

Report of Supervisory Board of Dekpol S.A.

Report includes:

- *Results of evaluation from Reports of Management Board on business activities of the Company and the Capital Group for financial year 2016;*
- *Results of evaluation from separate financial statement of the Company;*
- *Results of evaluation from consolidated financial statement of the Capital Group for financial year 2016;*
- *Opinion of Supervisory Board of DEKPOL S.A. concerning distribution of profit for financial year 2016;*
- *Evaluation of position of the Company and the Capital Group for financial year 2016.*

Legal basis:

- 1) Article 382 §3 of the Commercial Companies Act from 15th September 2000 (Dz. U. Nr 94 poz. 1037 from 8 November 2000) and § 21 of Articles of Association of DEKPOL S.A.
- 2) Best Practice of GPW Listed Companies 2016

I. Report of Supervisory Board of DEKPOL S.A. from evaluation result of Report of Management Board on business activities of the Company and Report of Management Board on business activities of the Capital Group in financial year 2016.

After perusal of Report of Management Board of the Company and Report of Management Board of the Capital Group on business activities in 2016 and consideration of its content – Supervisory Board states, that they include all necessary information and are consistent with data regarding particular points of financial statement of the Company and the Capital Group, and, that they have been prepared thoroughly, in a clear way presenting business activities of the Company and the Capital Group in 2016. In addition, Supervisory Board notices, that the Independent Senior Auditor auditing accounting books of the Company Dekpol S.A. and Dekpol Capital Group did not state any risk for business continuity of the Company and the Capital Group.

Based on observations of the course of last year, Supervisory Board states, that the year 2016 was for the Company and the Capital Group successful with respect to generated financial results.

From operational point of view, significant for functioning of the Company and its Capital Group in 2016 were the following actions/events (the above events will have an impact on functioning of the Company and its Capital Group in coming years):

Establishment of contractual mortgages to secure the series E bonds issue programme:

On 13 January 2016, Management Board has been noticed that, on 12 January 2016, the District Court Gdańsk-Północ in Gdańsk, III Land and Mortgage Register Division, registered four contractual mortgages as a collateral of E series bonds issue programme. Individual contractual mortgages have been established to secure the claims of bondholders under Bond tranches of up to PLN 15 million each, i.e. up to of PLN 60 million in total. The mortgages for the individual Bond tranches are of first and equal ranking among themselves and the mortgages for the series C programme bonds. The mortgages have been established for the benefit of the mortgage administrator, BSWW Trust Sp. z o. o. (Mortgage Administrator). The contractual mortgages have been established on the Company's perpetual usufruct title to a real property located in Gdańsk, ul. Jaglana, where a multi-family residential building with commercial premises is being built. The value of the perpetual usufruct title to the Real Property in the Company's books amounts PLN 18 million. About establishment of mortgages, the Company announced in current report no. 1/2016.

Withdrawal from a copyright transfer agreement and a loan agreement:

On 2 March 2016, Dekpol Royalties Sp. z o.o. submitted a statement on withdrawal from the Work Transfer Agreement to Dekpol 1 Sp. z o.o. S.K.A. (within the meaning of Article 1 of the Act of 4 February 1994 on Copyright and Related Rights in the form of the figurative mark "depol"), about conclusion of which de Issuer announced in current report no. 46/2015 from 31 July 2015. Dekpol Royalties Sp. z o.o. was fully authorised to withdraw from the Work Transfer Agreement in accordance with the provisions thereof.

In connection with the fact that the Loan Agreement 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. was concluded in order to provide Dekpol Royalties Sp. z o.o. with financing sufficient to fulfil the obligation to make payment resulting from the Work Transfer Agreement , after withdrawing from the Agreement, Dekpol Royalties Sp. z o.o. submitted a statement on withdrawal from the Loan Agreement to Dekpol 1 Sp. z o.o. S.K.A., an act to which it was fully authorised under the provisions of the Loan Agreement.

Following the two acts of withdrawal from the agreements as described above, Dekpol 1 Sp. z o.o. S.K.A. has become the owner of the proprietary rights to the "Work". Consequently, the Issuer and Dekpol Royalties Sp. z o.o., on 2 March 2016, terminated the licence agreement characterised in item C of current report no. 46/2015.

On 2 March 2016, Dekpol S.A. and Dekpol 1 Sp. z o.o. S.K.A. simultaneously concluded a licence agreement for the proprietary rights to the Work, in force by 30 June 2016 (hereinafter referred to as the "Licence Agreement"). The licence fee for the use of the proprietary rights to the Work will amount to 2.76% of net revenue (i.e. without VAT) obtained by the Issuer from the sale of construction services, general contractor services concerning building permit designs and development services and will be increased by VAT and charged on a monthly basis. The remaining terms and conditions of the Licence Agreement do not differ from the terms and conditions commonly used in business for such type of agreements.

The foregoing facts do not cause financial effects for the Issuer, who will pay licence fees for the use of the proprietary rights to the Work at the same rate and under the same terms of payment as until now. Moreover, they do not influence the individual financial condition of Dekpol S.A. and the financial condition of Dekpol Capital Group.

About withdrawal from above mentioned agreements, the Company announced in current report no. 5/2016.

Conclusion of an annex to significant agreement with Carrefour Polska Sp. z o. o. :

On 30 March 2016 the Issuer concluded with Polska Sp. z o. o. an annex to agreement dated 14 September 2015 concerning general contracting services regarding reconstruction work of Shopping Centre Carrefour Morena in Gdańsk. Pursuant to the annex, the deadline for obtaining the permit for the use of the Investment is extended until 19 May 2016. Investment has been completed on time according to deadline set in agreement.

About conclusion of annex, the Company announced in current report no. 6/2016.

Conclusion of significant agreement with 7R Logistics S.A. :

On June 1, 2016, the Company signed an agreement with 7R Logistic S.A. on overall execution of investment under the name "The construction of warehouse with social office backrooms and infrastructure" in Klucze by 28 February 2017.

Remuneration for execution of contract has been set on about 8% of sales revenues of Dekpol Capital Group for 2016 and can be changed only when 7R Logistic S.A. orders additional works.

Investment has been completed on time according to deadline set in agreement.

About conclusion of agreement, the Company announced in current report no. 11/2016.

Conclusion of significant agreement with 7R Logistics S.A.:

On 1 June 2016, the Company received both sides signed agreement concluded with 7R Logistics S.A. on execution of investment including construction of a warehouse along with associated infrastructure on a property in Gdańsk Kowale. Subject of Agreement includes in particular preparation and submission to 7R Logistics S.A. of complete replaceable construction project, preparation of project documentation, obtention of necessary permits, agreements and opinions, execution of all construction works necessary for execution of turnkey investment and building (rebuilding) of infrastructure needed to carry out the works.

The Company accomplished the first stage of works, while the second stage will be implemented within 5 months since the day of issue by 7R Logistics S.A. of allowance on its initialization.

Value of contractual remuneration for execution of works does not exceed 12% of sales revenues of Dekpol Capital Group for 2016. Total amount of contractual penalties that may be charged by 7R Logistics S.A. shall not exceed 15% of Company's remuneration. Imposition on the Company of any contractual penalty does not exclude rights of 7R Logistics S.A. to claim for compensation exceeding amount of such penalty, if in connection with the Company's delay 7R Logistics S.A. will incur additional costs associated with extension of employment of persons referred to in Agreement.

About conclusion of Agreement, the Company announced in current report no. 14/2016.

Conclusion of agreement on construction works with Arkony Sopot Sp. z o. o. :

On 6 July 2016 the Company concluded agreement with Arkona Sopot Sp. o.o. on construction works, the aim of which is the execution of investment by Company involving reconstruction and extension of residential building and construction of pension building in Sopot with accompanying works. or the execution of Agreement, Arkony Sopot Sp. z o.o. will pay the Company a total net fixed remuneration in the amount of no more than 11% of sales revenues of Dekpol Capital Group for the year 2016. According to the Agreement, the Company needs to obtain decision on use permit for investment not later than until 31 December 2017.

The Company is obliged to pay the Investor a contractual penalty equal to 0,1% of net remuneration for each day of delay in execution of Agreement and in carrying out of particular works. In case of delay in removal of defects within prescribed time General Contractor shall pay the Investor 0,5% of net salary for each day of delay, and for the delay in deadlines appointed by Investor on removal of other irregularities and deficiencies in the total amount of 0.05% of net salary for each day of delay. In addition, the Company is obliged to pay a contractual penalty in the amount of min. 3% in case of withdrawal from the Agreement by Arkony Sopot Sp. z o.o. for reasons attributable to the Company and due to failure in execution or improper execution of the Agreement by the Company. Both parties may, on a general principles to claim damages exceeding the amount of contractual penalties.

About conclusion of Agreement, the Company announced in current report no. 16/2016.

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

On 3 August 2016 has been signed an agreement with COFFEE PROMOTION Sp. z o.o. ("Purchaser"), on construction of coffee roasting and mixing plant in Koniecwałd ("Agreement"). 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. 7% of sales revenues of Dekpol Capital Group for the year 2016.

The 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.

About conclusion of Agreement, the Company announced in current report no. 19/2016.

Receipt of construction permit for the 3 rd stage of housing estate within construction project

"Nowe Rokitki":

On 13 October 2016 Dekpol S.A. received, issued by the Starosty Office of Tczew, final decision regarding construction permit for the 3rd stage of a multifamily housing estate "Nowe Rokitki" along with necessary technical infrastructure in Rokitki near Tczew. As a part of the third stage of an investment, the Company plans to build 81 flats with accompanying basements of a total usable floor area of 4465 square meters and 95 parking lots. Estimated value of the project amounts approx. PLN 15 million. The project will be accomplished in the second half of 2017, the first premises should also be handed over for use in the second half of 2017. The project will be fully executed by the Company, capital spending will be financed with Company's own funds, however it is not excluded, that the project will be partially financed by use of foreign capital.

About receipt of permit, the Company announced in current report no. 22/2016.

Conclusion of agreement concerning general execution of multifamily buildings in Milanówek:

On 14 November 2016 Dekpol entered into contract with ISLAND Sp. z o.o., ("Purchaser"), concerning construction works and general contracting services ("Agreement") of investment project, consisting of four multifamily buildings in an organized housing estate with underground parking lots and necessary infrastructure in Milanówek ("Object").

The purpose of an agreement is to build comprehensively the "turnkey" object and to put it into use in favor of the Purchaser. Agreement's net value parties agreed in the amount of approx. 10% of sales revenues of Dekpol Capital Group for the year 2016.

Agreement has been concluded for a time of execution by Issuer of all arising obligations, but not later than until 30 September 2018.

In case of Issuer's delay regarding the date of execution of construction works enabling final acceptance to be done by Purchaser in the above mentioned date, the Issuer will pay the Purchaser contractual penalty of 0.01% of net flat-rate remuneration for each day of delay. In case of withdrawal

from Agreement by Purchaser for reasons attributable to the Company, Issuer acquires a claim for payment of contractual penalties in the amount of 10% of net flat-rate remuneration. The sum of all contractual penalties from all titles under agreement may not exceed 10% of net flat-rate remuneration. Other conditions of agreement do not differ from standard conditions foreseen in this types of agreement.

About conclusion of Agreement, the Company announced in current report no. 24/2016.

Projection of sales revenues of Dekpol Capital Group for the year 2017 :

On 16 December 2016 the Company presented projection of sales revenues of Issuer' Capital Group. According to projections prepared, in the opinion of Issuer's Management Board, sales revenues of Dekpol Capital Group in 2017 from all business areas may reach up to PLN 500 million. Expected income level is associated mainly with the completion of ongoing real-estate development projects, which will be spotted in Group's revenues in 2017, significantly increasing the share of property development activities in total revenues of Issuer's Capital Group.

Decision of Management Board concerning F series bond issue programme:

On 23 December 2016 Management Board of Dekpol S.A. concluded with investment funds Pioneer Fundusz Inwestycyjny Otwarty as well as Pioneer Obligacji – Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty agreement on bond issue ("Agreement"), and adopted on 23 December 2016 resolution, under which decided:

- to adopt F series bond issue programme ("Issue Programme"), which provides an issue of bonds by the Company other than convertible or with preemptive right in 6 tranches ("Tranches") of a total nominal value of all Tranches of PLN 70 million ("Bonds"), and, funds will be raised directly by Issuer, and then Issuer will contribute them to limited partnership established for execution of investment, referred to as below ("SPV") as a deposit as the only limited partner.
- to issue within Issue Programme of particular tranches of Bonds remunerated at interest rate equal to WIBOR 3M plus margin,
- to propose acquisition of particular Bond Tranches only and exclusively to Funds based on rules set forth in Agreement, and, final sound of proposition of acquisition and conditions of Bond issue of particular tranche will be set through separate resolutions of Management Board.

Bonds issue will be performed in connection with plans concerning execution of an investment - construction, finishing and fitting of buildings, structures or premises within residential-service object on plots at Pszenna and Żytnia Streets in Gdańsk ("Investment").

F series Bonds will be issued in 6 series ("Tranches"), as bearer shares, which do not have the form of document, secured, of a nominal value of one bond in the amount of PLN 1000 and a total nominal value of all bonds issued in the amount of PLN 70 million ("Bonds"). Bonds will bear interest in the amount of WIBOR 3M plus margin agreed with the Funds, and, maturity of each tranche of bonds will fall on the date, on which expire no more than 48 months from the date of allocation of bonds from the first tranche. Issue price of bonds will be equal to nominal value. Bonds will be issued in order to

obtain financing for execution of investment. Agreement sets principles, on which Issuer will propose Funds acquisition of Bonds issued by the Company, and Funds will acquire Bonds. Issuer is entitled and obliged to propose acquisition of particular Tranches of Bonds only and exclusively to Funds, pursuant to progress in execution of particular stages in schedule of Investment, in accordance with rules set forth in Agreement, i.e. especially at the day of submission of proposals of acquisition of Bonds of particular Tranche, as well as at the day of submission by Funds of declaration on acceptance of this proposition:

a) cannot occur any basis of early redemption for any tranches of Bonds or C or E Series Programme Bonds,

b) mortgages for each tranche of bonds must have equal to each other and the highest priority ,

c) in the land register covering property shall not be entered: (i) any other mortgage, except for mortgages referred to in article b above (ii) any mention of mortgages other than above mentioned mortgages,

d) shall bind an agreement of escrow account, ensuring Funds the control of cash flow of SPV within investment,

e) Documents will be submitted to Funds, from which will result the right of Issuer to comprehensive use of project documentation connected to Investment, as well as in range enabling conclusion of agreement, referred to in article (v) below.

The Bonds confer the right to cash payments only. The Bondholder is entitled to request early redemption from the Issuer. The Issuer is entitled to early redemption of all or part of the Bonds. There may also be a situation where the Issuer is required to redeem the Bonds early.

Bonds will be backed at least by (separately for each tranche):

(i) establishment of contractual mortgages on the right of perpetual usufruct of real properties located at Pszenna and Żytnia Streets in Gdańsk, whereas the mortgages established for particular bond tranches will have equal priority among themselves and the highest priority;

(ii) conclusion of an escrow account agreement allowing the Funds to exercise control over the cash flows of SPV within investment, including the right of getting from the Bank of all information concerning escrow account, especially to information concerning current balance in this account;

(iii) granting a warranty by SPV;

(iv) Fiduciary transfer of all shares in share capital of general partner of SPV in favor of security administrator;

(v) submission by Issuer of irrevocable offer concerning transfer of all rights and obligations of general partner of SPV;

(vi) granting by Dekpol or SPV to the mortgage administrator of an irrevocable power of attorney on security in form of notarial deed, under which SPV will authorize the holder of the power of attorney to submit, on behalf of SPV, a statement of intent, whereby SPV pursuant to Article 40 sec. 1 of Building Law expresses its consent to transfer to another entity the building permit decision regarding the Investment, and to grant a further power of attorney to the entity which will act as a mortgage administrator in lieu of the current administrator;

(vii) conclusion of agreement between SPV and mortgage administrator, pursuant to which mortgage administrator will obtain legal right (e.g. copyrights or license) to comprehensive use of project documentation connected to Investment, especially in range of carrying out of construction process, wholesaling, holding and maintenance of investment, including modification of works consisting on project documentation and the right of use of conditional copyrights, as well as feasibility of unrestricted disposal of this legal right for the benefit of other entities;

(viii) submission by SPV to each bondholder of a declaration of submission to enforcement pursuant to Article 777 § 1(5) of the Code of Civil Procedure with regards to obligations arising under Bonds;

(ix) submission by SPV to security administrator of a declaration in the form of notarial deed of submission to enforcement pursuant to Article 777 § 1(5) of the Code of Civil Procedure, with regards to liabilities resulting from warranty granted as collateral of Bonds and from burden right of perpetual usufruct of real property in order to fulfill obligations, which will result from Bonds.

About decision of Management Board concerning F series bond issue programme the Company announced in current report no. 31/2016.

Supervisory Board indicates the following events, which occurred after 31.12.2016, and which will have an essential impact on business activities of the Company and its Capital Group in short-term and mid-term perspective:

Conclusion of agreement concerning construction of production-storage halls in Aleksandrów Kujawski:

On 30 January 2017 r. the Company concluded with AGRIL Polska Spółka z o.o. agreement regarding execution of construction works based on general contracting services and concerning the construction of production-storage halls along with social-office building on the territory of factory belonging to Ordering Party in Aleksandrów Kujawski. For the execution of the object mentioned in Agreement, Contractor will receive net remuneration in the amount of 6% of sales revenues of Dekpol Capital Group for the year 2016. Completion date has been set on the end of February 2018.

Ordering Party may, at any time, to withdraw from the Agreement for reasons attributable to Contractor (e.g. delay in execution of works and other breaches of Agreement) and in case of appearance of any essential change of circumstances, causing the fact, that the execution of the Agreement is not an interest of Ordering Party anymore, which was not predictable at the time of conclusion of the Agreement. In case of withdrawal from the Agreement for reasons attributable to Contractor, the Contractor is obliged to pay contractual penalty in the amount of 15% of gross remuneration. The Agreement includes also other notations concerning contractual penalties calculated for any case of breach of conditions concluded in the Agreement. Ordering Party is entitled to claim for supplementary compensation, increasing the amount of contractual penalties to the amount of real damages suffered. Contractor is entitled, according to progress in execution of the Agreement, along with approval from Ordering Party, to use services offered by subcontractors, nevertheless it does not absolve the Contractor from full responsibility for execution of contractual duties.

About conclusion of Agreement, the Company announced in current report no. 4/2017.

Conclusion of Agreement concerning construction of storage hall in Municipality Tczew:

On 31 January 2017 the Company entered into Agreement with one of bigger producers of wooden and wooden-aluminum windows in Poland concerning construction of storage hall along with office-social premises and required infrastructure on the territory of production complex Window Village in the village Wędkowy in Municipality Tczew. For execution of works, the Company will receive net remuneration in the amount of 7% of sales revenues of Dekpol Capital Group for the year 2016. Construction works shall be accomplished in September 2017, and the receipt of use permit shall be finalized until the end of the year.

Conditions of Agreement concluded provide for a number of contractual penalties, e.g. for the delay in execution of works or correction of defects, breach of health and safety at work guidelines or provisions regarding confidentiality break. Beyond contractual penalty, Client is entitled to claim compensation based on general rules resulting from default on a contract made by Contractor. Client is also entitled to claim compensation from Contractor in a higher amount as agreed for contractual penalty, and, Contractor is obliged to finalize its obligation even though the contractual penalty securing this obligation was paid.

Contractual parties are entitled to terminate an Agreement in case of essential failure in quality of works or delay in final hand over of work, as well as in case of lack of receipt of use permit – due to reasons attributable to other party and in case of appearance of repeated essential breach of obligations arising from Agreement by other party.

About conclusion of Agreement, the Company announced in current report no. 5/2017.

Allocation of C5 series bonds:

On 1 February 2017 Management Board of the Company adopted resolution concerning allocation of 7000 units of transferable secured bearer bonds of C5 series in non-document form with total nominal value of PLN 7 million to the following fund: Pioneer Fundusz Inwestycyjny Otwarty

The purpose of Bonds issue is to raise funds for the execution of Issuer's investment consisting on 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:

- contractual mortgage to the maximum amount of PLN 10.5 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,
- 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,

- 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,
- 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 C5 series bonds, the Company announced in current report no. 6/2017.

Conclusion of annex to agreement with HE 7R Gdańsk Sp. z o.o.:

On 8 February 2017 the Company signed with HE 7R Gdańsk Sp. z o.o. (ordering party on place of previous entity 7R Logistics S.A.) annex to agreement dated 30 June 2016 on execution of an investment consisting in construction of storage hall along with necessary infrastructure on a plot in Gdańsk Kowale, pursuant to which parties decided to extend the scope of contract on additional works. In connection with commitment of additional works towards the Company, the flat-rate remuneration has been enlarged of about 30% comparing to value mentioned in initial agreement. In the annex has also been stated a completion date for execution of the subject of agreement, i.e. on June 2017.

About conclusion of annex, the Company announced in current report no. 8/2017.

Receipt of construction permit for the 1st stage of residential buildings within the project „Młoda Morena Park”:

On 8 February 2017 the Company received, issued by President of the City of Gdańsk, the final decision concerning both: approval of construction project as well as granting of construction permit for the complex of 5 single-family semi-detached residential buildings – the 1st stage of investment “Młoda Morena Park” together with land development at Dolne Mogowo Street in Gdańsk.

Within the 1st stage of investment, the Company plans to construct residential buildings of a total usable floor space of 1193 square meters. Estimated value of revenues received by the Company from execution of the 1st stage of investment amounts c.a. net PLN 8.4 million. Completion of construction works and hand over of housing estate for use has been planned on 2nd quarter of 2018. The project will be executed wholly by the Company, and investment outlays will be financed by use of Company's own funds, however partial financing by use of foreign capital might be taken into consideration.

About receipt of permit, the Company announced in current report no. 9/2017.

Receipt of construction permit for the 3rd stage of multifamily residential buildings within the project “Osiedle Zielone” (“Green Estate”):

On 8 February 2017 the Company received, issued by President of the City of Gdańsk, final decision transferring from natural person (individual) for the Company the permission on construction of three multifamily residential buildings together with necessary technical infrastructure in Gdańsk at Potęgowska Street (3rd stage of investment "Osiedle Zielone").

Within the 3rd stage of investment, the Company plans to construct 207 flats of a total usable floor space of 9482 square meters. Estimated value of revenues received by the Company from execution of the 3rd stage of investment amounts c.a. net PLN 41 million. The first premises will be handed over for use at the end of 2017, and the execution of the whole stage of investment will be completed in 3rd quarter of 2018.

The project will be executed wholly by the Company, and investment outlays will be financed by use of Company's own funds, however partial financing by use of foreign capital might be taken into consideration.

About receipt of permit, the Company announced in current report no. 10/2017.

Conclusion of agreement with 7R Logistic S.A. concerning general contracting services:

On 24 February 2017 Dekpol S.A. obtained mutually signed agreement with 7R Logistic S.A. („Ordering entity”), concerning execution in general contracting system of comprehensive constructional works as well as construction/installation works along with delivery of material and machines, the result of which will be construction of a turnkey storage-office object in Kotów, municipality Wieliczka (“Agreement”)

For the execution of entire works, the Company will receive fixed net remuneration in the amount of about 11% of revenues from sales of Dekpol Capital Group for the year 2015 (“Remuneration”). Completion of the subject of agreement has been planned for 31st July 2017, with the possibility of its changing for a part of the object designed for rental until the date of 30th September 2017.

Agreement provides wording concerning contractual penalties due to, among other things, failure in meeting deadlines included in contract. For withdrawing from contract through the fault of Issuer, the Issuer is obliged to pay a contractual penalty in the amount of 10% of remuneration value. In the same amount, the Company may also demand the payment of contractual penalty from Ordering party for withdrawal from agreement due to reasons attributable to Ordering party. Total value of contractual penalties cannot exceed 20% of remuneration, however, the parties have rights to claim compensation to the full extent of losses.

About conclusion of Agreement, the Company announced in current report no. 12/2017.

Conclusion of agreement concerning general contracting works on residential complex “Słoneczne Wzgórza – Stage F” in Gdańsk:

On 27 February 2017 the Company concluded with Słoneczne Wzgórza Sp. z o.o. agreement concerning general contracting services, the subject of which is the construction of multifamily residential buildings with underground garages and necessary.

For the execution of the subject of agreement, the Company will receive fixed net remuneration in the amount of about 8% of revenues from sales of Dekpol Capital Group for the year 2016. Completion of the subject of Agreement has been planned for August 2018.

The Company may delegate the execution of a part of construction works to subcontractors under restriction of taking responsibility for their acts and omissions. Agreement provides wording concerning contractual penalties due to, among other things, failure in meeting deadlines included in contract, conclusion of agreement between Issuer and subcontractors without consent of Investor, or a fault in execution of foreseen in implementation project of usable floor spaces of apartments. In case of withdrawal from Agreement by Investor due to reasons foreseen in Agreement, among other things, delays in Agreement's execution, breach by the Company of obligations resulting from Agreement, the Company will pay Investor contractual penalty in the amount of 15% of remuneration. Total value of contractual penalties cannot exceed 15% of remuneration. Nevertheless, Investor has right to claim compensation exceeding the value of contractual penalties.

About conclusion of Agreement, the Company announced in current report no. 13/2017.

Signing of loan agreement on current account with mBank S.A.:

On 3 April 2017 Dekpol S.A. entered into loan agreement on current account in the amount less than PLN 14 million ("Agreement") with mBank S.A. ("Bank"). Financial assets from loan will be used for financing of current business activities of borrower connected with general contracting segment, excluding other segments of business activities of the Company. Under Agreement conditions, Issuer may run into debt within loan granted, without any need of issuing separate credit applications, between 3 April 2017 to 2 April 2019. Interests will be equal to floating rate WIBOR plus margin of the Bank. As a collateral will serve: blank bill and cession towards the Bank of liabilities attributable to the Company due to construction works agreements/general contracting agreements.

Loan agreement, referred to above, will replace loan agreement on current account concluded with Bank Millenium in the amount of PLN 12 million, about which the Issuer announced in current report no. 27/2015.

About conclusion of Agreement, the Company announced in current report no. 17/2017.

II. Report of Supervisory Board of DEKPOL S.A. on evaluation results of separate financial statement of the Company for the financial year 2016.

Audit of the financial statement of the Company for financial year 2016 has been conducted by HLB M2 Audyt Spółka z ograniczoną odpowiedzialnością Tax & Audit Sp. k., 02-521 Warszawa, ul. Rakowiecka 41/27, entered on the list of entities authorized to audit financial statements under the number 3697.

Supervisory Board after acquaintance with the content of the opinion and report of independent senior auditor from audit of financial statement states, that financial statement of DEKPOL S.A. consisting of:
a) balance sheet drawn up as of 31 December 2016, which on the assets and liabilities side closes with the sum of 523 483 thousands of PLN,

- b) income statement for financial year from 1 January 2016 until 31 December 2016, showing net profit of 8 904 thousands of PLN,
- c) cashflow statement for financial year from 1 January 2016 until 31 December 2016, showing an increase of cash of 26 411 thousands of PLN,
- d) equity changes statement for financial year from 1 January 2016 until 31 December 2016, showing an increase of equity of 8 908 thousands of PLN,
- e) additional information,

according to the opinion of independent senior auditor, presents truly and fairly all information essential for the assessment of the financial results, business activities for the period from 1 January to 31 December 2016, as well as financial and material position of the Company as at 31 December 2016 and that it has been properly prepared and is consistent with regulations governing the preparation of financial statements and the provisions of the Articles of Association, which influence the form and content of financial statement.

After acquaintance with the opinion of independent senior auditor, Supervisory Board does not make any amendments and objections to the content of the financial statements of the Company as well as to financial data presented.

Having in mind the above, Supervisory Board positively assesses the financial statement of the Company for financial year 2016 and recommends to General Meeting of Shareholders of DEKPOL S.A. its approval.

III. Supervisory Board Report of DEKPOL S.A. on evaluation results of consolidated financial statement of the Capital Group for the financial year 2016.

Audit of consolidated financial statement for financial year 2016 has been conducted by HLB M2 Audyt Spółka z ograniczoną odpowiedzialnością Tax & Audit Sp. k., 02-521 Warszawa, ul. Rakowiecka 41/27, entered on the list of entities authorized to audit financial statements under the number 3697.

Supervisory Board after acquaintance with the content of the opinion and report of independent senior auditor from audit of consolidated financial statement states, that the consolidated financial statement of DEKPOL S.A. consisting of:

- a) balance sheet drawn up as of 31 December 2016, which on the assets and liabilities side closes with the sum of 466 795 thousands of PLN
- b) income statement for financial year from 1 January 2016 until 31 December 2016, showing net profit of 22 905 thousands of PLN
- c) cashflow statement for financial year from 1 January 2016 until 31 December 2016, showing an increase of cash of 26 342 thousands of PLN
- d) equity changes statement for financial year from 1 January 2016 until 31 December 2016, showing an increase of equity of 22 901 thousands of PLN
- e) additional information,

according to the opinion of independent senior auditor, presents truly and fairly all information essential for the assessment of the financial results, business activities for the period from 1 January to 31 December 2016, as well as financial and material position of audited Capital Group as at 31 December 2016 and that it has been properly prepared and is consistent with regulations governing the preparation of financial statements and the provisions of Company's Articles of Association, which influence the form and content of financial statement.

After acquaintance with the opinion of independent senior auditor, Supervisory Board does not make any amendments and objections to the content of consolidated financial statements, as well as to financial data presented.

Po zapoznaniu się z opinią biegłego rewidenta Rada Nadzorcza nie wnosi swoich uwag oraz zastrzeżeń co do treści skonsolidowanego sprawozdania finansowego oraz co do przedstawionych w nim danych finansowych. Independent senior auditor draws attention in the opinion on the following matter:

- o Consolidated financial statement of the Capital Group includes financial data of four companies, whose financial statements have not been audited by independent senior auditor. Cumulative size of balance sheet totals and the cumulative amount of trade receivables of above mentioned companies (net of consolidation eliminations) amounts respectively 15,5% of total assets and 2,7% of net trade receivables disclosed, in consolidated financial statement of the Group (net of consolidation eliminations). In relation to the relevant assets and liabilities of these companies, we have performed audit procedures, which allowed us to issue this opinion on consolidated financial statement.

Having in mind the above, Supervisory Board positively assesses consolidated financial statement of the Capital Group for financial year 2016 and recommends to General Meeting of Shareholders of DEKPOL S.A. its approval.

IV. Opinion of Supervisory Board of DEKPOL S.A. on distribution of profit for financial year 2016.

Taking into account the results of the Company and the result of the Capital Group for 2016, Supervisory Board accepts the proposal of Management Board as to the allocation of net profit generated by the Company for this year:

- a. *In part of the quote 4 432 150,97 PLN for dividend payment,*
- b. *In other part, i.e. to the quote 4 471 541,50 PLN for Supplementary Capital of the Company.*

Supervisory Board positively assesses the activities of Management Board of DEKPOL S.A. and recommends to General Meeting of Shareholders of DEKPOL S.A. granting discharge of duties in 2016 to all members of the Management Board.

V. Evaluation of condition of Company and Capital Group

Balance sheet of the Company for financial year from 1 January 2016 to 31 December 2016 showed a net profit of 8 904 thousands of PLN (66 097 thousands of PLN in financial year 2015). Cash flow statement for the year showed an increase in cash of the Company in amount 26 411 thousands of PLN. Income statement for the period from 1 January 2016 to 31 December 2016 showed a net profit of the Capital Group in the net amount of 22 905 thousands of PLN. Cash flow statement of the Group showed an increase in cash of PLN 26 342 thousands of PLN.

The Company and the Capital Group pays its obligations to suppliers and public liabilities. Currently, there are no difficulties in meeting the Company's and its Capital Group's obligations under the loan agreements. Company and its Capital Group do not have any issues with timely servicing of bond debt. As of preparation date of financial statement, the Company and its Capital Group did not identify any real risk associated with the bonds issued as well.

Company developed an effective system of contract valuation, which in connection with strict cost control causes, that the Company executes contracts at assumed profitability and achieves good financial results.

There is a number of risks correlated with activities of the Company and the Capital Group. In the opinion of Supervisory Board the most important are: risk associated with changes in market trends, the risks associated with the financing of the current activities, the risk associated with the bonds issued and the risk associated with the environment in which the Company operates. The decline in economic growth could potentially negatively affect the level of investment outlays in the economy, lead to a downturn in the construction market, including through the lower supply projects for the general contractor, and thus slow down economic growth and, consequently, the deterioration of the profitability of the Company and the Capital Group.

Following the analysis of financial results of the Company and financial results of the Capital Group, as well as assessment of risks related to the Company and the Capital Group, Supervisory Board assesses the situation of the Company and its Capital Group as stable.

Management Board of the Company is responsible for internal control system of DEKPOL S.A. and risk management in relation to production of financial statements process, prepared and published in accordance with provisions of the Accounting Act dated 29 September 1994, as well as Resolution of Ministry of Finance dated 19th February 2009 on current and regular information being transferred by issuers of securities and the conditions to be considered as equivalent the information required by law of the country not being the member of EU.

The basic external control in the process of preparation of Company's financial statements consists verification of financial statement by an independent senior auditor. To the tasks of independent senior auditor belong an audit of annual statement and review of mid-year statement.

In accordance with § 21 section 2 point 11 of Articles of Association, election of independent senior auditor for audit of financial statements of the Company, as well as approval of contract conditions with independent senior auditor, and approval of withdrawal by the Company from such Contract belongs to the competence of Supervisory Board.

Financial statement shall also be presented to Supervisory Board of the Company, which is entitled for assessment of financial statement, Report of Management Board on business activities of the Company for previous financial year, in range of its compliance with books and documents, as well as current position, and evaluation of proposals of Management Board concerning distribution of profit or cover of loss, and issuing of annual written report from evaluation results to General Meeting of Shareholders.

Under Supervisory Board, Audit Committee is a body selected for supervision over the process of financial reporting in the Company. Audit Committee monitors financial reporting process, pursuing of financial revision activities as well as independence of senior auditor and the entity, authorized to audit financial statements.

Financial statements shall be prepared by Accounting Department of the Company over supervision of Chief Accounting Manager.

Content supervision over the process of preparation of financial statements belongs to Member of Management Board – Financial Director.

Financial statements, before its hand over to independent senior auditor, shall be verified by Financial Director.

Financial data as a basis for financial statements and Report of Management Board, as well as managerial and operational reporting shall be taken from financial-accounting system of the Company. Usage of managerial reporting system, as well as analysis of financial results and Basic indicators conducted by Management Board, creates the component of quality control and data correctness.

Analysis of indicators shall be conducted in comparison to both, financial-operational plan, as well as to results of previous periods, and identified differences shall be explained. The Company shall perform periodical review of economic-financial plans.

In the process of planning and budgeting, including all functional areas of the Company, is engaged middle and senior management staff.

At the current stage of development of the Company, taking into account the nature of operations of the Company and the Capital Group, employment size, the size of infrastructure of the Company, Supervisory Board estimates presented above system of internal control, risk management (including mechanisms limiting the risks described in Report of Management Board on business activities of the Company), internal audit and compliance with regulations as optimal.

..... - Chairman of Supervisory Board

..... - Vice-Chairman of Supervisory Board

..... - Member of Supervisory Board

..... - Member of Supervisory Board

..... - Member of Supervisory Board