

Supervisory Board Report of DEKPOL S.A.

Report includes:

- evaluation results of Management Board Reports on activities of the Company and the Management Board Report of the Capital Group in the financial year 2015
- evaluation results of separate financial statement of the Company for the financial year 2015
- evaluation results of consolidated financial statement of the Capital Group for the financial year 2015
- opinion of Supervisory Board of DEKPOL S.A. on distribution of profit for the financial year 2015
- evaluation of condition of Company and Capital Group in the financial year 2015

Legal basis:

1) Art. 382 § 3 of the Act from 15 September 2000 Commercial Companies Code (Dz. U. No. 94 poz. 1037 from 8 November 2000) and § 19 of the Articles of Association of DEKPOL S.A.

2) Good Practices of Companies Listed on the GPW in 2016

I. Supervisory Board Report on evaluation results of Management Board Reports on activities of the Company and the Management Board Report of the Capital Group in the financial year 2015.

After acquaintance with Management Board Report and the Management Board Report of the Capital Group on activities in 2015 and consideration of its contents - the Supervisory Board states that they contain necessary information and are compliant with data concerning individual items of financial statements of the Company and the Capital Group and, that they have been drawn up fairly, clearly outlining the activities of the Company and Capital Group in 2015. In addition, the Supervisory Board notes, that the Statutory Auditor, auditing accounting books of Dekpol S.A. and the Capital Group of Dekpol S.A., has not found any threats in the activity continuity of the Company and the Capital Group.

Based on the own observations of the last year, Supervisory Board states, that the year 2015 was for the Company as well as for the Capital Group a good period in terms of financial results generated.

From the operational point of view, of great importance for the functioning of the Company and Capital Group in 2015 were the following activities / events (above events will also be important for the functioning of the Company and the Group in the coming years):

On 29 May 2015, the Company adopted a resolution under which it decided to accept the bond issue programme of series C shares ("Issue Programme") which provides for the issue by the Company of the bonds other than convertible bonds or bonds with priority right in five series ("Tranches") with the total nominal value of all the Tranches not exceeding PLN 50 million ("Bonds"). The purchase of particular Bond Tranches will be offered exclusively to the funds Pioneer FIO and Pioneer Bond – Dynamic Allocation FIO, on the terms and conditions specified in the agreement concluded between the Company and the aforementioned funds (whereas the final wording of the purchase offer and the terms of issue of Bonds of a given Tranche will be determined by separate resolutions of the Management Board). Under the Agreement, parties have determined the principles, in which Dekpol will offer for Funds the acquisition of bonds issued by Dekpol, and the Funds will cover these bonds, it should be noted that:

1) The bonds will be issued in 5 series ("tranches"), as bearer shares, secured with a total nominal value of all bonds issued in the amount of PLN 50,000,000, with interest rates in the amount of WIBOR 3M plus a margin agreed with the Funds and maturity of each tranche of bonds falls on the date, on which expires no more than 48 months from the date of allotment of bonds from the first tranche.

2) The bonds are issued to obtain financing for investment constructions

3) Dekpol is entitled and obliged to propose the purchase of each tranche of bonds for Funds only, according to the progress of the various stages of the schedule of investment, according to the principles clearly defined in the Agreement, i.e. in particular at the date of the offer of purchase the bonds of the tranche, as well as at the date of receipt by the funds of declaration of acceptance of such a proposal:

a) it cannot occur the basis of early redemption of the bonds specified in the standard conditions of the issue, being an annexed to the Agreement,

- 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 as collateral bonds (ii) any mention of mortgages other than mortgages as collateral bonds,
- d) it shall bind an agreement of escrow account, ensures control of cash flow of Dekpol within investment.

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 issued as collateralized securities and will be backed at least by (separately for each tranche):

- (i) establishment to the benefit of the administrator of collateral for contractual mortgages on the right of perpetual usufruct of the real property located in Gdańsk at 3 Jaglana Street ("Real Property") whose perpetual user is the Company, whereas the mortgages established for particular bond tranches will have equal priority among themselves and the highest priority;
- (ii) submission by the Company to each bondholder of a declaration of submission to enforcement pursuant to Article 777 § 1(5) of the Code of Civil Procedure with regard to the obligations arising under a given bond tranche;
- (iii) conclusion of an escrow account agreement allowing the funds to exercise control over the cash flows of the Company as part of the investment project to be performed using the funds obtained from bonds whereas the escrow account agreement concluded in connection with the issue of I-tranche bonds will apply to the bonds of all subsequent tranches.
- (iv) granting by Dekpol to the mortgage administrator of an irrevocable power of attorney under which Dekpol will authorise the holder of the power of attorney to submit, on behalf of Dekpol, a statement of intent whereby Dekpol pursuant to Article 40(1) of the Building Law expresses its consents to transfer to another entity the building permit decision regarding the existing Investment Project and to grant a further power of attorney to the entity which will act as a mortgage administrator in lieu of the current administrator, whereas each holder of a power of attorney will have the right to the grant further powers of attorney;
- (v) establishment of a contractual mortgage up to the highest amount equal to the collateral to the benefit of the collateral administrator acting as a mortgage administrator, on the Issuer's right of perpetual usufruct of the Real Property.

On 12 June 2015, five contractual mortgages, referred to in above, were entered into the register by the District Court Gdańsk – Północ in Gdańsk, 3rd Division of Land and Mortgage Registers. Particular contractual mortgages were established to secure the claims of bondholders with respect to particular tranches of Bonds up to: PLN 18.75 million, PLN 18.00 million, PLN 13.5 million, PLN 14.25 million and PLN 10.5 million, respectively, i.e. up to PLN 75 million in total. The mortgages established for particular bond tranches have equal priority among themselves and the highest priority. The mortgages were established to the benefit of mortgage administrator – WS Trust Sp. z

o.o. ("Mortgage Administrator"). Contractual mortgages were established on the real property located at 3 Jaglana Street, where the Company acts as perpetual usufructuary.

On 15 July 2015, the Company decided to issue 200 thousand series D bearer bonds of the nominal value of PLN 100 each ("Bonds"). The issue was to be valued at up to PLN 20 million and the bonds were to be issued to finance current operations of the Company, including the construction of the hotel at Toruńska Street in Gdańsk. On 30 July 2015, the Company as a result of having received from the investors, during meetings, information regarding the possibility of obtaining funds exceeding the value of the current issue, using security, decided to cancel the issue of series D bonds.

On 30 July 2015, the Issuer acquired series B shares in the increased share capital of Dekpol 1 Sp. z o.o. SKA of the total nominal value of PLN 0.5 million, at the total issue price of PLN 51.51 million, and covered the shares with an in-kind contribution in the form of the right of perpetual usufruct of the real property located in Gdańsk at 12 Toruńska Street, including lots having the area of 0.34 ha, including the right of ownership to the building under construction located on that real property. The value of assets in the form of real estate brought as contribution to Dekpol 1 SKA was included in the Company's books at the value of 36.2 million zł. The higher value of the contribution resulted due to the fact, that the value entered in the accounts did not reflect the market value of the property. The market value of non-financial contribution has been determined by the independent asset valuer.

On 30 July 2015, the Company also acquired C series shares in the increased share capital of Dekpol 1 Sp. z o.o. SKA of the total nominal value of PLN 0.5 million, at the total issue price of PLN 56.36 million, and covered the shares with an in-kind contribution in the form of the copyright to the work 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 "dekpol" present in all the graphic and colour versions used by the Company, including the accompanying descriptors ("Work"). The value of the copyrights to the Work contributed to Dekpol 1 SKA did not reflect in the Company's books. The value of the contribution – PLN 56.36 million has been confirmed by the senior auditor's opinion.

On 11 November 2015, the Company adopted a resolution under which it decided to accept the bond issue program of series E shares ("Issue Programme") which provides for the issue by the Company of the bonds other than convertible bonds or bonds with priority right in four series ("Tranches") with the total nominal value of all the Tranches not exceeding PLN 40 million ("Bonds"). The Company will offer the purchase of particular Bond Tranches exclusively to the funds Pioneer FIO and Pioneer Bond – Dynamic Allocation FIO (jointly the "Funds"), on the terms and conditions specified in the agreement of 10 November 2015 concluded between the Issuer and the Funds concerning the issue of the bonds, whereas the final wording of the purchase offer and the terms of issue of the Bonds of a given tranche will be determined by separate resolutions of the Management Board. Series E bonds will be issued in four series ("Tranches") as secured bearer securities in uncertified form of a nominal value of PLN 1,000 each and the total nominal value of all issued bonds of PLN 40 million ("Bonds"). The Bonds will bear an interest rate equal to 3M WIBOR plus the margin determined with the Funds, with the redemption date of each Bond Tranche on the day not later than 48 months from the date of allocation of the first Tranche Bonds. The issue price of the bonds will be equivalent to their nominal value. The Bonds will be issued to obtain funds for the investment project (construction of a multi-family residential building including service premises) on the lot at

Jaglana Street in Gdańsk ("Investment Project"). The agreement specifies the rules under which the Issuer will offer the Funds to take up the Bonds issued by the Company and the Funds will take up the Bonds. The Issuer is authorised and obliged to offer the purchase of individual Bond Tranches exclusively to the Funds, in relation to the progress of implementation of individual stages of the Investment schedule, under the terms and conditions precisely determined in the Agreement, i.e. in particular as of the date of submission of offers for the purchase of the Bonds of a given Tranche and as of the date of submission by the Funds of a declaration on accepting such an offer:

a) the basis for earlier redemption for any of tranches of the Bonds or the C series Programme Bonds may not occur,

b) mortgages for individual tranches of the Bonds will have the highest and equal priority among themselves and mortgages for the C series Programme Bonds,

c) in the land and mortgage register covering the Real Property there will be no (i) entry of any other mortgage, apart from the mortgages, referred to in item b above, (ii) mention of mortgages other than the above-mentioned mortgages,

d) an escrow account agreement providing for the exercise of control over the cash flows of Dekpol as part of the Investment Project will be applicable,

e) the Funds will be provided with documents which will indicate the Issuer's right to fully use the project documentation related to the Investment Project and in the scope allowing to conclude the agreement, referred to in item (v) above. The Bonds will 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. The Bonds will be backed at least by (separately for each Tranche):

(i) establishment of a contractual mortgage on the right of perpetual usufruct of the real property located in Gdańsk at Jaglana Street, whereas the mortgages established for particular Bond Tranches will have equal priority among themselves and mortgages established for securing the C Series Programme Bonds and the highest priority;

(ii) submission by the Company to each bondholder of a declaration of submission to enforcement pursuant to Article 777 § 1(5) of the Code of Civil Procedure with regard to the obligations arising under a given bond Tranche;

(iii) conclusion of an escrow account agreement allowing the Funds to exercise control over the cash flows of Dekpol as part of the Investment Project, including the right to obtain from the bank any information on an escrow account, in particular information on the current balance of the account,

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

(v) conclusion of an agreement between Dekpol and a mortgage administrator, under which a mortgage administrator will obtain a legal title (e.g. copyright or licence) to fully use project documentation related to the Investment Project, in particular in the scope of conducting a construction process, carrying out sales, maintaining the Investment Project, including modification of works constituting project documentation and the right to exercise derivative copyright, as well as the possibility to freely dispose of that legal title for the benefit of other entities.

Supervisory Board indicates the following events, which occurred after 31.12.2015, and which will significantly affect the business activities of the Company and the Capital Group in the short and medium term perspective:

On 12 January 2015, five contractual mortgages were entered into the register by the District Court Gdańsk – Północ in Gdańsk, 3rd Division of Land and Mortgage Registers. Particular contractual mortgages were established to secure the claims of bondholders with respect to particular tranches of E-series Bonds up to amount of: PLN 15 million of each, respectively, i.e. up to PLN 60 million in total. The mortgages established for particular bond tranches have equal and the highest priority among themselves and mortgages for programmed C-series bonds. The mortgages were established to the benefit of mortgage administrator – BSWW Trust Sp. z o.o.. Contractual mortgages were established on the perpetual usufruct right of real property located in Gdańsk at Jaglana Street, where the construction of a multi-family residential building including service premises is being built.

On 28 January 2016 has been signed with Bank BGZ BNP Paribas S.A. an amendment to the agreement on guarantee line from 11 December 2015, amending its name and nature of the agreement on the Multi-purpose credit line and indicating, that the Bank grants the Company a credit limit to the maximum amount of PLN 28 million, through which the Agreement became an agreement of significant value. Specified in the Agreement permitted credit forms and limits of use of various forms of credit are as follows: revolving credit – PLN 15 million, a line of bank guarantees – PLN 10 million, line of credit – PLN 3 million. The credit period: until 11 December 2025. The first current availability period of the loan: until 9 December 2016. Securing receivables under the agreement include: 1) blank promissory note together with a statement of the Issuer of execution in the form of a notarial deed on the basis of art. 777 paragraph. 1 of the Code of Civil Procedure, 2) confirmed cession of future receivables from contracts, 3) acquisition of securing amounts in the amount of 10% to 20% of the guarantee amount, depending on the validity of the 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 line of credit occurred with the aim of complete repayment of loans granted to the Issuer by the Bank Polska Kasa Opieki Spółka Akcyjna (PEKAO S.A), referred to in paragraph 3.6.2.1. of this Report. The above-mentioned securities have been established.

On 1 February 2016, the Management Board adopted a resolution on the allocation of 10,000 transferable units, secured bearer bonds E2 series with a total nominal value of PLN 10 million for the funds Pioneer FIO and Pioneer Bond – Dynamic Allocation FIO. E2 series bonds were issued under the E-series bond issue program, referred to in Section 5.6 of this Report. The purpose of the bond issue is to raise funds for the execution of the construction of multi-family residential building including service premises on the plot at Jaglana Street in Gdańsk. The issue price and the nominal value of one

bond equals PLN 1 thousand. The bonds bear interest at the rate of WIBOR 3M plus margin. Interest will be paid quarterly. The redemption date of Bonds falls on 27 November 2019. The bonds are secured by a collateral mortgage up to the maximum amount of PLN 15 million, established by the Issuer on 12 January 2016 for a mortgage administrator - BSWW TRUST Sp. z o.o. ("Mortgage Administrator"), on the Issuer's right of perpetual usufruct of the real property located in Gdańsk at 3 Jaglana Street and by conclusion of an escrow account agreement between Issuer, Mortgage Administrator and Bank DNB Bank Polska S.A. Furthermore, the Company made a declaration on submission to enforcement in favor of bondholders and a statement of submission to enforcement in favor of the Mortgage Administrator.

On 2 March 2016, the company Dekpol Royalties Sp. z o.o. issued to company Dekpol 1 Sp. z o.o. S.K.A. a statement of withdrawal from the Copyright and Related Rights Purchase Agreement from 30 July 2015, referred to in paragraph 3.5.1. of this report. By virtue of the above agreement Dekpol 1 SKA sold then for Dekpol Royalties copyright to the work 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 "dekpol" present in all the graphic and colour versions used by the Company, including the accompanying descriptors ("Work"), for a total price of PLN 56.26 million + VAT ("Copyright and Related Rights Purchase Agreement"). Dekpol Royalties Sp. z o.o. was fully entitled to terminate the Copyright and Related Rights Purchase Agreement in accordance with its provisions.

Due to the fact that the loan agreement dated 30 July 2015, mentioned in paragraph 3.5.1. of this report, was concluded in order to ensure for the company Dekpol Royalties Sp. z o.o. the financing allowing to fulfill the obligation to pay the price resulting from Copyright and Related Rights Purchase Agreement, following the withdrawal from the agreement Dekpol Royalties Sp. z o.o. issued the company Dekpol 1 Sp. z o.o. S.K.A. a statement of withdrawal from the Loan Agreement, to which was also fully entitled under the provisions of the Loan Agreement.

In connection with the two above-described facts to withdraw from the contract, the owner of the Copyright and Related Rights to "Work" became Dekpol 1 Sp. z o.o. S.K.A.

On 2 March 2016, the Issuer and the indirect subsidiary Dekpol Royalties Sp. z o.o. terminated therefore the License Agreement dated 30 July 2015, broadly defined in Section 3.5 and Section 3.6 of this Report.

At the same time Dekpol S.A. and Dekpol 1 Sp. z o.o. S.K.A. concluded on 2 March 2016 the Contract of Copyright and Related Rights License to "Work", which will be valid until 30.06.2016. The license fee for the use of copyrights to the Work will amount 2.76% of net revenues (i.e. excluding VAT) received by the Issuer from sales of construction services, general contracting of construction projects and real estate development services and will be increased by VAT tax, which will be calculated on a monthly basis.

The above facts do not cause financial consequences for the Issuer, which shall pay the license fees for the use of copyright to Work by identical rates and payment terms as before. Also, they do not affect the separate financial position of Dekpol S.A. and financial position of the Capital Group.

Having in mind current conditions of economic environment, in the opinion of the Supervisory Board, Management Board consistently executes established for the Capital Group's strategy, making relevant modifications dependent on the needs.

II. Supervisory Board Report of DEKPOL S.A. on evaluation results of separate financial statement of the Company for the financial year 2015.

Audit of the financial statement of the Company for the financial year 2015 has been conducted by HLB M2 Audyt Spółka z ograniczoną odpowiedzialnością 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 statutory auditor on financial statements states, that the financial statements of DEKPOL S.A. consisting of:

- a) balance sheet drawn up as of 31 December 2015, which on the assets and liabilities side closes with the sum of 399 642 thousands of PLN,
- b) income statement for the financial year from 1 January 2015 until 31 December 2015, showing net profit of 66 097 thousands of PLN,
- c) cashflow statement for the financial year from 1 January 2015 until 31 December 2015, showing an increase of cash of 6 247 thousands of PLN,
- d) equity changes statement for the financial year from 1 January 2015 until 31 December 2015, showing an increase of equity of 94 360 thousands of PLN,
- e) additional information,

according to the opinion of the statutory 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 2015, as well as financial and material position of the Company as at 31 December 2015 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. At the same time, statutory auditor draws attention in the opinion on 2 matters:

- The attached financial statement for financial year ended 31 December 2015 is the first annual financial statement prepared by the Company in accordance with IFRS. Management Board ensured comparability of the data for the previous financial year. Decision to draw up financial statements for the year 2015 in accordance with IFRS was adopted by General Meeting of Shareholders on September 30, 2015 (in accordance with Article 45 paragraph 1a and 1c of the Accounting Act). Date of transition to IFRS is 1 January 2014.
- Profit disclosed in audited financial statement in large part results due to the one-off transactions carried out within the Group DEKPOL S.A.. Transactions have been described in additional note number 4 to the financial statement. The profits arising from intra-group transactions are subject to exclusion in the consolidated financial statement.

After acquaintance with the opinion of the statutory 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 the financial year 2015 and recommends to the General Meeting of Shareholders 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 2015

Audit of the consolidated financial statement of the Company for the financial year 2015 has been conducted by HLB M2 Audyty Spółka z ograniczoną odpowiedzialnością 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 statutory auditor on consolidated financial statements states, that the consolidated financial statements of DEKPOL S.A. consisting of:

- a) balance sheet drawn up as of 31 December 2015, which on the assets and liabilities side closes with the sum of 327 897 thousands of PLN,
- b) income statement for the financial year from 1 January 2015 until 31 December 2015, showing net profit of 12 406 thousands of PLN,
- c) cashflow statement for the financial year from 1 January 2015 until 31 December 2015, showing an increase of cash of 6 507 thousands of PLN,
- d) equity changes statement for the financial year from 1 January 2015 until 31 December 2015, showing an increase of equity of 40 669 thousands of PLN,
- e) additional information,

according to the opinion of the statutory 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 2015, as well as financial and material position of the Company as at 31 December 2015 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 the statutory 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. Statutory auditor draws attention in the opinion on 2 matters:

- Consolidated financial statement of the Capital Group includes financial data of four companies, whose financial statements have not been audited by the statutory auditor. Cumulative size of balance sheet totals and the cumulative amount of trade receivables of

above mentioned companies (net of consolidation eliminations) amounts respectively 11.1% of total assets and 0.0% of net trade receivables disclosed, in the consolidated financial statements 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.

- The attached consolidated financial statement for the financial year ended 31 December 2015 is both the first consolidated financial statements prepared by the Company as well as the first consolidated financial statements prepared in accordance with IFRS. Due to the fact that in previous reporting periods, the Company have not been a Group, comparative data represent restated for comparability (IFRS) data resulting from the separate financial statement of DEKPOL S.A..

Having in mind the above, Supervisory Board positively assesses the consolidated financial statement of the Company for the financial year 2015 and recommends to the General Meeting of Shareholders DEKPOL S.A. its approval.

IV. Opinion of Supervisory Board of DEKPOL S.A. on distribution of profit for the financial year 2015.

Taking into account the results of the Company and the result of the Capital Group for 2015, Supervisory Board accepts the proposal of Management Board as to the allocation of net profit generated by the Company in the same year to supplementary capital.

Supervisory Board positively assesses the activities of Management Board of DEKPOL S.A. and recommends to the General Meeting of Shareholders DEKPOL S.A. granting discharge of duties in 2015 to all members of the Management Board.

V. Evaluation of condition of Company and Capital Group in the financial year 2015.

Balance sheet of the Company for the financial year from 1 January 2015 to 31 December 2015 showed a net profit of 66 097 thousands of PLN (17 248 thousands of PLN in the financial year 2014). Cash flow statement for the year showed an increase in cash of the Company in amount of 6 247 thousands of PLN. Income statement for the period from 1 January 2015 to 31 December 2015 showed a net profit of the Capital Group in the net amount of 12 406 thousands of PLN. Cash flow statement of the Group showed an increase in cash of PLN 6 507 thousands of PLN.

Company pays its obligations to suppliers and public liabilities. Currently, there are no difficulties in meeting the Company's obligations under the loan agreements. Company does not have problems with the timely servicing of bond debt. At of the date of preparation of the financial statements, the Company did not identify a real risk associated with the bonds issued.

Company has developed an effective system of contract valuation, which, combined with strict cost control, causes, that the Company carries out contracts at assumed profitability and achieves good financial results.

In 2015, expansion of the plant producing equipment for construction equipment has been completed. The plant acquires new manufacturing orders and increases the value of existing contracts, which in the future will bring a significant increase in revenues of the Company and the Capital Group.

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

Management Board takes responsibility for internal control system in DEKPOL S.A., risk management and compliance of activities with law.

The basic external control in the process of preparing the Company's financial statements consists verification of financial statements by an independent auditor. To the tasks of the independent auditor belong an audit of annual report and review of financial statements.

According to § 21 paragraph. 2 points. 11 of the Articles of Association, selection of an independent auditor to audit the financial statements of the Company as well as approval of agreement conditions with independent auditor and approval on termination by the Company of such a contract falls within the competence of Supervisory Board.

Financial statements are presented also to Supervisory Board of the Company, in which competence is assessment of financial statements, Management Board Statements of activities of the Company for the previous financial year, in respect of their compliance with accounting books and documents, as well as with factual situation and the assessment of Management Board proposals regarding the distribution of profit or covering losses and submission towards General Meeting of Shareholders of annual written report on the results of this assessment.

As part of the Supervisory Board, the body appointed to supervise the financial reporting process in the Company is Audit Committee - The Audit Committee monitors the financial reporting process, review activities of financial revision, financial independence of independent auditor and the entity authorized to audit financial statements.

For preparation of financial statements is responsible Accounting Department of the Company under the supervision of Chief Accountant Officer.

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

Before submission of financial statements to independent auditor, they are the subject of verification by the Finance Director.

Financial data as a base for financial statements and reports of Management Board and management and operating reports come from the accounting and financial system of the Company. Element of quality control and data validation is the use of management reporting system and conducted by the Management Board analysis of financial results and key indicators.

Analysis of the results is carried out in relation to both the financial and operational plan, and the results of previous periods, and identified deviations are explained. The Company carries out periodic reviews of economic and 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 Capital Group, the level of employment, the size of the infrastructure of the Company, the Supervisory Board estimates presented above system of internal control, risk management (including mechanisms limiting the risks described in Management Board Statement on activities of the Company), internal audit and compliance with regulations as optimal.