Report of Management Board on business activities of Dekpol Capital Group

IN H1 2016

Pinczyn, 29 August 2016

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1. Selected financial data

Selected financial data of Dekpol Capital Group in H1 2016

Selected financial data - condensed interim consolidated financial statement	In thousands of PLN		In thousands of EUR	
	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
I. Net revenue from the sale of products, goods and materials	95 545	138 484	21 811	33 498
II. Profit (loss) on operations	14 625	7 741	3 339	1 872
III. Profit (loss) before tax	11 685	5 930	2 668	1 434
IV. Net profit (loss)	9 300	4 872	2 123	1 178
V. Earnings (loss) per ordinary share (in PLN / EUR)	1,11	0,61	0	0
VI. Net cash flows from operations	262	(49 788)	60	(12 043)
VII. Net cash flows from investment activities	(16 549)	(7 019)	(3 778)	(1 698)
VIII. Net cash flows from financial activities	9 084	59 953	2 074	13 686
IX. Net cash flows, in total	(7 204)	3 146	(1 645)	761
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
X. Total assets	364 847	283 052	82 442	67 483
XI. Liabilities and provisions for liabilities	239 531	174 576	54 125	41 621
XII. Long-term liabilities	127 557	64 663	28 823	15 417
XIII. Short-term liabilities	111 974	109 913	25 302	26 205
XIV. Equity	125 316	108 477	28 317	25 862
XV. Share capital	8 363	8 363	1 890	1 994
XVI. Number of shares at the end of the period	8 362 549	8 362 549	8 362 549	8 362 549
XVII. Book value per share (in PLN / EUR)	15	13	3	3

Selected financial data of the company Dekpol S.A. in H1 2016

Selected financial data - condensed interim consolidated financial statement	In thousands of PLN		In thousands of EUR	
	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015	01.01.2016 - 30.06.2016	01.01.2015 - 30.06.2015
I. Net revenue from the sale of products, goods and materials	116 897	138 484	26 686	33 498
II. Profit (loss) on operations	(554)	7 741	(127)	1 872
III. Profit (loss) before tax	(3 290)	5 930	(751)	1 434
IV. Net profit (loss)	(2 827)	4 872	(645)	1 178
V. Earnings (loss) per ordinary share (in PLN / EUR)	-0,34	0,61	(0)	0
VI. Net cash flows from operations	(26 314)	(49 788)	(6 007)	(12 043)
VII. Net cash flows from investment activities	10 084	(7 019)	2 302	(1 698)
VIII. Net cash flows from financial activities	9 084	59 953	2 074	13 686
IX. Net cash flows, in total	(7 146)	3 146	(1 631)	761
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
X. Total assets	422 855	283 052	95 550	67 483
XI. Liabilities and provisions for liabilities	255 974	174 576	57 841	41 621
XII. Long-term liabilities	138 444	64 663	31 283	15 417
XIII. Short-term liabilities	117 530	109 913	26 557	26 205
XIV. Equity	166 881	108 477	37 709	25 862
XV. Share capital	8 363	8 363	1 890	1 994
XVI. Number of shares at the end of the period	8 362 549	8 362 549	8 362 549	8 362 549
XVII. Book value per share (in PLN / EUR)	20	13	5	3

EUR	01.01-30.06.2016	01.01-30.06.2015
Average rate	4,3805	4,1341
Rate as of balance day	4,4255	4,1944

Selected data from the balance sheet, income statement and cash flow statement have been converted into EUR according to the following principles:
1. individual items of balance sheet have been converted based on average exchange rate binding as of last day of reporting period, published by Narodowy Bank Polski (Polish National Bank) for EUR,

2. individual items of income statement and cash flow statement have been converted based on arithmetic mean of average exchange rates published by Narodowy bank Polski (Polish National Bank) binding as of last day of each month in the reporting period for EUR.

2. Principles of production of interim condensed separate and consolidated financial statement

The interim condensed financial statement of Dekpol Capital Group for H1 2016 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in form of regulations of European Commission (hereinafter referred to as IFRS). The interim condensed financial statement of the Dekpol Capital Group for H1 2016 has been prepared under assumption of further continuation of business activity in the near future. Report presents financial position of the Capital Group as at 30 June 2016 and 30 June 2015, results achieved on Group's operations and cash flows for 6 months ended 30 June 2016 and 30 June 2015.

In the interim condensed consolidated financial statement for H1 2016 have been followed the same accounting principles (policy) and calculation methods as in the last annual consolidated financial statement. In H1 2016 were no changes in applied accounting principles (policies). In H1 2016 were also no significant changes in estimates.

Consolidations have been prepared by use of full method, applicable to all entities of Capital Group.

The interim condensed financial statement of the company Dekpol S.A. for H1 2016 has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in form of regulations of European Commission (hereinafter referred to as IFRS). The interim condensed financial statement of the company Dekpol S.A. for H1 2016 has been prepared under assumption of further continuation of business activity in the near future. Report presents financial position of the Capital Group as at 30 June 2016 and 30 June 2015, results achieved on Group's operations and cash flows for 6 months ended 30 June 2016 and 30 June 2015.

In the interim condensed consolidated financial statement for H1 2016 have been followed the same accounting principles (policy) and calculation methods as in the last annual consolidated financial statement. In H1 2016 were no changes in applied accounting principles (policies). In H1 2016 were also no significant changes in estimates.

Report of Management Board on business activities of Dekpol Capital Group has been prepared in accordance with the Regulation of the Ministry of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member (consolidated text: Dz. U. of 2015, Item 133).

Interim condensed separate and consolidated financial statement for the period of 6 months ended June 30, 2016 was subject to review by independent auditor.

3. Information on Dekpol Capital Group

3.1 Business activities of the Capital Group

Dekpol S.A. carries out its operations in three areas:

- property development - construction, finishing works and sale of apartments and premises for commerce/services;
- general contracting services in the scope of industrial, warehousing, commercial and service facilities, including external infrastructure i.e. roads, yards, parking lots, along with infrastructure;
- manufacture and installation of steel structures and manufacture of equipment (buckets) for construction machines

Dekpol 1 Sp. z o.o. SKA – in Dekpol Capital Group the company is responsible for management of subsidiaries, appointed for execution of specialized tasks, and management of tangible and intangible assets in Dekpol Capital Group.

Dekpol 1 Sp. z o.o. – general partner of Dekpol 1 Sp. z o.o. SKA

Almond Sp. z o.o. - the company owning the property at ul. Toruńska in Gdańsk responsible for completion of construction work of Hotel Almond and for the lease of the object

Dekpol Royalties Sp. z o.o. – in Dekpol Capital Group the company is responsible for the brand management in context of image and product promotion.

3.2 Structure of Dekpol Capital Group

As at 30 December 2016 and as at the date of hand-over of this report (i.e. 29 June 2016) Dekpol Capital Group composes of Dekpol S.A. as the parent entity and four subsidiaries:

- direct subsidiaries of Dekpol S.A.:
a) Dekpol 1 Sp. z o.o.
b) Dekpol 1 Sp. z o.o. S.K.A.

- indirect subsidiaries of Dekpol S.A. (via Dekpol 1 Sp. z o.o. S.K.A.):
a) Dekpol Royalties Sp. z o.o.,
b) Almond Sp. z o.o.

Dekpol S.A. holds 100% of the shares in Dekpol 1 Sp. z o.o. and 100% of the shares in Dekpol 1 Sp. z o.o. S.K.A. Dekpol 1 Sp. z o.o. S.K.A. holds 100% of the shares in Dekpol Royalties Sp. z o.o. and Almond Sp. z o.o.

All above mentioned companies fall within full consolidation method.

In the reporting period there were no changes in the structure of Dekpol Capital Group.

4. Information on the company Dekpol S.A.

4.1 Governing bodies of the company Dekpol S.A.

4.1.1 Management Board

The Issuer's Management Board is composed of one or more Members appointed and removed from office by Supervisory Board. Supervisory Board entrusts one of Members of Management Board with the function of President of Management Board. Other Members of Management Board may be entrusted with function of Vice Presidents of Management Board. Term of office of Members of Management Board is 5 (five) years and is not joint.

As of the day of hand-over of this report, Management Board composes of:
1. Mariusz Grzegorz Tuchlin (President of Management Board)
2. Krzysztof Andrzej Łukowski (Vice President of Management Board)
3. Rafał Glaza (Member of Management Board)
4. Adam Olżyński (Member of Management Board)
5. Andrzej Maciej Kuchtyk (Member of Management Board)
6. Rafał Szczepan Dietrich (Member of Management Board)

Members of Management Board have been appointed by resolution of General Meeting of Shareholders of Dekpol Sp. o.o. on appointment of members of Management Board of transformed company (the Issuer) as of 1 April 2014. The term of office of each member of Management Board expires on 1 April 2019. Each member of Management Board was previously a member of Management Board Dekpol Sp. o.o.

Composition of Management Board did not change during H1 2016 and until the date of publication of this report.

4.1.2 Supervisory Board

Articles of association of Dekpol S.A. provide that Supervisory Board consists of five to seven members. Vocation, as well as dismissal of members of Supervisory Board follows through resolution of General Meeting of Shareholders. This body elects the Chairman of Supervisory Board, may also entrust the function of Vice-president to another member. The term of office of Supervisory Board members takes 5 years and is not joint.

As of the day of hand-over of this report, Supervisory Board of the Issuer consists of:
1. Roman Suszek - Chairman of Supervisory Board
2. Piotr Stobiecki – Member of Supervisory Board
3. Jacek Grzywacz – Member of Supervisory Board
4. Krzysztof Czerkas – Member of Supervisory Board
5. Jacek Kędzierski - Member of Supervisory Board

Jacek Kędzierski and Krzysztof Czerkas meet requirement of independence of the Issuer and its affiliates, as specified in Articles of Association. The term of office of Jacek Kędzierski and Krzysztof Czerkas will end on 30 June 2019. The term of office of Roman Suszek, Piotr Stobiecki, and Jacek Grzywacz will end on 1 April 2019.

Composition of Supervisory Board did not change during H1 2016 and until the date of publication of this report.

4.2 Structure od share capital

As of 30 June 2016 and as of the day of publishing of this report, share capital of Dekpol S.A. amounts PLN 8,362,549.00 (eight million three hundred sixty two thousands five hundred forty nine) and is divided into:
a) 6.410.000 series A ordinary bearer shares of a nominal value PLN 1,00 (one zloty) each,

b) 1.952.549 series B ordinary bearer shares of a nominal value PLN 1,00 (one zloty) each, which entitle to 8.362.549 votes at the General Meeting of Shareholders of the company. Nominal value of 1 share amounts 1 PLN.

4.3 Structure of shareholders

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as of the day of publishing of report i.e. as of 29 August 2016 and as of the day of publishing of Report for H1 2016 i.e. as of 16 May 2016:

Shareholder	Number of shares/number of votes	Participation in share capital and general number of votes (%)
Mariusz Tuchlin	6.409.000	76,64%
ING Nationale Nederlanden	737.500	8,82%

4.4 Ownership of shares by persons performing managerial and supervisory functions

Shares in possession of Management Board and Supervisory Board Members of Dekpol S.A. as of the day of publishing of report i.e. as of 29 August 2016 and as of the day of publishing of Report for H1 2016 i.e. as of 16 May 2016:

Item	Number of shares as of 15 May 2015	Changes	Number of shares as of the day of preparation of this report
Mariusz Tuchlin	6.409.000	-	6.409.000
Other Members of Management Board and Supervisory Board	0	-	0

Other members of Management Board and Supervisory Board of Dekpol S.A. do not hold any shares of the Company. To the best knowledge of the Company, Members of Management Board and Supervisory Board do not hold any rights to shares of the Issuer.

4.5 Standpoint of Management Board regarding the possibility of achieving forecasted results

Company did not publish any forecasts of financial results for 2016.

5. Operations of the Company and Dekpol Capital group In H1 2016 and after its completion

Set of mortgages as collateral of bond issue programme of series E

On January 13, 2016, Management Board was informed about the entry of four contractual mortgages as collateral of bond issue programme of series E on 12 January 2016 by District Court Gdańsk-North in Gdańsk - III Land Registry. Individual contractual mortgages have been established for security against claims of bondholders in respect of certain tranches of bonds to the amount of PLN 15 million each, i.e. to a total amount of PLN 60 million. Mortgages for each tranche of bonds have the highest and equal priority between themselves and mortgages of C series programme bonds. Contractual mortgages have been set to a mortgage administrator - BSWW Trust Sp. z o. o. Contractual mortgages has been established on belonging to Company perpetual usufruct on property located in Gdańsk at ul. Jaglana, where the company carries out an investment project in the form of construction of multifamily residential building with commercial parts. The value of perpetual usufruct right to property amounts in Company's recording books PLN18 million.

Company informed on establishment of mortgages in current report No. 1/2016.

<u>Signing of an annex to agreement with Bank BGŻ BNP Paribas S.A.</u>

On 28 January 2016 has been signed with Bank BGŻ BNP Paribas S.A. an annex to the Agreement on guarantee line from 11 December 2015 changing its name and nature on agreement of multi-purpose credit line and indicating that the Bank granted the Company a credit limit to the maximum amount of PLN 28 million, so that Agreement became an agreement of significant value. Specified in the Agreement permitted forms of crediting and limits of use of various crediting forms are as follows: revolving credit – PLN 15 million, line of bank guarantees – PLN 10 million, overdraft – PLN 3 million. Crediting period: until 11 December 2025. The first current availability period of credit: until 9 December 2016.

Securing of claims under the contract include:
1. Blank promissory note together with a Issuer's declaration on submission to enforcement pursuant to Article 777 § 1 of the Code of Civil Procedure,
2. Confirmed cession of future receivables from contracts,
3. Acquisition of sum of collateral in the amount of 10% to 20% of guarantee amount, depending on the validity of guarantee,
4. Joint contractual mortgage to the amount of PLN 42 million on two properties in Rokitki owned by the Issuer,
5. Joint contractual mortgage to the amount of PLN 42 million on two properties in Pinczyn owned by the Issuer.

The first start of revolving credit and overdraft aimed with completion of repayment of loans granted to Issuer by the Bank Polska Kasa Opieki S.A., of which the Issuer announced recently in the current report no 14/2015.

Company informed on signing of annex in current report no 3/2016.

<u>Allocation of E2 series bonds</u>

On 1 February 2016 has been made allocation of 10,000 units of transferable, secured bearer E2 series bonds with a total nominal value of PLN 10 million for Pioneer Obligacji – Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty and Pioneer Fundusz Inwestycyjny Otwarty. The purpose of Bonds issue was to raise funds for execution of construction project of multifamily residential building with commercial parts on real property at ul. Jaglana in Gdańsk. Issue price and nominal value of one bond amounts PLN 1 thousand. Bonds entitle to cash benefits only. Bonds bear interest at the rate of WIBOR 3M plus margin. Interest are paid quarterly. Redemption date of Bonds falls on 27 November

2019. Bonds shall be redeemed by payment by Issuer to bondholders for each Bond of main amount, thus an amount equal to nominal value of one Bond.
Bonds will be subject to mandatory earlier redemption dependent on sale of residential premises, business premises and garages built within Investment under conditions specified in Terms and Conditions of Bond Issue ("TCBI"). Bondholder is entitled to submit a request to Issuer on earlier redemption in case of occurrence of early redemption basis defined in TCBI including min. in case of: failure of meeting deadlines resulting from Bonds by Issuer, use of cash obtained from Bonds for other purposes than specified in bonds issue programme or sale by Issuer premises as a subject of an investment for less than specified in TCBI. Bonds may also be subject to early redemption at Issuer's request, at earliest after 24 months from the date of allocation.
Bonds are secured by contractual mortgage up to maximum amount of PLN 15 million, setup by Issuer on 12 January 2016 for mortgage administrator - BSWW TRUST Sp. z o.o. ("Mortgage Administrator"), on belonging to Issuer perpetual usufruct on property located in Gdańsk at ul. Jaglana, and by contract of escrow account between Issuer, Mortgage Administrator and DNB Bank Polska S.A. Furthermore, the Company made declarations on submission to execution in favor of bondholders and a declaration of submission to execution in favor of Mortgage Administrator.

Company informed on allocation of E2 series bonds in current report No. 4/2016.

Termination of copyright transfer agreement and loan agreement

On 2 March 2016, Company Dekpol Royalties Sp. z o.o. filed to Dekpol 1 Sp. z o.o. S.K.A. a declaration of withdrawal from contract of sale of work (the copyright to work within meaning of Art. 1 of the Act dated 4 February 1994 on copyright and related rights to verbal-figurative mark "DEKPOL", on conclusion of which the Issuer informed in current report No. 46/2015 as of 31 July 2015. Dekpol Royalties Sp. z o.o. was fully entitled to terminate the Contract on Sales of Work in accordance with its provisions.

Due to the fact that agreement of loan in the amount of PLN 56.26 million granted by Dekpol 1 Sp. z o.o. S.K.A. for Dekpol Royalties Sp. z o.o. has been entered in order to ensure the company Dekpol Royalties Sp. z o.o. financing allowing to fulfill its obligation to pay the price resulting from contract of sale of the above work, Dekpol Royalties Sp. z o.o. made withdrawal from this contract as well as from loan agreement to Dekpol 1 Sp. o.o. S.K.A., to which was fully entitled under loan agreement.

In connection with the two above-described facts to withdraw from contracts, the owner of copyright to work became Dekpol 1 Sp. z o.o. S.K.A. Issuer and Dekpol Royalties Sp. z o.o. terminated then on 2 March 2016 license agreement described in point. C. of Current Report No. 46/2015.
Dekpol S.A. and Dekpol 1 Sp. z o.o. S.K.A. concluded at the same time on 2 March 2016 license agreement on copyrights to Work, valid until 30 June 2016. License fee for the use of copyright to work amounts 2.76% of net revenues, i.e. excluding VAT received by Issuer from sales of construction services, general contracting services of construction projects and property development services and will be increased by VAT, calculated on a monthly basis.
Other terms of license agreement do not differ from those commonly used for this type of agreement.

Management Board points out that these facts do not cause financial consequences for the Company, which pays license fees for use of copyright to work as verbal-figurative mark "dekpol" under the same rates and terms of payment so far. Besides, it does not affect financial position of Dekpol S.A. and financial position of the Capital Group.

Company informed on withdrawal from above mentioned agreements in current report No. 5/2016.

Conclusion of annex to significant contract with Carrefour Polska Sp. z o. o.

On 30 March 2016 the Issuer concluded with Carrefour Polska Sp. z o. o. an annex to agreement from 14 September 2015 regarding general contracting services on construction works concerning reconstruction of Shopping-Service Centre Carrefour Morena in Gdańsk. Pursuant to the annex, the deadline for obtainment of use permit for investment has been extended to 19 May 2016.

Company informed on conclusion of the annex in current report No. 6/2016.

Placement of D series bonds to alternative trading system

On 15 April 2016 Management Board of Warsaw Stock Exchange S.A. adopted resolution concerning introduction to alternative trading system (ATS) on Catalyst of 350,000 D series bearer bonds of DEKPOL S.A., with nominal value of PLN 100 each and the total nominal value of PLN 35 million. On 26 April 2016 Management Board of Warsaw Stock Exchange S.A. adopted resolution on appointment of 29 April 2016 as the first trading day in ATS on Catalyst of D series bearer bonds of the Company.
Furthermore, on 15 April 2016 Management Board of BondSpot S.A. adopted resolution on introduction to alternative trading system on Catalyst above mentioned series D bearer bonds of DEKPOL S.A. On 27 April 2016 Management Board of BondSpot S.A. adopted resolution on appointment of 29 April 2016 as the first trading day in ATS on Catalyst of D series bonds of the company. The last day of trading of D series bonds of the company will be at 4 October 2018.

Information on sale of apartments by Dekpol S.A.

On 15 April 2016 the Company announced that in the first quarter of 2016 concluded 146 real-estate development and preliminary contracts on sale of offered apartments, what represents nearly three-fold increase over the same period last year. As at 31 March 2016 total number of apartments offered for sale amounted less than 400, including 124 aparthotel premises.

In the whole 2015, the Company concluded nearly 400 real-estate development and preliminary contracts on sale of apartments as a part of its investments located in Pomerania Province, which constituted nearly 80% increase compared to 2014 (220 contracts). At 31 December 2015, the Company had 399 apartments for sale in its offer, and additionally 143 aparthotel premises.

Information on sale of apartments the Company published in current report No. 9/2016.

Conclusion of significant agreement with 7R Logistics SA

On 1 June 2016 the Company signed an agreement with 7R Logistic S.A. on the overall execution of investment named: "Construction of warehouse with social-office facilities and infrastructure" in Klucze until 28 February 2017.
Remuneration for execution of contract has been fixed at 10 -15% of Issuer's equity, however it can change only in case of contracting of additional works by 7R Logistic S.A.
Total limit of penalties for delays in the execution of investment amounts 15% of Contractor's salary. The same penalty is to be paid for withdrawal from contract due to Contractor's fault. For withdrawing

from contract due to fault of 7R Logistic SA, the Company has right to demand a contractual penalty of 10% of salary. Total amount of contractual penalties cannot exceed 20% of salary. Contracting parties have right to claim compensation to the full extent of losses. 7R Logistic S.A. is entitled to request from Company compensation in respect of damage caused in connection with need of losses cover of future Investments' user resulting from failure of meeting deadline by Company. Other provisions of agreement do not differ from market standards applied in agreements of this type.

Information on concluding of the above mentioned agreement, the Company published in current report No. 11/2016.

Conclusion of significant agreement with 7R Logistics

On 1 July 2016, the Company received mutually signed agreement dated 30 June 2016 concluded with 7R Logistics S.A. for execution of investments on construction of warehouse along with accompanying infrastructure on property in Gdańsk Kowale. Subject of Agreement includes in particular preparation and hand-over to 7R Logistics S.A. of a complete alternative construction project, preparation of project documentation, obtainment of necessary permits, accords and opinions, execution of all required construction works necessary for achievement of "turnkey" investment as well as building (rebuilding) of infrastructure necessary to carry out the works.
The company currently implements the first phase of works, which are to be completed in January 2017, and the second stage within 5 months from the date of issuing of permit by 7R Logistics S.A. on its execution. Agreement contains stipulation regarding possibility of execution of both phases together as one investment.
The value of contractual remuneration for execution of works does not exceed 20% of Company's equity. Total amount of contractual penalties that may be charged by 7R Logistics S.A. cannot exceed 15% of Company's remuneration. Imposition on Company of any contractual penalty does not exclude the right of 7R Logistics S.A. to claim damages exceeding amount of such penalty, if in connection with Dekpol's delay 7R Logistics S.A. bears additional costs associated with extension of employment contract of people referred to in Agreement.

Information on conclusion of the above mentioned agreement, the Company published in current report No. 14/2016.

Signing of annexes to investment loan agreement with Getin Noble Bank

On 30 June 2016 the Company signed with Getin Noble Bank S.A. annexes to investment loan agreement dated 8 April 2015 on financing of the second and third stage of real-estate development project regarding construction of residential multifamily buildings in Gdańsk. Pursuant to the above mentioned annexes, the Bank extended Company the maturity of debt repayment resulting from these agreements until 31 December 2018.

Information on conclusion of the above mentioned annexes, the Company published in current report No. 15/2016.

Events after balance sheet date:

Conclusion of construction works with Arkony Sopot Sp. z o. o.

On 6 July 2016 the Company has entered into agreement with Arkony Sopot Sp. z o.o. on construction works, the aim of which is the execution by the Company of an investments consisting of reconstruction and expansion of residential building and the construction of guest house in Sopot along with the accompanying works. For the execution of contract, Arkony Sopot Sp. z o.o. will pay the Company a total net fixed remuneration in the amount of no more than 10% of consolidated net sales revenues of Dekpol Capital Group for 2015. Pursuant to records of agreement, obtainment by Company of use permit decision for investment will follow no later than on 31 December 2017.
Company is obliged to pay Arkony Sopot Sp. z o.o. a penalty equal to 0.1% of net salary for each day of delay in execution of agreement and execution of individual works. In case of delay in defects removing within prescribed time, General Contractor shall pay Investor 0.5% of net salary for each day of delay, and for delay in deadlines appointed by Investor for removal of other irregularities and faults in the amount of 0.05% of total net salary for each day of delay. In addition, the Company is obliged to pay minimum a penalty in the amount of 3% in case of withdrawal by Arkony Sopot Sp. z o.o. for reasons attributable to the Company and for failure or improper execution of contract by the Company. Parties may on a general basis to claim damages from each other exceeding the amount of contractual penalties. Maximum summed up amount of contractual penalties calculated in line with agreement records, encumbering the Company is limited to 15% of net remuneration.

Information on conclusion of the above mentioned agreement, the Company published in current report No. 16/2016.

Allocation of E3 series bonds

On 29 July 2016, the Company allocated 10.000 units of transferable, secured E3 series bearer bonds with total nominal value of PLN 10 million for Pioneer Fundusz Inwestycyjny Otwarty with its registered office in Warsaw, sub-funds Pioneer Obligacji Plus, Pioneer Pieniężny i Pioneer Pieniężny Plus. The purpose of Bonds issue programme is to raise funds for the second phase of construction of multifamily residential building along with service parts on a plot at ul. Jaglana in Gdańsk. Bonds bear interest at rate of WIBOR 3M plus margin. Redemption date falls on 27 November 2019.
Bonds are secured through contractual mortgage up to the maximum amount of PLN 15 million, setup by Issuer on 12 January 2016 on belonging to Issuer perpetual usufruct on property located in Gdańsk at ul. Jaglana 3, (current report No. 1/2016) and by contract of escrow account between Issuer, Mortgage Administrator and the Bank. Furthermore, the Company made declarations on submission to execution in favor of bondholders and a declaration of submission to execution in favor of Mortgage Administrator.
At the same time on 29 July 2016 the Issuer has entered into agreement with Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji – Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty regarding changes in conditions of bond issue programme of series C and E, according to which the funds kept on escrow accounts relating to C series will also be able to be used for redemption of E series bonds, and funds kept on escrow accounts relating to E series will also be able to be used for the redemption of C series bonds.

About allocation of E3 series bonds, the Company informed in the current report No. 17/2016.

Conclusion of agreement on construction works with COFFEE PROMOTION Sp. z o.o.

On 3 August 2016 the Company concluded a contract with COFFEE PROMOTION Sp. z o.o., on construction of coffee roasting and mixing plant in Koniecwałd. Parties agreed that the completion of

works will take place within 10 months from the date of commencement of construction works. For the execution of Agreement Purchaser will pay the Company net salary of approx. 6% of net sales revenues of Dekpol Capital Group for the year 2015. Contractor is entitled to entrust the execution of a part of the scope of agreement to subcontractors.
Agreement contains provisions relating to contractual penalties, according to which the Contractor will pay the Purchaser a penalty for delay in execution of the agreement and removal of defects. Contracting parties have right to demand payment of contractual penalty for withdrawal from the contract for reasons attributable to other side in the amount of 10% of total net remuneration. Maximum sum of contractual penalties foreseen to be paid by Contractor cannot exceed 10% of net salary. Contracting parties are entitled to claim damages in excess of contractual penalties in entirety, on general principles.

Information on conclusion of the above mentioned agreement, the Company published in current report No. 19/2016.

<u>Allocation of C4 series bonds</u>

On 4 August 2016 the Company allocated 9,500 units of transferable secured C4 series bearer bonds of non-document form with a total nominal value of PLN 9.5 million to funds: Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty. The purpose of Bonds issue is to raise funds for the execution of Issuer's investment consisting of construction on a building plot at Jaglana Street in Gdańsk of residential building along with services parts ("Investment"). Bonds have been issued for an issue price equal to the nominal value. Bonds shall bear interest at the interest rate equal to WIBOR3M plus margin. Interests will be paid quarterly. Redemption date of Bonds falls on June 19, 2019.

Coverage of bonds constitute:
(i) contractual mortgage to the maximum amount of PLN 14.25 million established on 12 December 2015 for a mortgage administrator on entitled to Issuer right of perpetual usufruct of real estate property located in Gdańsk at Jaglana Street, about which the Issuer informed in Current Report No. 37/2015.
(ii) escrow account agreement ensuring control of cash flows of the Company within investment, including e.g. funds raised from Bonds issue and sales of apartments within investment in such a way that the funds gathered on escrow account could be used exclusively for purposes related to the execution of investment and redemption of Bonds and programme-bonds of series E along with outstanding and unpaid interests.
(iii) Issuer's declaration of submission to enforcement pursuant to Article 777 § 1(5) of Code of Civil Procedure with regards to cash obligations arising from Bonds submitted to particular Funds up to the amount equal to ratio of Bonds subscribed by individual Subscriber and 150% of nominal value of one Bond and entitling to make request for declaration of enforceability until 31 December 2019.
(iv) Issuer's declaration in favor of mentioned above mortgage administrator on submission to enforcement under Art. 777 § 1 point 5 of the Code of Civil Procedure of encumbered property in order to satisfy claims arising from Bonds entitling to make request for declaration of enforceability until 31 December 2019.

About allocation of C4 series bonds, the company informed in current report No. 20/2016.

6. Factors that may affect achieved results in perspective of at least next quarter

A factor that may affect Company's results in the next periods will be acquisition of new contracts and execution of existing ones.

To factors that appeared in H1 2016 and after that time which have or may have impact on Company's results in subsequent periods, it should also be included events listed in point. 5 of this Report.

Impact on results in perspective of at least next quarter will have macroeconomic factors affecting the whole construction market in Poland, such as the overall condition of Polish economy, inflation, GDP growth, tax policy, interest rates, labor market and unemployment rate, level of investments, volume of domestic demand, foreign exchange rates. GDP growth, wealth of society and development of enterprises has an impact on growth of demand for construction services in both residential and industrial. All this has a positive impact on financial results of Issuer.

Future results of Issuer will depend on success of development strategy and investment plan, which assumes:

- planned increase of order portfolio in 2016 (working capital financing in general contracting);
- expansion of sales network / network of customers acquisition on products being produced in extended part of a plant producing equipment for construction machines (buckets);
- acquisition of land bank for property development activities + financing of initial construction stages of real-estate development projects.

7. Factors of risks and threats

Considering the future of the Capital Group's operations, the major risk factors related to its functioning are as follows:

Risks related directly to the Capital Group's operations:

– Risk related to construction process

The main feature of construction activity is the necessity of engaging substantial funds over the entire period of carrying out an investment project, up until handing the facility over to the client. The services offered by the Group are provided under individual agreements drafted in the given circumstances and using the available procedures and technologies. Regardless of the length of the entire construction process, various changes of the initially agreed conditions may occur. The entire production and execution process poses a number of risks. During that period, the following threats may occur:
- ongoing design and execution changes at almost any stage of the process;
- incorrect initial estimate of the costs of the project;
- substantial change of costs during project implementation;
- errors in managing the entire construction process;
- errors related to technical and technological solutions used.

All of the above may prolong the process of creating the product, resulting in increased costs and delaying the payment, which in turn leads directly to lowering the Group's result and disrupts the financial equilibrium.

– Risk related to atmospheric conditions

By carrying out operations on a broadly understood construction market, the Group is particularly dependent on atmospheric conditions. They not only affect the progress of construction projects, but also result in a seasonal nature of the revenue on sales. Traditionally, revenue on this type of operations is the largest in summer, decreasing in winter, especially in Q1. Abnormal weather conditions may have a negative influence on observing project completion deadlines. Extending deadlines may result in increased project costs and claims from clients on account of failure to observe contractual terms and conditions. In preparing project completion schedules, the Group assumes typical weather conditions for particular seasons. The Group attempts to prepare the schedule in such a way so as to make sure that finishing works inside of buildings and tasks possible to complete in sub-zero temperatures are carried out in winter. In spite of taking actions intended to make the revenue structure lean, one needs to consider the differences between financial results in the particular quarters of the year.

– Risk of changes of prices and availability of materials, raw materials, and goods

In the event of the Group's operations, due to the length of the entire production process, the risk of increases in the prices of materials is important, since this risk may upset the investment project's budget and its profitability. The same applies to the availability of materials and raw materials. Limits in their availability would result in upsetting the entire production process and delays in the completion of projects. Further, the risk of increases in fuel prices, which are an important factor in the determination of prices, needs to be taken into account. In the event of an increase in the general number of investment projects, there is a risk of longer waiting times for the necessary materials. The occurrence of such a situation may have a negative influence on the Group's financial result and his development prospects. This is why actions are being taken in order to minimize this type of risk by concluding long term agreements with the key suppliers. This makes it is possible to offset the negative factors and plan costs in more detail, which directly translates to the Group's profitability.

– Risk related in underestimating the costs of contracts

The carrying out of the Group's agreements is based on cost estimates previously produced for such agreements. There is a risk of omitting certain works or valuing them partially or incorrectly in the process. Due to the flat-fee nature of the remunerations for works and the necessity of the Group to incur the costs of the works himself, there is also a risk of the Group suffering a loss on a project. This may negatively affect the operations, financial situation, or the results of the Group. It also needs to be explained that the Group exercises due diligence in preparing offers and employing qualified and experienced cost estimators and verifies, in the course of the project, the costs actually incurred vs. the costs estimated.

– Risk related to contracts, including faults and defects

As the construction process is highly complex, it itself may be a source of risk for the Group. In spite of cooperation with reputed and reliable contractors and suppliers and exercising ongoing supervision over the construction works, the Group cannot guarantee a complete lack of faults or defects in the projects. The manifestation of faults or defects may have a negative influence on the Group's market image and his financial result due to the necessity of incurring additional costs related to removing the fault or defect. Further, if the removal of faults and defects is prolonged in time, this may result in failure to observe the deadlines for project completion, which will again negatively affect the Group's financial situation due to the obligation to pay potential liquidated damages to the clients or to pay amounts resulting from claims for damages. There is also a chance that the materials used to carry out construction works will have hidden defects that may affect the quality of the project. In connection with the above, the Group uses various forms of protection against such risk. These include primarily the procedures intended to minimize delays in project completion. Agreements are concluded with regular and reliable suppliers and subcontractors in order to provide the Group with high quality and punctuality of works, as well as with deferred payments. Efficient procedures of ongoing internal control and monitoring of particular orders are also important. It needs to be emphasized that so far, in the Group's operations, such events have occurred only occasionally.

– Risk related to concentrating operations on the local market

Most of the Group's projects in terms of general contractorship and property development are located in the Pomorskie Province. Concentrating operations on the local market results in being dependent on the economic situation on this market. As a result, the Group needs to compete against a large number of business entities, both domestic and foreign, operating on the property development and construction markets. Such local limitations mean that the Group's revenue largely depends on the activity of investors in the region that need the Group's services and on the demand on the housing market. A substantial decrease of the level of local investment or a large number of competing housing projects may reduce the Group's revenue. This translates directly to the Group's financial result and his development prospects. To mitigate this risk, new contracts are sought for on a broader market, which will allow for more independence of the situation on the local market and will contribute to the Group's development. The Group also focuses on strengthening his market position and increasing the competitive edge by providing high quality services on time and offering comprehensive solutions both for private investors and investors representing international corporations expanding their operations in Poland.

– Risk related to changes in market tendencies

One of the major risks is the possibility of changes in market tendencies. A number of variables that are beyond the control of the Group affect investment goods. In turn, demand and supply for construction services have a direct effect on the revenue on operations. There is a risk of the situation on the construction market deteriorating due to a reduced number of investment projects, which may translate to the level of margins and, consequently, the Group's profitability. Furthermore, the Group's revenue largely depends on the activity of investors in the region. A decrease in the number of investment projects may have a negative effect on the Group's financial results and his development prospects. In order to mitigate this risk, the Group is looking for new contracts on a broader market. This is intended to mitigate the risk of concentrating operations exclusively on the local market. Additionally, in the event of adverse market changes, the Management Board will implement actions intended to adapt the Group to the changing market situation, e.g. by means of actions intended to limit costs.

– Risk related to clients failing to pay the amounts due

Agreements for construction works usually contain clauses concerning payment for particular milestones and provisions guaranteeing partial invoicing for the completed works. Because of that, the risk related to non-payments for the services provided is small. However, there is a risk that, in spite of completing a given milestone, the client will fail to make (or will be late with) the agreed payments, which may limit the Group's liquidity and, in an extreme case, result in financial losses. The Group attempts to mitigate the above risk by concluding agreements with reliable business partners. However, he is unable to guarantee that he will not suffer such losses in the future. Furthermore, all of the clients interested in trade credit are verified and the Group carries out ongoing monitoring of the status of the receivables. It is also important that this type of risk is limited to a certain extent by the provisions of the Polish Civil Code regarding the guarantee of payment for construction works.

– Risk related to financing current operations

One of the sources of financing the Group's operations are the funds obtained through bank loans. As of the day of producing this document, there are no reasons for which the Group would be unable to perform his obligations under loan agreements. However, the risk of this type of problems occurring in the future cannot be fully eliminated. In an extreme case, in order to perform his obligations, the Group may be forced to sell some of his assets, which could negatively affect his financial situation and development prospects.

– Risk related to carrying out property development projects

The property development cycle is a long one (24+ months), with the necessity of incurring substantial financial outlays and a full return of such outlays only after a minimum of two years. The following elements may have a major impact on the financial results in terms of property development operations:
- the necessity to incur additional costs;
- postponement of the project completion date;
- delay in obtaining the construction permit;
- delays in completing the documentation necessary to conclude notarial deeds of sale.

– Risk related to changes of the price of premises (property development operations)

The profitability of property development operations depends on the prices of the premises sold, over which the Group has no direct control. The current level of prices is determined primarily by the affluence of society, availability of loans, and the interest rates. In a period of lower prices, the Group may significantly reduce the sales of ready premises and, in extreme cases, halt the implementation of selected projects. Such a situation, should it occur, will have a negative impact on the Group's financial result.

– Risk related to using abusive clauses in agreements concluded as part of property development operations

The Group operates inter alia in the property development industry, selling most of the premises to consumers. In relations with consumers, the Group usually uses ready agreement templates. The is a risk of a claim made to the Group that the templates used contain abusive clauses, which, in accordance with Article 3851 § 1 of the Polish Civil Code, are such non individually agreed clauses that shape the rights and obligations of the consumer in discordance with good customs, grossly violating his interests. This may negatively affect the operations, financial situation, or the results of the Group. It needs to be explained that the Group discusses the agreements with the clients, enabling individual negotiation of their provisions. So far, no proceedings has been instigated with respect to the Group in connection with any of the templates being classified as abusive.

– Risk of accidents at the construction site

The Group, as a general contractor, is responsible for his employees in connection with carrying out construction works as part of particular undertakings. Responsibility for the employees of the subcontractors is excluded, except for cases of culpable actions or inactions of the Group. Mitigating the above risk is done by means of proper work organization and strict observance of health and safety regulations. However, the risk related to potential claims for damages cannot be excluded in the case of an accident at the construction site. Such an accident may also affect the completion of works on time.

– Risk related to subcontractors

One of the factors having significant influence on the correct implementation of contracts is the cooperation with subcontractors. In the process of carrying out contracts, the Group, apart from using his own resources, employs the services of subcontractors, at the same taking over from them the risk related to improper agreement performance or late completion of the subject matter of an agreement by the subcontractors. This may result in the Group violating the provisions of the agreement with the investor, resulting in claims being made to the Group and the risk of losing the status of a solid contractor, which will negatively affect the Group's financial result. The Group attempts to mitigate this risk by means of intensifying the actions intended to build his own base of qualified employees. Additionally, the Group, in drafting the agreements with subcontractors, specifies the terms and conditions in such a way so as to protect himself against non-performance or improper performance of the agreement by subcontractors. The risk related to improper carrying out of the works by subcontractors is additionally mitigated by means of proper selection of subcontractors, i.e. by choosing reliable subcontractors that have been working with the Group for many years and that have the relevant certificates and experience. Limited availability of external subcontractors may also result in an increase of the amounts paid to subcontractors, therefore negatively affecting the financial results and the situation of the Group, who attempts to limit the effects of this phenomenon by expanding his own workforce. It also needs to be pointed out that when the Group employs the services of subcontractors without approval from the investor or contractor, he bears the risk of agreement termination. Furthermore, in such cases the provision of Article 647^1 of the Polish Civil Code will not apply. This Article provides for joint and several liability of entity concluding the agreement with the subcontractor, the investor, and the contractor for the payment of the remuneration for the services rendered by the subcontractor. The Group, being aware of this risk, attempts in each individual case to obtain the relevant approvals from the investors and/or contractors.

– Risk related to liability for the members of the consortium

In carrying out agreements under a consortium, the Group is liable not only for his own actions and the actions for his subcontractors, but also, in principle, bears joint and several liability for the actions of the other members of the consortium. Considering the specificity of the Group's operations, carrying out contracts through consortiums is and will continue to be an important element of these operations. In the event of the investor making claims to the consortium, it cannot be ruled out that the Group will be obliged to pay liquidated damages or other damages also for the actions that occurred through the fault of a consortium partner. Considering the risk of the potential recourse claims being ineffective, e.g. in the event of bankruptcy of the consortium partner, it cannot be ruled out that the Group will not be able to recover all or some of the amounts paid on that account. This may have a negative impact on the operations, financial situation, or the results of the Group.

– Risk related to winning new contracts

The nature of the Group's business operations means that a large number of contracts are won in tenders. The Group's Management Board prepares offers, specifies and potentially negotiates the terms and conditions of bids, and prepares the Company to carry out these contracts, but has no control over the criteria of bid evaluation being the basis for selecting the winning bid. One of the basic factors contributing to the Group's success is the consistent implementation of the development strategy focused around winning clients with the highest profitability. The Group has developed an effective system of valuing contracts that, in connection with a strict control of costs, results in the Group currently carrying out contracts with profitability as assumed and achieving good financial results. The Group pays attention to restructuring and minimizing all costs elements, both at the particular stages of contract implementation and in terms of the Company's overheads. It cannot be ruled out that for instance the changing market conditions will negatively affect the Group's ability to win new contracts and achieve satisfactory margins. In order to mitigate this risk, the Group attempts to continuously improve the project management system that covers for instance the processes of submitting bids and budgeting contracts. Furthermore, high activity in tender procedures contributes to continued increase of efficiency in winning new contracts.

– Competition risk

A number of business entities, both domestic and foreign, including the major European groups/companies, operate on the Polish construction market. In terms of competition, the Group on the one hand deals with small companies offering their services on local markets and on the other hand, with strong corporate groups carrying out large and complex construction undertakings. The Group erects industrial facilities as a general contractor. The Group focuses on strengthening his market position and increasing the competitive edge by providing high quality services on time and offering comprehensive solutions both for private investors and investors representing international corporations expanding their operations in Poland. In order to mitigate the risk related to competition, the Group carries out his works exercising utmost diligence and building the best possible relations with the clients. Furthermore, the Group mitigates the said risk by means of diversifying his operations (general contractorship, property development, steel structures and elements of construction machines).

<u>Risks related to the area in which the Group carries out his operations:</u>

– Risk related to the macroeconomic situation

The Group's results depend on the macroeconomic situation and the economic growth on the markets on which operations are carried out. Due to the fact that the Group operates primarily on the Polish market, the development of the economic and political situation in Poland has a major impact on the financial results and the implementation of the strategy. Adverse changes, in particular a slowdown of the economic growth, may negatively affect the level of investment outlays in the economy, leading to a slump in the construction sector, including due to a decrease in supply of projects for general contractors, and resulting in slower development and lower profitability of the Group.

– Risk of lack of stability of the Polish tax system

The Polish tax system is often amended and features inconsistency and no uniform interpretation of tax regulations. These inconsistencies result in the major risk related to the tax environment in which the Group carries out his operations. The fact of tax authorities questioning the Group's tax settlements in connection with divergences or changes in the interpretation of tax law regulations by various tax administration bodies may result in relatively high penalties or other sanctions being imposed on the Group. Considering the relatively long prescription period for tax obligations, estimating the tax risk is particularly difficult. However, the risks specified above may have a major negative impact on the operations, financial situation, or the results of the Group.

– Risk related to the lack of stability of the Polish legal system

The Polish legal system is subject to numerous changes that have immense impact on the Group's operations. From the point of view of the Group, the most important changes are made in the following: construction law; commercial law; tax law; labour and social insurance law; laws passed by local governments. Legal changes may result in risk related to interpretation problems, lack of a body of rulings, and adverse interpretations adopted by courts or public administration authorities. It also needs to be remembered that currently, legal regulations are interpreted not only by Polish courts and public administration authorities, but also by the courts of the European Community. These changes may be a reason for problems directly related to a lack of a uniform interpretation of the law. Since the knowledge of the body of rulings of Community courts is not universal in Poland and since Polish courts not always adjudicate in line with it, it may happen that a ruling issued in Poland will be quashed as being in discordance with European law. Changes of legal regulations or various interpretations of them may pose some risk. Inconsistency, lack of a uniform interpretation of legal regulations, frequent amendments, and the conflicts between statutory and secondary legislation entail serious risk for business operations. Potential amendments of legal regulations may lead to negative effects for the Group's operations. The fact of new legal regulations in terms of trading coming into effect may cause interpretational problems, inconsistent court rulings, adverse interpretations adopted by public administration authorities, etc. The related changes in law may also affect the legal environment for business, including in terms of the Group's operations. In order to mitigate the above risk, the Group constantly monitors changes to legal regulations and employs the services of professional attorneys.

– Risk related to construction law regulations

In connection with the nature of the Group's operations, the main legal acts are construction law and general contractorship regulations. The main duties to be carried out by the Group in the course of an investment project and prior to its commencement and after its completion are specified in the Construction Law of 7 July 1994 (JoL. of 2013, item 1409). Furthermore, the provisions of the Polish Civil Code that regulate the issue of construction works and agreements in this respect provide for additional restrictions related to the Group acting as a general contractor or an investor. These are contained in Title XVI of the Polish Civil Code, which specifies the form and scope of the agreement, the scope of works, the payment guarantee and its amount, the obligation to inform about obstacles and damage occurring at construction site, the form of partial acceptance of works, and the risk of destruction of the facility under construction. Improper performance of duties is related to the risk of a delay of the given undertaking, its halting or non-performance, and may also negatively affect the Group's financial result and his operations or organizational situation. According to the Group's knowledge, the agreements for construction works the Group is a party to are in accordance with the provisions of the Polish Civil Code.

Risks related to financial instruments:

– FX risk

The Group carries out its operations primarily in Poland. In terms of export operations, the Group bears the risk of FX differences. The fact of the Polish currency strengthening itself in comparison with the currencies of the countries to which the Group's products are exported will lead to a decrease in the income from sales, which, in turn, will have a negative effect on the Group's financial results.

– Interest rate risk

The Group finances his operations using, inter alia, floating rate instruments (including working capital facilities and bonds). This generates interest rate risk. In the event of high interest rates, the Group's financial results may be worse due to an increase in financial costs. Additionally, high exposure related to this risk and incorrect evaluation of this risk may negatively affect the Group's financial results.

– Risks related to bonds issued

In connection with the bonds issued, the Group's assets may be decreased, as failure to repay obligations, including in terms of interest, entitles bond holders to enforce their early redemption, which may significantly reduce the Group's current assets. Further, it cannot be ruled out that, due to non-performance of obligations, the creditors will exercise their right to file a court request for a declaration of bankruptcy. As of 30 June 2015, the Group has no problems with repaying his debt on account of bonds on time. As of the day of approving this report, the Group has not identified any real risks related to the bonds issued. However, considering all of the risks related directly to his operations, the Group does exclude the possibility of future problems related to repaying obligations on account of bonds on time.

– Risks related to loan agreements concluded

In connection with loan obligations, the Group's assets may be reduced, as failure to repay the obligations entitles the banks to terminate loan agreements and commence enforcement of their repayment or to satisfy themselves from the assets being the object of security. Further, it cannot be ruled out that, due to non-performance of obligations, the banks will exercise their right to file a court request for a declaration of bankruptcy. The Group's failure to repay loan obligations will result in increasing interest, thus contributing to increased indebtedness.

8. Sureties and guarantees granted

Neither the Company nor its subsidiaries for the period from 01/01/2016 to 06/30/2016 granted any warranties or guarantees with regards to financial obligations of other entities. The Company has granted guarantees, and received guarantees on construction works.

Guarantees and sureties granted	As of 30.06.2016	As of 31.12.2015
For affiliates	**-**	**-**
guarantees and sureties for repayment of credits and loans	-	-
guarantees of sound agreements execution	-	
For other entities	**18 010**	**17 751**
guarantees and sureties of repayment of credits and loans	-	-
guarantees of sound agreements execution- insurance	15 909	17 322

guarantees of sound agreements execution- banking	2 101	429
other guarantees and sureties	-	-
GUARANTEES AND SURETIES GRANTED IN TOTAL	**18 010**	**17 751**

Guarantees and sureties received	**As of 30.06.2016**	**As of 31.12.2015**
From affiliates	**-**	**-**
guarantees and sureties for repayment of credits and loans	-	-
guarantees of sound agreements execution	-	-
From other entities	**1 070**	**837**
guarantees and sureties of repayment of credits and loans	-	-
guarantees of sound agreements execution- insurance	549	837
guarantees of sound agreements execution- banking	521	
other guarantees and sureties	-	-
GUARANTEES AND SURETIES RECEIVED IN TOTAL	**1 070**	**837**

None of guarantees granted and received did not exceed either singly or jointly in relation to one entity 10% of Issuer's equity.

9. Transactions with affiliates

In H1 2016 neither Issuer nor any of its subsidiaries entered into any transaction with affiliates on other than market terms.

31.1 - Transactions and balances with affiliates for the period from 01.01-30.06.2016	**Consolidated**				**Non-consolidated**			
	Parent to/from subsidiaries	**Subsidiaries to/from parent**	**Interdependent**	**Other related**	**Subsidiaries to/from subsidiaries**	**Associates**	**Interdependent**	**Other related**
Net sales (without VAT)	2	2 457	-	-	-	-	-	-
Net purchases (without VAT)	2 457	2	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	243
Borrowings granted	90	-	-	-		-	-	6 530
Loans received	-	90	-	-	-		-	-
Short-term receivables	26 872	5 834	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-	-
Short-term liabilities	5 834	26 872	-	-	-	-	-	-
Long-term liabilities	-	-	-	-	-	-	-	-

31.1 - Transactions and balances with affiliates for the period from 01.01-30.06.2015	**Consolidated**				**Non-consolidated**			
	Parent to/from subsidiaries	**Subsidiaries to/from parent**	**Interdependent**	**Other related**	**Subsidiaries to/from subsidiaries**	**Associates**	**Interdependent**	**Other related**
Net sales (without VAT))			-	-	-	-	-	-
Net purchases (without VAT)			-	-	-	-	-	-

Interest revenue			-	-	-	-	-	-
Interest expense			-	-	-	-	-	243
Borrowings granted		12	-	-		-	-	6 530
Loans received	12		-	-	-		-	-
Short-term receivables			-	-	-	-	-	-
Long-term receivables			-	-	-	-	-	-
Short-term liabilities			-	-	-	-	-	-
Long-term liabilities	-	-	-	-	-	-	-	-

10. Proceedings before a court, arbitration body or public administration authority

In H1 2016 no proceedings were pending before government authorities, courts, or arbitration bodies that could have a substantial effect on the financial position or the profitability of the Issuer, in particular in terms of receivables or liabilities with a value constituting at least 10% of Issuer's equity.

At the same time, it needs to be considered that the specificity of the Company's operations involves multiple proceedings related to claims regarding completed projects. It also happens that the Issuer is the defendant – usually this is related to projects carried out as part of property development operations.

11. Other significant information necessary for evaluation of Capital Group's position

In May this year the subsidiary Almond Sp. z o.o. accomplished construction of Almond Hotel in Gdańsk at Toruńska street. In June, the building has been leased, under which the company will charge a rent in the amount dependent on achieved by leaseholder turnover (30-40% of turnover value, no less than basic rental of PLN 3.5-4 million net per year). Rental covers period till the end of 2032. Rental of building fits in with ordinary business operations of Capital Group, i.e. property development activities including construction and finishing of facilities for further resale or lease.

Apart from those presented above, there are no other information that, in the opinion of the Company, are significant for evaluation of position in terms of human resources, property, finance, financial result of the Company and Capital Group and changes in this respect, as well as information which are necessary for evaluation of Company's and Capital Group's ability to meet obligations.

12. Contact

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Signatures of all Members of Management Board:

Mariusz Tuchlin - President of Management Board

Krzysztof Łukowski – Vice President of Management Board

Rafał Glaza – Member of Management Board

Adam Olżyński – Member of Management Board

Andrzej Kuchtyk –Member of Management Board

Rafał Dietrich – Member of Management Board