciation and amortisation	6,364,057.86
Interest	1,069,832.31
Total expenditure under lease contracts	7,472,186.98
Short-term lease costs	350,531.86
Low value lease costs below PLN 20 thousand	182,898.98

Until 31.12.2018, the Company, as a lessee, used the following tangible fixed assets in use under lease contracts:

As of 31.12.2018

	Initial value	Net carrying amount
Technical equipment and machines	8,693,442.81	3,905,757.25
Vehicles	8,412,752.56	4,121,730.94
Other tangible fixed assets in use	2,492,761.46	2,333,327.76
TOTAL	**19,598,956.83**	**10,360,815.95**

As at 31.12.2019, a total contractual mortgage of up to PLN 4,911,578.00 was established on fixed assets of land in connection with securing potential claims of PZU SA against UNIBEP S.A., arising from a good performance bond issued by PZU and removal of defects and faults on the Dąbrowa Białostocka – Sokółka road contract. Net value of tangible fixed assets in use constituting the collateral – PLN 3,991,177.90.

As at 31.12.2018, on tangible fixed assets in use and on the right of perpetual usufruct of land security was established for the value of PLN 37,500,000 in the form of registered pledges and mortgages for the needs of credits up to the amount of PLN 15,000,000. As of 31.12.2018, the use of the credit amounted to PLN 12,753,217.69, net value of tangible fixed assets in use constituting a collateral – PLN 36,018,678.77.

The total value of received or due indemnities in relation to those tangible fixed assets in use which were impaired or lost in the particular reporting periods amounts to:

- for the year ended 31.12.2019 – PLN 47,345.73
- for the year ended 31.12.2018 – PLN 17,738.15

As at 31.12.2019, the value of liabilities relating to purchases of tangible fixed assets in use amounted to PLN 2,026 thousand.

6.2. Intangible assets

	as at 31.12.2019	as at 31.12.2018
R&D expenses	-	51,974.26
Goodwill	5,628,983.78	5,628,983.78
Acquired concessions, patents, licences and similar assets, including:	2,659,244.49	2,988,739.04
computer software	2,231,561.27	2,729,972.26
other intangible assets, including licences	427,683.22	258,766.78
Right of perpetual usufruct of land	-	2,741,542.51
Intangible assets under construction	546,246.65	4,631,027.72
Intangible assets	**8,834,474.92**	**16,042,267.31**

UNIBEP SA

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UNIBEP

Change in the value of intangible assets

For the period 01.01.2019 - 31.12.2019

	R&D expenses	Goodwill	Computer software	Acquired concessions, licences, patents	Perpetual usufruct	Intangible assets under construction	Total
Opening balance of gross value	435,615.23	5,628,983.78	5,188,923.78	881,971.92	4,475,543.09	4,631,027.72	21,242,065.52
Increases	-	-	498,878.15	277,805.00	-	997,963.20	1,774,646.35
- purchase	-	-	131,344.43	277,805.00	-	997,963.20	1,407,112.63
- reception from intangible assets under construction	-	-	367,533.72	-	-	-	367,533.72
Decreases	435,615.23	-	1,200,024.22	201,315.26	4,475,543.09	5,082,744.27	11,395,242.07
- liquidation	108,446.94	-	61,504.46	180,535.26	-	-	350,486.66
- transfer from intangible assets under construction	-	-	-	-	-	367,533.72	367,533.72
- reclassification in accordance with IFRS 16	-	-	-	-	4,475,543.09	-	4,475,543.09
- contribution in kind of organised part of an enterprise	327,168.29	-	1,138,519.76	20,780.00	-	4,715,210.55	6,201,678.60
Closing balance of gross value	-	5,628,983.78	4,487,777.71	958,461.66	-	546,246.65	11,621,469.80
Opening balance of amortisation	383,640.97	-	2,458,951.52	623,205.14	1,734,000.58	-	5,199,798.21
Increases	42,707.95	-	579,245.68	108,888.56	-	-	730,842.19
- current amortisation	42,707.95	-	579,245.68	108,888.56	-	-	730,842.19
Decreases	426,348.92	-	781,980.76	201,315.26	1,734,000.58	-	3,143,645.52
- depreciation of the liquidated	108,446.94	-	63,963.21	180,535.26	-	-	352,945.41
- reclassification in accordance with IFRS 16	-	-	-	-	1,734,000.58	-	1,734,000.58
- contribution in kind of organised part of an enterprise	317,901.98	-	718,017.55	20,780.00	-	-	1,056,699.53
Closing balance of amortisation	-	-	2,256,216.44	530,778.44	-	-	2,786,994.88
Opening balance of net value	51,974.26	5,628,983.78	2,729,972.26	258,766.78	2,741,542.51	4,631,027.72	16,042,267.31
Closing balance of net value	-	5,628,983.78	2,231,561.27	427,683.22	-	546,246.65	8,834,474.92

For the period 01.01.2018 - 31.12.2018

	R&D expenses	Goodwill	Computer software	Acquired concessions, licences, patents	Perpetual usufruct	Intangible assets under construction	Total
Opening balance of gross value	435,615.23	5,628,983.78	4,430,573.49	837,460.77	4,475,543.09	851,500.24	16,659,676.60
Increases	-	-	758,350.29	46,273.15	-	4,315,533.23	5,120,156.67
- purchase	-	-	222,344.54	46,273.15	-	4,315,533.23	4,584,150.92
- reception from intangible assets under construction	-	-	536,005.75	-	-	-	536,005.75
Decreases	-	-	-	1,762.00	-	536,005.75	537,767.75
- liquidation	-	-	-	1,762.00	-	-	1,762.00
- transfer from intangible assets under construction	-	-	-	-	-	536,005.75	536,005.75
Closing balance of gross value	435,615.23	5,628,983.78	5,188,923.78	881,971.92	4,475,543.09	4,631,027.72	21,242,065.52
Opening balance of amortisation	318,207.30	-	1,919,974.98	528,877.86	1,570,268.18	-	4,337,328.32
Increases	65,433.67	-	538,976.54	96,089.28	163,732.40	-	864,231.89
- current amortisation	65,433.67	-	538,976.54	96,089.28	163,732.40	-	864,231.89
Decreases	-	-	-	1,762.00	-	-	1,762.00
- depreciation of the liquidated	-	-	-	1,762.00	-	-	1,762.00
Closing balance of amortisation	383,640.97	-	2,458,951.52	623,205.14	1,734,000.58	-	5,199,798.21
Opening balance of net value	117,407.93	5,628,983.78	2,510,598.51	308,582.91	2,905,274.91	851,500.24	12,322,348.28
Closing balance of net value	51,974.26	5,628,983.78	2,729,972.26	258,766.78	2,741,542.51	4,631,027.72	16,042,267.31

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Research and development relating to new products that the Company manufactures on its own.

Amortisation of intangible assets and the right of perpetual usufruct of land (applies to 2018) was recognised in the following items of the profit and loss account:

	01.01-31.12.2019	01.01-31.12.2018
Manufacturing costs of products and services sold	104,401.69	281,150.31
General and administrative costs	615,782.34	548,774.16
Total amortisation of intangible assets	**720,184.03**	**829,924.47**

Ownership structure of intangible assets

	as at 31.12.2019	as at 31.12.2018
Own	8,834,474.92	13,300,724.80
Used pursuant to rent, tenancy or another contract	-	2,741,542.51
Total ownership structure of intangible assets	**8,834,474.92**	**16,042,267.31**

As at 31 December 2019 and 31 December 2018, the Company did not have any encumbrances on intangible assets of a legal or bond nature.

The main item of intangible assets in 2019 and 2018 was goodwill arising from the acquisition of companies currently called Oddziat Infrastruktury UNIBEP S.A. in amounts, respectively: PLN 1,954,050.88 and PLN 3,674,932.90.

Oddzial Infrastruktury UNIBEP S.A. - goodwill as at 31.12.2019 amounts to PLN 5,628,983.78.
In order to determine the value in use of the acquired goodwill, a discounted cash flow (DCF) analysis was carried out for the cash generating unit to which the goodwill were allocated using a weighted average cost of capital (WACC) of 8.29%. These analyses were based on forecasts of future cash flows and planned cash inflows and outflows. The residual value for discounted cash flows was calculated on the basis of the perpetuity formula with a 1% increase.
The forecasts approved by the Company's management cover the period of 2020-2024. They take into account the planned financial results in the period, as well as assumptions concerning capital expenditures and the current situation of the Company, the order portfolio held, current production capacities and human resources. In addition, they take into account the current and projected market situation, capabilities of companies and opportunities related to acquiring new contracts for implementation. The companies analysed potential orders offered by the infrastructure investment market.
The value in use was determined as part of the Company's tests for impairment of goodwill as at 31 December 2019 and amounted to PLN 43,903 thousand.

6.3. Investment property

As at 31.12.2019 and 31.12.2018, the Company did not hold any investment property.

6.4. Trade receivables and other receivables

	as at 31.12.2019	as at 31.12.2018
Trade receivables	179,382,669.45	204,618,577.87
Receivables from tax, subsidy, customs, social security and other benefits	4,871,429.67	1,918,519.96
Other non-financial receivables	2,784,698.77	8,931,485.58
Other financial receivables	-	83,616.82
Advances granted for the supply of:	7,661,269.20	17,263,255.71
for the purchase of tangible fixed assets in use	-	727,465.58
for the purchase of goods, materials and services	7,661,269.20	16,535,790.13
Trade receivables and other receivables	**194,700,067.09**	**232,815,455.94**
Expected credit losses on receivables	34,192,523.56	23,857,233.91
TOTAL GROSS SHORT-TERM RECEIVABLES	**228,892,590.65**	**256,672,689.85**

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Trade receivables – maturing from the balance sheet date:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	115,315,794.45	115,618,065.91
b) above 1 to 3 months	31,742,845.13	51,788,058.93
c) above 3 to 6 months	3,018.34	2,154,227.56
d) above 6 months to 1 year	-	20,000.00
e) above 1 year	-	15,000.00
f) overdue receivables	32,321,011.53	35,023,225.47
NET TRADE RECEIVABLES	**179,382,669.45**	**204,618,577.87**

As at 31 December 2019, calculated in accordance with IFRS 9, the expected credit losses on trade receivables and other receivables amounted to PLN 34,192,523.56. Expenses and revenues related to the creation and release of expected credit losses are recognised from 2018 in the profit and loss account under item "Expected credit losses". The change in the balance of expected credit losses is presented in Note 6.5.

Overdue trade receivables – with breakdown by overdue receivables in the period of:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	8,093,659.73	13,743,366.60
b) above 1 to 3 months	1,395,860.88	11,771,771.24
c) above 3 to 6 months	4,251,726.19	2,840,369.76
d) above 6 months to 1 year	4,656,747.36	4,405,441.50
e) above 1 year	13,923,017.37	2,262,276.37
OVERDUE NET TRADE RECEIVABLES	**32,321,011.53**	**35,023,225.47**

	as at 31.12.2019	as at 31.12.2018
Short-term receivables	**194,700,067.09**	**232,815,455.94**
from related parties	23,447,153.69	24,762,766.38
from other entities	171,252,913.40	208,052,689.56
Expected credit losses on receivables (positive value)	34,192,523.56	23,857,233.91
Gross short-term receivables	**228,892,590.65**	**256,672,689.85**

Trade receivables and other receivables by currency are as follows:

	as at 31.12.2019	as at 31.12.2018
Receivables in PLN	**162,698,575.48**	**164,393,931.00**
Receivables in USD	616.00	616.00
Receivables in USD after conversion into PLN	**2,336.55**	**2,311.85**
Receivables in EUR	5,966,894.56	12,977,071.07
Receivables in EUR after conversion into PLN	**23,775,292.73**	**54,091,974.02**
Receivables in RUB	51,551.00	126,681.63
Receivables in RUB after conversion into PLN	**4,023.03**	**8,651.78**
Receivables in NOK	17,793,749.80	20,735,107.85
Receivables in NOK after conversion into PLN	**7,702,702.16**	**8,991,717.01**
Receivables in BYN	11,415.09	2,986,641.13
Receivables in BYN after conversion into PLN	**20,497.16**	**5,113,032.27**
Receivables in SEK	464,294.16	476,382.73
Receivables in SEK after conversion into PLN	**190,082.41**	**200,220.00**
Receivables in UAH	1,907,636.45	97,125.18
Receivables in UAH after conversion into PLN	**306,035.87**	**13,117.99**
Receivables in GBP	104.40	104.40
Receivables in GBP after conversion into PLN	**521.70**	**500.02**
TOTAL	**194,700,067.09**	**232,815,455.94**

The advances were valued according to the historical rate.

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The Company's credit risk is primarily assigned to trade receivables. The amounts presented in the balance sheet are net of estimated expected credit risk. As at the balance sheet date of 31.12.2019 and as at 31.12.2018, there were no receivables from a single external counterparty exceeding 10% of total receivables.

The risk related to this financial asset is described in paragraph 4 of these financial statements – "Financial risk management", subparagraph "Credit risk".

6.5. Revaluation write-offs and expected credit losses

EXPECTED CREDIT LOSSES

	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**25,817,266.12**	**15,086,813.22**
Trade receivables and other receivables	23,857,233.91	13,772,908.86
Deposits from construction contracts	1,346,592.80	908,258.54
Contractual assets	207,793.59	-
Loans granted	405,645.82	405,645.82
a) increases	**17,518,178.54**	**10,738,890.68**
Trade receivables and other receivables	14,508,253.92	10,092,762.83
Deposits from construction contracts	2,914,146.74	438,334.26
Contractual assets	95,777.88	207,793.59
b) decreases	**4,294,398.54**	**8,437.78**
Trade receivables and other receivables	4,050,195.03	8,437.78
Contribution in kind of organised part of an enterprise – trade receivables and other receivables	122,769.24	-
Contractual assets	63,777.66	-
Contribution in kind of organised part of an enterprise – contractual assets	57,656.61	-
TOTAL EXPECTED CREDIT LOSSES	**39,041,046.12**	**25,817,266.12**
Trade receivables and other receivables	34,192,523.56	23,857,233.91
Deposits from construction contracts	4,260,739.54	1,346,592.80
Contractual assets	182,137.20	207,793.59
Loans granted	405,645.82	405,645.82

REVALUATION WRITE-OFFS

	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**1,240,450.00**	**1,440,086.28**
Tangible fixed assets in use	-	37,777.00
Inventory	248,550.00	364,409.28
Cash	991,900.00	1,037,900.00
a) increases	-	-
b) decreases	**214,287.94**	**199,636.28**
Tangible fixed assets in use	-	37,777.00
Inventory	-	115,859.28
Contribution in kind of organised part of an enterprise – Inventory	118,550.00	-
Cash	95,737.94	46,000.00
TOTAL REVALUATION WRITE-OFFS	**1,026,162.06**	**1,240,450.00**
Inventory	130,000.00	248,550.00
Cash	896,162.06	991,900.00

6.6. Inventory

	as at 31.12.2019		as at 31.12.2018
Materials	13,693,439.21		21,822,425.54
Semi-finished products and work in progress		1,768,272.90	2,542,085.64
Finished products		3,314,342.63	8,656,279.38
Goods		38,298.78	38,298.78
GROSS INVENTORY VALUE	**18,814,353.52**		**33,059,089.34**
Revaluation write-offs on inventory		130,000.00	248,550.00
NET INVENTORY VALUE	**18,684,353.52**		**32,810,539.34**

Information on revaluation write-offs on inventory is presented in Note 6.5.

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As at 31.12.2019 and 31.12.2018, there was no collateral provided on inventory.
In 2019 and 2018, borrowing costs were not capitalised in inventory.
No sales/usage of inventory not covered by the write-off is expected in the period longer than by 31.12.2020.
In the period from 01.01.2019 to 31.12.2019, the amount of PLN 3,285 thousand relating to materials was recognised in the costs of own sales. The amount of PLN 29,867 thousand from sales of products was recognised in the manufacturing costs of products and services sold.

As at 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Total
Gross inventory value	3,324,894.75	10,368,544.46	145,151.05	4,975,763.26	18,814,353.52
Revaluation write-offs on inventory	-	-	130,000.00	-	130,000.00
Net inventory value	3,324,894.75	10,368,544.46	15,151.05	4,975,763.26	18,684,353.52

As at 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Total
Gross inventory value	3,116,866.36	11,190,744.69	145,151.05	18,606,327.24	33,059,089.34
Revaluation write-offs on inventory	-	-	130,000.00	118,550.00	248,550.00
Net inventory value	3,116,866.36	11,190,744.69	15,151.05	18,487,777.24	32,810,539.34

6.7. Cash and cash equivalents

	as at 31.12.2019	as at 31.12.2018
Cash in PLN	**104,999,078.14**	**17,542,400.83**
Cash in EUR	8,180,999.15	3,599,845.34
Cash in EUR after conversion into PLN	**34,838,784.88**	**15,479,334.96**
Cash in USD	82,793.36	5,358.31
Cash in USD after conversion into PLN	**314,424.35**	**20,145.64**
Cash in RUB	14,669,883.63	17,611,536.23
Cash in RUB after conversion into PLN	**896,329.89**	**952,784.11**
Cash in NOK	4,910,122.79	23,272,003.76
Cash in NOK after conversion into PLN	**2,121,173.05**	**10,065,141.62**
Cash in BYN	36,973.92	216,487.36
Cash in BYN after conversion into PLN	**66,571.54**	**381,342.49**
Cash in UAH	91,617.29	24,396.46
Cash in UAH after conversion into PLN	**14,677.09**	**3,310.60**
Cash in SEK	411,006.43	282,620.56
Cash in SEK after conversion into PLN	**167,402.92**	**118,728.90**
TOTAL	**143,418,441.86**	**44,563,189.15**
Revaluation write-off on cash	896,162.06	991,900.00
Cash and cash equivalents	**142,522,279.80**	**43,571,289.15**

Cash at bank bears interest at variable rates. Short-term deposits are made for various periods, depending on the Company's current demand for cash and are subject to interest rates set for them. As at the balance sheet date of 31.12.2019, the fair value of cash and cash equivalents amounted to PLN 142,522,279.80. The disclosed revaluation write-off on cash resulted from the Company's estimates of the possibility of payment of funds accumulated on accounts in OAO AKB "Probizniesbank" – in bankruptcy. UNIBEP S.A. reported its claims and they were accepted and confirmed by the receiver. By 31.12.2019, the receiver paid PLN 207,849.60, whereas in 2019 the amount paid was PLN 51,478.84.
The risk related to this asset is described in paragraph 4 of the Financial Risk Management report.

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6.8. Prepayments

Long-term prepayments

	as at 31.12.2019	as at 31.12.2018
Insurance	2,401,135.45	1,992,231.37
Other	207,610.96	241,712.71
Long-term prepayments	**2,608,746.41**	**2,233,944.08**

Short-term prepayments

	as at 31.12.2019	as at 31.12.2018
Insurance	1,499,207.22	1,337,992.49
Other	853,698.00	515,457.47
Short-term prepayments	**2,352,905.22**	**1,853,449.96**

6.9. Loans granted

As at 31.12.2019

Name of the borrower	Contract date	Amount granted	Repayment date	Closing balance
Klimar Plus Sp. z o.o.	11.06.2018	961,822.70	15.12.2018	22,330.47
Unidevelopment S.A.	21.07.2016	30,000,000.00	30.06.2022	30,554,976.26
Unidevelopment S.A.	17.09.2018	20,000,000.00	31.05.2021	19,999,633.87
Unidevelopment S.A.	23.04.2019	12,000,000.00	15.02.2022	6,999,551.32
Gemich AS	17.09.2015	NOK 5,000,000.00 / 2,160,000.00	30.06.2020	474,227.86
TOTAL				58,050,719.78

As at 31.12.2018

Name of the borrower	Contract date	Amount granted	Repayment date	Closing balance
Klimar Plus Sp. z o.o.	11.06.2018	961,822.70	15.12.2018	990,751.91
Unidevelopment S.A.	21.07.2016	30,000,000.00	30.06.2019	30,001,170.93
Unidevelopment S.A.	17.09.2018	20,000,000.00	31.05.2021	19,999,166.09
Gemich AS	17.09.2015	NOK 5,000,000.00 / 2,162,500.00	31.05.2018	467,100.15
TOTAL				51,458,189.08

As at 31.12.2019, granted loans amounted to: short-term PLN 496,558.33, long-term 57,554,161.45.

The expected credit losses on loans granted amount to PLN 405,645.82.
The risk management of this asset is described in paragraph 4 of these financial statements.

6.10. Capitals

Share capital as at 31.12.2019 amounts to PLN 3,507,063.40.

The Company's share capital is divided into 35,070,634 (in words: thirty-five million, seventy thousand, six hundred and thirty-four) shares with a nominal value of PLN 0.10 per share.

All shares of the Company are dematerialised and traded on the regulated market of the Warsaw Stock Exchange.

The ownership structure of share capital as at the individual balance sheet dates presented in the financial statements is presented in the tables below.

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As at 31.12.2019

SHAREHOLDER	Number of shares held as at the balance sheet date	Share nominal value	Share in the capital at the balance sheet date (%)
Zofia Mikołuszko	8,800,000	880,000.00	25.09
Beata Maria Skowrońska	5,650,000	565,000.00	16.11
Wojciech Stajkowski	2,500,000	250,000.00	7.13
Bożenna Lachocka	2,500,000	250,000.00	7.13
AVIVA OFE AVIVA BZ WBK	3,418,920	341,892.00	9.75
PKO BP Bankowy OFE	2,098,756	209,875.60	5.98
NN OFE SA	2,142,359	214,235.90	6.11
Free float	5,960,599	596,059.90	17.00
Own shares (1)(2)	2,000,000	200,000.00	5.70
TOTAL	**35,070,634**		**100.00**

(1) 1,000,000 own shares were purchased on 7 February 2017, of which the Company informed in current report no. 10/2017.
(2) 1,000,000 own shares were purchased on 29 May 2019, of which the Company informed in current report no. 28/2019.

As at 31.12.2018

SHAREHOLDER	Number of shares held as at the balance sheet date	Share nominal value	Share in the capital at the balance sheet date (%)
Zofia Mikołuszko	8,800,000	880,000.00	25.09
Zofia Iwona Stajkowska	5,000,000	500,000.00	14.26
Beata Maria Skowrońska	5,650,000	565,000.00	16.11
AVIVA OFE AVIVA BZ WBK	3,418,920	341,892.00	9.75
NN OFE SA	2,142,359	214,235.90	6.11
PKO BP Bankowy OFE	2,098,756	209,875.60	5.98
Free float	6,960,599	696,059.90	19.85
Own shares (1)	1,000,000	100,000.00	2.85
TOTAL	**35,070,634**		**100.00**

(1) Own shares were acquired on the basis of Resolution No. 1 of the Management Board of the Company of 20 January 2017 on the purchase by the Company of own shares for redemption and Resolution No. 20 of the Ordinary General Meeting of Shareholders of Unibep S.A. of 18 May 2016 on the creation and use of reserve capital.

The shareholding composition as at the publication date of this report is presented in the table below:*

SHAREHOLDER	Number of shares held	Percentage of the share capital (%)	Number of votes	Percentage of the total number of votes (%)
Zofia Mikołuszko	8,800,00025.09		8,800,000	25.09
Beata Maria Skowrońska	5,650,00016.11		5,650,000	16.11
Wojciech Stajkowski	2,500,000	7.13	2,500,000	7.13
Bożenna Lachocka	2,500,000	7.13	2,500,000	7.13
AVIVA OFE AVIVA BZ WBK	3,418,920	9.75	3,418,920	9.75
PKO BP Bankowy OFE	2,098,756	5.98	2,098,756	5.98
Free float	6,602,958	18.83	6,602,958	18.83
Own shares (1), (2), (3)	3,500,000	9.98	3,500,000	9.98
TOTAL	**35,070,634**	**100.00**	**35,070,634**	**100.00**

** Based on information provided to the Issuer pursuant to Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the "MAR Regulation" and the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading of 29 July 2005, as amended.*
(1) 1,000,000 own shares were purchased on 7 February 2017, of which the Company informed in current report no. 10/2017.
(2) 1,000,000 own shares were purchased on 29 May 2019, of which the Company informed in current report no. 28/2019.
(3) 1,500,000 own shares purchased on 27 February 2020 on the basis of the Resolution of the Company's Management Board of 4 February 2020 on the buy-back of own shares, Resolution No. 32 of the Ordinary General Meeting Shareholders of the Company of 13 June 2017 on authorising the Company's Management Board to purchase own shares and adopting the UNIBEP S.A. own share buy-back programme, amended by Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company of 28 February 2019 and Resolution No. 33 of the Ordinary General Meeting of Shareholders of the Company of 13 June 2017 on increasing the amount of the reserve capital from the funds coming from the reserve capital for the buy-back of own shares, amended by Resolution No. 5 of the Extraordinary General Meeting of Shareholders of the Company of 28 February 2019.

The supplementary capital from the sales of shares above their nominal value, presented in the statements of financial position and in the statement of changes in equity, was created as a result of:
- issue of the Company's shares on the Warsaw Stock Exchange – PLN 57,113,921.99,
- sales of own shares – PLN 2,312,569.03,
- acquisition of shares under the Incentive Scheme – PLN 2,727,270.

On the basis of the Resolution no. 20 of the Ordinary General Meeting of Shareholders of 12 June 2019, net profit for 2018 in the amount of PLN 9,042,481.10 was divided as follows:
1. the amount of PLN 7,275,539.48 was allocated to dividend for shareholders,
2. The amount of PLN 1,766,941.62 was allocated to reserve capital.

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Own shares held by the Company were excluded from the dividend payment.

In 2019, the reserve capital allocated for the buy-back of own shares was reduced by PLN 6,837,000.00 in connection with the buy-back of 1,000,000 shares.

The specification of other equity items is presented in the tables below:

Other capitals

	as at 31.12.2019	as at 31.12.2018
Other capitals, including:	**183,427,986.35**	**203,345,543.31**
Reserve capital	28,263,000.00	35,100,000.00
Supplementary capital	64,696,488.19	74,908,910.29
Supplementary capital from sales of shares at premium	62,153,761.02	62,153,761.02
Revaluation reserve	28,314,737.14	31,182,872.00

Revaluation reserve includes:
- Capital from exchange of shares in subsidiaries PLN 28,884,090.00,
- actuarial gains (losses) on defined benefit plans PLN -1,070,557.00,
- effective part of changes in fair value of cash flows hedges in hedge accounting PLN 501,204.14.

	as at 31.12.2019	as at 31.12.2018
Net profit (loss) brought forward	-	-11,979,363.72
Current net profit (loss)	16,589,015.50	9,042,481.10
Retained profit (loss)	**16,589,015.50**	**-2,936,882.62**

6.11. Limitations to transferring the title to securities

At present, there are no limitations known 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.

6.12. Credits, loans and other financial liabilities

	as at 31.12.2019	as at 31.12.2018
Credits, loans and other financial liabilities – long-term	**80,724,050.73**	**51,646,140.53**
Liabilities on loans	-	7,253,153.67
Liabilities on bank overdrafts	-	9,427,342.27
Lease liabilities	19,120,454.75	6,393,884.00
Liabilities on bonds	61,603,595.98	28,571,760.59
Credits, loans and other financial liabilities – short-term	**12,909,158.18**	**40,804,721.37**
Liabilities on credits	-	3,325,875.42
Liabilities on loans	3,987,804.64	1,818,108.73
Lease liabilities	5,751,165.08	3,460,383.70
Liabilities on bonds	3,170,188.46	32,154,391.25
Financial liabilities measured at fair value through profit or loss	-	45,962.27
TOTAL	**93,633,208.91**	**92,450,861.90**

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LONG-TERM LIABILITIES ON CREDITS 31.12.2019

As at 31.12.2019, the Company did not have any long-term liabilities on loans.

LONG-TERM LIABILITIES ON CREDITS 31.12.2018

Bank name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
ING Bank Śląski S.A.	PLN 15,000,000.00	9,427,342.27	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the Land and Mortgage Register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW No. BI1P/00093484/6, KW No. BI1P/00092594/3, KW No. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW No. BI1P/00043080/9, KW No. BI1P/00055499/6, KW No. BI1P/00101524/9, KW No. BI1P/00012039/1, KW No. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
TOTAL:		9,427,342.27				

SHORT-TERM LIABILITIES ON CREDITS 31.12.2019

Bank name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
PKO BP S.A.	PLN 15,000,000.00	PLN 0.00	WIBOR 1M + margin	30.11.2020	transfer of receivables from contracts	overdraft working capital facility
Santander Bank Polska S.A.*	PLN 10,000,000.00	PLN 0.00	WIBOR O/N + margin	21.09.2020	transfer of receivables from contracts	overdraft working capital facility
BNP Paribas Bank Polska S.A.	PLN 15,000,000.00	PLN 0.00	WIBOR 1M + margin	30.06.2020	transfer of receivables from contracts	overdraft working capital facility
mBank S.A.	PLN 10,000,000.00	PLN 0.00	WIBOR 1M + margin	25.02.2020	transfer of receivables from contracts	overdraft working capital facility
Bank Gospodarstwa Krajowego	PLN 30,000,000.00	PLN 0.00	WIBOR 1M + margin	17.11.2020	transfer of receivables from contracts	overdraft working capital facility
TOTAL:		**PLN 0.00**				

*Bank overdraft drawn on Santander Bank Polska S.A. for the amount of 10,000,000.00 to be repaid on 21.09.2020 is to be used jointly by Unibep S.A. and Unihouse S.A.

Bielsk Podlaski, 2 April 2020

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SHORT-TERM LIABILITIES ON CREDITS 31.12.2018

Bank name	Amount of credit	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of credit
PKO BP S.A.	PLN 15,000,000.00	0.00	WIBOR 1M + margin	30.09.2019	transfer of receivables from contracts	overdraft working capital facility
Santander Bank Polska S.A.	PLN 10,000,000.00	0.00	WIBOR O/N + margin	21.09.2019	transfer of receivables from contracts	overdraft working capital facility
BGŻ BNP Paribas S.A.	PLN 10,000,000.00	0.00	WIBOR 1M + margin	07.03.2019	transfer of receivables from contracts	overdraft working capital facility
mBank S.A.	PLN 10,000,000.00	0.00	WIBOR 1M + margin	12.02.2019	transfer of receivables from contracts	overdraft working capital facility
Bank Gospodarstwa Krajowego	PLN 30,000,000.00	0.00	WIBOR 1M + margin	17.11.2019	transfer of receivables from contracts	overdraft working capital facility
BGŻ BNP Paribas S.A.	PLN 10,000,000.00	0.00	WIBOR 1M + margin	30.09.2019	transfer of receivables from contracts	overdraft working capital facility
ING Bank Śląski S.A.	PLN 15,000,000.00	3,325,875.42	WIBOR 1M + margin	22.10.2022	total contractual mortgage up to the amount of PLN 22,500,000.00 on land property situated in Bielsk Podlaski, Al. Pilsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW No. BI1P/00093484/6, KW No. BI1P/00092594/3, KW No. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW No. BI1P/00043080/9, KW No. BI1P/00055499/6, KW No. BI1P/00101524/9, KW No. BI1P/00012039/1, KW No. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	investment credit
TOTAL:		3,325,875.42				

Credits granted, but not used as at 31.12.2019 amounted to PLN 80,000,000.00.

Credits granted, but not used as at 31.12.2018 amounted to PLN 100,000,000.00.

LONG-TERM LIABILITIES ON LOANS 31.12.2019

As at 31.12.2019, the Company did not have any long-term liabilities on loans.

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LONG-TERM LIABILITIES ON LOANS 31.12.2018

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 7,253,153.67	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15.000.000,00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW No. BI1P/00093484/6, KW No. BI1P/00092594/3, KW No. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW No. BI1P/00043080/9, KW No. BI1P/00055499/6, KW No. BI1P/00101524/9, KW No. BI1P/00012039/1, KW No. BI1P/00078166/0, KW no. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for all risks of construction of the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 7,253,153.67				

SHORT-TERM LIABILITIES ON LOANS 31.12.2019

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
Numbel Holdings Limited	€ 3,000,000.00 / PLN 12,775,500.00	€ 936,434.11 / PLN 3,987,804.64	2.5 %	30.06.2020	no collateral information in the contract	loan
TOTAL:		PLN 3,987,804.64				

SHORT-TERM LIABILITIES ON LOANS 31.12.2018

Lender name	Amount of the loan	Value as at the balance sheet date	Terms of interest rate	Repayment date	Security	Type of loan
ING Bank Śląski S.A.	PLN 10,000,000.00	PLN 1,818,108.73	WIBOR 1M + margin	29.12.2023	total contractual mortgage up to the amount of PLN 15.000.000,00 on land property situated in Bielsk Podlaski, Al. Piłsudskiego, owned by the client, entered in the land and mortgage register KW no. BI1P/00102032/0 kept by the District Court in Bielsk Podlaski; land property located in Bielsk Podlaski, ul. Rejonowa, owned by the client, covered by the land and mortgage registers KW No. BI1P/00093484/6, KW No. BI1P/00092594/3, KW No. BI1P/00041684/9, kept by the District Court in Bielsk Podlaski; real property located in Bielsk Podlaski, being in perpetual usufruct of the Client, covered by the land and mortgage register KW No. BI1P/00043080/9, KW No. BI1P/00055499/6, KW No. BI1P/00101524/9, KW No. BI1P/00012039/1, KW No. BI1P/00078166/0, KW No. BI1P/00079567/8 kept by the District Court in Bielsk Podlaski; assignment of rights under the insurance policy for the collateral subject described above; blank promissory note	corporate loan
TOTAL:		PLN 1,818,108.73				

On 1.11.2019, the credit in ING Bank Śląski S.A. for the amount of PLN 9,996,000.00 and the loan in ING Bank Śląski S.A. for the amount of PLN 7,568,000.00 were transferred to the subsidiary Unihouse S.A. as a contribution in kind of organised part of an enterprise.

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ISSUED BONDS AS AT 31.12.2019

Name of the liability	Issue amount PLN	Value as at the balance sheet date PLN	Terms of interest rate	Issue date	Redemption date
Series E bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces, PLN 100.00 each	30,106,576.07	WIBOR 6M + margin	06.06.2018	06.06.2021
Series F bonds, 3-year, unsecured, interest bonds	PLN 34,000,000.00 / 340,000 pieces, PLN 100.00 each	34,667,208.37	WIBOR 6M + margin	15.02.2019	15.02.2022
		64,773,784.44			

ISSUED BONDS AS AT 31.12.2018

Name of the liability	Issue amount PLN	Value as at the balance sheet date PLN	Terms of interest rate	Issue date	Redemption date
Series D bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces, PLN 100.00 each	30,618,459.56	WIBOR 6M + margin	08.07.2016	08.07.2019
Series E bonds, 3-year, unsecured, interest bonds	PLN 30,000,000.00 / 300,000 pieces, PLN 100.00 each	30,107,692.28	WIBOR 6M + margin	06.06.2018	06.06.2021
		60,726,151.84			

Series E bonds and series F bonds are listed on the Catalyst market operated by the Warsaw Stock Exchange as part of the alternative trading system.
Interest payment date of series E bonds: 06.06.2020, 06.12.2020, 06.06.2021.
Interest payment date of series F bonds: 15.02.2020, 15.08.2020, 15.02.2021, 15.08.2021, 15.02.2022.

The maturity structure of credits, loans and long-term bonds is as follows:

	as at 31.12.2019	as at 31.12.2018
a) above 1 year to 3 years	61,603,595.98	38,872,222.35
b) above 3 year to 5 years	-	6,380,034.18
TOTAL	**61,603,595.98**	**45,252,256.53**

Credits and long-term bonds were measured using the adjusted acquisition price method.

The contractual maturity structure of undiscounted cash flows from credits, loans and bonds is as follows:

As at 31.12.2019

	Carrying amount	Undiscounted contractual cash flows
a) up to 1 year	7,157,993.10	7,424,952.54
b) above 1 year to 3 years	61,603,595.98	67,492,900.00
TOTAL	**68,761,589.08**	**74,917,852.54**

As at 31.12.2018

	Carrying amount	Undiscounted contractual cash flows
a) up to 1 year	37,298,375.40	38,607,321.68
b) above 1 year to 3 years	38,872,222.35	43,390,821.40
c) above 3 years to 5 years	6,380,034.18	6,529,735.20
TOTAL	**82,550,631.93**	**88,527,878.28**

In the reporting period, none of the credit contracts was terminated and there was no demand for early redemption of bonds.

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6.13. Lease

The Company has concluded lease contracts concerning the use of land, commercial premises, vehicles and machines.

As at 31.12.2019

	Lease liabilities
a) less than 1 year	5,751,165.08
b) from 1 year to 5 years	12,596,808.06
c) above 5 years	6,523,646.69
TOTAL	**24,871,619.83**

As at 31.12.2018

	Minimum lease payments	Current value of minimum lease payments
a) less than 1 year	3,750,135.19	3,460,383.70
b) from 1 year to 5 years	6,533,677.61	6,393,884.00
Lease liabilities	**10,283,812.80**	**9,854,267.70**
- including future financial expenses on financial lease	-429,545.10	-
Current value	**9,854,267.70**	**9,854,267.70**

6.14. Provisions

Employee benefit liabilities recognised in the statements of financial position:

	as at 31.12.2019	as at 31.12.2018
Retirement severance pay	**1,979,219.41**	**2,540,846.00**
current value of the liability as at the balance sheet date	1,979,219.41	2,540,846.00
Disability severance pay	**140671.00**	**192841.00**
current value of the liability as at the balance sheet date	140,671.00	192,841.00
Liabilities on retirement and disability benefits, including:	**2,119,890.41**	**2,733,687.00**
- long-term part	1,919,453.40	2,497,759.99
- short-term part	200,437.01	235,927.01

Changes in the liability on retirement and disability benefits are presented in the table below:

	as at 31.12.2019	as at 31.12.2018
Opening balance of current value of liability	**2,733,687.00**	**2,203,683.01**
interest expenses	70,797.00	68,542.00
current employment costs	455,439.67	359,235.44
benefits paid	-162,876.26	-88,082.45
contribution in kind of organised part of an enterprise	-1,392,834.00	-
actuarial profit/loss, including those arising from:	415,677.00	190,309.00
- adjustments of actuarial assumptions ex post	336,828.00	-11,820.00
- changes in demographic assumptions	-94,863.00	-78,660.00
- changes in financial assumptions	173,712.00	280,789.00
Closing balance of current value of liability	**2,119,890.41**	**2,733,687.00**

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The charges to the account on retirement and disability benefits are as follows:

	as at 31.12.2019	as at 31.12.2018
employment value	455,439.67	359,235.44
interest expenses	70,797.00	68,542.00
Expenses recognised in the profit and loss account	**526,236.67**	**427,777.44**
actuarial profit/loss recognised in the period	415,677.00	190,309.00
Expenses recognised in other comprehensive income	**415,677.00**	**190,309.00**
including costs of employee benefits recognised in the profit and loss account under:		
- manufacturing costs	422,895.96	299,652.72
- general and administrative costs	103,340.71	128,124.72

The actuarial assumptions are based on the following parameters for the years 2018-2019:

- discount rate in 2019 1.99%
- discount rate in 2018 2.73%
- the planned long-term increase in the Company's remuneration base in 2020 and subsequent years is 2.5%

The actuarial projection of the current values of the Company's future liabilities towards its employees as at 31.12.2020 is as follows:

ITEM/BENEFIT	Retirement severance pay	Disability severance pay	Total
current value of the liability as at the balance sheet date 31.12.2019	1,979,216	140,671	2,119,890
current value of the liability as at the balance sheet date 31.12.2020	2,112,580	155,370	2,267,950
including:			
short-term part	137,934	20,953	158,887
long-term part	1,974,646	134,417	2,109,063

The projection of the amount of provisions for employee benefits as at 31.12.2020 presented above is only indicative. The amount of liabilities as at the above date in accordance with IAS 19 may differ significantly from the above forecast, in particular due to the failure to take into account actuarial profits and losses, which will be known only at the date of creating a provision.

According to IAS 19, the amount of the provision for the above date should take into account any significant change in assumptions that occurs in the meantime, in particular significant changes in the structure, current workforce, the emergence of new employees, actual rather than projected salary increases, turnover levels, discounts, etc.

In estimating the forecast, it was assumed that, at the time the forecast is expected to be made, the entity's employees will be neither those who have reached retirement age by that time nor those who have already received their retirement or disability severance pay. If these assumptions are not fully met, a deviation of the above forecast from the actual amount of future provisions should also be expected.

Sensitivity analysis of reserves

The discount rate, the salary increase rate and the rotation rate are key actuarial assumptions that affect the provisions for employee benefits. The choice of the discount rate is related to the current situation on the treasury bond market, while the choice of the planned remuneration increases reflects the Company's strategy in terms of shaping the remuneration policy in the future. In addition, the balance of provisions for employee benefits is affected by the employee turnover rate depending on the historical turnover of the Company's employees.

In accordance with IAS 19, the Company discloses a sensitivity analysis for each significant actuarial assumption at the end of the reporting period, showing what effect changes in the relevant actuarial assumptions would have on the liability.

The results of the calculations are as follows as at 31.12.2019:

PARAMETER / BENEFIT	Retirement severance pay	Disability severance pay	Unused holiday leaves	Total
Initial amounts of provisions	1,979,219.00	140,671.00	3,480,850.00	5,600,740.00
Turnover coefficient -1.0%	2,093,756.00	148,767.00	3,480,850.00	5,723,373.00
Turnover coefficient +1.0%	1,878,713.00	133,395.00	3,480,850.00	5,492,958.00
Technical discount rate -1.00%	2,264,049.00	152,725.00	3,480,850.00	5,897,624.00
Technical discount rate +1.00%	1,749,250.00	130,287.00	3,480,850.00	5,360,387.00
base increases				
Remuneration in the Company -1.0%	1,964,942.00	139,691.00	3,480,850.00	5,585,483.00
Remuneration in the Company +1.0%	1,999,730.00	141,924.00	3,480,850.00	5,622,504.00
Minimum remuneration -1.0%	1,772,351.00	131,669.00	3,480,850.00	5,384,870.00
Minimum remuneration +1.0%	2,233,379.00	151,115.00	3,480,850.00	5,865,344.00

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The results of the calculations are as follows as at 31.12.2018:

PARAMETER / BENEFIT	Retirement severance pay	Disability severance pay	Unused holiday leaves	Total
Initial amounts of provisions	2,540,846.00	192,841.00	4,924,172.00	7,657,859.00
Turnover coefficient -1.0%	2,688,230.00	203,970.00	4,924,172.00	7,816,372.00
Turnover coefficient +1.0%	2,411,777.00	182,784.00	4,924,172.00	7,518,733.00
Technical discount rate -1.00%	2,912,031.00	209,300.00	4,924,172.00	8,045,503.00
Technical discount rate +1.00%	2,241,009.00	178,668.00	4,924,172.00	7,343,849.00
base increases				
Remuneration in the Company -1.0%	2,523,497.00	191,634.00	4,924,172.00	7,639,303.00
Remuneration in the Company +1.0%	2,564,745.00	194,396.00	4,924,172.00	7,683,313.00
Minimum remuneration -1.0%	2,266,829.00	180,336.00	4,924,172.00	7,371,337.00
Minimum remuneration +1.0%	2,876,104.00	207,297.00	4,924,172.00	8,007,573.00

The last measurement of an independent actuary was performed as at 31 December 2019.

	01.01-31.12.2019	01.01-31.12.2018
OPENING BALANCE OF OTHER LONG-TERM PROVISIONS	**27,135,772.93**	**24,598,277.40**
Warranty repairs	26,593,272.93	23,241,797.40
Disputes	542,500.00	1,356,480.00
a) Increases	**8,933,315.83**	**12,366,209.40**
Warranty repairs	8,933,315.83	11,823,709.40
Disputes	-	542,500.00
b) Use	**542,500.00**	**-**
Disputes	542,500.00	-
c) Release	**7,252,312.03**	**9,828,713.87**
Warranty repairs – transfer to short-term	7,252,312.03	8,472,233.87
Disputes – transfer to short-term	-	1,356,480.00
CLOSING BALANCE OF OTHER LONG-TERM PROVISIONS	**28,274,276.73**	**27,135,772.93**
Warranty repairs	28,274,276.73	26,593,272.93
Disputes	-	542,500.00

	01.01-31.12.2019	01.01-31.12.2018
OPENING BALANCE OF OTHER SHORT-TERM PROVISIONS	**104,388,293.28**	**99,184,709.65**
Employee benefits	12,317,435.62	14,072,515.03
Warranty repairs	3,951,130.76	4,020,415.73
Planned losses in long-term contracts	1,824,740.23	7,673,982.26
Costs of subcontractors	84,886,753.21	69,750,021.76
Disputes	898,342.46	3,104,084.87
Other costs	509,891.00	563,690.00
a) Increases	**783,830,437.13**	**762,258,266.92**
Employee benefits	19,167,527.66	10,909,803.32
Warranty repairs	7,252,312.03	8,472,233.87
Planned losses in long-term contracts	-	901,730.04
Costs of subcontractors	755,677,519.90	739,436,980.99
Disputes	669,857.54	1,676,695.70
Other costs	1,063,220.00	860,823.00
b) Use	**765,900,021.43**	**757,054,683.29**
Employee benefits	15,773,228.80	12,664,882.73
Warranty repairs	7,121,375.57	8,541,518.84
Planned losses in long-term contracts	1,711,334.29	6,750,972.07
Costs of subcontractors	740,635,191.77	724,300,249.54
Disputes	-	3,882,438.11
Other costs	658,891.00	914,622.00
c) Other decreases	**1,903,237.94**	**-**
Contribution in kind of organised part of an enterprise – employee benefits	1,761,049.47	-
Contribution in kind of organised part of an enterprise – planned losses in long-term contracts	27,808.47	-
Contribution in kind of organised part of an enterprise – costs of subcontractors	114,380.00	-
CLOSING BALANCE OF OTHER SHORT-TERM PROVISIONS	**120,415,471.04**	**104,388,293.28**
Employee benefits	13,950,685.01	12,317,435.62
Warranty repairs	4,082,067.22	3,951,130.76
Planned losses in long-term contracts	85,597.47	1,824,740.23
Costs of subcontractors	99,814,701.34	84,886,753.21
Disputes	1,568,200.00	898,342.46
Other costs	914,220.00	509,891.00

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6.15. Trade liabilities and other liabilities

Short-term trade liabilities and other liabilities:

	as at 31.12.2019	as at 31.12.2018
Trade liabilities	174,789,841.82	179,234,730.73
Liabilities on tax, customs, insurance	9,332,340.72	24,201,509.53
Payroll liabilities	991,399.65	1,868,408.55
Accruals	4,953,799.43	10,388,057.49
Special funds	13,474.42	12,243.12
Other liabilities	2,349,424.58	1,074,815.12
Trade liabilities and other liabilities	**192,430,280.62**	**216,779,764.54**

Trade liabilities – maturing:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	103,667,468.62	90,435,059.76
b) above 1 to 3 months	43,810,902.49	40,818,235.95
c) above 3 to 6 months	1,364,723.09	2,731,160.03
d) above 6 months to 1 year	3,533.50	12,638.45
f) overdue liabilities	25,943,214.12	45,237,636.54
TRADE LIABILITIES	**174,789,841.82**	**179,234,730.73**

Overdue trade liabilities:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	21,152,875.02	41,416,198.85
b) above 1 to 3 months	3,534,026.76	2,355,690.50
c) above 3 to 6 months	691,248.57	720,344.48
d) above 6 months to 1 year	436,952.46	436,119.94
e) above 1 year	128,111.31	309,282.77
OVERDUE TRADE LIABILITIES	**25,943,214.12**	**45,237,636.54**

Short-term liabilities - currency structure

	as at 31.12.2019	as at 31.12.2018
Liabilities in PLN	**174,377,246.09**	**193,524,281.84**
Liabilities in RUB	307.60	6,963,802.72
Liabilities in RUB after conversion into PLN	**18.79**	**382,809.56**
Liabilities in EUR	2,446,361.16	2,884,030.29
Liabilities in EUR after conversion into PLN	**10,417,829.02**	**12,401,330.25**
Liabilities in UAH	9,804,778.72	0.90
Liabilities in UAH after conversion into PLN	**1,570,725.26**	**0.12**
Liabilities in NOK	13,312,878.49	6,111,791.88
Liabilities in NOK after conversion into PLN	**5,753,011.11**	**2,643,349.99**
Liabilities in SEK	317,366.97	329,252.00
Liabilities in SEK after conversion into PLN	**129,263.57**	**138,318.77**
Liabilities in BYN	101,186.77	4,365,412.44
Liabilities in BYN after conversion into PLN	**182,186.78**	**7,689,674.01**
TOTAL	**192,430,280.62**	**216,779,764.54**

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6.16. Current and deferred income tax

Deferred income tax assets and provisions are created based on the rate of 19% due to the assumed possibility of settling a significant part of assets and provisions in the Polish CIT, also with respect to foreign markets for positive and negative temporary differences concerning assets and liabilities.

Changes in deferred income tax assets and provisions by title are as follows:

For the period 01.01.2019 – 31.12.2019

	Opening balance of assets	Creation/ (use) of an asset through the profit and loss account	Creation/ (use) of an asset through other comprehensive income	Other changes	Closing balance of assets
Provision for warranty repairs	5,803,437.00	344,268.00	-	-	6,147,705.00
Provision for employee benefits	2,898,766.00	603,876.00	-	-	3,502,642.00
Provision for costs of subcontractors	18,102,214.00	1,826,103.00	-	-	19,928,317.00
Provision for liabilities	13,285.00	152,243.00	-	-	165,528.00
Contracts (decrease in revenues)	4,218,879.00	787,543.00	-	-	5,006,422.00
Contracts - provision for losses	175,372.00	-325,154.00	-	171,329.00	21,547.00
Production not completed for tax purposes	8,811,847.00	-4,979,681.00	-	1,257,648.00	5,089,814.00
Unrealised foreign exchange losses	498,349.00	39,341.00	-	-	537,690.00
Unpaid interest	35,589.00	-13,839.00	-	-	21,750.00
Receivables discounting	418,049.00	11,706.00	-	-	429,755.00
Write-off of other assets	2,228,850.00	4,054,712.00	-	595,963.00	6,879,525.00
Difference between tax and carrying amount of inventory	47,225.00	-	-	-	47,225.00
Measurement of derivative instruments	20,804.00	31,188.00	-	-	51,992.00
Measurement of credits, loans, bonds, promissory notes	137,969.00	9,050.00	-	-	147,019.00
Tax loss	11,242,147.00	-4,754,544.00	-	-	6,487,603.00
Actuarial profits and losses accounted for in the revaluation capital	172,140.00	-	78,978.00	-	251,118.00
Asset - contribution in kind of organised part of an enterprise	0.00	-	-	-1,113,870.00	-1,113,870.00
Effect of application of IFRS 9 for the first time	595,963.00	-	-	-595,963.00	-
Effect of application of IFRS 15 for the first time	1,428,977.00	-	-	-1,428,977.00	-
Other titles	108,055.00	-6,932.00	-	-	101,123.00
Total	**56,957,917.00**	**-2,220,120.00**	**78,978.00**	**-1,113,870.00**	**53,702,905.00**

For the period 01.01.2018 – 31.12.2018

	Opening balance of assets	Creation/ (use) of an asset through the profit and loss account	Creation/ (use) of an asset through other comprehensive income	Other changes	Closing balance of assets
Provision for warranty repairs	5,179,820.00	623,617.00	-	-	5,803,437.00
Provision for employee benefits	3,192,170.00	-293,404.00	-	-	2,898,766.00
Provision for costs of subcontractors	15,248,954.00	2,853,260.00	-	-	18,102,214.00
Provision for liabilities	81,961.00	-68,676.00	-	-	13,285.00
Contracts (decrease in revenues "-")	2,492,175.00	1,726,704.00	-	-	4,218,879.00
Contracts - provision for losses	1,458,057.00	-1,282,685.00	-	-	175,372.00
Production not completed for tax purposes	9,690,859.00	-879,012.00	-	-	8,811,847.00
Unrealised foreign exchange losses	1,012,017.00	-513,668.00	-	-	498,349.00
Unpaid interest	376,875.00	-341,286.00	-	-	35,589.00
Receivables discount	591,496.00	-173,447.00	-	-	418,049.00
Write-off of other assets	204,379.00	2,024,471.00	-	-	2,228,850.00
Difference between tax and carrying amount of inventory	69,238.00	-22,013.00	-	-	47,225.00
Measurement of derivative instruments	241,502.00	-220,698.00	-	-	20,804.00
Measurement of credits, loans, bonds, promissory notes	137,478.00	491.00	-	-	137,969.00
Tax loss	9,198,447.00	2,043,700.00	-	-	11,242,147.00
Actuarial profits and losses accounted for in the revaluation capital	135,981.00	-	36,159.00	-	172,140.00
Effect of application of IFRS 9 for the first time	-	-	-	595,963.00	595,963.00
Effect of application of IFRS 15 for the first time	-	-	-	1,428,977.00	1,428,977.00
Other titles	125,387.00	-17,332.00	-	-	108,055.00
Total	**49,436,796.00**	**5,460,022.00**	**36,159.00**	**2,024,940.00**	**56,957,917.00**

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For the period 01.01.2019 – 31.12.2019

	Opening balance of provisions	Creation/ (use) of a provision through the profit and loss account	Creation/ (use) of a provision through other comprehensive income	Other changes	Closing balance of provisions
Contracts (increase in revenues "+")	20,525,425.00	778,330.00	-	-785,034.00	20,518,721.00
Lease (net value of fixed assets – lease liability)	193,929.00	-98,876.00	-	-	95,053.00
Liabilities discount	2,168,109.00	145,704.00	-	-	2,313,813.00
Penalties accrued, but not received	1,951,909.00	586,258.00	-	-	2,538,167.00
Interest not received	116,762.00	34,521.00	-	-	151,283.00
Unrealised foreign exchange gains	298,898.00	-29,728.00	-	-	269,170.00
Measurement of bonds, credits, loans, promissory notes	7,573.00	102,797.00	-	-	110,370.00
Measurement of derivative instruments	23,171.00	36,637.00	-	-	59,808.00
Difference between tax and carrying amount of fixed assets	2,168,758.00	-543,672.00	-	-	1,625,086.00
Provision – contribution in kind of organised part of an enterprise	-	-	-	-4,306,643.00	-4,306,643.00
Effect of application of IFRS 15 for the first time	-785,034.00	-	-	785,034.00	-
Revaluation capital – measurement of derivative instruments	711,360.00	-	-593,793.00	-	117,567.00
Total	27,380,860.00	1,011,971.00	-593,793.00	-4,306,643.00	23,492,395.00

For the period 01.01.2018 – 31.12.2018

	Opening balance of provisions	Creation/ (use) of a provision through the profit and loss account	Creation/ (use) of a provision through other comprehensive income	Other changes	Closing balance of provisions
Contracts (increase in revenues "+")	17,606,823.00	2,918,602.00	-	-	20,525,425.00
Lease (net value of tangible fixed assets in use – lease liability)	321,037.00	-127,108.00	-	-	193,929.00
Liabilities discount	1,471,049.00	697,060.00	-	-	2,168,109.00
Penalties accrued, but not received	389,169.00	1,562,740.00	-	-	1,951,909.00
Interest not received	524,943.00	-408,181.00	-	-	116,762.00
Unrealised foreign exchange gains	536,432.00	-237,534.00	-	-	298,898.00
Measurement of bonds, credits, loans, promissory notes	54,904.00	-47,331.00	-	-	7,573.00
Measurement of derivative instruments	268,879.00	-245,708.00	-	-	23,171.00
Difference between tax and carrying amount of fixed assets	2,191,718.00	-22,960.00	-	-	2,168,758.00
Effect of application of IFRS 15 for the first time	-	-	-	-785,034.00	-785,034.00
Revaluation capital – measurement of derivative instruments	1,279,935.00	-	-568,575.00	-	711,360.00
Total	24,644,889.00	4,089,580.00	-568,575.00	-785,034.00	27,380,860.00

INCOME TAX RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

	01.01-31.12.2019	01.01-31.12.2018
Current income tax	**1,162,460.06**	**4,462,516.32**
Relating to the financial year	1,162,460.06	4,462,516.32
Deferred income tax	**4,948,442.00**	**-1,286,633.00**
Related to the emergence and reversal of temporary differences	4,948,442.00	-1,286,633.00
Tax burden recognised in the profit and loss account	**6,110,902.06**	**3,175,883.32**
Effective tax rate	19.13%	21.04%

	01.01.-31.12.2019	01.01.-31.12.2018
Current income tax	-	-
Deferred income tax	**672,771.00**	**604,734.00**
Net profit/loss tax on revaluation of cash flow hedges	593,793.00	568,575.00
Actuarial profits and losses under defined benefit plan recognised in accordance with paragraph 128 of IAS 19 Employee benefits	78,978.00	36,159.00
Tax advantage/(tax burden) recognised in other comprehensive income	**672,771.00**	**604,734.00**
Deferred income tax recognised in retained earnings	-	**2,809,974.00**
Effect of application of IFRS 9 for the first time	-	595,963.00
Effect of application of IFRS 15 for the first time	-	2,214,011.00
Tax advantage/(tax burden) recognised in retained earnings	-	**2,809,974.00**

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Tax rates in the markets where the Company operates are as follows:
Republic of Belarus – 18%
Ukraine – 18%
Kingdom of Norway – 22%
Kingdom of Sweden – 22%

When creating the deferred tax asset related to tax losses in the above amount, the Company estimated the probability of generating such tax income within the next 5 years, which would allow for the settlement of tax losses. The estimation was made on the basis of financial plans and historical values within the scope of activity taxation.

The Company recognises a tax loss asset of PLN 6,617 thousand, including a loss on the German market of PLN 4,104 thousand. Unibep S.A. has individual interpretations by the Director of National Tax Information confirming the Company's position that a loss incurred on the German market may be deductible in the CIT tax settlement. The issue to be resolved are the detailed rules for determining the amount of loss to be deducted for each year. In this respect, on 02.08.2019, the Company filed a cassation appeal with the Supreme Administrative Court against the judgement of the Voivodship Administrative Court in Białystok.
Since 1 April 2019, the Company has been in the process of tax inspection in Germany for the years 2014-2016 in the area of corporate tax, tax on goods and services and tax on industrial and commercial activities. On 24 February 2020, the Company received a proposal for a protocol. In the document's summary, the inspector suggested the possibility of changing to a cost-oriented method of determining the facility's result for income tax purposes in Germany, without, however, indicating detailed rules for its application or the estimated result. The Company, in cooperation with advisers at home and through and with the support of a consulting firm representing Unibep, provided explanations, data and documentation during the inspection to confirm the method used for tax settlements in Germany. In response to the proposal of the inspection protocol, the adviser informed the inspector that she did not see any justification for the change of the previous method of accounting, which was adequate to the profile and manner of conducting business activity on the territory of Germany. The correctness of the applied method was confirmed earlier by the results of the German VAT inspection authorities.

Since 21.10.2019, the Tax Inspectorate of the Republic of Belarus has been conducting an inspection at the Representative Office of Unibep S.A. in Minsk for the correctness of tax settlements for the period September 2015-April 2019. The inspection concerned value added tax and business income tax. On 11.11.2019, the Company received an inspection report confirming the correctness of tax settlements in Belarus made by Unibep S.A.
Generally, the Company recognises that tax settlements and other settlements (i.a. under employment, customs, transactions with foreign entities) are and may in the future be subject to inspection by Polish and foreign tax authorities as well as other central and local offices and institutions, which are entitled to impose significant penalties. The arrears revealed as a result of the inspection are encumbered with interest. Tax and other settlements mentioned above may be subject to inspection at any time within 5 years from the end of the financial year to which they relate, and on foreign markets – up to 10 years.
Tax risk, both in Poland and on foreign markets, occurs and we treat it as typical in our business activity. The Company reduces the tax risk abroad by using the services of specialised and accredited in a given country tax and accounting offices, as well as audit firms and law firms.

6.17. Contractual assets and liabilities

For the period 01.01.2019 – 31.12.2019

	Opening balance	Change in the valuation of long-term contracts	Revenues recognised in the current period included in the balance of previous year's liabilities	Change in the period during which entitlement to remuneration becomes unconditional	Advance payments received for executed contracts	Closing balance
Valuation of long-term contracts	103,689,002.08	34,796,660.12	-	-51,935,799.29	-	86,549,862.91
Contractual assets	**103,689,002.08**	**34,796,660.12**	**-**	**-51,935,799.29**		**86,549,862.91**
Advance payments received from contracts with clients	44,410,206.31	-	-44,089,643.57	-	48,917,789.23	49,238,351.97
Valuation of long-term contracts	22,204,628.87	22,887,041.80	-21,006,505.12	-	-	24,085,165.55
Contractual liabilities	**66,614,835.18**	**22,887,041.80**	**-65,096,148.69**		**48,917,789.23**	**73,323,517.52**

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For the period 01.01.2018 – 31.12.2018

	Opening balance	Change in the valuation of long-term contracts	Revenues recognised in the current period included in the balance of previous year's liabilities	Change in the period during which entitlement to remuneration becomes unconditional	Advance payments received for executed contracts	Closing balance
Valuation of long-term contracts	92,667,489.94	103,689,002.08	-	-92,667,489.94	-	103,689,002.08
Contractual assets	**92,667,489.94**	**103,689,002.08**	**-**	**-92,667,489.94**	**-**	**103,689,002.08**
Advance payments received from contracts with clients	-	-	-	-	44,410,206.31	44,410,206.31
Valuation of long-term contracts	13,116,711.37	22,204,628.87	-13,116,711.37	-	-	22,204,628.87
Contractual liabilities	**13,116,711.37**	**22,204,628.87**	**-13,116,711.37**	**-**	**44,410,206.31**	**66,614,835.18**

The Company recognises revenues from construction contracts in accordance with the percentage of completion method, measured by the share of costs incurred from the date of contract conclusion to the date of revenue determination in the total costs of service provision. If it is probable that the total contract costs will exceed the total revenues, the expected loss is charged to operating expenses.

	as at 31.12.2019	as at 31.12.2018
The total amount of the transaction price attributed to the provision of service which remained unfulfilled at the end of the reporting period, to be provided during the period:	1,290,503,000.73	1,644,361,484.20
a) up to 1 year	993,355,710.36	1,187,088,671.66
b) above 1 year	297,147,290.37	457,272,812.54
Total	**1,290,503,000.73**	**1,644,361,484.20**

6.18. Deposits from contracts with clients

	as at 31.12.2019	as at 31.12.2018
Retained by recipients – to be returned after 12 months	35,861,119.55	47,488,708.94
Retained by recipients – to be returned within 12 months	25,257,328.64	42,312,485.10
Total net deposits from construction contracts retained by recipients	**61,118,448.19**	**89,801,194.04**
Revaluation write-off of receivables from deposits	4,260,739.54	1,346,592.80
Total deposits from construction contracts retained by recipients after gross revaluation write-off	**65,379,187.73**	**91,147,786.84**
Retained from suppliers - to be returned after 12 months	48,678,009.94	48,254,099.08
Retained from suppliers - to be returned within 12 months	46,436,538.46	45,916,031.06
Total deposits from construction contracts retained from suppliers	**95,114,548.40**	**94,170,130.14**

DISCOUNT

	as at 31.12.2019	as at 31.12.2018
Discount of deposits from construction contracts retained by recipients	2,261,869.03	2,200,260.36
Discount of deposits from construction contracts retained from suppliers	12,177,962.40	11,411,101.43

The expected credit losses on deposits as at 31.12.2019 amount to PLN 4,260,739.54. Information on expected credit losses on the deposit is presented in Note 6.5.
Deposits on construction contracts are subject to discounting (receivables 1.41%, liabilities in PLN 5.29% and in currency 1.92%) and are disclosed in the balance sheet at amortised cost. The tables show the effects of discounting recognised in the Company's balance sheet and profit and loss account for particular periods. The discount amounts given decrease the nominal value of receivables from and liabilities on deposits, respectively. In addition, deferred tax is recognised in the balance sheet at the amounts given, calculated at the applicable tax rate and on the effect of the change in the discount value in the profit and loss account.

As at 31 December 2019, the largest deposits retained by one recipient amounted to 36.38 % (7.60 % for one project) of all the receivables from deposits. As at 31 December 2018, the largest deposits retained by one recipient amounted to 33.04% (11.27% for one project) of all the receivables from deposits.

The table below presents the aging analysis of past due deposits, but not impaired, at their nominal value after discounting.

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Deposits due from construction contracts, past due, unpaid in the period:

	as at 31.12.2019	as at 31.12.2018
a) up to 1 month	671,121.84	418,528.67
b) above 1 to 3 months	2,425,664.50	1,042,591.07
c) above 3 to 6 months	-	1,702,360.05
d) above 6 months to 1 year	-	-
e) above 1 year	1,816,384.22	3,400.37
Total past due deposits from construction contracts	**4,913,170.56**	**3,166,880.16**

6.19. Deferred income

	as at 31.12.2019	as at 31.12.2018
Received subsidies	-	466,351.93
Right of perpetual usufruct	18,546.09	142,369.53
Deferred income – long-term	**18,546.09**	**608,721.46**
Right of perpetual usufruct	23,970.72	45,755.54
Other	-	1,869.16
Deferred income – short-term	**23,970.72**	**47,624.70**

UNIBEP SA

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards *(amounts in the tables are expressed in PLN unless otherwise stated)*

6.20. Information on operating segments

SEGMENT REPORTING AS AT 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Total
Revenues from contracts with clients	1,094,576,947.06	287,528,078.82	-	1,382,105,025.88
external sale	*1,094,576,947.06*	*287,528,078.82*	-	*1,382,105,025.88*
Costs of products, goods and materials sold	1,036,267,385.51	257,434,585.41	3,259.21	1,293,705,230.13
Gross profit on sales	**58,309,561.55**	**30,093,493.41**	**-3,259.21**	**88,399,795.75**
% of gross profit on sales	5.33	*10.47*	*0.00*	*6.40*
General and administrative costs		X		39,751,789.22
Result on other operating activities		X		-10,975,571.73
Profit on operating activities		X		**37,672,434.80**
Financial revenues				4,400,953.39
including: interest revenues	2,900,375.42	33,198.44	-	2,933,573.86
derivative instruments	81,379.60	-	-	81,379.60
Financial expenses				10,129,401.67
including: interest expenses	4,931,252.22	546,721.58	5,074.98	5,483,048.78
derivative instruments	22,068.50	-	-	22,068.50
Profit before tax		X		31,943,986.52
Income tax		X		6,110,902.06
Net profit (loss) on continuing operations		X		**25,833,084.46**
Net profit (loss) on discontinued operations		X		**-9,244,068.96**
Net profit (loss)		X		**16,589,015.50**

In connection with the contribution in kind of organised part of an enterprise to Unihouse S.A. subsidiary, the operating segment of modular activity is treated as discontinued operations.

SEGMENT REPORTING AS AT 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Total
Revenues from contracts with clients	1,111,198,159.65	252,887,921.59	685,693.52	1,364,771,774.76
external sale	*1,111,198,159.65*	*252,887,921.59*	*685,693.52*	*1,364,771,774.76*
Costs of products, goods and materials sold	1,081,497,484.38	241,167,284.66	716,902.56	1,323,381,671.60
Gross profit on sales	**29,700,675.27**	**11,720,636.93**	**-31,209.04**	**41,390,103.16**
% of gross profit on sales	*2.67*	*4.63*	*-4.55*	*3.03%*
Selling costs		X		10,962.00
General and administrative costs		X		31,971,664.14
Result on other operating activities		X		-855,375.61
Profit on operating activities		X		**8,552,101.41**
Financial revenues				12,693,895.62
including: interest revenues	2,732,783.21	1,469.98	-	2,734,253.19
derivative instruments	-479,181.64	-	-	-479,181.64
Financial expenses				6,150,381.63
including: interest expenses	4,716,014.43	277,973.90	10.60	4,993,998.93
derivative instruments	160,177.26	-	-	160,177.26
Profit before tax		X		**15,095,615.40**
Income tax		X		3,175,883.32
Net profit (loss) on continuing operations		X		**11,919,732.08**
Net profit (loss) on discontinued operations		X		**-2,877,250.98**
Net profit (loss)		X		**9,042,481.10**

Bielsk Podlaski, 2 April 2020

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UNIBEP

As at 31.12.2019

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Amounts not allocated to segments	Total
Assets	373,120,890.19	82,456,705.09	117,339.76	20,487,577.16	334,027,339.54	810,209,851.74
Total assets	**373,120,890.19**	**82,456,705.09**	**117,339.76**	**20,487,577.16**	**334,027,339.54**	**810,209,851.74**
Equity	-	-	-	-	203,524,065.25	203,524,065.25
Liabilities	404,241,225.92	91,477,458.09	75,101.00	42,628,489.61	68,263,511.87	606,685,786.49
Total liabilities	**404,241,225.92**	**91,477,458.09**	**75,101.00**	**42,628,489.61**	**271,787,577.12**	**810,209,851.74**
Depreciation and amortisation	3,839,410.92	5,641,167.94	-	-		9,480,578.86

As at 31.12.2018

	Residential, office and industrial construction	Infrastructure	Real property development activities	Modular constructions	Amounts not allocated to segments	Total
Assets	389,745,356.72	127,290,621.72	49,108.96	109,572,286.61	182,571,246.33	809,228,620.34
Total assets	**389,745,356.72**	**127,290,621.72**	**49,108.96**	**109,572,286.61**	**182,571,246.33**	**809,228,620.34**
Equity	-	-	-	-	203,915,724.09	203,915,724.09
Liabilities	375,989,653.27	61,631,411.32	102,762.70	85,557,815.91	82,031,253.05	605,312,896.25
Total liabilities	**375,989,653.27**	**61,631,411.32**	**102,762.70**	**85,557,815.91**	**285,946,977.14**	**809,228,620.34**
Depreciation and amortisation	2,473,978.38	4,292,791.79	-	-	-	6,766,770.17

In 2019, the Company did not obtain revenues from individual external customers exceeding 10% of total revenues.

In 2018, the Company generated revenues from one client exceeding 10% of its total revenues under transactions with external customers for the amount of:

Client	Revenue from one client exceeding 10% of the Company's total revenues
1	196,732,159.19
Total	**196,732,159.19**

Revenues were generated entirely from the capacity construction segment in Poland.

The cost of obtaining information on revenues from external clients for particular products and services included in the segments is associated with excessive cost of obtaining such revenues.

Bielsk Podlaski, 2 April 2020

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Information on geographical areas

Period ended on 31.12.2019

	Revenues from external clients	Fixed assets*
Country	**1,166,588,314.64**	**53,735,256.26**
Export, including:	**215,516,711.24**	**630,656.83**
Scandinavia	-	229,324.80
including: Norway	-	229,324.80
CIS (Russia, Belarus)	215,516,711.24	401,332.03
Total	**1,382,105,025.88**	**54,365,913.09**

Period ended on 31.12.2018

	Revenues from external clients	Fixed assets*
Country	**1,150,697,675.24**	**45,456,600.15**
Export, including:	**214,074,099.52**	**48,890,989.16**
Scandinavia	-	48,607,482.28
including: Norway	-	48,607,482.28
CIS (Russia, Belarus)	213,993,840.68	277,419.75
Germany	80,258.84	-
Total	**1,364,771,774.76**	**94,347,589.31**

*Fixed assets, i.e. tangible fixed assets in use, intangible assets,

The geographical distribution of revenues from sales corresponds to the location of clients and is consistent with the Company's internal organisational structure.

The distribution of the total amount of fixed assets and capital expenditures corresponds to their use in the activities of each of the territorial segments.

6.21. Revenues from contracts with clients

NET REVENUES FROM SALES OF PRODUCTS AND SERVICES (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)

	01.01-31.12.2019	01.01-31.12.2018
Total revenues from sales of products – country	**1,163,392,582.27**	**1,147,372,708.66**
Sales of construction services	1,162,112,144.76	1,146,522,876.67
Sales of other services	1,280,437.51	849,831.99
Total revenues from sales of products – export	**215,516,718.33**	**214,074,099.52**
Sales of construction services	215,516,718.33	214,074,099.52
Net revenues from sales of products and services	**1,378,909,300.60**	**1,361,446,808.18**

NET REVENUES FROM SALES OF PRODUCTS AND MATERIALS (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)

	01.01-31.12.2019	01.01-31.12.2018
Sales of goods – country	**-**	**685,693.52**
Real property development activities	-	685,693.52
Sales of materials – country	3,195,725.28	2,639,273.06
Construction activities	3,195,725.28	2,639,273.06
Net revenues from sales of goods and materials	**3,195,725.28**	**3,324,966.58**

Breakdown of revenues by client category

	01.01-31.12.2019	01.01-31.12.2018
Public client	374,856,210.84	355,099,561.82
Private client	1,007,248,815.04	1,009,672,212.94
Revenues from contracts with clients	**1,382,105,025.88**	**1,364,771,774.76**

Breakdown of revenues by price category

	01.01-31.12.2019	01.01-31.12.2018
Lump sum	1,325,783,729.57	1,293,080,855.00
Cost estimation	56,321,296.31	71,690,919.76
Revenues from contracts with clients	**1,382,105,025.88**	**1,364,771,774.76**

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6.22. Costs by type

	01.01-31.12.2019	01.01-31.12.2018
Depreciation and amortisation	9,480,578.86	6,766,770.17
Consumption of materials and energy	348,607,686.86	356,955,055.24
External services	917,879,355.93	955,591,988.59
Taxes and charges	2,026,418.72	2,186,843.73
Remuneration	80,396,533.06	70,183,151.43
Social security and other benefits	17,967,570.42	15,498,027.65
Other costs by type	8,378,829.67	9,792,322.21
Total costs by type	**1,384,736,973.52**	**1,416,974,159.02**
Change in inventory, products, accruals and prepayments	14,505,119.99	24,885,000.74
Manufacturing cost of products for internal purposes	-68,851,806.44	-89,893,459.75
Selling costs	-	-10,962.00
General and administrative costs	-39,751,789.22	-31,971,664.14
Manufacturing costs of products and services sold	**1,290,638,497.85**	**1,319,983,073.87**

6.23. Other revenues, operating expenses, expected credit losses

OTHER OPERATING REVENUES

	01.01-31.12.2019	01.01-31.12.2018
Profit on disposal of non-financial fixed assets	745,345.92	332,228.47
Released provisions and revaluation write-offs	193,195.50	861,637.84
Written-off liabilities	1,792,440.89	1,126,860.86
Penalties and damages	773,232.55	1,367,498.19
Other	1,198,689.83	630,018.56
Other operating revenues	**4,702,904.69**	**4,318,243.92**

OTHER OPERATING EXPENSES

	01.01-31.12.2019	01.01-31.12.2018
Provision for liabilities	-	249,702.00
Costs of disputable issues	1,275,184.96	1,048,910.34
Damage to property and compensation	1,190,272.60	1,880,015.38
Other	126,272.28	655,522.28
Other operating expenses	**2,591,729.84**	**3,834,150.00**

EXPECTED CREDIT LOSSES

	01.01-31.12.2019	01.01-31.12.2018
Trade receivables	10,198,256.23	693,341.68
Deposits from contracts with clients	2,914,146.74	438,334.26
Contractual assets	-25,656.39	207,793.59
Loans granted	-	-
Expected credit losses	**13,086,746.58**	**1,339,469.53**

The valuation models used did not indicate any need to change the value of expected credit losses on loans granted.

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6.24. Financial revenues and expenses

FINANCIAL REVENUES

	01.01-31.12.2019	01.01-31.12.2018
Interest:	4,016,070.97	4,546,460.57
including, interest calculated using the effective interest rate	4,016,070.97	4,542,653.52
interest on loans granted	2,860,910.61	2,669,432.06
interest on promissory notes	-	7,538.80
interest on receivables	44,355.11	49,113.81
measurement of credits, loans and bonds	553,824.43	-288,630.79
measurement of a promissory note	-	12,844.03
interest revenues from deposit	528,833.85	2,086,240.34
bank interest	28,308.14	6,115.27
other interest	-	3,807.05
Other financial revenues	723,259.69	8,229,093.81
Financial revenues	**4,739,330.66**	**12,775,554.38**

Other financial revenues

	01.01-31.12.2019	01.01-31.12.2018
Foreign exchange gains	-	1,550,448.36
Other, including:	723,259.69	6,678,645.45
execution of derivative instruments	3,739.72	-
measurement of derivative instruments	77,639.88	-452,240.42
commissions on financial operations	641,586.09	688,385.87
dividend	-	6,442,500.00
other	294.00	-
Total other financial revenues	**723,259.69**	**8,229,093.81**

FINANCIAL EXPENSES

	01.01-31.12.2019	01.01-31.12.2018
Interest, including:	8,956,047.09	5,506,448.42
interest on credits, loans and bonds	4,276,762.83	3,922,868.10
interest on lease	944,178.63	271,701.07
measurement of credits, loans and bonds	52,559.84	- 31,273.19
interest on liabilities	38,492.10	640,971.25
Interest expenses on deposit	3,420,438.47	477,969.21
other	223,615.22	224,211.98
Total other financial expenses	1,511,731.85	725,591.97
Financial expenses	**10,467,778.94**	**6,232,040.39**

Other financial expenses

	01.01-31.12.2019	01.01-31.12.2018
Foreign exchange losses	712,983.19	-
Other, including:	798,748.66	725,591.97
commissions	559,707.88	463,185.91
execution of derivative instruments	22,068.50	193,609.06
measurement of derivative instruments		-37,710.70
other	216,972.28	106,507.70
Total other financial expenses	**1,511,731.85**	**725,591.97**

6.25. Profit (loss) per share

	as at 31.12.2019	as at 31.12.2018
Number of ordinary shares as at	33,070,634.00	34,070,634.00
Weighted average number of shares in the period	33,478,853.18	34,070,634.00
Number of dilutive ordinary shares	-	-
Total number of shares	33,070,634.00	34,070,634.00
Net profit (loss) on continuing operations	25,833,084.46	11,919,732.08
Net profit per share on continuing operations	0.78	0.35
Net profit (loss) on discontinued operations	-9,244,068.96	-2,877,250.98
Net profit per share on discontinued operations	-0.28	-0.08

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6.26. Investment expenditure incurred

INVESTMENT EXPENDITURE

	as at 31.12.2019	as at 31.12.2018
Tangible fixed assets in use:	3,976,031.58	12,032,160.25
buildings, premises, civil and water engineering structures	8,566.17	7,301,715.92
technical equipment and machines	997,776.27	2,864,838.85
vehicles	75,319.33	150,139.52
other tangible fixed assets in use	325,688.70	899,456.52
tangible fixed assets under construction	2,568,681.11	816,009.44
Intangible assets	1,407,112.63	4,584,150.92
TOTAL	**5,383,144.21**	**16,616,311.17**

6.27. Discontinued operations

On 01.11.2019, UNIBEP S.A. made a contribution in kind of organised part of an enterprise to its subsidiary UNIHOUSE S.A. in exchange for taking up new issue shares. The organised part of an enterprise applied to UNIBEP S.A.
The value of assets and liabilities transferred in the form of an in-kind contribution is presented in the table below.

	as at 01.11.2019
ASSETS OF AN ORGANISED PART OF AN ENTERPRISE	
LONG-TERM FIXED ASSETS	
Tangible fixed assets in use	52,201,896.98
Intangible assets	5,142,520.32
Long-term prepayments	118,693.88
Total (long-term) fixed assets	**57,463,111.18**
SHORT-TERM CURRENT ASSETS	
Inventory	5,520,900.89
Trade receivables and other receivables	5,721,199.56
Contractual assets	21,203,610.95
Short-term prepayments	589,039.91
Cash and cash equivalents	30,055,667.07
Total (short-term) current assets	**63,090,418.38**
TOTAL ASSETS	**120,553,529.56**

	as at 01.11.2019
LIABILITIES OF AN ORGANISED PART OF AN ENTERPRISE	
Total equity	-
Long-term liabilities	
Credits, loans and other financial liabilities – long-term	14,748,231.12
Long-term provisions	1,350,093.00
Deposits from contracts with clients	27,753.01
Deferred income – long-term	924,536.72
Deferred tax liability	3,192,773.00
Total long-term liabilities	**20,243,386.85**
Short-term liabilities	
Trade liabilities and other liabilities	4,799,828.92
Deposits from contracts with clients	34,836.91
Contractual liabilities	39,266,208.30
Credits, loans and other financial liabilities – short-term	5,748,678.74
Short-term provisions	1,945,979.21
Deferred revenues – short-term	21,786.00
Total short-term liabilities	**51,817,318.08**
TOTAL LIABILITIES	**72,060,704.93**

In connection with the contribution in kind of organised part of an enterprise, the Company recognised Investments in other entities in the amount of 48,492,824.63.

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PROFIT AND LOSS ACCOUNT ON DISCONTINUED ACTIVITIES

	01.01-31.12.2019	01.01-31.12.2018
Operating activities		
Revenues from contracts with clients, including:	***154,659,743.87***	***138,943,995.84***
from sales transactions for which the value of revenues was not finally determined as at the end of the reporting period (IFRS 15)	*11,970,593.90*	*-19,305,941.12*
Costs of products, goods and materials sold	***154,538,548.26***	***134,194,243.89***
Gross profit (loss) on sales	***121,195.61***	***4,749,751.95***
Selling costs	-	-
General and administrative costs	*5,005,808.66*	*5,966,845.06*
Other operating revenues	*650,616.33*	*2,271,559.88*
Other operating expenses	*5,081,689.96*	*2,894,485.62*
Expected credit losses	*328,036.87*	*1,107,508.80*
Profit (loss) on operational activities	***-9,643,723.55***	***-2,947,527.65***
Financial revenues, including:	*320,836.75*	*-586,075.51*
revenues on interest calculated using the effective interest rate method	*178,455.92*	*78,320.38*
Financial expenses	*865,094.28*	*-952,566.44*
Pre-tax profit (loss)	***-10,187,981.08***	***-2,581,036.72***
Income tax	*- 943,912.12*	*296,214.26*
Profit (loss) on discontinued operations	***-9,244,068.96***	***-2,877,250.98***

	01.01-31.12.2019	01.01-31.12.2018
Net profit (loss) on discontinued operations	**-9,244,068.96**	**-2,877,250.98**
Other comprehensive income on discontinued operations to be reclassified to profit or loss upon fulfilment of specified conditions:		
Effective portion of changes in fair value of cash flows hedges	-3,125,228.86	-1,623,999.96
Deferred tax related to items of other comprehensive income	593,793.00	308,560.00
Other comprehensive income not to be reclassified to profit or loss:		
Actuarial profits (losses) on defined benefit plans Deferred tax related to items of other comprehensive income		
Other total post-tax income	**-2,531,435.86**	**-1,315,439.96**
Total comprehensive income from discontinued operations	**-11,775,504.82**	**-4,192,690.94**
of which attributable to: parent company's shareholders	**-11,775,504.82**	**-4,192,690.94**

FLOWS FROM DISCONTINUED OPERATIONS

	01.01-31.12.2019	01.01-31.12.2018
Operating activities	2,445,759.00	- 30,369,021.00
Investment activities	- 485,118.00	- 15,385,309.00
Financial activities	- 337,466.00	12,448,957.00
Total	**1,623,175.00**	**- 33,305,373.00**

UNIBEP S.A. has temporarily left some of the projects in the final phase of implementation and projects previously implemented for which the warranty and guarantee period has not expired. In the period from 1 November 2019 to 31 December 2019, the "modular activities" segment generated revenues from contracts with customers in the amount of PLN 6,576,000, incurred costs of products, goods and materials sold of PLN 6,547,000 and incurred a net loss of PLN 1,536,000 and comprehensive income of PLN 852 thousand.

In 2018, discontinued activities did not occur.

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6.28. Explanations to the cash flow statement

	01.01-31.12.2019	01.01-31.12.2018
Amortisation:	**12,429,464.35**	**9,199,422.07**
amortisation of tangible fixed assets and intangible assets	12,429,464.35	9,199,422.07
Exchange gains (losses)	**-3,213.12**	**-628,996.61**
exchange rate differences on cash, credits, loans, leases, income tax	-3,213.12	-628,996.61
Interest and profit sharing (dividends)	**3,180,642.81**	**-4,488,134.81**
interest received from promissory notes, granted loans, bonds – total	-2,853,505.56	-2,598,202.29
interest paid on credits, loans, bonds and factoring – total	4,666,223.00	3,922,868.10
commissions on credits, bonds, guarantees, factoring – paid	587,815.08	463,185.91
commissions received	-365,680.59	-371,042.47
accrued commissions	-275,905.50	-317,343.40
accrued commissions – costs of issue of bonds	216,972.28	105,500.04
total other interest received	-76,673.65	-53,925.70
other unreceived accrued interest	-174,284.35	-79,623.76
valuation of credits, bonds, loans received	60,422.90	-24,093.59
interest calculated on the loans granted	-7,405.05	-78,768.57
remaining interest to be paid	15,933.01	182,508.81
other interest paid – total	223,592.45	513,412.30
paid interest on lease	1,069,832.31	289,889.81
dividends obtained	-	-6,442,500.00
interest accrued on credits, loans, bonds	93,306.48	-
Profit (loss) on investment activities	**-1,002,283.17**	**266,291.30**
revenues from disposal of tangible fixed assets in use and intangible assets	-844,021.91	-353,756.95
net value of disposed tangible fixed assets in use and intangible assets	371,907.55	30,864.68
revenues from disposal of financial assets	-605.00	-
revaluation of fixed assets	-	-37,777.00
costs of disposal of financial assets	5,931.84	-
valuation of loans granted, promissory notes, bonds receivable and investment certificates	-553,824.43	275,786.76
derivative instruments	18,328.78	351,173.81
Change in provisions	**19,432,280.18**	**7,204,044.11**
balance sheet change in provisions for liabilities	16,551,884.97	8,271,083.15
value of provisions included/excluded as a result of a contribution in kind of organised part of an enterprise	3,296,072.21	-901,730.04
change in provisions not affecting the current profit or loss	-415,677.00	-165,309.00
Change in inventory	**8,605,284.93**	**-2,913,681.08**
balance sheet change in inventory	14,126,185.82	3,705,521.06
adjustment of inventory concerning retained earnings – IFRS 15	-	-6,619,202.14
value of inventory included/excluded as a result of contribution in kind of organised part of an enterprise	-5,520,900.89	-
Change in receivables	**56,201,380.96**	**-33,321,426.55**
balance sheet change in short-term receivables	72,309,684.48	-32,136,583.96
balance sheet change in long-term receivables	11,627,589.39	5,504,572.31
change in financial and investment receivables	-811,082.40	578,990.64
Adjustment of receivables concerning retained earnings – IFRS 9	-	-3,136,646.59
Adjustment of receivables concerning retained earnings – IFRS 15	-	-4,131,758.95
receivables included/excluded as a result of a contribution in kind of organised part of an enterprise	-26,924,810.51	-
Change in short-term liabilities, except for financial liabilities	**25,455,039.44**	**-31,460,957.04**
Balance sheet change in short-term liabilities	-17120294.18	-42564037.14
balance sheet change in long-term liabilities	423,910.86	8,210,042.78
other adjustments	-	1,976,707.74
balance of operating liabilities included/excluded as a result of a contribution in kind of organised part of an enterprise	44,128,627.14	-
change in investment liabilities	-1,977,204.38	916,329.58
Change in accruals and prepayments	**-972,470.29**	**199,961.24**
balance sheet change in accruals and prepayments – assets	-874,257.59	-84,032.15
balance sheet change in accruals and prepayments – liabilities	-613,829.35	324,543.68
balance of accruals and prepayments acquired/disposed of as a result of a contribution in kind of organised part of an enterprise – assets	-707,733.79	-
change in accruals and prepayments of financial expenses	277,027.72	-12,500.04
change in deferred income – financial revenues	-	-28,050.25
other adjustments	946,322.72	-
Other adjustments	**52,075.10**	**-437,531.33**
revaluation write-off of cash	-	-991,900.00
Other adjustments	52,075.10	554,368.67
Income tax paid/refunded	**12,542,649.56**	**-10,680,618.30**

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The balance of cash and cash equivalents disclosed in the cash flow statement consists of the following items as at 31 December 2019:

	as at 31.12.2019	as at 31.12.2018
Cash at bank and in hand	142,522,279.80	43,571,289.15
including:		
foreign exchange differences on balance sheet valuation	39,497.92	-146,089.06
TOTAL	142,561,777.72	43,425,200.09

Restricted cash shown in the cash flow statement relates to funds in VAT accounts to split payment.

In 2019 and 2018, there were no investment or financial transactions which did not require the use of cash or cash equivalents.

6.29. Mergers of economic entities, loss of control

In 2019, UNIBEP S.A. did not merge with any other economic entity.

On 11.10.2019, Unibep S.A. sold 100% of shares in the company OOO StrojIMP with its registered office in Kaliningrad in the Russian Federation. In connection with this transaction, the Company generated revenue of PLN 605.00 and incurred expenses of PLN 5,931.84, including costs of acquisition of shares of PLN 1,724.20.

6.30. Description of corrections of prior period errors

No material changes have been made to the previously presented information in these financial statements.

6.31. Investments in jointly controlled entities

	as at 31.12.2019	as at 31.12.2018
Opening balance	7,986.00	7,986.00
Increases	-	-
Decreases	-	-
Investments in jointly controlled entities	7,986.00	7,986.00
- shares in Seljedalen AS	7,986.00	7,986.00

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6.32. Investments in other entities

Long-term

	as at 31.12.2019	as at 31.12.2018
Opening balance:	**107,370,144.26**	**107,365,144.26**
Shares of UNIDEVELOPMENT	60,555,486.00	60,555,486.00
Non-repayable equity infusion – UNIDEVELOPMENT	28,543,620.65	28,543,620.65
Other – UNIDEVELOPMENT	247,203.61	247,203.61
Shares of BUDREX-KOBI	18,000,150.00	18,000,150.00
Shares of STROJIMP	1,724.20	1,724.20
Shares of UNEX CONSTRUCTION	16,959.80	16,959.80
Shares of UNIBEP PPP	5,000.00	-
Increases:	**48,592,824.63**	**5,000.00**
Purchase of shares of UNIBEP PPP	-	5,000.00
Purchase of shares of UNIHOUSE	48,592,824.63	-
Decreases:	**1,724.20**	**-**
Sale of shares of STROJIMP	1,724.20	-
Closing balance:	**155,961,244.69**	**107,370,144.26**
Shares of UNIDEVELOPMENT	60,555,486.00	60,555,486.00
Non-repayable equity infusion – UNIDEVELOPMENT	28,543,620.65	28,543,620.65
Other – UNIDEVELOPMENT	247,203.61	247,203.61
Shares of BUDREX-KOBI	18,000,150.00	18,000,150.00
Shares of STROJIMP	-	1,724.20
Shares of UNEX CONSTRUCTION	16,959.80	16,959.80
Shares of UNIBEP PPP	5,000.00	5,000.00
Shares of UNIHOUSE	48,592,824.63	-

Investments in other entities as at 31.12.2019

No.	Company name	Value of shares by acquisition price	Adjustments of revaluation write-offs	Carrying amount of shares	Percentage of shares held	Percentage of votes held	Consolidation method
1	Unidevelopment S.A.	60,555,486.00	-	60,555,486.00	97.63%	97.63%	full
2	Unihouse S.A.	48,592,824.63	-	48,592,824.63	100%	100%	full
3	Unex Construction Sp. z o. o.	16,959.80	-	16,959.80	100%	100%	full
4	Budrex-Kobi Sp. z o.o.	18,000,150.00	-	18,000,150.00	100%	100%	full
5	Unibep PPP Sp. z o.o.	5,000.00	-	5,000.00	100%	100%	full

No.	Equity	Share capital	Other capitals	Net profit/loss	Value of assets	Fixed assets	Current assets	Value of liabilities	Value of revenues from sales
1	153,664,638.11	6,675,000.00	120,075,879.76	26,913,758.35	273,224,801.20	183,510,027.16	89,714,774.04	119,560,163.09	24,300,765.06
2	48,592,824.63	2,250,000.00	46,342,824.63	302,879.00	154,227,381.99	67,590,074.62	86,637,307.37	105,331,678.36	30,378,869.94
3	823,195.68	5,000.00	907,293.80	-89,098.12	824,363.29	2,297.00	822,066.29	1,167.61	-
4	14,016,209.67	430,000.00	13,125,974.19	593,875.13	39,821,950.44	15,641,698.22	24,180,252.22	25,805,740.77	69,312,943.62
5	-18,151.75	5,000.00	-	-20,670.60	4,598.42	-	4,598.42	22,750.17	-

In 2019, the Company acquired shares in Unihouse S.A. for PLN 100,000.00 in cash and PLN 48,492,824.63 in a contribution in kind of organised part of an enterprise.

Investments in other entities as at 31.12.2018

No.	Company name	Value of shares by acquisition price	Adjustments of revaluation write-offs	Carrying amount of shares	Percentage of shares held	Percentage of votes held	Consolidation method
1	Unidevelopment S.A.	60,555,486.00	-	60,555,486.00	97.63%	97.63%	full
2	OOO StrojIMP	1,724.20	-	1,724.20	100%	100%	full
3	Unex Construction Sp. z o. o.	16,959.80	-	16,959.80	100%	100%	full
4	Budrex-Kobi Sp. z o.o.	18,000,150.00	-	18,000,150.00	100%	100%	full
5	Unibep PPP Sp. z o.o.	5,000.00	-	5,000.00	100%	100%	full

No.	Equity	Share capital	Other capitals	Net profit/loss	Value of assets	Fixed assets	Current assets	Value of liabilities	Value of revenues from sales
1	126,750,879.76	6,675,000.00	98,564,030.70	21,511,849.06	232,797,071.28	174,519,045.81	58,278,025.47	106,046,191.52	15,556,954.61
2	2,063.32	965.00	-	1,050.22	2,839.92	-	2,839.92	776.60	14,965.17
3	912,293.80	5,000.00	967,797.40	-60,503.60	915,063.05	1,033.00	914,030.05	2,769.25	-
4	13,441,601.54	430,000.00	12,231,083.91	914,157.28	47,784,829.56	19,795,117.67	27,989,711.89	34,343,228.02	106,238,322.37
5	2,518.85	5,000.00	-	-2,120.76	4,826.42	-	4,826.42	2,307.57	-

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6.33. Transactions with related entities

As at 31.12.2019

	Trade receivables and other receivables	Trade liabilities and other liabilities	Deposits on contracts with clients	Deposits on contracts with clients	Contractual liabilities	Investments in jointly controlled entities	Investments in other entities	Loans granted	Credits, loans and other financial liabilities	Tangible fixed assets in use
Subsidiaries, indirect subsidiaries	16,238,732.04	14,377,455.99	4,295,903.31	2,720.69	1,972,126.42	-	155,961,244.69	57,554,161.45	9,506,128.69	9,411,538.68
Jointly controlled, indirectly jointly controlled entities	1,430,125.96	31,020.44			-	7,986.00			-	-
Indirectly associated entities	5,778,295.69	13,047.03			-	-			-	-
Total transactions with related entities	23,447,153.69	14,421,523.46	4,295,903.31	2,720.69	1,972,126.42	7,986.00	155,961,244.69	57,554,161.45	9,506,128.69	9,411,538.68

As at 31.12.2018

	Trade receivables and other receivables	Trade liabilities and other liabilities	Deposits on contracts with clients	Deposits on contracts with clients	Investments in jointly controlled entities	Investments in other entities	Loans granted	Prepayments and accruals
Subsidiaries, indirect subsidiaries	18,069,239.88	808,252.40	1,333,111.11	10,421.28		107,370,144.26	50,000,337.02	244.36
Jointly controlled, indirectly jointly controlled entities	2,163,718.78	-	-		7,986.00			
Indirectly associated entities	4,529,807.72	4,863.88	-					
Total transactions with related entities	24,762,766.38	813,116.28	1,333,111.11	10,421.28	7,986.00	107,370,144.26	50,000,337.02	244.36

For the period 01.01.2019 – 31.12.2019

	Revenues from contracts with clients	Purchase of products, goods and materials	Financial revenues	Financial expenses	Other operating revenues
Subsidiaries, indirect subsidiaries	119,688,248.31	23,333,412.51	3,711,038.93	489,041.87	21,738.16
Jointly controlled, indirectly jointly controlled entities	257,283.20	-	90,332.52	73,043.58	-
Indirectly associated entities	34,069,891.79	226,776.73	-	-	-
Total transactions with related entities	154,015,423.30	23,560,189.24	3,801,371.45	562,085.45	21,738.16

For the period 01.01.2018 – 31.12.2018

	Revenues from sales of products, materials and goods	Purchase of products, goods and materials	Financial revenues	Financial expenses	Other operating costs
Subsidiaries, indirect subsidiaries	66,608,836.97	21,891,578.84	3,026,457.56	-47,253.33	711.67
Jointly controlled, indirectly jointly controlled entities	7,247,364.30	-	6,509,495.78	-688,599.47	-
Indirectly associated entities	56,020,119.83	223,723.18	-	-	-
Total transactions with related entities	129,876,321.10	22,115,302.02	9,535,953.34	-735,852.80	711.67

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6.34. Management Board and Supervisory Board

MANAGEMENT BOARD

The Management Board of UNIBEP S.A. acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the By-Laws of the Management Board. 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.

As at the day of drawing up these financial statements, the Company's Management Board is composed of the following persons:

- Leszek Marek Gołąbiecki – President of the Management Board
- Sławomir Kiszycki – Vice-President of the Management Board
- Krzysztof Mikołajczyk – Vice-President of the Management Board

SUPERVISORY BOARD

The Supervisory Board of UNIBEP S.A. acts on the basis of the provisions of the Commercial Companies Code, the Company's Articles of Association, and the By-Laws of the Supervisory Board. The Supervisory Board is composed of 5 to 7 members, appointed and dismissed by the General Meeting of Shareholders for a joint three-year term of office.

As at the day of drawing up these financial statements, the Supervisory Board of UNIBEP S.A. is composed of the following persons:

- Jan Mikołuszko – Chairman of the Supervisory Board
- Beata Maria Skowrońska – Deputy Chairman of the Supervisory Board
- Wojciech Jacek Stajkowski – Member of the Supervisory Board
- Jarosław Mariusz Bełdowski – Member of the Supervisory Board (independent)
- Michał Kołosowski – Member of the Supervisory Board (independent)
- Paweł Markowski – Member of the Supervisory Board (independent)
- Dariusz Marian Kacprzyk – Member of the Supervisory Board (independent)

6.35. Shares held by or rights to shares of the members of the management and supervisory bodies

Management Board

No.	Name and surname (company)	Position	Number of shares held	Number of votes	Share in the total number of votes (above 5%)
1	Leszek Marek Gołąbiecki	President of the Management Board	690,000	690,000	—
2	Sławomir Kiszycki	Vice-President of the Management Board	-	-	—
3	Krzysztof Mikołajczyk	Vice-President of the Management Board	-	-	—

Supervisory Board

No.	Name and surname (company)	Position	Number of shares held	Number of votes	Share in the total number of votes (above 5%)
1	Jan Mikołuszko	Chairman of the Supervisory Board	21,620	21,620	—
2	Beata Maria Skowrońska	Deputy Chairman of the Supervisory Board	5,650,000	5,650,000	16.11%
3	Wojciech Jacek Stajkowski	Member of the Management Board	2,500,000	2,500,000	7.13%
4	Jarosław Mariusz Bełdowski	Member of the Management Board	-	-	—
5	Michał Kołosowski	Member of the Management Board	-	-	—
6	Paweł Markowski	Member of the Management Board	-	-	—
7	Dariusz Marian Kacprzyk	Member of the Management Board	-	-	—

Balance to the knowledge of UNIBEP S.A. as at 31.12.2019

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Bożenna Lachocka, member of the Supervisory Board of Unidevelopment SA is the holder of 2,500,000 shares of Unibep SA, the number of votes is 2,500,000, which gives 7.13% of the total number of votes.

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

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

6.36. Information on personal, factual and organisational relations between members of the Management Board and Supervisory Board and certain shareholders with at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.

MANAGEMENT BOARD

- **Leszek Marek Gołąbiecki** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Sławomir Kiszycki** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Krzysztof Mikołajczyk** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.

SUPERVISORY BOARD

- **Jan Mikołuszko** is the husband of a shareholder (Mrs Zofia Mikołuszko) holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Beata Maria Skowrońska** – shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Wojciech Jacek Stajkowski** – shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Jarosław Mariusz Bełdowski** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Michał Kołosowski** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.
- **Paweł Markowski** – is not related to any shareholder holding at least 5% of votes at the General Shareholders Meeting of UNIBEP SA.
- **Dariusz Marian Kacprzyk** – is not related to any shareholder holding at least 5% of votes at the General Meeting of Shareholders of UNIBEP S.A.

6.37. Remuneration of members of the management and supervisory boards

REMUNERATIONS OF THE MANAGEMENT BOARD:

For the period 01.01.2019 – 31.12.2019

Name and surname	Remuneration	Sickness benefit	Bonus for profit for 2018 paid in 2019	Total
Leszek Marek Gołąbiecki	744,000.00	-	551,288.51	1,295,288.51
Sławomir Kiszycki	664,079.15	-	551,288.51	1,215,367.66
Jan Piotrowski	-	5,576.34	413,466.38	419,042.72
Krzysztof Mikołajczyk	612,000.00	-	277,532.23	889,532.23
Total:	**2,020,079.15**	**5,576.34**	**1,793,575.63**	**3,819,231.12**

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

For the period 01.01.2018 – 31.12.2018

Name and surname	Remuneration
Gołąbiecki Leszek Marek	516,000.00
Kiszycki Sławomir	444,000.00
Drobek Marcin Piotr	180,813.66
Piotrowski Jan	357,604.04
Mikołajczyk Krzysztof	304,491.16
Total:	**1,802,908.86**

REMUNERATIONS OF THE SUPERVISORY BOARD:

For the period 01.01.2019 – 31.12.2019

Name and surname	Revenue	Revenue of a member of the Supervisory Board under an employment contract with UNIBEP S.A.	Total
Mikołuszko Jan	456,000.00	-	456,000.00
Skowrońska Beata	145,439.87	-	145,439.87
Stajkowski Wojciech	60,000.00	60,000.00	120,000.00
Bełdowski Jarosław	62,059.23	-	62,059.23
Kołosowski Michał	85,314.52	-	85,314.52
Markowski Paweł	60,000.00	-	60,000.00
Kacprzyk Dariusz	60,783.27	-	60,783.27
Total:	**929,596.89**	**60,000.00**	**989,596.89**

For the period 01.01.2018 – 31.12.2018

Name and surname	Revenue	Revenue of a member of the Supervisory Board under an employment contract with UNIBEP S.A.	Total
Mikołuszko Jan	456,000.00	-	456,000.00
Skowrońska Beata	144,000.00	-	144,000.00
Stajkowski Wojciech	60,000.00	70,301.36	130,301.36
Bełdowski Jarosław	60,888.48	-	60,888.48
Kołosowski Michał	85,169.78	-	85,169.78
Markowski Paweł	60,000.00	-	60,000.00
Kacprzyk Dariusz	60,606.33	-	60,606.33
Total:	**926,664.59**	**70,301.36**	**996,965.95**

In addition, in 2019, purchases were made from a member of the Supervisory Board and a person related to the member of the Supervisory Board for the total amount of: PLN 38.8 thousand, remuneration from the employment relationship was paid to persons related to members of the Management Board and Supervisory Board in the amount of PLN 913.6 thousand, and in the comparable period: purchases – PLN 59.8 thousand, remuneration – PLN 906.4 thousand.

6.38. Transactions with related parties through members of the Company's supervisory body

In 2019, there were no transactions other than those based on market conditions, the one-off or total value of which would exceed the equivalent of EUR 500 thousand converted into PLN.

6.39. Contracts concluded between UNIBEP S.A. and members of the management body

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

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

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

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

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

Pursuant to the provisions of the aforementioned contracts, President of the Management Board and Members of the Management Board of UNIBEP S.A. are entitled to an annual bonus for 2019, calculated on the basis of consolidated net profit of the UNIBEP Capital Group, subject to the fulfilment of additional conditions, for each financial year, in the amount of 1.5%.

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

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

6.40. Contingent liabilities and receivables

Contingent liabilities on guarantees and sureties granted to other entities are primarily guarantees issued by banks and insurance companies to the benefit of counterparties of UNIBEP S.A. to secure their claims under construction contracts. In case of using the guarantees issued for their benefit, banks and insurance companies are entitled to the right of recourse against the Company. The guarantees provided to the clients of UNIBEP S.A. are an alternative way of securing the retained guarantee deposits.

	as at 31.12.2019	as at 31.12.2018
CONTINGENT RECEIVABLES	**92,677,902.24**	**61,406,674.29**
From related parties	**274,009.21**	-
Guarantees received*	274,009.21	-
From other entities	**92,403,893.03**	**61,406,674.29**
Guarantees received*	91,571,292.03	59,166,485.29
Bills of exchange received as collateral	832,601.00	2,240,189.00
CONTINGENT LIABILITIES	**396,508,690.84**	**423,959,533.55**
To related parties	**37,229,281.10**	**18,018,996.77**
Guarantees granted*	10,368,000.00	10,618,090.77
Sureties granted	26,861,281.10	7,400,906.00
To other entities	**359,279,409.74**	**405,940,536.78**
Disputable issues	17,842,470.51	32,552,494.03
Guarantees granted*	341,336,939.23	373,288,042.75
Bills of exchange issued as collateral	100,000.00	100,000.00

** without guarantee of return of advance payment*

In 2019, a guarantee for the amount of PLN 187,468,089.36 was granted and guarantees were received in the amount of PLN 142,463,610.85.

DISPUTABLE ISSUES

The following changes have taken place in comparison to the information on disputable issues, included in the separate financial statements of Unibep S.A. for 2018:

Claims against Unibep S.A.

Backe Romerike (formerly Agathon Borgen AS) - A hearing was held before the Norwegian Court of Appeal in March 2019. The legal proceedings lasted more than three weeks and ended with a judgement which Unibep received on 21 June 2019. Based on the claim of the community of residents amounting to NOK 35,000-40,000 thousand, the Court of Appeal awarded them the total amount, including the costs of the trial at both instances, of NOK 9,400 thousand. The amount of principal receivable NOK 7,400 thousand was paid in September 2019. As regards the litigation costs of NOK 2,000 thousand, the Management Board decided to file a cassation, which was filed on 4 September 2019. The cassation was dismissed and costs were paid.

EG BYGG OSLO AS (current name Eiendomsgruppen Oslo AS). On 5 April 2017, the Court received a statement of claim from the investor for Q1 for payment of NOK 4,000 thousand for defects of wooden gangways on walkways and balconies. Unibep filed a statement of defence, claiming, among others, that the gangways had been made correctly, and that the claim had been filed too late since the defect was discovered, and that, in addition, the claim was time-barred. Finally, the investor's claim was increased to the amount of NOK 6,511 thousand. Unibep S.A. remedied the defects, which consisted of the sum claimed. The legal proceedings are currently suspended and the parties are negotiating the distribution of the sharing of costs of repairs.

In the pending legal proceedings with Rzońca S.A. concerning the payment of final invoices for the amount of PLN 77 thousand and payment of the contractual penalty for the amount of PLN 159 thousand. Rzońca S.A. appealed against these statements of claim. On 15 January 2018, the Court of Appeal submitted a legal request to the Supreme Court. On 28 October 2019, the National Public Prosecutor's Office – within the framework of the procedure before the Supreme Court – took a position, in which it accepted the arguments of Unibep S.A. On 20 November 2019, the Supreme Court agreed with the position of Unibep S.A., considering that the pursuing contractual penalties is inadmissible. The case file will now be transferred back to the Court of Appeal, which will issue a ruling based on the Supreme Court's decision.

Demand of the LC Corp. investor On 22 October 2015, a statement of claim was brought for payment of PLN 1,249 thousand by LC Corp Invest XV Sp. z o.o. PROJEKT 6 Spółka Komandytowa due to defects occurring on the facility constructed by Unibep S.A. at ul. Powstańców 33 in Ząbki. Unibep S.A. does not accept the claim. The Court is in the process of hearing the witnesses of both parties, and experts will then be appointed. The hearing originally scheduled for 2 July 2019 was first postponed until March 2020, after which it was postponed without a deadline.

The statements of claim of Paweł Kardas against Unibep S.A. for the amount of EUR 70 thousand is based on was brought to the Court on 18 December 2019. The Company was sued on account of claims resulting from the final invoice for the execution of finishing works on the Bad Oeynhausen contract. Unibep S.A. is of the opinion that the works were not performed according to the technology and are faulty. In addition, contractual penalties for delayed work were stopped, which in turn made it impossible to put the building into use on time. The plaintiff questions the legitimacy of the deductions and demands the full amount plus interest. The date of the first hearing has not been set yet.

Compensation cases concerning fatal accidents on the Plaza construction site in Suwałki (the construction was carried out in the consortium of Unibep S.A. – 51%, and Mostostal Białystok – 49%). The case is at the stage of supplementary expert opinions on health and safety at work. The date of the next hearing has not been set yet. Due to the insurance held by the Company and the consortium member, the case should not encumber the costs of Unibep S.A.

Cases brought by Unibep S.A.

The case brought by Konsorcjum Unibep S.A. and Most Sp. z o.o. against Podlaskie Voivodship Roads Administration concerning the Dąbrowa Białostocka – Sokółka contract for the total payment of PLN 36,336 thousand. At the first hearing, which took place on 24-25 June 2019, the Court questioned the first part of the summoned witnesses and decided to merge the above case with the case brought by Podlaskie Voivodship Road Administration for the payment of contractual penalties in the amount of PLN 8,286 thousand, for joint consideration. At the second hearing, which took place on 25-27 September 2019, the Court heard further witnesses and gave the parties a three-month period to indicate how they would present their witnesses testifying to the merits of the waiver in the further course of the trial. Requests for evidence on the acceptance of expert opinions will be examined in the course of the legal proceedings.
The statement of claim brought by Unibep S.A. and Most Sp. z o.o. against Podlaskie Voivodship Roads

Administration and PZU S.A. (as the issuer of the guarantee) for establishing that the Podlaskie Voivodship Road Administration is not entitled to a due claim for payment of a contractual penalty, to which the guarantee collateral was related, was dismissed in November 2019. The Court held that the second proceedings, i.e. the proceedings for payment referred to above, is pending in parallel, which includes, among others, the claim for payment of contractual penalties, and therefore it made a decision without hearing of evidence and assessing the legitimacy of the claim of the Podlaskie Voivodship Road Administration. Following the submission of the grounds to the judgement on 16 December 2019, an appeal was lodged on 30 December 2019.

On 15 November 2018, a statement of claim was filed in the District Court in Białystok against the Podlaskie Voivodship Roads Administration for the payment of PLN 472 thousand for additional works related to the Łapy–Markowszczyzna contract, as part of rescue archaeological research on the investment. The defendant filed a statement of defence. At the first hearing, witnesses requested by the claimant were questioned. At the second hearing on 18 February 2019, the last witness was questioned. An expert's opinion has been drawn up, and after the allegations of both parties, the Court obliged the expert to perform a supplementary opinion. The court expert filed a motion to exclude him/her from the case. After the resignation of the expert, the Court appointed another one to prepare an opinion. The opinion is favourable for Unibep S.A. It was collected by the Company on 29 October 2019. The parties to the dispute filed their objections to the opinion. At the hearing on 13 January 2020, the expert maintained his/her opinion. The Court has closed the hearing. In the judgement published on 10 February 2020, the Court ruled the claimant's claim legitimate in its entirety. The judgement is not legally valid.

On 15 November 2018, a statement of claim was filed in the District Court in Białystok against the Podlaskie Voivodship Roads Authority for the payment of PLN 469 thousand for additional works related to the Łapy-Markowszczyzna contract for the replacement of land on the investment. The defendant filed a statement of defence. On 13 March 2018, the first hearing was held and the plaintiff's witnesses were interviewed. A second hearing was held on 17 April 2018, at which the defendant's witnesses were interviewed. An expert opinion favourable to Unibep S.A. has been prepared. The defendant filed charges against the submitted opinion; the claimant also commented thereon. The next hearing took place on 18 September 2019. On 27 September 2019, the Court issued a judgement acknowledging Unibep S.A.'s claim in its entirety. The judgement was appealed against by an outside intervener, the designer. Unibep responded to the appeal. We are waiting for the hearing date to be set.

On 29 March 2019, a statement of claim was filed against the General Directorate for National Roads and Motorways for the payment of PLN 16,926 thousand, consisting of PLN 11,848 thousand to the leader of the PORR S.A. consortium and PLN 5,078 thousand to Unibep S.A., for additional works related to the S8 national road reconstruction project. In the present case, a payment order was issued on 26 April 2019 by writ of payment. On 22 May 2019, the defendant lodged a statement of opposition to the order and it was therefore discontinued. The consortium responded to the opposition. The defendant submitted a response. is an exchange of correspondence. The hearing date has not been set yet.

Action against the Bielsk Poviat concerning the deduction of an incorrectly calculated contractual penalty of PLN 290 thousand when paying the current invoice in September 2015. The penalty was calculated for the late completion of the investment task consisting in the construction of the Andryjanki-Siekluki road. In June 2019, the Court issued a judgement in favour of Unibep S.A. On 19 August 2019, the claimant received a copy of the appeal. At the hearing on 21 February 2020, the Court dismissed the defendant's appeal, so the judgement of the first instance court is valid. The amount awarded has been paid, which definitely ends the case.

Action against the Łapy Commune for payment of contractual penalties and amounts on account of claims for additional works on the investment in the total amount of PLN 2,134 thousand. A hearing was held on 10 April 2019 at which the defendant informed about the lodging of the counter-claim. The statement of claim, was delivered to Unibep S.A. on 28 August 2019. The claim of Łapy Commune amounts to PLN 3,369 thousand. In the meantime, the parties have entered into talks aimed at an amicable settlement of the dispute, which have not led to a settlement. At the hearing on 4 March 2020, a number of called witnesses were interviewed, at a further hearing scheduled for 15 April 2020. The Court plans to question the remaining witnesses.

On 13 June 2019, a statement of claim for payment was filed against Przedsiębiorstwo Robót Drogowo-Mostowych Ostrada Sp. z o. o. in Ostrołęka. The statement of claim concerned purchase invoices not paid by the defendant. On 26 June 2019, Unibep S.A. received a payment order for the amount of PLN 612 thousand. Subsequently, a motion was submitted to the court executive officer to secure the claim by seizing bank accounts and the defendant's receivable debts. On 23 August 2019, the whole of the debt arising from these proceedings was enforced.

On 1 July 2019, a statement of claim was filed against Atelier Żoliborz Sp. z o.o. for the payment of PLN 1,522 thousand. The debt includes a claim for the return of a part of the guarantee deposit retained for the good performance of the contract during the guarantee period. On 23 July 2019, an order for payment was issued in this case. On 14 August 2019, an objection against the order was brought before the Court. On 27 November 2019, the claimant responded to the objection and filed an extension of the statement of claim to the amount of

PLN 2,173 thousand. The hearing was scheduled for 2 April 2020.

The investor, Aureus Residenzbau GmbH, retained part of the remuneration paid to Unibep S.A. for the execution of the Krefeld contract. The Investor does not recognise the additional works performed on the investment and refuses to return the guarantee deposits due to defects. As a result, Unibep S.A. filed a statement of claim for payment of EUR 728 thousand. Negotiations to resolve the disputes in their entirety, launched in September 2018, have not led to a contract and the legal proceedings suspended for this reason have been initiated. The hearing was held on 7 November 2019 as planned. The next hearing was originally scheduled for 19 March 2020, after which it was postponed until 9 April 2020.

Case against the Investor, i.e. the Archbishopric in Hamburg, for payment of a part of the amount of remuneration for the executed contract which was withheld due to defects. The hearing scheduled for 12 February 2020 took place. The court examined the subject matter of the dispute, confirmed the existence of a factual link between the proceedings in question and the case brought by Schmidt Bedachnungen against Unibep S.A.'s claim for EUR 22 thousand, resulting from the final invoice for the roofing work. Unibep S.A. is of the opinion that the works were not performed in accordance with the technique and are defective, which is confirmed by two expert opinions prepared at the request of Unibep S.A. The Court ruled that evidence in the form of a court expert's report was necessary. The investor has refused to allow the expert to enter the investment area, so the hearing of evidence is to be carried out from the photographic documentation.
The Court stated that the cases of Unibep S.A. against Archbishopric in Hamburg and Schmidt Bedachnungen against Unibep S.A. have the same subject matter of dispute, therefore, at the request of Unibep S.A., it referred the case to Unibep S.A. for joint consideration with the case of Schmidt Bedachnungen against Unibep S.A. The next hearing was scheduled for 19 May 2020.

The case brought by Unibep S.A. against Witraż Sp. z o.o. for the payment of PLN 405 thousand, heard by the District Court in Białystok. The subject matter of the case is a claim for damages for defects in window joinery under the Kjeller Gard contract. An expert opinion has not yet been drawn up on the matter. We are waiting for the hearing date to be set.

Investor Strandkanten Pluss II KS suspended payment of the last invoice issued under the Standkanten construction project in Tromso. The investor does not question the amount of the invoice. The amount is withheld as security for claims for defects reported by the community of residents. Since May 2019, Unibep S.A. Has been removing the reported defects under the contract concluded with the Investor. On 26 February 2019, a case for payment of PLN 2,266 thousand was filed. NOK was referred to the arbitration committee. The proceedings before the arbitration committee, due to the degree of complexity, proved fruitless and were finally concluded in June 2019.

Cases brought by Unibep S.A. and Budrex-Kobi Sp. z o.o.

On 20 August 2019, Unibep S.A. and Budrex-Kobi Sp. z o.o. filed a statement of claim in the District Court in Białystok against the Podlasie Voivodship Roads Authority for the total payment of PLN 4,745 thousand for performing additional works and increased costs of aggregate transport caused by the designated detour on the investment project concerning the voivodship road no. 682, Łapy-Markowszczyzna section. By this statement of claim the company seeks payment of PLN 3,658 thousand to Unibep S.A. and PLN 1,087 thousand to Budrex-Kobi Sp. z o.o. At the hearing on 18 February 2020, called witnesses were questioned. The date of the next hearing has not been set yet.

In the scope of other disputable issues, court cases or explanatory activities, as well as activities of public and administrative authorities (including those on foreign markets) there were no significant changes and on the basis of the information available they do not directly result in the possibility to refer the cases to court. The sum of costs resulting from other disputable issues is estimated as at 31 December 2019 at PLN 509 thousand. The Company's risk estimates concerning disputable issues, relevant write-offs and provisions have been included in the accounting books.

6.41. Events after the balance sheet date

Information on the possible effect of the COVID 19 coronavirus epidemic on the operations of Unibep S.A. was included in the consolidated financial statements of the UNIBEP Group for 2019 – point 6.39.

Information and other significant events after the balance sheet date are included in the Management Board's Report on Activities of the UNIBEP Group for 2019 – section 6.5.

Separate financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (amounts in the tables are expressed in PLN unless otherwise stated)

6.42. Employment structure

AVERAGE EMPLOYMENT

	as at 31.12.2019	as at 31.12.2018
White-collar workers	584	725
Blue-collar workers	238	578
TOTAL	**822**	**1,303**

The decrease in employment results from a contribution in kind of organised part of an enterprise to Unihouse S.A. The number of employees taken over by Unihouse S.A. was 522.

6.43. Information on contracts with entities authorised to audit financial statements

On 04.07.2019, the Supervisory Board of UNIBEP S.A. selected Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, with its registered office in Warsaw at Al. Jana Pawła II 22 to review and audit the financial statements for 2019-2021.

The contract concluded on 26.07.2019 for the review and audit of the separate and consolidated reports defines the annual remuneration of PLN 292,000 per year plus additional costs.

On 21.01.2019, a contract was concluded for the audit of the financial statements of the operations of UNIBEP S.A. on the Norwegian market according to Norwegian standards with Deloitte AS Dronning Eufemias gate 14, NO-0103 Oslo for the amount of NOK 237,000 plus additional costs.
The above amounts are net amounts.

7. Approval of the financial statements

The Company prepared the financial statements for 2018 in accordance with the International Accounting Standards. These financial statements report were approved by the General Meeting of Shareholders on 12 June 2019.

These financial statements were authorised by the Management Board of Unibep S.A. The publication date of these financial statements is 02.04.2020.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD OF UNIBEP S.A.

President of the Management Board	Leszek Marek Gołąbiecki
Vice-President of the Management Board	Sławomir Kiszycki
Vice-President of the Management Board	Krzysztof Mikołajczyk

SIGNATURE OF THE PERSON ENTRUSTED WITH BOOKKEEPING

Chief Accountant	Krystyna Kobylińska

Bielsk Podlaski, 2 April 2020

unibep 70

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grupa unibep

UNIBEP GROUP

MANAGEMENT BOARD REPORT

ON OPERATIONS IN 2019

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

www.unibep.pl

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Bielsk Podlaski, 2 April 2020

1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders

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

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

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

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

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

In 2019, our real estate development subsidiary, Unidevelopment SA, successfully completed housing estates in Warsaw (Ursa Park stage II and Marywilska Osiedle Kameralne) and in Poznań (Zielony Sołacz Tarasy and Osiedle Nowe Kosmonautów stage I). In terms of unit sales, last year set a new record for the company – over 700 apartments, meeting the anticipated financial results.

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

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

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

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

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

Bielsk Podlaski, 2 April 2020

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

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

I invite you to read our 2019 annual report.

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

Bielsk Podlaski, 2 April 2020

2. INTRODUCTION

2.1 Introductory information

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

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

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

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

- **General Contracting in Poland (Unibep SA)**, of which residential construction is the key component. The company enjoys a strong position on the Warsaw market. It also implements projects related to commercial construction (hotels, offices, retail and service facilities). Recently, Unibep has focused greatly on building and developing competence in its industrial construction business (including manufacturing, processing, and logistics facilities). General contracting is carried out by the dominant entity, Unibep SA.
- **General Contracting Abroad (Unibep SA)** focuses mainly on commercial construction in Belarus and Ukraine (hotels, shopping centres, logistics centres). Exports of construction services are carried out mainly by the dominant entity, Unibep SA.
- **Road and bridge infrastructure (Unibep SA and Budrex Sp. z o.o.).** - These activities are conducted mainly in north-eastern Poland by the Infrastructure Branch of Unibep SA. Since July 2015, Unibep SA has been a 100% shareholder of Budrex Sp. z o.o., a Białystok-based specialist firm that builds bridges and road culverts throughout Poland.
- **Modular Construction (Unihouse SA).** This technology has been broadly recognised and applied for many years in Europe, performing strongly, among other places, on the demanding Scandinavian market. Modular construction is still gaining popularity in Poland. It is implemented by a subsidiary of the Unibep, the Unihouse SA which pioneered prefabricated wooden frame construction on the Polish market. These modules are designed for use in the construction of hotels and motels, multi-family dwellings, office buildings, dormitories, preschools, and retail outlets.
- **Real estate development (Unidevelopment SA)** is carried out through the Unidevelopment Group. Current investments are being carried out in Warsaw, Poznań, and Radom. In 2019, Unidevelopment completed an ecological multi-family residential building in Bielsk Podlaski, using modular technology developed by Unihouse.

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

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

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

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

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

Bielsk Podlaski, 2 April 2020

NET PROFIT

30,053

9%

1,430,093

AGREEMENTS SIGNED IN 2019

REVENUE

1,659,658

0,1%

55,841

EBITDA

ORDER BOOK (TO BE COMPLETED IN 2020)

1,279,211

1,523
employees

AVERAGE EMPLOYMENT IN 2019

288,280

MARKET CAPITALISATION
ON WSE (DEC. 31, 2019)

CASH EQUIVALENTS

178,374

218%

DEVELOPER HOUSING SALES IN 2019

716
units

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

Bielsk Podlaski, 2 April 2020

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

The goal of the Unibep Capital Group is to consistently increase efficiency in every area of activity, in part by taking advantage of natural synergies between the businesses.

2.2 Calendar of events

Below are selected events that took place in 2019.

January

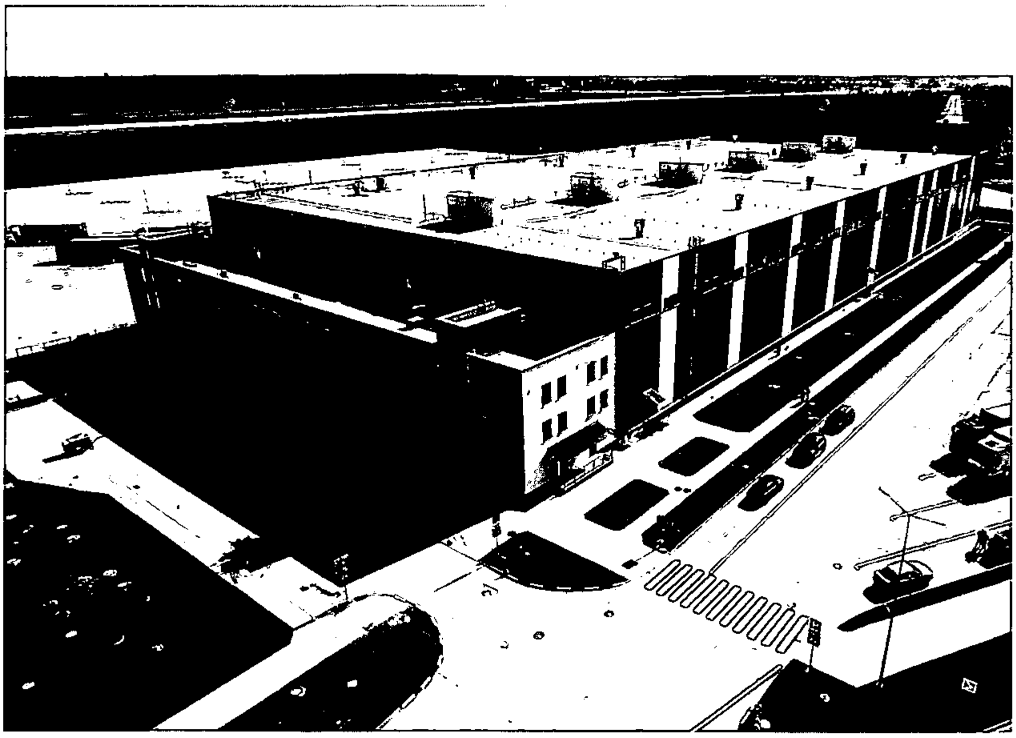
- On 17 January 2019, the Management Board of Unibep SA adopted a resolution on the Bond Issue Program implemented by the Company.
- On 28 January 2019, Unibep SA concluded with YIT Development Sp. z o.o. an agreement concerning the implementation of the third stage of a residential investment in Warsaw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

February

- On 1 February 2019, Adam Poliński assumed the position of Director of the Infrastructure Branch of Unibep SA. Previously, he was the authorised representative of the Management Board of Unibep SA for the public-private partnership.
- A Logistics Centre was officially opened in the Republic of Belarus in the locality of Bolbasovo. The general contractor of the investment was Unibep SA and the ordering party was Bremino Group Sp. z o.o. with its registered office in Minsk.
- Unibep SA signed yet another agreement on the Swedish market, this time for the implementation of the "Saffransgatan" housing project, worth approx. PLN 17.2 million net.

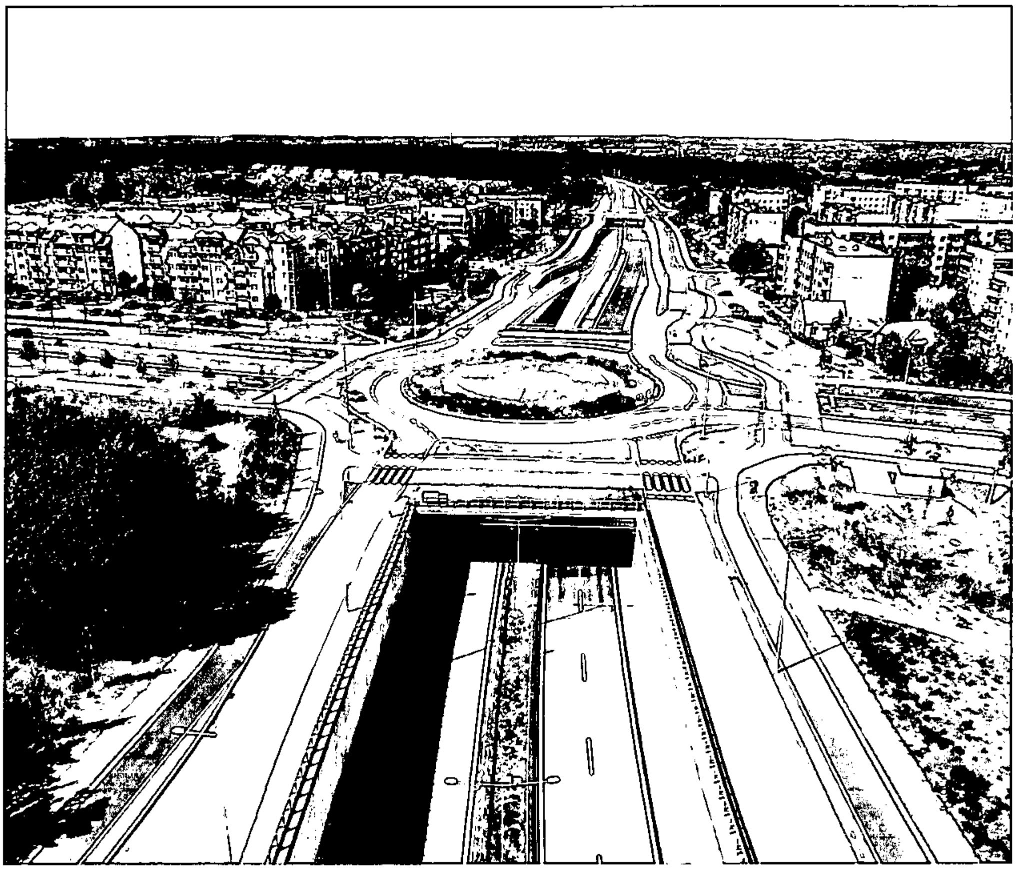
March

- On 7 March 2019, Unibep SA signed an agreement



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

Bielsk Podlaski, 2 April 2020



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

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

April

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

May

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

Bielsk Podlaski, 2 April 2020

- 13 May also marked the beginning of annual Safety Week – an initiative of the Construction Safety Agreement, which aims to improve safety at Polish construction sites.

- On 29 May 2019, Unibep SA's share buyback was completed. As part of the offer, 1 million shares of a par value of PLN 0.10 were repurchased. The shares were acquired at a fixed price of PLN 6.80 per share.

June

- The Unibep Group placed 197th in the newspaper Rzeczpospolita's ranking of Poland's 500 largest companies. Companies were ranked based on their 2018 revenue. Unibep advanced six places from its ranking in 2017.

- At the XXII Polish-Belarusian Economic Forum, Unibep SA received an award "for outstanding contributions to the development of Polish-Belarusian economic relations in construction". The forum's organisers were the Belarusian Chamber of Commerce and Industry in Minsk, the Polish-Belarusian Chamber of Commerce and Industry, and the Polish Investment and Trade Agency SA.

July

- On 4 July 2019, Unibep SA and Unidevelopment SA officially opened their new Warsaw offices on Kondratowicza Street. The new facility provides 2,000 m2 of office space, divided into functional sectors. Unidevelopment SA is located on the ground floor, and Unibep SA on the first floor.

- The cornerstone for the new NSM Missile Manufacturing and Service Centre was laid on 25 July 2019 in the city of Zielonka. The general contractor for the investment is Unibep SA. The event was attended by Defence Minister Mariusz Błaszczak and other officials. It marked Unibep SA's first investment project for the Polish military.

August

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

September

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

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

October

- Construction of Podlasie province's first combined logistics centre-container terminal in Łapy was completed after more than a year of work. The project was carried out by Unibep SA. The container terminal was built on the site of a former rolling stock repair yard that had been defunct for years.

- Unibep SA was chosen as general contractor for the construction of a big shopping centre in Kharkov, Ukraine. Poland's Bank Gospodarstwa Krajowego (BGK) granted the Ukrainian investor Nikolsky LLC a credit to help finance this EUR 44.8 million investment. It is the second shopping centre to be constructed by Unibep SA in Ukraine.

November

- Unihouse SA became a new, independent company within the Unibep Group. The new entity continues the activities of Unibep SA's Unihouse Branch – a modular housing factory in Bielsk Podlaski that manufactures innovative, high-quality, and environmentally-friendly prefabricated housing components using wooden skeleton technology, for later assembly in Norway, Sweden, and Poland. The members of Unihouse's Management Board include Sławomir Kiszycki (president), Przemysław Pruszyński (vice president), Roman Jakubowski, and Marcin Gołębiewski (Management Board members).

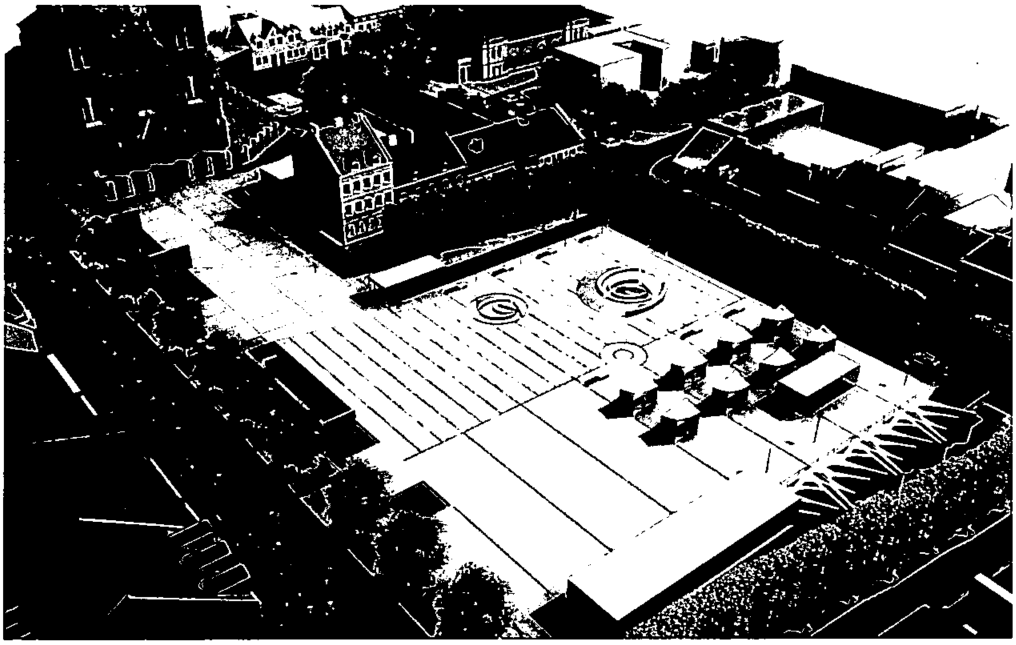
- Akwa Minsk, as the ordering party, signed with Unibep SA an agreement for the design and implementation in the general contracting system of a sports and recreation complex in Minsk in the Republic of Belarus.

December

- Unibep SA signed an agreement for the turnkey design and construction in the general contracting system of a sports and recreation facility called FOK Luchiny in Minsk, Belarus.

- Unibep SA concluded an agreement as a subcontractor to build two garages, shell and core, within the task called "Preparation of infrastructure for the needs of LEOPARD tanks".

Bielsk Podlaski, 2 April 2020



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

2.3 Summary of selected financial data of the Unibep Group

SELECTED FINANCIAL DATA OF THE PROFIT AND LOSS ACCOUNT

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

SELECTED BALANCE SHEET FINANCIAL DATA

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

Bielsk Podlaski, 2 April 2020

SELECTED FINANCIAL DATA OF THE CASH FLOW STATEMENT

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

Accepted conversion principles

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

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

SELECTED FINANCIAL INDICATORS

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

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

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

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

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

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

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

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

Bielsk Podlaski, 2 April 2020

of contracts signed on the Norwegian market.

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

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

The main factors that influenced 2019 results include:

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

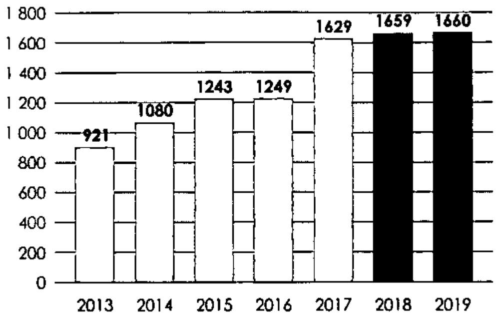
External factors played an equally important role in achieving the results. Especially noteworthy was fierce price competition on the domestic market, both in residential and non-residential building construction and the infrastructure segment. Realised margins were invariably affected by the price volatility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

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

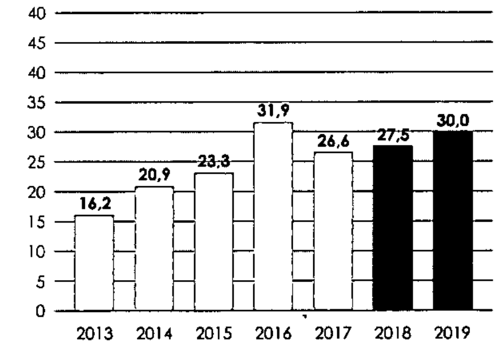
On the other hand, favourable conditions on the Belarusian and Ukrainian markets raise hopes for growing export sales. Good progress is being made on contracted projects in both countries.

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

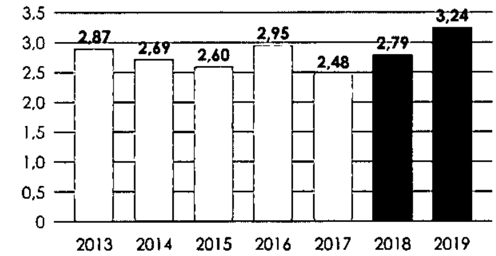
REVENUE (IN PLN MILLION)



NET PROFIT (IN PLN MILLION)



MANAGEMENT COSTS TO REVENUE RATIO - UNIBEP GROUP (%)



Bielsk Podlaski, 2 April 2020

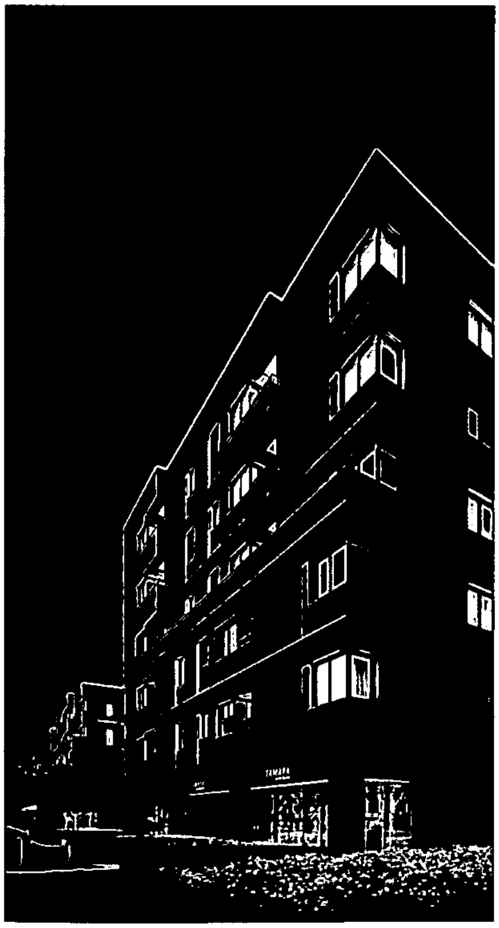
3. UNIBEP GROUP OPERATIONS

3.1 Company's business

Markets

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

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



Wileńska Expres, Warszawa, Polska

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

GROUP'S DEPENDENCE ON CUSTOMERS

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

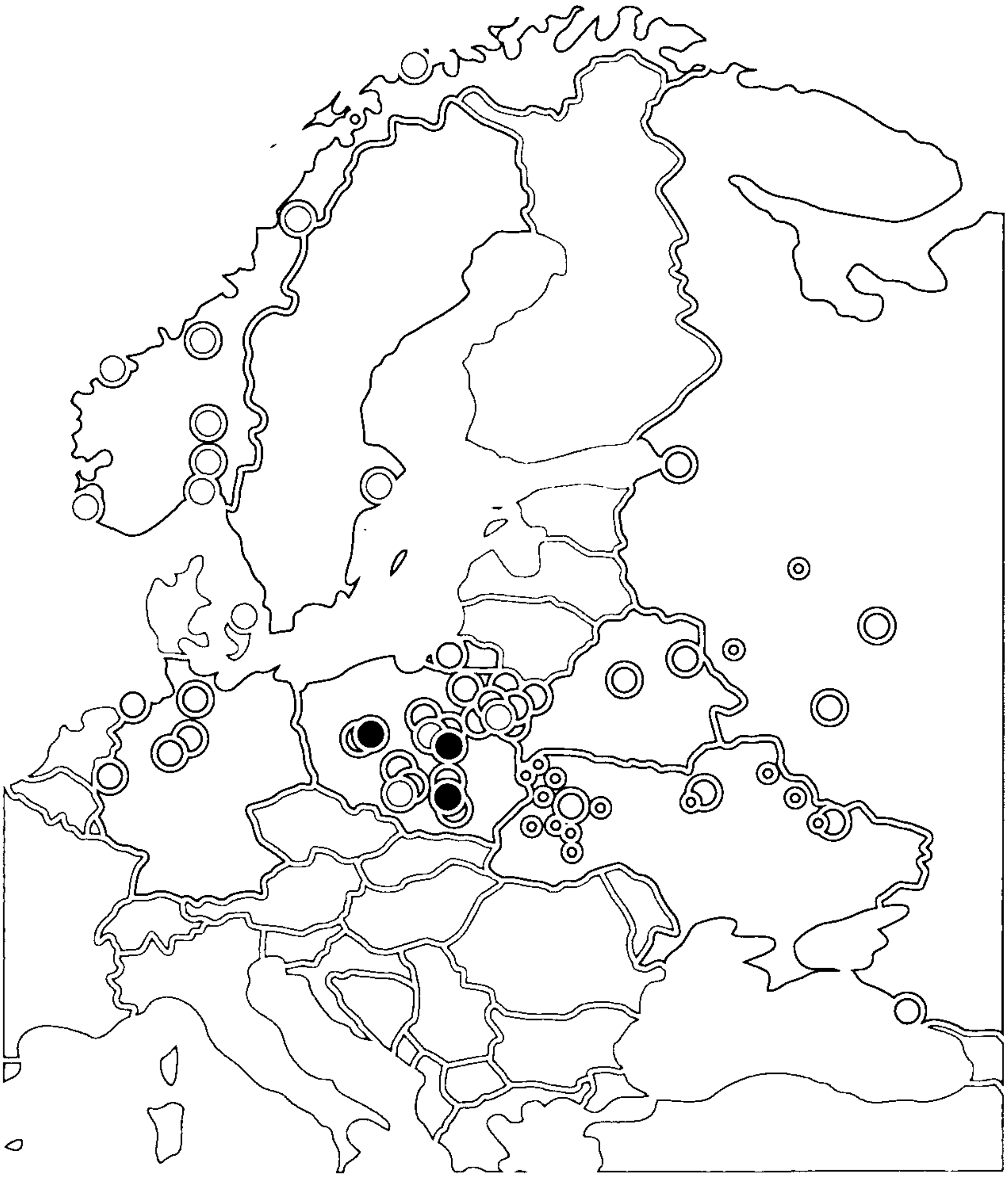
No investor accounted for more than 10% of Dominant Entity's and Unibep Group total revenue in 2019.

Bielsk Podlaski, 2 April 2020

UNIBEP GROUP: OPERATING IN MANY MARKETS

Legend:

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

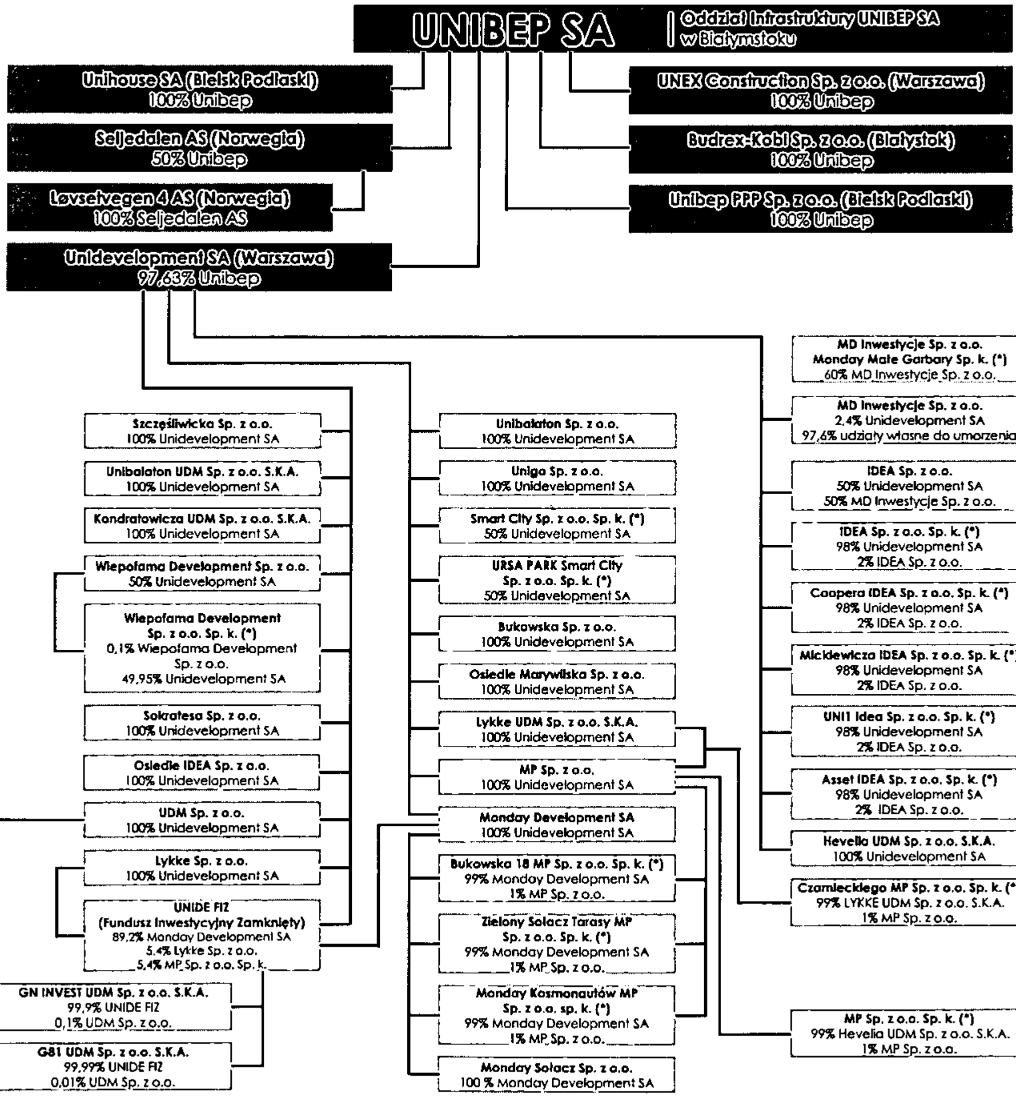


Bielsk Podlaski, 2 April 2020

3.2 Description of the Unibep Group

As of 31 December 2019, the Unibep Group consists of the Dominant Entity and five direct subsidiaries of Unibep SA: UNEX Constructions Sp. z o.o., Budrex-Kobi Sp. z o.o., Unibep PPP Sp. z o.o., Unidevelopment SA and Unihouse SA. The company Seljedalen AS is a jointly controlled company. Additionally, the Unibep Group includes indirect subsidiaries in which Unidevelopment SA and Seljedalen AS hold shares. Unibep SA also has a branch located in Bialystok.

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



☐ Entities of the UNIDEVELOPMENT CAPITAL GROUP

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

Bielsk Podlaski, 2 April 2020

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

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

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Name of the entity specifying legal status	Registered office	Business activity	Character of relationship	Applied method of consolidation	Date of acquisition	Balance sheet value of shares	% of owned share capital	% of votes at the company's general meeting
Monday Development S.A.	Poznań	property development	Indirect subsidiary	full method	05.01.2016	55 813 090,65	97,63%	97,63%
Bukowska Sp z o.o.	Poznań	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Sokratesa Sp z o.o.	Warsaw	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Osiedle Idea Sp z .o.o.	Warsaw	property development	Indirect subsidiary	full method	14.07.2016	5 000,00	97,63%	97,63%
Osiedle Marywilska Sp zo.o.	Warsaw	property development	Indirect subsidiary	full method	08.12.2016	13 500 000,00	97,63%	97,63%
Monday Sołacz Sp z o.o.	Poznań	property development	Indirect subsidiary	full method	27.10.2016	240 000,00	97,63%	97,63%
Bukowska 18 MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
Zielony Sołacz Tarasy MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
Monday Kosmonautów MP Sp z o.o. Sp.k.	Poznań	property development	Indirect subsidiary	full method	11.08.2017	10 000,00	97,63%**)	97,63%
URSA PARK Smart City Sp z o.o. Sp.k.	Warsaw	property development	indirect associate	equity method	03.08.2017	29 000 000,00	48,82%**)	0%***)
Wiepofama Development Sp z o.o.	Poznań	property development	indirect associate	equity method	22.02.2018	2 500,00	48,82%**)	48,82%***)
Wiepofama Development Sp z o.o. Sp.k.	Koszalin	property development	indirect associate	equity method	22.02.2018	5 001 000,00	48,82%****)	48,82%***)
Coopera IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	03.07.2018	10 000,00	97,63%*)**)	97,63%***)
Mickiewicza IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	11.07.2018	10 000,00	97,63%*)**)	97,63%***)
Asset IDEA Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	10.07.2018	10 000,00	97,63%*)**)	97,63%***)
UNI1 Idea Sp. z o.o. Sp. k.	Warsaw	property development	Indirect subsidiary	full method	29.11.2018	10 000,00	97,63%*)**)	97,63%***)
MD Inwestycje Sp. z o.o.	Poznań	property development	Indirect subsidiary	full method	17.04.2019	5 000,00	97,63%******)	97,63%******)
MD Inwestycje Sp. z o.o. Monday Małe Gabaryty Sp.k.	Poznań	property development	Indirect subsidiary	full method	17.04.2019	100	58,58%*)**)	96,65%***)

* *total share including share in the general partner company*

** *share in Company profits/losses*

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

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

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

****** *MD Inwestycje holds own shares (97.6%) intended for redemption. After registration of the reduction in share capital by the KRS (National Court Register), Unidevelopment SA will be the sole shareholder. Therefore, it was assumed that 100% of shares of this company are attributable to Unidevelopment.*

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CHANGES IN THE STRUCTURE OF THE UNIBEP GROUP IN 2019

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

1. On 1 April 2019, Unihouse SA was established as a wholly owned subsidiary of Unibep SA. The establishment of the company was part of an effort to convert the modular construction segment into an independent business.

2. In the second quarter of 2019, the shares of a subsidiary of Unidevelopment SA, MD Inwestycje Sp. z o.o., were acquired by Unidevelopment SA. The transactions also included the purchase and redemption of own shares of MD Inwestycje Sp. z o.o. As of the date of this report, the redemption of own shares is pending. Ultimately, as a result of these transactions, Unidevelopment will hold a 100% stake in MD Inwestycje Sp. z o.o.

3. In April 2019, the Unidevelopment Group acquired rights and obligations to the company Asset Idea Sp. z o.o., Sp. k., previously exercised by Monday Development SA.

4. On 1 July 2019, a new company, Unihouse SA, was registered in the National Court Register. 100% of its shares belong to Unibep SA. Unihouse SA has been established to continue the business operations of Unibep SA's Unihouse Branch.

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

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

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

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

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

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

   The merger was conducted pursuant to art. 492 § 1(1) of the Commercial Companies Code of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037 as amended), i.e. by transferring all assets of UDM2 Sp. z o.o. to Monday Development SA. As a result of the merger, the acquired company was dissolved without liquidation on 13 December 2019, when the merger was entered in the National Court Register. All its rights and obligations were assumed by the acquiring company through universal succession.

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

Changes in Group structure after the balance sheet date

1. Change of company name

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

2. Change of company name

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

   The change became effective on 5 February 2020.

3. Merger plan for two companies from the Unidevelopment Group

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

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

4. Purchase of shares of companies from the Unidevelopment Group

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

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

5. Merger plan for 12 companies from the Unidevelopment Group

   On 28 February 2020, a merger plan was agreed and signed, in which Szczęśliwicka Sp. z o.o. acquired 11 companies from the Unidevelopment Group, including:
   - UNIBALATON UDM Sp. z o.o., S.K.A. registered in Warsaw;
   - KONDRATOWICZA UDM Sp. z o.o., S.K.A. registered in Warsaw;
   - UDM Sp. z o.o. registered in Warsaw;
   - LYKKE Sp. z o.o. registered in Warsaw;
   - GN INVEST UDM Sp. z o.o., S.K.A. registered in Warsaw;
   - G 81 UDM Sp. z o.o., S.K.A. registered in Bielsk Podlaski;
   - UNIBALATON Sp. z o.o. registered in Warsaw;
   - Bukowska Sp. z o.o. registered in Poznań;
   - Monday Sołacz Sp. z o.o. registered in Poznań;
   - Czarnieckiego MP Sp. z o.o., S.K.A. registered in Poznań;
   - MP Sp. z o.o., S.K.A. registered in Poznań.

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

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

   On 28 February 2020, a plan was signed to convert Monday Development SA (the company undergoing transformation) into Monday Development Sp. z o.o. (the transformed company), whose sole shareholder, Unidevelopment SA, will hold:
   a) 639,500 series A1 shares;
   b) 98,985 series B shares;
   c) 10,000,000 series C shares;
   d) 535,833 series D shares.

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

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

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

3.3 Information on supply

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

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

Purchase of construction materials constitutes a separate process developed and improved within the Group and the Dominant Entity. Materials are divided into several categories. Responsibility for purchases – from a determination of needs, through initial inquiries, negotiations, signing of the purchase agreement and monitoring of its implementation – varies by material category, resting either with the managers of the project or market segment, or the Main Procurement Office, with support from the Management Board and the Group's legal team. The role of the Main Procurement Office is becoming more prominent. Central purchases of key materials (steel, concrete, milled rock tiles, stone, mineral wool, etc.) have helped curb production costs. The Main Procurement Office also continuously monitors market prices.

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

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

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

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3.4 Development activities

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

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

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4. MARKET AND DEVELOPMENT PROSPECTS

4.1 Current economic situation and forecasts

Situation in 2019

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

Forecast for 2020

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

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

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

4.2 Group outlook and directions for strategic development

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

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

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

RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION

Residential and non-residential construction operates within the Dominant Entity. Its geographic scope covers Poland and Eastern Europe. Financially, this operational segment generates over 60% of the Group's revenue.

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

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

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

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

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

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

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

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

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

MODULAR CONSTRUCTION

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

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

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

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

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

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

INFRASTRUCTURE SEGMENT

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

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

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

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

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

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

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

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

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

REAL ESTATE DEVELOPMENT

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

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

The Unidevelopment Group ended 2019 on a strong note. Over the course of the year, the Group delivered 607 finished units to customers – a significant increase from 445 in 2018. Net apartment sales totalled 716 units, up from 445 a year earlier.

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

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

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

PROJECTS COMPLETED IN 2019

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

PROJECTS UNDER CONSTRUCTION AS OF DEC. 31, 2019

	Residential units	Commercial units
Osiedle Coopera stage 1	100	-
Osiedle Coopera Stage 2 [1]	127	-
URSUS stage V (JV3)	153	8
URSUS stage VI (JV3)	188	10
Warsaw market	**568**	**18**
Nowych Kosmonautów stage 2	112	-
Nowych Kosmonautów stage 3	130	3
Poznań market	**242**	**3**
Osiedle Idea Alfa (E1F1)	51	-
Other markets	**51**	-
TOTAL	**861**	**21**

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PROJECTS IN PREPARATION AS OF DEC. 31, 2019

	Residential units	Commercial units	Start date
Osiedle Coopera stage 3 [1]	178	-	3Q 2020
Osiedle Coopera stage 4	82	3	4Q 2023
URSUS stage 7 (JV4) [2]	206	3	3Q 2020
URSUS stage 8 (JV4) [2]	195	10	2Q 2021
Sokratesa	124	5	2Q 2021
Warsaw market	**785**	**21**	
Osiedle Idea Gemini (E1F2)	92	-	suspended
Osiedle Idea Omega (E2)	130	-	3Q 2020
Osiedle Idea Ogrody (MDM12)	48	-	3Q 2020
Radom market	**270**	-	
Wiepofama stage 1 (JV) [2]	251	11	3Q 2020
Wiepofama stage 2 (JV) [2]	270	5	1Q 2021
Wiepofama stage 3-8 (JV) [2]	1 634	38	3Q 2022 [3]
Bukowska [1]	170	5	3Q2020
Poznań market	**2 325**	**59**	
TOTAL	**3 380**	**80**	

1) preliminary agreement to purchase real estate
2) joint venture
3) start date for stage 3 only

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

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

Willing to provide an attractive offer, the Group still intends to build up a land bank of attractive properties, concentrated on markets where the Group's brand is firmly established (i.e. Warsaw and Poznań). Acquisition of these properties should help ensure a steady pipeline of new development projects and satisfactory financial results, given prevailing market conditions. Another key element in this strategy is securing stable financing for land purchases.

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

BACK OFFICE

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

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

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

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

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

Internal factors:

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

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5. FINANCIAL STANDING OF THE UNIBEP GROUP

5.1 Basic financial data and economic figures

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

Fixed assets

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

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

Current assets

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

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

Liabilities

On the liabilities side, changes included:

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

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

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

Group sales revenues were virtually unchanged from the previous year.

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

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

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN THOUSANDS)

	31.12.2019	31.12.2018	Change	% Change
ASSETS				
Long-term fixed assets				
Fixed assets	117 655	93 915	23 740	25.3%
Intangible assets	25 131	27 094	-1 963	-7.2%
Financial assets available for sale	0	258	-258	-100.0%
Investments in equity-accounted entities	28 843	8 839	20 004	226.3%
Deposits due from contracts with customers	34 095	46 765	-12 670	-27.1%
Loans advanced	0	6 458	-6 458	-100.0%
Financial assets (FVPL/FVOCI)	32	1 688	-1 656	-98.1%
Long-term accruals	3 085	2 510	575	22.9%
Deferred income tax assets	37 728	37 346	382	1.0%
Total fixed assets (long-term)	**246 568**	**224 873**	**21 695**	**9.6%**
Short-term current assets				
Inventories	261 264	225 183	36 081	16.0%
Trade receivables and other receivables	213 342	252 493	-39 151	-15.5%
Deposits due from contracts with customers	23 062	42 120	-19 058	-45.2%
Contract assets	124 445	104 818	19 627	18.7%
Current income tax receivables	2 507	16 005	-13 498	-84.3%
Financial assets (FVPL/FVOCI)	628	2 089	-1 461	-69.9%
Loans advanced	51 709	29 878	21 831	73.1%
Short-term accruals	3 537	2 589	948	36.6%
Cash and cash equivalents	178 374	56 182	122 192	217.5%
Total current assets (short-term)	**858 868**	**731 358**	**127 510**	**17.4%**
TOTAL ASSETS	**1 105 437**	**956 231**	**149 206**	**15.6%**

	31.12.2019	31.12.2018	Change	% Change
LIABILITIES				
Equity				
Share capital	3 507	3 507	0	0.0%
Exchange differences on converting foreign operations	0	-4	4	-100.0%
Other capitals, including:	215 438	207 083	8 356	4.0%
Share premium	60 905	60 905	0	0.0%
Retained profit (loss)	51 893	47 921	3 972	8.3%
Equity attributable to shareholders of the dominant company	**270 838**	**258 506**	**12 332**	**4.8%**
Equity attributable to non-controlling shares	5 890	5 149	741	14.4%
Total equity	**276 728**	**263 656**	**13 073**	**5.0%**
Long-term liabilities				
Credits, loans, and other financial liabilities - long-term	102 983	67 952	35 031	51.6%
Long-term provisions	32 853	30 891	1 962	6.4%
Deposits due from contracts with customers	50 185	48 745	1 440	3.0%
Deferred long-term revenue	897	609	289	47.4%
Deferred tax provisions	5 071	1 827	3 244	177.6%
Total long-term liabilities	**191 990**	**150 023**	**41 967**	**28.0%**
Short-term liabilities				
Trade liabilities and other liabilities	250 341	235 106	15 235	6.5%
Deposits due from contracts with customers	47 479	46 954	525	1.1%
Contract liabilities	168 426	90 389	78 037	86.3%
Credits, loans, and other financial liabilities - short-term	30 718	51 470	-20 752	-40.3%
Current income tax liabilities	4 854	827	4 027	487.2%
short-term provisions	134 812	117 759	17 053	14.5%
Deferred short-term revenue	88	48	40	84.6%
Total short-term liabilities	**636 718**	**542 551**	**94 166**	**17.4%**
TOTAL LIABILITIES	**1 105 437**	**956 231**	**149 206**	**15.6%**

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SEPARATE FINANCIAL STATEMENT IN THOUSANDS – UNIBEP SA

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

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

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CONSOLIDATED INCOME STATEMENT IN THOUSANDS PLN

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

CONSOLIDATED CASH FLOW STATEMENT IN THOUSANDS PLN

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

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SEPARATE INCOME STATEMENT IN THOUSAND PLN – UNIBEP SA

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

SEPARATE CASH FLOW STATEMENT IN THOUSAND PLN – UNIBEP SA

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN THOUSAND PLN

Attributable to shareholders of the dominant entity

ITEM	Equity basic share	Exchange differences on converting foreign operations	Other capital				Retained profit (loss)		Total	Non-controlling shareholders' equity	Total own equity
			Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net			
01.01.2019	**3 507**	**-4**	**2 286**	**35 614**	**108 278**	**60 905**	**21 667**	**26 254**	**258 506**	**5 149**	**263 656**
Previous year results carry-over to retained earnings							26 254	-26 254	0		0
Distribution of profit					31 286		-31 286		0		0
Distribution of profits per dividend							-7 276		-7 276		-7 276
Allocation of spare capital to cover loss					-13 206		13 206		0		0
Own shares purchase from reserve capital				-6 837					-6 837	15	-6 822
Current year result								29 328	29 328	725	30 053
Other comprehensive income		4	-2 887						-2 883		-2 883
31.12.2019	**3 507**	**0**	**-602**	**28 777**	**126 358**	**60 905**	**22 565**	**29 328**	**270 838**	**5 890**	**276 728**

Attributable to shareholders of the dominant entity

ITEM	Equity basic share	Exchange differences on converting foreign operations	Other capital				Retained profit (loss)		Total	Non-controlling shareholders' equity	Total own equity
			Revaluation equity	Reserve equity	Spare equity	Share premium	Profit (loss) from previous years	Profit (loss) current net			
STATE AS OF 31.12.2017	**3 507**	**-4**	**4 872**	**35 614**	**94 505**	**60 905**	**28 589**	**25 778**	**253 766**	**3 838**	**257 604**
Effect of IFRS 9 applied							-2 674		-2 674		-2 674
Effect of IFRS 15 for the first time							-9 439		-9 439		-9 439
01.01.2018	**3 507**	**-4**	**4 872**	**35 614**	**94 505**	**60 905**	**16 476**	**25 778**	**241 653**	**3 838**	**245 491**
Previous year results carry-over to retained earnings							25 778	-25 778			0
Distribution of profit					24 694		-24 694				0
Distribution of profits per dividend					0		-5 518		-5 518		-5 518
Allocation of spare capital to cover loss					-9 625		9 625				0
Allocation of spare capital for dividend payment					-1 296				-1 296		-1 296
Current year result								26 254	26 254	1 311	27 564
Other comprehensive income		0	-2 586		0				-2 586		-2 586
31.12.2018	**3 507**	**-4**	**2 286**	**35 614**	**108 278**	**60 905**	**21 667**	**26 254**	**258 506**	**5 149**	**263 656**

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

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

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

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5.2 Financial results of operating segments

CONSOLIDATED STATEMENT BY SEGMENTS AS OF 31.12.2019 IN THOUSAND PLN

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

CONSOLIDATED STATEMENT BY SEGMENTS AS OF 31.12.2018 IN THOUSAND PLN

ITEM	Residential and non--residential construction	Infrastructure	Development activities	Modular construction	Adjustments of sales to other segments	Total amounts related to the entire
Revenue from contracts with customers	entity	337 189	137 510	142 044	-69 290	1 658 622
External sales	1 051 417	337 134	137 510	132 561		1 658 622
Sales to other segments	59 752	55	0	9 483	-69 290	0
Costs of sold products, goods, and materials	1 081 511	321 505	89 778	137 294	-67 580	1 562 508
Gross profit on sales	**29 658**	**15 684**	**47 732**	**4 750**	**-1 710**	**96 115**
% of gross profit on sales	*2.67%*	*4.65%*	*34.71%*	*3.34%*	*2.47%*	*5.79%*
Distribution costs						9 274
Administrative costs						46 296
Result on other operating activities						-5 762
Profit from operating activities						**34 781**
Financial revenue						4 789
of which: interest revenue	536	2	871	90		1 499
Derivatives	-479			-814		-1 293
Financial costs						5 955
of which: interest costs	4 716	685	196	176		5 773
Derivatives	160			-1 102		-942
Share in net profit (loss) of equity-accounted entities						3 754
Pre-tax profit						**37 369**
Income tax						9 804
Net profit						**27 564**

Bielsk Podlaski, 2 April 2020

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

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

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

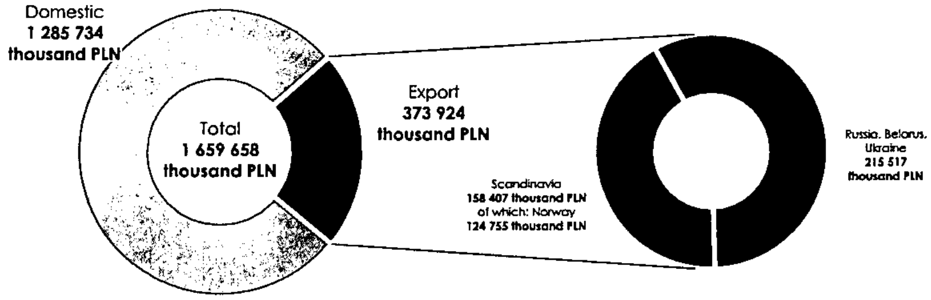
ITEM	Residential and non-residential construction	Infrastructure	Property development	Total amounts related to the entire entity
Revenue from contracts with customers	1 111 198	252 888	686	1 364 772
External sales	1 111 198	252 888	686	1 364 772
Sales to other segments	0	0	0	0
Costs of sold products,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

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

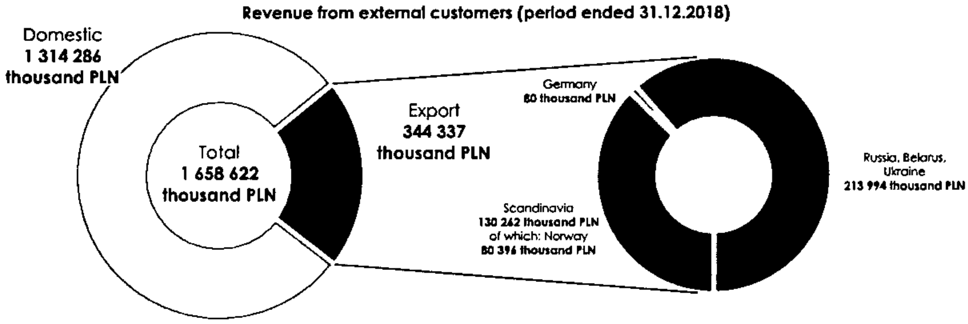
Bielsk Podlaski, 2 April 2020

GEOGRAPHICAL DISTRIBUTION OF SALES - CAPITAL GROUP

Revenue from external customers (period ended 31.12.2019)

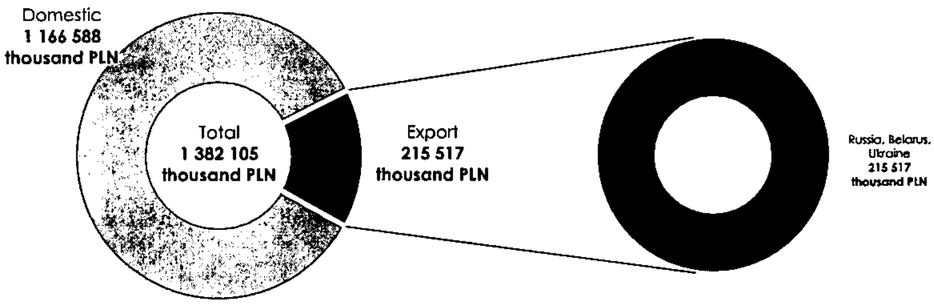


Revenue from external customers (period ended 31.12.2018)

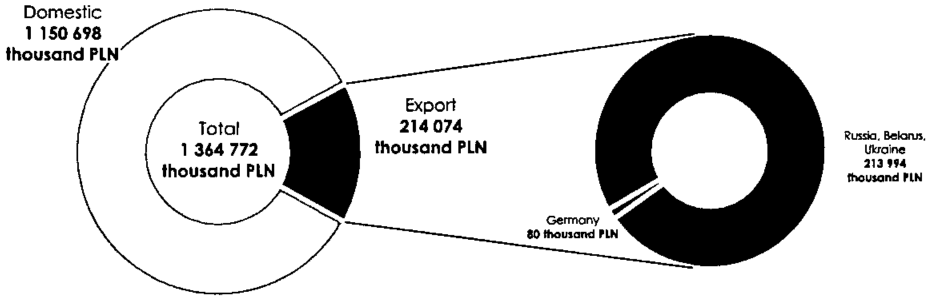


GEOGRAPHICAL DISTRIBUTION OF SALES – DOMINANT ENTITY UNIBEP SA

Revenue from external customers (period ended 31.12.2019)



Revenue from external customers (period ended 31.12.2018)



Bielsk Podlaski, 2 April 2020

FIXED ASSETS IN THOUSAND PLN.

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

5.3 Unusual events affecting the financial result

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

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

The Group operates mainly on Poland's domestic market, in Norway and Sweden, and on the eastern markets of Belarus and Ukraine. These operations entail risks characteristic for companies operating on so-called developing markets, including risk associated with frequent changes in laws and regulations and their inconsistent interpretation, inefficient courts, fluctuations of exchange rates, interest rates, and prices of goods and services, and many others, including political risk.

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

5.4 Capital management – assessing how financial resources are managed

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

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

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

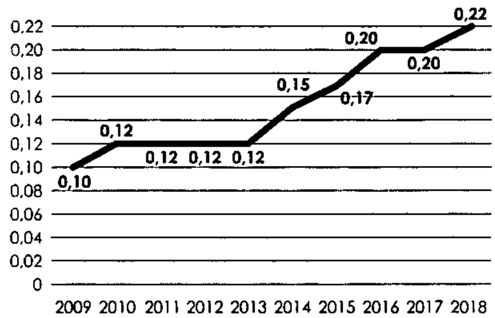
CAPITAL MANAGEMENT (THOUSAND PLN)	31.12.2019		31.12.2018	
	Group	Entity	Group	Entity
Interest-bearing credits, loans, bonds	133 702	93 633	119 422	92 451
Trade liabilities and other liabilities	521 285	362 200	422 020	377 948
Cash and cash equivalents	178 374	142 522	56 182	43 571
Net indebtedness	476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

Bielsk Podlaski, 2 April 2020

5.5 Information on dividend policy and the dividend paid in 2019

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

ANNUAL DIVIDEND PER 1 SHARE IN PLN



5.6 Information on credits and loans, sureties, and guaranties

In 2019, the Issuer signed the following financial agreements:

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

Agreements which were extended in 2019:

- On 31 January 2019, Annexe No. 3 was signed with Bank Santander SA to Loan Agreement No. K00502/18 of 31 July 2018, extending the Period of Availability of the Stage I Developer Credit in the amount of PLN 49,763,880.00 and VAT Credit in the amount of PLN 3,500,000.00 from 31 January 2019 until 28 February 2019.
- On 25 February 2019, Unibep SA extended with mBank SA a current account credit agreement and a guarantee line of credit in the total amount of PLN 45 million. The agreement was extended until 25 February 2020.
- On 26 June 2019, Budrex-Kobi Sp. z o.o. and ING Bank Śląski SA extended a current account credit agreement and limit for purchase of suppliers' receivables in the total amount of PLN 7 million. The agreement was extended until 29 June 2020.
- On 26 June 2019, Unidevelopment SA extended with mBank SA a current account credit agreement in the amount of PLN 3 million. The agreement was extended until 29 June 2020.
- On 26 September 2019, Unibep SA and Santander Bank Polska SA signed an annexe extending the current account credit agreement and a guarantee line of credit in the total amount of PLN 40 million. The agreement was extended until 21 September 2020.
- On 26 September 2019, Budrex-Kobi Sp. z o.o. and Santander Bank Polska SA signed an annexe renewing the current account credit agreement and a guarantee line of credit in the total amount of PLN 8.1 million. The agreement was extended until 30 September 2020.
- On 18 November 2019, Unibep SA and BGK extended agreements for the current account credit agreement and a guarantee line of credit in the total amount of PLN 60 million. The agreements were extended until 17 and 22 November 2020.
- On 25 November 2019, Unibep SA and BNP Paribas Bank Polska SA extended a current account credit agreement, a guarantee line of credit, and a reverse factoring credit line in the total amount of PLN 153 million. The agreements were extended until 30 June 2020.
- On 29 November 2019, Unibep SA and PKO BP SA signed an annexe renewing a current account credit agreement and guarantee line of credit in the total amount of PLN 75 million. Pursuant to the annexe, Unihouse SA also became a party to the Agreement, with a credit limit in the total amount of PLN 25 million. The agreement was extended until 30 November 2019.
- On 22 December 2019, Unibep SA signed with Santander Bank Polska SA an annexe to the current account credit agreement and a guarantee line of credit. Pursuant to the annexe, Unihouse SA also became a party to the agreement, and the

Bielsk Podlaski, 2 April 2020

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

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

1. credit agreements:
   - Agreement between Unihouse SA and ING Bank Śląski SA for an investment loan to expanding the modular housing factory in Bielsk Podlaski in the amount of PLN 15 million. The loan will be repaid by the end of October 2022.
   - Agreement between Unihouse SA and ING Bank Śląski SA for a corporate loan in the amount of PLN 10 million. The loan was granted until the end of December 2023.
   - Agreement between Budrex-Kobi Sp. z o.o., and Santander Bank Polska SA for an investment loan in the amount of PLN 900,000. The loan will be repaid by the end of July 2021.

2. Contractual guarantee agreements with the following Insurance Companies:
   - Europa SA for the amount of PLN 15 million;
   - Euler Hermes SA for the amount of PLN 50 million over an indefinite period;
   - Generali SA for the amount of PLN 30 million through 31 December 2020;
   - Hestia SA for the amount of PLN 30 million over an indefinite period;
   - KUKE SA for the amount of PLN 75 million over an indefinite period;
   - AXA SA for the amount of PLN 42 million through 31 January 2021;
   - TUiR Allianz Polska SA for the amount of PLN 70 million through 31 May 2020;
   - Zurich Insurance plc for the amount of EUR 15 million over an indefinite period;
   - Warta SA for the amount of PLN 2 million through 23 September 2020.

3. Agreements on treasury transactions over an indefinite period with:
   - BNP Paribas Bank Polska SA in the amount of PLN 3 million;
   - mBank SA in the amount of PLN 5 million;
   - PKO BP SA in the amount of PLN 37.5 million;
   - Santander Bank Polska SA in the amount of PLN 5 million;
   - BGK in the amount of PLN 3 million.

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

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

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

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

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

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

5.7 Investments

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

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

Assessment of ability to achieve investment goals

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

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

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

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

The real estate development sector in 2019 again showed its importance for the Unibep Group's overall financial results. We expect this to continue in coming years. The development business is now analysing its needs for land or shares in development projects to maximise future sales and financial results.

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

Ensuring financial liquidity is a priority.

5.8 Use of proceeds from the emission of securities

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

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

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

MANAGING FINANCIAL RISKS

In its business activities, the Group is exposed to various types of financial risk: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Management Board verifies and approves principles for managing each of the aforementioned risks.

FOREIGN EXCHANGE RISK

Bielsk Podlaski, 2 April 2020

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

INTEREST RATE RISK

Interest rate risk occurs primarily in the Group's use of bank loans, leases, bond issues and bank deposits. All of these financial instruments are usually based on a variable interest rate, which exposes the Group to the risk of changing financial results and cash flows. To hedge against the risk of interest rate fluctuations, the Company uses interest rate swaps to hedge interest payments on long-maturity liabilities. Leasing does not play a significant role in Group financing (being mainly restricted to smaller investments). The Group places any financial surpluses in short-term deposits. These deposits are based on fixed interest rates and are usually concluded for a period of 3-7 days. The amount of interest received will depend, among other things, on current interest rates.

CREDIT RISK

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

LIQUIDITY RISK

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

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

Actions taken by the Dominant Entity to manage financial risk are consistent with those taken at the level of the Capital Group.

5.10 Forecasts of financial results

The Unibep Group and Unibep SA did not publish financial forecasts for 2019.

5.11 Policy on financial statements and publication

This Management Board Report on the activities of the Unibep Capital Group in 2019 contains information, the scope of which is specified in § 70-71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities [...] (Regulation).

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

Bielsk Podlaski, 2 April 2020

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

Bielsk Podlaski, 2 April 2020

6. OVERVIEW OF IMPORTANT EVENTS

6.1 Important Agreements Concerning Operating Activities

RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION

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

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

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

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

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

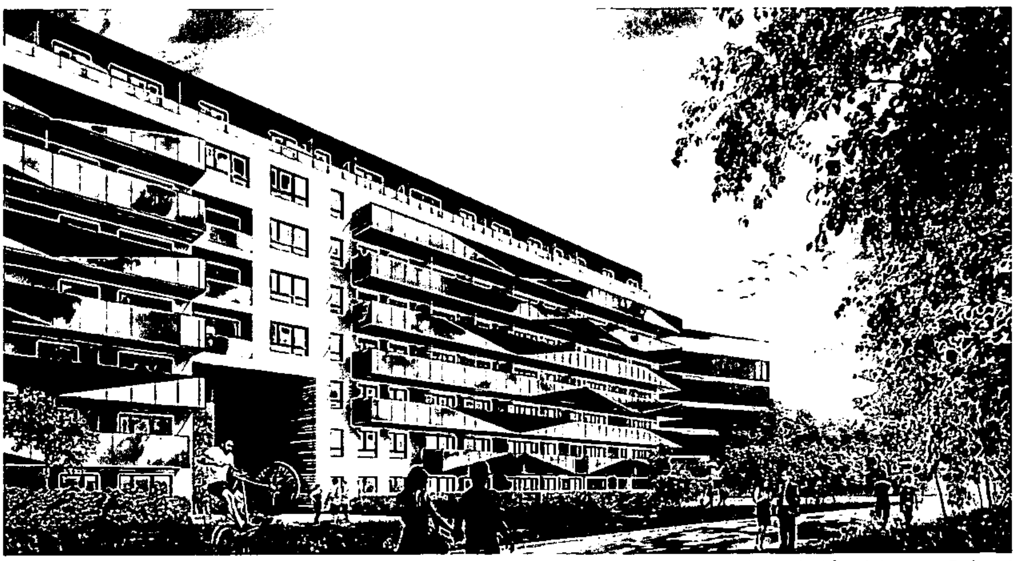
The ordering party is Towarzystwo Budownictwa Społecznego Warszawa Północ Sp. z o.o., based in Warsaw. Work on the project was scheduled to begin in Q1 2019 and be completed in Q4 2020. The Issuer is to receive remuneration of approx. PLN 62.0 million net. (Current Report No. 8/2019)

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

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

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

4) Conclusion by Unibep SA of a construction



Nordic Mokotów, Warsaw, Poland

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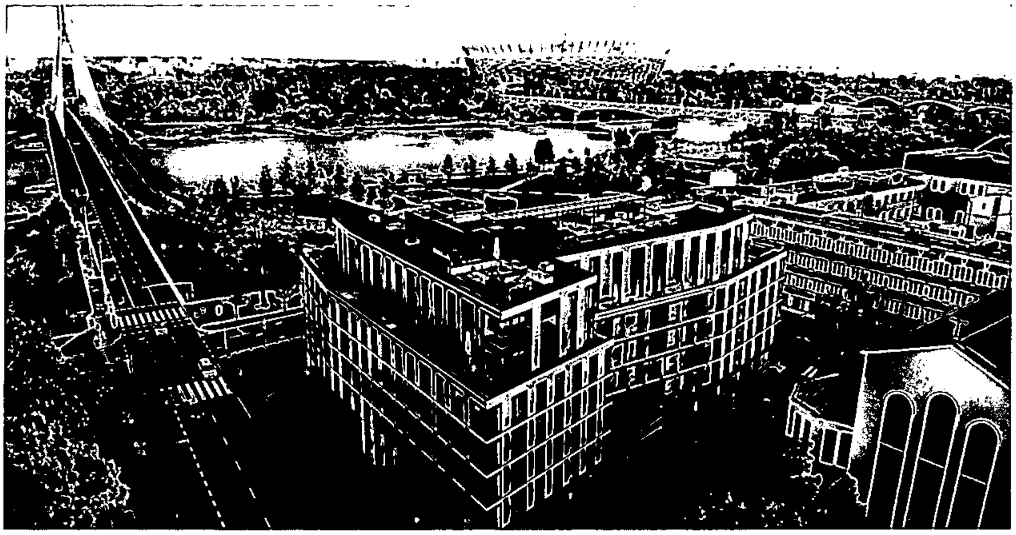


Flisac Apartamenty Powiśle, Warsaw, Poland

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

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

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

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

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

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

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

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

The ordering party is Bolero Investments 2 Sp. z o.o., based in Warsaw. The Issuer's basic remuneration for implementing the project is approx. PLN 17.2 million net. The agreement also specifies additional remuneration of up to approx. PLN 2.8 million net for further contractual work if requested by the ordering party. Work was scheduled to begin in Q2 2019 and was to be completed in Q2 2020. (Current Report No. 21/2019)

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

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

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

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

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

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

The agreement was concluded with Ghelamco Poland Sp. z o.o., an entity of the Ghelamco Group, which is serving as general contractor of the investment. The Issuer's remuneration for completion of the subcontracting agreement is PLN 49.75 million net. The agreement also grants the Issuer the right to additional remuneration for work requested by tenants (if ordered by the ordering party). The implementation period lasts from Q2 2019 to Q1 2021. (Current Report No. 31/2019)

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

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

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

On 30 March 2020, Unibep SA signed an annexe to the agreement, pursuant to which the parties again modified the conditions for the agreement's entering into force. Pursuant to the annexe, the agreement shall take effect on the day that the ordering party submits a statement from its financing bank of fulfilment of the credit conditions for the investment, along with a so-called Term Sheet document, which should take place by 30 June 2020. The completion dates and commercial conditions, including the Issuer's remuneration, will be renegotiated in light of the current market situation. Failure to reach agreement on these points will entitle the contractor to withdraw from the agreement within the time specified in the annexe without any consequences. (Current Report No. 11/2020)

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

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

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

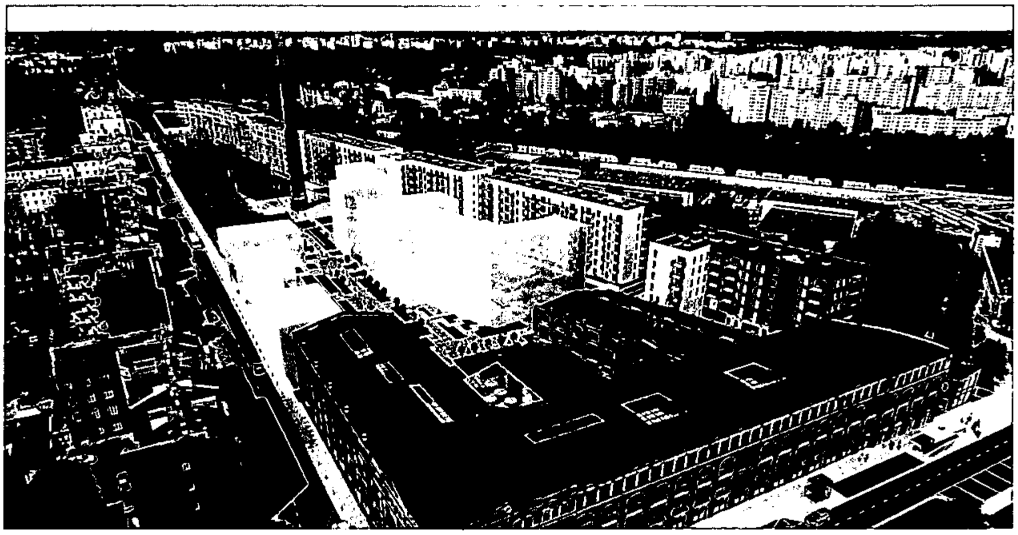
11) Conclusion of an agreement for implementation of stage C of a residential project on Szwedzka Street in Warsaw

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

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

Triniti, Shopping and recreational complex, Grodno, Belarus

Bielsk Podlaski, 2 April 2020



Bohema, Warsaw, Poland

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The agreement is divided into two parts, design (part 1) and construction (part 2). The part 1 entered into force on the day the agreement was signed. Part 2 will take effect upon receipt of written confirmation that a loan agreement was finalised between the ordering party and the bank. The implementation period is 24 months from the date Part 2 of the agreement takes effect. (Current Report No. 53/2019)

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

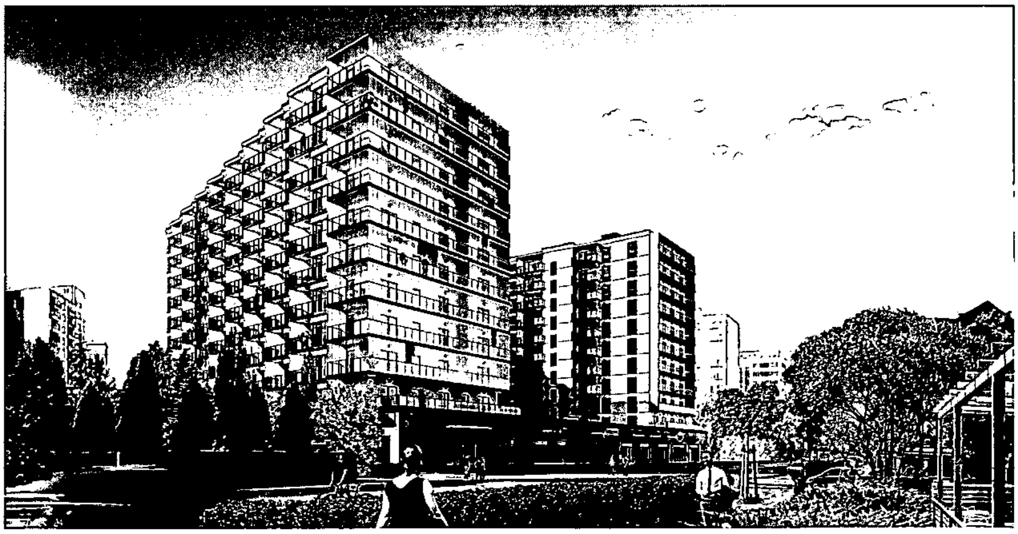
18) Conclusion of a conditional agreement to construct the FOK Luchiny sports and recreation facility in Minsk, Belarus

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

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

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

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



Nordic Sadyba, Warsaw, Poland

Bielsk Podlaski, 2 April 2020

Osiedle Coopera, Warsaw, Poland

tion of the contract (Part 1).

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

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

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

Completion of the agreement has begun.

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

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

The agreement was signed with AMW Sinevia Sp. z o.o., based in Nowy Dwór Mazowiecki, acting as general contractor for the investment. The Issuer's remuneration is based on a cost estimates and amounts to approx. PLN 20.7 million net. The implementation period is to run 10 months from the agreement signing date. (Current Report No. 57/2019)

INFRASTRUCTURE

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

REAL ESTATE DEVELOPMENT

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

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

The property was acquired in connection with intention to extend the Investment by subsequent stage (i.e. stage 4) of a project to build a multi-family residential building. The development project is underway, and work will continue over the next few years. (Current Report No. 38/2019)

MODULAR CONSTRUCTION

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

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

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

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

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

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

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

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

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

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

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

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

25) Agreement to construct student housing in Tron-

HeimdalsPorten, Trondheim, Norway

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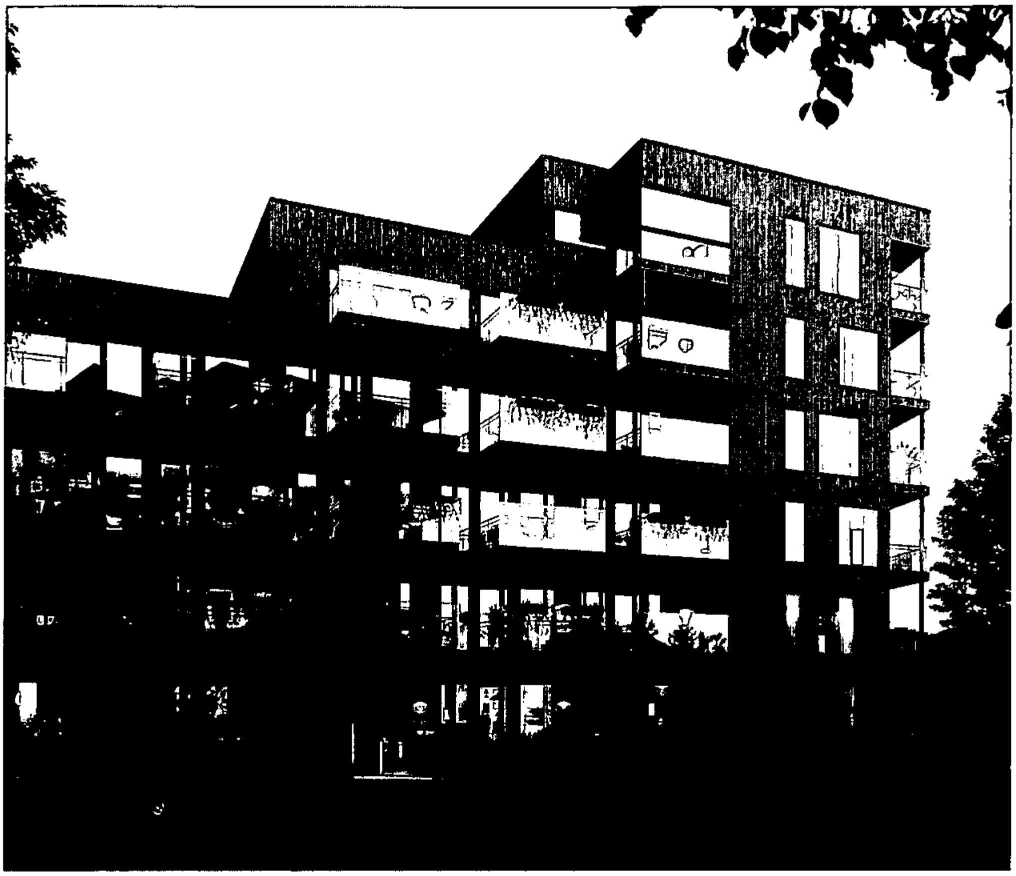

Vestbyen B1, Jesheim, Norway

dheim, Norway, using modular technology

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

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

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

On 19 June 2019, Unibep SA signed an agreement to construct modular residential buildings in Jessheim, Norway. The ordering party is Bekkefaret Bolig AS, based in Oslo. Issuer's remuneration for completing the agreement is NOK 166.8 million net, equivalent to approx. PLN 72.7 million net. (Current Report No. 35/2019)

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

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

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

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

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6.2 Transactions with affiliates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.3 Important financial agreements

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

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

2) New guarantee line of credit agreement

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

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

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

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

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

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

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

6.4 Other important events

1) Resignation of a Management Board member of Unibep SA

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

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

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

3) Establishment of the Bond Issuance Programme

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

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

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

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

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

The ordering party is Boligutvikling Sør AS, based in Storgata, 9300 Finnsnes, Norway. The value of the agreement is approx. 2.3 million EUR net, roughly equivalent to PLN 9.7 million net. The investment was completed in 2019. Settlement of the agreement was to occur in Q1 2020.

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

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

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

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

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

On 15 May 2019, Unibep SA was notified by Poland's Ministry of Finance of its acceptance on 14 May 2019 of a construction agreement concluded between the Company and road authorities in the Lviv Oblast. It concerns a road investment completed according to the design and construct formula (the Company informed about it in Current Report 50/2017). In accordance with a procedure outlined in the agreement, prior approval was required by the Ministry of Finance of Ukraine. As a result of the above notification, the agreement entered into force on 29 May 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.5 Events and agreements concluded after the balance sheet date

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

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

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

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

2) Deregistration of the Moscow representative office

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

3) Unibep SA Supervisory Board consent to purchase own shares

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

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

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

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

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

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

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

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

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

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

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

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

Sales targets have been adjusted for our businesses and stress tests updated to the current situation. Our to date analysis leads the Management Board to conclude that there is no risk to the continuity of Group operations at this time. Even so, we are assuming some decline in revenue across our various business segments, cause by less efficient construction work, delays in in announcing tenders, and weaker demand on the housing market. Among investors, we have observed great sensitivity and caution about the current situation, with any new investments being very closely scrutinised. Therefore, we are expecting the pandemic to result in some project postponements. We expect that within several months, the investment trend will return to acceptable levels. This situation is encouraging sales teams to redouble their efforts to identify customer needs and lay the groundwork for new projects. As a result, the Management Team regards that the overall situation is under control.

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

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

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

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

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

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

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

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

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

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

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

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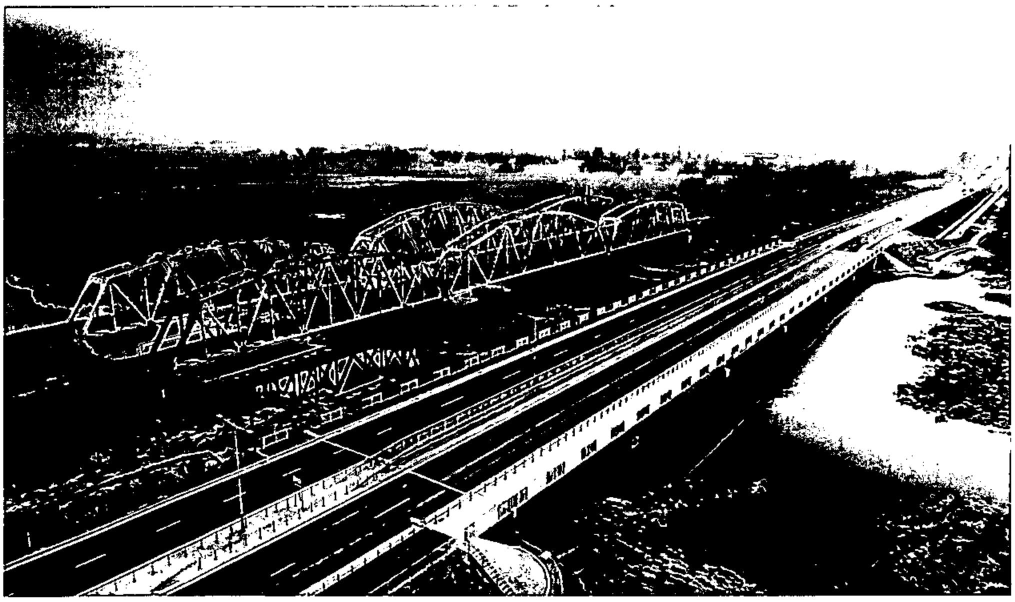
7. DECLARATION ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY UNIBEP SA IN 2019

7.1 Definition of corporate governance principles applied in the Company

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

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



Bridge on the Narew River, Uhowo, Poland

Bielsk Podlaski, 2 April 2020

7.2 Corporate government principles the Issuer does not follow

As to the current state of best practice, the Company departed from one recommendation (IV.R.2.) and three detailed principles (IZ1.20., IZ2., IV.Z.2.) contained in the WSE document.

Recommendation on General Meetings, Shareholder Relations

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

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

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

I. Disclosure Policy, Investor Communication

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

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

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

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

IV. General Meeting, Shareholder Relations

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

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

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

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

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

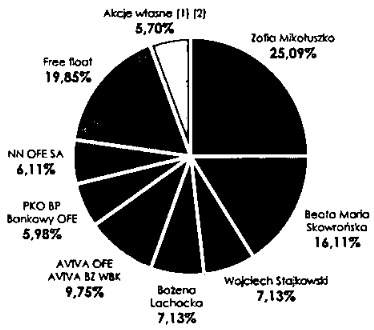
Annual and quarterly financial reports are subject to review and audit by a certified auditor. The auditor's responsibilities include a preliminary and basic audit of Group's annual report and a preliminary audit of the semi-annual report. The auditor is selected by the Company's Supervisory Board, based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

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

7.4 Shares and shareholders

SHAREHOLDING STRUCTURE AS OF 31.12.2019

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



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

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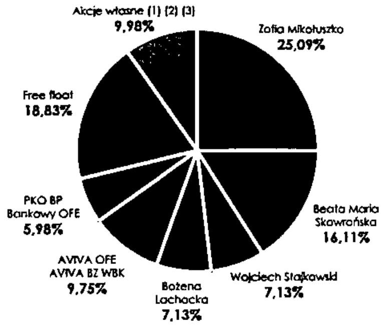
SHAREHOLDERS' STRUCTURE AS OF THE DATE OF PUBLICATION OF THE REPORT

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



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

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

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

SHARE CAPITAL STRUCTURE

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

- 27,277,184 A series bearer shares;
- 6,700,000 B series bearer shares;
- 1,048,950 C series bearer shares;
- 94,500 D series bearer shares.

All shares of the Company are dematerialised and traded on the regulated market of the Warsaw Stock Exchange.

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

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

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

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

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

Name and surname	Position	Shares held (all are voting shares)	Nominal value (in PLN)	Share in capital and votes (if over 5%)
MANAGEMENT BOARD				
Leszek Marek Gołąbiecki	President of the Management Board	690 000	69 000.00	—
Sławomir Kiszycki	Vice President of the Management Board	0	0	—
Krzysztof Mikołajczyk	Vice President of the Management Board	0	0	—

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

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

RESTRICTIONS ON VOTING RIGHTS OR OWNERSHIP TRANSFER OF SECURITIES

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

HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS

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

INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE OWNERSHIP PLAN

The Company has no employee share ownership plan.

7.5 The management of Unibep SA

MANAGEMENT BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

AGREEMENTS CONCLUDED BETWEEN UNIBEP SA AND MANAGEMENT BOARD MEMBERS

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

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

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

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

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

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

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

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

REMUNERATION OF UNIBEP SA MANAGEMENT BOARD FROM 01.01.2019 TO 31.12.2019

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

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

SUPERVISORY BOARD

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

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nes in a resolution the number of members of the Supervisory Board for a given term of office before the Supervisory Board is elected. The Supervisory Board should contain at least two independent members. The independent members of the Supervisory Board are persons who:
a) satisfy the criteria for independence as understood by the corporate governance principles applicable to companies traded on the domestic regulated market; and
b) satisfy the criteria for independence as defined by the principles governing the audit committee.

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

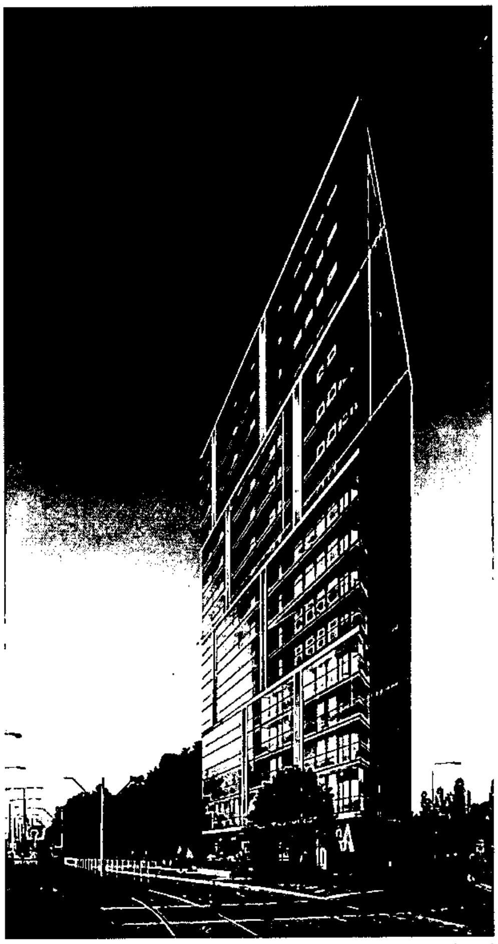
As of the date of this report, the company's Supervisory Board consists of:
1. Jan Mikołuszko – President of the Supervisory Board;
2. Beata Maria Skowrońska – Vice-President of the Supervisory Board;
3. Wojciech Stajkowski – Member of the Supervisory Board;
4. Jarosław Mariusz Bełdowski – Independent member of the Supervisory Board;
5. Michał Kołosowski – Independent member of the Supervisory Board;
6. Paweł Markowski – Independent member of the Supervisory Board;
7. Dariusz Marian Kacprzyk – Independent member of the Supervisory Board.

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

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

The Supervisory Board meets at least once every three months. The Supervisory Board president or their deputy is obliged to convene a meeting at the written request of any member of the Supervisory or Management Boards. The meeting should take place no longer than two weeks after receipt of the request. Supervisory Board members may cast their votes in writing through another member of the Board. Casting a vote in writing does not apply to items introduced to the agenda during the Supervisory Board meeting. The Supervisory Board may adopt resolutions in writing or by using means of direct remote communication. Resolutions are valid if all members of the Supervisory Board have been notified of their content in draft form.

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



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REMUNERATION OF UNIBEP SA SUPERVISORY BOARD FROM 01.01.2019 TO 31.12.2019

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

SUPERVISORY BOARD COMMITTEES

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

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

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

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

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

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

Wojciech Jacek Stajkowski is a graduate of the faculty of foreign trade at the Warsaw School of Economics (SGH). He has been involved in foreign trade since the beginning of his professional career. For many years, he held managerial positions at representative offices and subsidiaries of Polimex Cekop in the Middle East and Germany. From 1996 until 2008, he worked for Grundig Polska as executive director and management board member, while also serving as sales director of the Grundig group in Central and Eastern Europe and a member of Grundig Magyarorszag's supervisory board. In subsequent years, he managed his own business and cooperated with Unibep SA as its authorised representative for new markets. He served as chairman of the Audit Committee of Unibep SA's Supervisory Board during its fourth term and has held a Supervisory Board seat since 22 May 2012.

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

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

In particular, the tasks of the Audit Committee include:

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

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

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

The composition of the Strategy Committee as of the date of this report:
1. Jan Mikołuszko - Chairman
2. Beata Maria Skowrońska
3. Jarosław Mariusz Bełdowski
4. Paweł Markowski

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

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

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

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

Description of operation of the General Meeting

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

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

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

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

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

Other shareholders rights and the mode they are exercised

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

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

Only persons who are shareholders of the Company as of the registration date for the General Meeting have the right to participate. The registration date for participation in the General Meeting is sixteen (16) days before the General Meeting.

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

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

Terms of amending issuer's statute

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

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

REMUNERATION POLICY

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

Remuneration of the Supervisory Board

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

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include:
- a fixed monthly salary;
- additional benefits.

Management remuneration

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

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

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

Remuneration of key managers

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

The main components of remuneration for key managers include
- a fixed monthly base salary;
- a monthly bonus;
- an annual bonus;
- additional benefits.

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

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

7.6 Diversity policy

The Company has not developed a diversity policy in the sense of a single formal document. Over the years, however, certain rules of conduct have evolved in this respect, including those described in the "Community

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

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

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

Unibep SA holds the principle that any discrimination in employment, whether direct or indirect, based on sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, religion, or sexual orientation, is unacceptable in any form and under any type of employment.

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

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

7.7 Auditing company

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

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

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

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

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

On 21 January 2019, the Dominant Entity concluded another agreement with Deloitte AS, Dronning Eufemias gate 14, NO-0103 Oslo, to audit financial statements of Unibep SA's activities on the Norwegian market, in accordance with Norwegian standards, for NOK 237,000 plus additional costs. Since the agreement concerned the performance of services as part of the audit of the financial statements by the above-mentioned entity of the Deloitte Group, it did not require additional consent.

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

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

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

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

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

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8. OTHER INFORMATION

8.1 Description of risks and threats

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

RISK ASSOCIATED WITH THE EPIDEMIOLOGICAL SITUATION

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

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

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

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

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

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

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

RISK RELATED TO POLAND'S MACROECONOMIC SITUATION

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

FOREIGN EXCHANGE RISK

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

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

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

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

CREDIT RISK

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

CONTRACTORS' CREDIT RISK

The assets of the Group which are also exposed to increased credit risk are trade receivables. Every supplier of goods or services, before signing an agreement, is assessed for their ability to meet financial obligations. Most current agreements have been signed with partners that have proven themselves reliable over several contracts. In case of any doubt as to the contractor's ability to pay, agreements are finalised only after appropriate collateral is established (financial or property). Additionally, agreements with investors contain clauses providing for the right to suspend work if there is any delay in payment for services rendered. When possible, we insert contractual clauses making subcontractors' payments conditional on the cash inflows from the investor. However, it cannot be ruled out that a possible downturn in the property market could affect investors' capacity to pay, thus increasing the Company's credit risk.

LIQUIDITY RISK

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

POLITICAL RISK ON EASTERN MARKETS

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

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

RISK RELATED TO OPERATIONS STARTED ON NEW MARKETS

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

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

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

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

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

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

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

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

Currently, the financial parameters of transactions require increased scrutiny.

RISK RELATED TO THE LEGAL ENVIRONMENT

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

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

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

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

INTEREST RATE RISK

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

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

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

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

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

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

RISK OF COMPETITION

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

RYZYKO ZWIĄZANE Z ODPOWIEDZIALNOŚCIĄ WYNIKALIABILITY RISK FROM ENVIRONMENTAL PROTECTION LAWS

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

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

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

RISK OF WEATHER-RELATED DELAYS

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

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

RISK OF IMPAIRMENT OF CONTINUITY IN LAND ACQUISITION

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

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attractive locations poses a particular kind of competitive risk.

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

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

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

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

RISK OF HIGHER PROJECT COSTS

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

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

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

MATERIALS PRICE RISK

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

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

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

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

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tractors.

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

RISK RELATED TO ABUSIVE CONTRACTUAL CLAUSES

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

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

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

CONSTRUCTION-RELATED RISK

The main feature of construction operations is the need to engage significant funds throughout the investment implementation period, up to the moment when the completed project is handed over to the ordering party. The Group's services are provided in the form of individual contracts, negotiated under particular conditions and using available procedures and technologies. Due to long duration of the construction process, these conditions might be subject to a variety of changes.

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

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

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

RISK RELATED TO CONSTRUCTION INFRASTRUCTURE

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

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

SALES-RELATED RISK IN DEVELOPMENT PROJECTS

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

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

RISK RELATED TO SECURITIES ESTABLISHED ON UNIBEP GROUP PROPERTIES

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

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

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

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

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

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

RISK RELATED TO DISPUTES

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

EMPLOYMENT-RELATED RISK AND RETAINING PROFESSIONAL STAFF

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

RISK OF IT SYSTEMS FAILURE

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

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

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

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

RGUARANTEE-ASSOCIATED RISK

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

RISK RELATED TO CONCENTRATION OF SALES REVENUE

Group sales revenue is highly concentrated in the residential, industrial, and commercial construction segment. Altogether, this sector constituted over 50% of the Unibep Group's revenue in recent years. A potential slowdown in residential and non-residential construction poses could cause sales to contract, adversely affecting the Unibep Group's financial condition and development strategy.

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

8.2 Court proceedings

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

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

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

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

The Provincial Road Authority of Podlaskie Voivodship (PZDW) (construction of Sokółka - Dąbrowa Białostocka road section) – on 12 October 2018, the Consortium of Unibep SA and Most Sp. z o.o. filed suit in the Białystok District Court, I Civil Division, for payment of approx. PLN 8.29 million in contractual penalties for withdrawal from an agreement, along with approx. PLN 23.2 million for additional work performed on the project. The case was transferred to the district court's Commercial Division. The first court hearing was held on 24 and 25 June 2019, when first group of witnesses were heard. The second hearing, held on 25 and 27 September 2019, continued to examine witnesses on additional work. Only after further hearings are held will an expert opinion be prepared. On 6 November 2019, the Consortium expanded its claim by PLN 4.8 million to include receivables due for the purchase and transport of construction materials.

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

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

- extra work related to technological changes in

ongoing construction - PLN 1,051,187.80 incurred by Budrex-Kobi;
- higher transport costs of aggregates to the construction site caused by a detour - PLN 3,657,849.17 incurred by Unibep and PLN 35,601.42 incurred by Budrex-Kobi.

PZDW submitted a response to the lawsuit. At two hearings in January and February 2020, witnesses were heard. The court will soon decide upon the opinion of an expert/institute.

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

8.3 Information on charitable activities and sponsorships

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

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

8.4 Awards and distinctions

Unibep SA becomes an Ambassador of the Polish Economy

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

Construction industry leader

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

Award in Belarus

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

Unibep Group among biggest companies in Podlasie

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

Unibep Group recognised as construction leader

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

Rise on the Rzeczpospolita 500 list

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

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8.5 Information on Sustainable Development Report

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

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9. MANAGEMENT BOARD STATEMENTS

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

Management Board announcement on the entity authorised to audit financial statements

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

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

SIGNATURES OF THE MANAGEMENT BOARD

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

The Management Board of Unibep SA

....	....	....
Leszek Marek Gołąbiecki	**Sławomir Kiszycki**	**Krzysztof Mikołajczyk**
President of the Management Board	Vice President of the Management Board	Vice President of the Management Board

grupa unibep

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