



**MANAGEMENT BOARD'S REPORT
ON ACTIVITY OF THE COMPANY AND CAPITAL GROUP
OF DEKPOL S.A.
in 2018**

Pinczyn, 30th of April 2019



Management Board's report on activity of the Company and Capital Group of DEKPOL S.A. in 2018

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SELECTED FINANCIAL DATA

Selected financial data of Dekpol Capital Group

Selected consolidated financial data	thousand PLN		thousand EUR	
	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017
I. Net revenue from sales of products, goods, and materials	837 034	578 992	196 169	136 404
II. Profit (loss) on operating activity	52 253	47 083	12 246	11 092
III. Profit (loss) before tax	45 217	41 276	10 597	9 724
IV. Net profit (loss)	33 932	32 979	7 952	7 769
V. Earnings (loss) per ordinary share (in PLN / EUR)	4,06	3,94	0,95	0,93
VI. Net cash flows from operating activity	(67 577)	35 137	(15 837)	8 278
VII. Net cash flows from investment activity	(18 439)	(32 764)	(4 321)	(7 719)
VIII. Net cash flows from financial activity	90 450	(6 468)	21 198	(1 524)
IX. Total net cash flows	4 434	(4 094)	1 039	(964)
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
X. Total assets	900 817	582 666	209 492	139 698
XI. Liabilities and provisions for liabilities	709 292	415 222	164 952	99 552
XII. Long-term liabilities	258 515	108 276	60 120	25 960
XIII. Short-term liabilities	450 777	306 946	104 832	73 592
XIV. Equity	191 525	167 443	44 541	40 146
XV. Share capital	8 363	8 363	1 945	2 005
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)	23	20	5	5



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Selected financial data of Dekpol S.A.

Selected separate financial data	thousand PLN		thousand EUR	
	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017
I. Net revenue from sales of products, goods, and materials	929 987	583 527	217 954	137 472
II. Profit (loss) on operating activity	44 540	31 933	10 204	7 523
III. Profit (loss) before tax	37 392	26 131	8 763	6 156
IV. Net profit (loss)	30 383	20 770	7 121	4 893
V. Earnings (loss) per ordinary share (in PLN / EUR)	3,63	2,48	0,85	0,59
VI. Net cash flows from operating activity	(58 700)	30 267	(13 757)	7 131
VII. Net cash flows from investment activity	(36 476)	(33 249)	(8 549)	(7 833)
VIII. Net cash flows from financial activity	86 293	(6 465)	20 224	(1 523)
IX. Total net cash flows	(8 883)	(9 447)	(2 082)	(2 226)
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
X. Total assets	895 917	632 381	208 353	142 943
XI. Liabilities and provisions for liabilities	680 452	405 647	158 245	97 256
XII. Long-term liabilities	240 393	117 477	55 905	28 166
XIII. Short-term liabilities	440 059	319 955	102 339	72 323
XIV. Equity	215 465	194 950	50 108	46 741
XV. Share capital	8 363	8 363	1 945	2 005
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)	26	23	6	6



1. GENERAL INFORMATION ABOUT THE COMPANY

Name (Company): Dekpol Spółka Akcyjna

Abbreviated name: Dekpol S.A.

Headquarter: ul. Gajowa 31, 83-251 Pinczyn

Phone: (58) 560-10-60

Fax: (58) 560-10-61

Website address: www.dekpol.pl

E-Mail address: dekpol@dekpol.pl

The Issuer is entered in the register of entrepreneurs of the National Court Register maintained by District Court Gdańsk-North in Gdańsk, VII Commercial Division of the National Court Register under ID (KRS) number 0000505979. The Issuer's company was registered on 11th of April 2014. The Issuer has a tax identification number TIN 592-21-37-980 and the number REGON 220341682.

The Issuer was created as a result of the transformation of Dekpol Spółka z ograniczoną odpowiedzialnością in Dekpol Spółka Akcyjna with the resolution of the General Meeting of Shareholders of 1st of April 2014. On 11th of April 2014, the District Court Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, entered the Issuer in the Register of Entrepreneurs of the National Court Register under No. 0000505979 as a joint-stock company.

The Issuing Party has been created as a permanent entity.

1.1 BUSINESS ACTIVITIES OF DEKPOL S.A.

Dekpol Capital Group carries out its operations in three areas:

- general contracting activities for the construction of industrial facilities, public utilities, sports and recreation facilities, environmental protection facilities, as well as sanitary, road and hydrotechnical works;
- property development – construction, finishing and sale of housing estates, single-family housing estates, luxury apartment buildings, condo hotels and retail and service areas;
- manufacture of equipment for construction machines.

1.2 BRANCHES

The company has no branches or plants within the meaning of the Accounting Act.



1.3 COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As at the date of publication of this report, the Management Board of the Company operates in the following composition:

Name and surname	Function
Mariusz Tuchlin	President of Management Board
Michał Skowron	Vice-President of Management Board
Andrzej Kuchtyk	Member of Management Board
Rafał Dietrich	Member of Management Board

As at the date of publication of this report, the Supervisory Board operates in the following composition:

Name and surname	Function
Roman Suszek	Chairman of Supervisory Board
Jacek Grzywacz	Vice-Chairman of Supervisory Board
Jacek Kędzierski	Member of Supervisory Board
Grzegorz Wąsacz	Member of Supervisory Board
Wojciech Sobczak	Member of Supervisory Board

1.4 SHARES AND SHAREHOLDERS OF THE COMPANY

1.4.1 EQUITY

As of 31st of December 2018 and as of the day of publication of this report, share capital of Dekpol S.A. amounts PLN 8,362,549.00 and is divided into 8.362.549 ordinary bearer shares with a nominal value of PLN 1 each, including:

a) 6 410 000 series A ordinary bearer shares,

b) 1 952 549 series B ordinary bearer shares,

which entitle to 8.362.549 votes at the General Meeting of Shareholders of the company.

1.4.2 SHAREHOLDING STRUCTURE

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as of 31.12.2018 and as of the day of publishing of this report:

Major Shareholders	Number of shares	Number of votes	Nominal value of the shares (in PLN)	Participation in share capital / general number of votes
Mariusz Tuchlin	6 449 860	6 449 860	6 449 860	77,13%
Funds managed by Trigon TFI S.A.*	720 000	720 000	720 000	8,61%
Familiar S.A. SICAV-SIF**	679 583	679 583	679 583	8,13%
Other shareholders	513 106	513 106	513 106	6,14%



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Total:	8 362 549	8 362 549	8 362 549	100%
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* including Trigon Infinity Akcji Fundusz Inwestycyjny Zamknięty holding 550,000 shares of the Company, constituting 6.58% of the share capital of the Company, entitling to 550,000 votes in the Company, which is 6.58% of the total number of votes in the Company (based on the number of registered shares The Ordinary General Meeting of the Company convened for 28th of May 2018).

** based on the number of registered shares for the Ordinary General Meeting of the Company convened for 28th of May 2018

1.4.3 AGREEMENTS AS A RESULT OF WHICH CHANGES IN THE SHAREHOLDING STRUCTURE MAY OCCUR

The Issuer is not in possession of information about contracts (including those concluded after the balance sheet date), as a result of which changes in the proportions of shares held by existing shareholders and bondholders may occur in the future.

1.4.4 INFORMATION ON ISSUER'S SHARES HELD BY PERSONS FROM MANAGEMENT AND SUPERVISORY BODIES

Information on Issuer's shares held by persons from management and supervisory bodies as at the date of publication of this report:

Specification	Number of shares	Nominal value of shares (in PLN)
Mariusz Tuchlin	6 449 860	6 449 860

Other members of the Management Board and Supervisory Board of Dekpol S.A. do not hold Issuer's shares as well as stocks or shares in related entities of the Issuer.

1.4.5 EMPLOYEE SHARES SCHEMES

The Issuer does not have an employee shares scheme.

1.4.6 OWN SHARES

Dekpol S.A. did not own or acquire own shares in 2018 and did not take any actions to acquire own shares during this period.

1.5 CHANGES IN THE MANAGEMENT RULES

In February 2017, the decision was made to change the management principles of the Company, the aim of which was to introduce a management system tailored to the growing scale of the Company's operations and its individual segments, structure expansion as well as further development plans and relevant changes in the composition of the Company's Management Board (current report no. 11/2017 of 21st of February 2017). The change in the management of the Company was aimed at improving supervisory and control processes as well as improving the flow of information. The new management structure was created in order to enable the future separation of individual segments of the Company's operations as organized parts of the company and the division of the Company, however, at that time no



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binding decisions in this regard were taken and the Management Board considered various options for the Company's future development.

In 2018, the decision was made to separate the first segment of the Company's operations, i.e. property development activities. This activity was transferred in the form of an organized part of the enterprise to a subsidiary, Dekpol Deweloper sp. z o.o.. Information on the reorganization of the Company's operations in this area can be found in point 2.5 of this report. The Management Board of the Company does not rule out further reorganization of the Company, however, as at the date of publication of these financial statement, no decisions were made in this regard.

In 2018, there were no changes to the basic principles of managing the Company other than the aforementioned ones.

1.6 ORGANISATIONAL AND CAPITAL TIES

Dekpol S.A. is the parent company of the Dekpol Capital Group. Connections resulting from having a capital group are presented in item 2.1. of this report.

Personal relationships with other companies in which Mr. Mariusz Tuchlin (acting as the President of the Issuer's Management Board and being the major shareholder of the Issuer) is a significant shareholder as at the date of publication of this report:

Company's name	CRS	Nature of connection	Information about the company
City Apart Management Sp. z o.o.	0000300191	- 100% of shares belong to Mariusz Tuchlin (proxy in the Company), 100% votes	The company operates in the hotel industry
Dekpol Serwis Sp. z o.o. (komplementariusz Dekpol Serwis Sp. z o.o. Sp. k.)	0000629533	- 90% of shares belong to Mariusz Tuchlin (President of the Management Board in the Company)	The company operates in the rental of passenger and delivery cars
Dekpol Serwis Sp. z o.o. Sp. k.	0000630076	- 98% of shares belong to Mariusz Tuchlin	The company operates in the rental of passenger and delivery cars
City Apart Management Jaglana Sp. z o.o.	0000711010	- 90% of shares belong to Mariusz Tuchlin (proxy in the Company), 90% of votes	The company operates in the hotel industry
City Apart Management Pszenna Sp. z o.o.	0000710859	- 9090% of shares belong to Mariusz Tuchlin (proxy in the Company), 90% of votes	The company operates in the hotel industry
City Apart Management Pszenna Sp. z o.o. Sp. K.	0000711812	- 99% of shares belong to Mariusz Tuchlin	The company operates in the hotel industry
Flats For Rent Sp. z o.o.	0000750704	- 100% of shares belong to Mariusz Tuchlin (proxy in the Company), 100% votes	The company operates in the field of property management



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Company's name	CRS	Nature of connection	Information about the company
Flats For Rent Sp. z o.o. Sp. K.	0000751229	- 100% of shares belong to Mariusz Tuchlin	The company operates in the field of property management

2. GENERAL INFORMATION OF THE CAPITAL GROUP

2.1 CAPITAL GROUP'S STRUCTURE

As at 31st of December 2018, the Dekpol Capital Group was composed of Dekpol S.A. as the parent entity and twenty-two subsidiaries.

Subsidiaries			
Dekpol 1 Sp. z o.o.	direct subsidiaries	Dekpol Royalties Sp. z o.o.	indirect via Dekpol 1 Sp. z o.o. S.K.A.
Dekpol 1 Sp. z o.o S.K.A.	direct subsidiaries	Almond Sp. z o.o.	indirect via Dekpol 1 Sp. z o.o. S.K.A
Dekpol Inwestycje Sp. z o.o.	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k.	indirect via Dekpol Inwestycje Sp. z o.o.
Dekpol Pszena Sp. z o.o.	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k.	indirect via Dekpol Inwestycje Sp. z o.o.
UAB DEK LT Statyba (Litwa)	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. Development Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
Smartex Sp. z o. o	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k	indirect via Dekpol Inwestycje Sp. z o.o.
Dekpol Deweloper Sp. z o.o.	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
Betpref Sp. z o.o.	direct subsidiaries	Dekpol Pszena Sp. z o.o. Sp.k	indirect via Dekpol Pszena Sp. zo.o.
Nordic Milan Sp. z o.o.	direct subsidiaries	Dekpol Inwestycje Sp. z o.o. WBH Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	indirect via Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o.	indirect via Dekpol



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		Sobieszewo Development Sp. k.	Inwestycje Sp. z o.o.
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Direct subsidiaries of Dekpol S.A.:

- 1) Dekpol 1 Sp. z o.o. - general partner of DEKPOL 1 Sp. z o.o. SKA,
- 2) Dekpol 1 Sp. z o.o. S.K.A. - is responsible in the DEKPOL Group for the management of subsidiaries appointed to perform specialized tasks as well as intangible and intellectual values in the DEKPOL Group,
- 3) Dekpol Inwestycje Sp. z o.o. – general partner in special purpose entities implementing individual development projects in the Dekpol Capital Group (Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k.; Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k.; Dekpol Inwestycje Sp. z o.o. Development Sp. k., Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k., Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k., Dekpol Inwestycje Sp. z o.o. WBH Sp. k., Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k., Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k., Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k., Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.),
- 4) Dekpol Pszena Sp. z o.o. – the general partner of the special purpose entity for the implementation of the development investment on Pszena street in Gdańsk,
- 5) UAB DEK LT Statyba – company established to support the Company's operations in Lithuania, as well as to manage future contracts in the General Contractor implemented in Lithuania,
- 6) Smartex Sp. z o. o. - owner of a plot of land in Wrocław at Braniborska street, where the Company, together with a privat person who owns 37.7% of shares in Smartex, intends to jointly implement a development project. Dekpol S.A. holds a 62.3% stake in Smartex and the right to acquire a 37.7% shares in Smartex. A special purpose entity was established for the implementation of the project - Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.,
- 7) Betpref Sp. z o.o. – a company established to ensure the continuity of deliveries of precast concrete products used in the performance of contracts in general contracting,
- 8) Nordic Milan Sp. z o.o. - the company operates in the development industry; owns a land property in Milanówek, where the property development project is being implemented,
- 9) Dekpol Deweloper Sp. z o.o. - the purpose of the creation was to separate an organized part of the Dekpol S.A. covering the property development activity and transferring it in kind to this company,

Indirect subsidiaries of Dekpol S.A. (via Dekpol 1 Sp. z o.o. S.K.A.):



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- 1) Dekpol Royalties Sp. z o.o. - a company responsible in the DEKPOL Group for brand service in the context of image and product promotion (The Management Board plans to liquidate the Company in 2019),
- 2) Almond Sp. z o.o. - company owning the property in Gdańsk at Toruńska street 12 (Hotel Almond).

Indirect subsidiaries of Dekpol S.A. (via Dekpol Inwestycje Sp. z o.o.):

- 1) Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k. – a special purpose entity for the implementation of a development investment under the name Pastelowa in Gdańsk,
- 2) Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k. – special purpose entity for the implementation of development investments in Rokitki and Śliwiny near Tczew,
- 3) Dekpol Inwestycje Sp. z o.o. Development Sp. k. – special purpose entity to carry out smaller development investments, including in Jurata and Hel,
- 4) Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. – a special purpose entity for the implementation of a development investment in Wrocław,
- 5) Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k. – a special purpose entity for the implementation of a development investment named Forest in Gdańsk,
- 6) Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k. - a special purpose entity for the implementation of a development investment in Gdańsk on the Sobieszewska Island,
- 7) Dekpol Inwestycje Sp. z o.o. WBH Sp. k. - a special purpose entity for the implementation of a development investment in Warsaw,
- 8) Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k. - a special purpose entity for the implementation of a development investment in Gdańsk,
- 9) Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. a special purpose entity for the implementation of a development investment in Wiślinka,
- 10) Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k. - special purpose entity to carry out smaller development investments in Gdańsk on the Sobieszewska Island.

Indirect subsidiaries of Dekpol S.A. (via Dekpol Pszenna Sp. z o.o.):

- 1) Dekpol Pszenna Sp. z o.o. Sp.k. – a special purpose entity for the implementation of a development investment named Grano Residence in Gdańsk at Pszenna street.

Dekpol S.A. holds 100% shares in: Dekpol 1 Sp. z o.o., UAB DEK LT Statyba, Dekpol Inwestycje Sp. z o.o., Dekpol Pszenna Sp. z o.o., Betpref Sp. z o.o., Nordic Milan Sp. z o.o., Dekpol Deweloper Sp. z o.o. and 100% shares in Dekpol 1 Sp. z o.o. S.K.A.

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



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Dekpol Inwestycje Sp. z o.o. is the general partner of the following companies: Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k. ; Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k. ; Dekpol Inwestycje Sp. z o.o. Development Sp. k., Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k., Dekpol Inwestycje Sp. z o.o. WBH Sp. k., Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k., Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k., Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k., Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.), having 0.5% shares in profits in these companies, and Dekpol S.A. has a 99.5% share in profits being a limited partner of these companies. Dekpol Inwestycje Sp. z o.o. is the general partner of Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k., having in this company 0.1% share in profits, and 49.9% share in profits has Dekpol S.A. being a limited partner of this company. Dekpol Pszena Sp. z o.o. is the general partner of Dekpol Pszena Sp. z o.o. Sp.k. having a 0.5% share in profits in this company, while Dekpol S.A. being the limited partner of this company owns 99.5% share in profits, with the proviso that the profit to be divided among the companies from the Dekpol Group is reduced by PLN 500, attributable to the other limited partner of the company.

In connection with the transfer of property development activity from Dekpol S.A. as an organized part of the enterprise to a subsidiary of Dekpol S.A. i.e. Dekpol Deweloper Sp. z o.o. on 1st of January 2019, as at the date of publication of this statement, the Dekpol Capital Group consists of Dekpol S.A. as the parent entity and twenty-two subsidiaries, and the structure of the Dekpol Capital Group is now presented as follows:

Subsidiaries			
Dekpol 1 Sp. z o.o.	direct	Dekpol Royalties Sp. z o.o.	indirect via Dekpol 1 Sp. z o.o. S.K.A.
Dekpol 1 Sp. z o.o. S.K.A.	direct	Almond Sp. z o.o.	indirect via Dekpol 1 Sp. z o.o. S.K.A.
UAB DEK LT Statyba (Litwa)	direct	Dekpol Inwestycje Sp. z o.o.	indirect via Dekpol Deweloper Sp. z o.o.
Dekpol Deweloper Sp. z o.o.	direct	Dekpol Pszena Sp. z o.o.	indirect via Dekpol Deweloper Sp. z o.o.
Betpref Sp. z o.o.	direct	Nordic Milan Sp. z o.o.	indirect via Dekpol Deweloper Sp. z o.o.
		Smartex Sp. z o. o	indirect via Dekpol Deweloper Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Development Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.



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		Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Pszena Sp. z o.o. Sp.k	indirect via Dkpol Deweloper Sp. z o.o. and Dekpol Pszena Sp. zo.o.
		Dekpol Inwestycje Sp. z o.o. WBH Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.
		Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.

2.2 ENTITIES SUBJECT TO CONSOLIDATION

All companies directly and indirectly dependent on the Issuer mentioned in point 2.1 are subject to full consolidation.

2.3 OWN SHARES

The companies from the Issuer's Capital Group did not own or buy own shares in 2018.

2.4 CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP

On 11th of January 2018, the SPV Dekpol Inwestycje Sp. z o.o. Braniborska Sp.k. has been entered into National Court Register. The aim is to implement a property development investment in Wrocław. Dekpol Inwestycje Sp. z o.o. Braniborska Sp.k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o.

On 24th of January 2018, the SPV Dekpol Inwestycje Sp. z o.o. Myśliwska Sp.k. has been entered into National Court Register. The aim is to implement the Foresta property development project in Gdańsk. Dekpol Inwestycje Sp. z o.o. Myśliwska Sp.k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o.

On 12th of April 2018, Dekpol S.A. acquired 50% shares in Nordic Milan Sp. z o.o. for a price that does not constitute significant value from the perspective of financial results. Dekpol S.A. In June 2018, a preliminary agreement was signed regarding the acquisition of the remaining 50% of shares under a number of conditions indicated in



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the preliminary agreement. On 5th of October 2018, Dekpol S.A. has concluded with Eco Milan Sp. z o.o. the purchase agreement for the remaining 50% shares in Nordic Milan Sp. z o.o. Purchase price of the above shares did not constitute a significant value from the perspective of the Issuer's financial results. As a result of concluding the above mentioned agreement and transferring ownership of the shares, the Issuer holds 100% shares in Nordic Milan. Nordic Milan Sp. z o.o. owns a land property with an area of 1.06 ha in Milanówek, where a property development project is being implemented, including the construction of four multi-family buildings in an organized development complex with underground garages and the necessary infrastructure.

On 2nd of August 2018, Betpref Sp. z o.o. was entered into the National Court Register. The aim of the creation of this company is to ensure the continuity of deliveries of precast concrete products used in the performance of contracts in general contracting. 100% shares in the company owns Dekpol S.A.

On 14th of November 2018 Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k. was entered into the National Court Register. The aim is to implement a property development investment in Gdańsk on the Sobieszewska Island. Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o., which is its general partner holding 0.5% of shares in profits, and 99.5% of profits is owned by Dekpol S.A. being a limited partner of this company.

On 19th of November 2018 Dekpol Deweloper Sp. z o.o. was entered into the National Court Register. The aim of the creation is the planned separation of the organized part of the enterprise Dekpol S.A. covering the property development activity and transferring it in kind to Dekpol Deweloper Sp. z o.o.. Dekpol Deweloper Sp. z o.o. is a direct subsidiary of Dekpol SA, which holds 100% of shares.

On 4th of December 2018, the company Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k. was entered into the National Court Register. The aim is to implement a property development investment in Gdańsk. Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o., which is its general partner holding 0.5% of shares in profits, and 99.5% of profits is owned by Dekpol S.A. being a limited partner of this company.

On 4th of December 2018, the company Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. was entered into the National Court Register. The aim is to implement a property development investment in Wiślinka. Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o., which is its general partner holding 0.5% of shares in profits, and 99.5% of profits is owned by Dekpol S.A. being a limited partner of this company.

On 5th of December 2018, the company Dekpol Inwestycje Sp. z o.o. WBH Sp. k. was entered into the National Court Register. The aim is to implement a property development investment in Warsaw. Dekpol Inwestycje Sp. z o.o. WBH Sp. k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o., which is its



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general partner holding 0.5% of shares in profits, and 99.5% of profits is owned by Dekpol S.A. being a limited partner of this company.

On 27th of December 2018, Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k. was entered into the National Court Register. The aim is to implement smaller property development investments in Gdańsk on the Sobieszewska Island. Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k. is an indirect subsidiary of Dekpol S.A. through Dekpol Inwestycje Sp. z o.o., which is its general partner holding 0.5% of shares in profits, and 99.5% of profits is owned by Dekpol S.A. being a limited partner of this company.

2.5 CHANGES IN THE PRINCIPLES OF THE CAPITAL GROUP MANAGEMENT

In February 2017, the decision was made to change the management principles of the Company, the aim of which was to implement a management system tailored to the growing scale of the Company's operations and its individual segments, structure expansion as well as further development plans and relevant changes in the composition of the Company's Management Board (current report no. 11/2017 of 21st of February 2017). The change in the management rules of the Company was aimed at improving supervisory and control processes as well as improving the flow of information. The new management structure was to enable the future separation of individual segments of the Company's operations as organized parts of the company and the division of the Company, however, at that time no binding decisions in this respect were taken and the Management Board considered various options and further development of the Company in the future.

In 2018, the decision was made to separate the first segment of the Company's operations, i.e. property development activities. This activity was transferred in the form of an organized part of the enterprise to a subsidiary, Dekpol Deweloper sp. z o.o.

On 5th of September 2018 the Supervisory Board of the Company approved the establishment by the Company of a branch under which the development activity of the Company will be carried out (Organized Part of the Enterprise, "OPE") and for establishing and taking up by the Company shares in the company with limited liability for the purposes of the future contribution of the OPE.

On 19th of November 2018 the Management Board of the Company decided to resign from the intention to establish a branch within which the property development activity was to be carried out due to its non-target nature. The resignation from the branch did not affect the basic assumptions of the reorganization process and the planned transfer of the organized part of the Company's enterprise including the development activity ("OPC") to a subsidiary limited liability company. The Management Board of the Company has also decided to convene on 17th of December 2018 the Extraordinary General Meeting of the Company ("EGM"), on which i.a. a resolution was put to vote and adopted a



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resolution regarding the consent to the sale of the Company's OPC by the Company through its contribution as a non-cash contribution to a subsidiary Dekpol Deweloper Sp. z o.o..

On 31st of December 2018 Dekpol S.A. concluded with a subsidiary of the Issuer, i.e. Dekpol Deweloper Sp. z o.o. ("Dekpol Deweloper") a contract for the Company to transfer to Dekpol Deweloper an organized part of an enterprise which is an organizationally, financially and functionally separated organizational structure of the company, a complex of tangible and intangible assets constituting the Development Department, used to run and service the property development activity of the Company and entities of Dekpol Capital Group ("OPE"), including the preparation and implementation of property development projects, sales of real estate, design and implementation of finishing works as well as after-sales service.

The OPE includes, among others fixed assets, equipment, inventories, real estate, receivables and liabilities, rights and obligations resulting from agreements, property rights in the form of shares in companies Dekpol Inwestycje Sp. z o.o., Dekpol Pszenna Sp. z o.o., Smartex Sp. z o.o., Nordic Milan Sp. z o.o. and all the rights and obligations of a partner (limited partner) in companies Dekpol Pszenna Sp. z o.o. sp.k., Dekpol Inwestycje Sp. z o.o. Rokitki sp.k., Dekpol Inwestycje Sp. z o.o. Development sp.k., Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k., Dekpol Inwestycje Sp. z o.o. Braniborska sp.k., Dekpol Inwestycje Sp. z o.o. Myśliwska sp.k., Dekpol Inwestycje Sp. z o.o. Osiedle Zielone sp.k., Dekpol Inwestycje Sp. z o.o. Grano Resort sp.k., Dekpol Inwestycje Sp. z o.o. Sol Marina sp.k., Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp.k., Dekpol Inwestycje Sp. z o.o. WBH sp.k.

The OPE was transferred as a contribution in kind to cover the share capital due to the fact that on 31st of December 2018 the Company acquired 2,700,000 new shares in Dekpol Deweloper with a total nominal value of PLN 135 million. Pursuant to the concluded agreement, the transfer and release of OPE took place on 1st of January 2019, subject to the ownership of the real estate, which - due to art. 157 of the Civil Code - it was transferred on 2nd of January 2019.

The transfer of property development activity to a subsidiary will increase organizational and financial transparency within the Capital Group, while limiting business and legal risk.

About the above the Company informed about in current reports no. 63/2018 of 5th of September 2018, No. 75/2018 of 19th of November 2018, No. 83/2018 of 17th of December 2018 and 89/2018 as of 31st of December 2018.

The Management Board of the Company does not rule out further reorganization of the Company, however, as at the date of publication of these financial statements, no decisions were made in this regard.



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In addition, in 2018, the Issuer decided to establish special purpose vehicles for the implementation of property development projects in order to organize the business structure, as discussed in more detail in section 2.4. of this report.

2.6 ORGANIZATIONAL OR CAPITAL TIES

There are no organizational or capital ties of companies from the Dekpol Capital Group with other entities than those indicated in points 1.6 and 2.1.

3. ACTIVITIES OF THE COMPANY AND CAPITAL GROUP

The parent entity of the Capital Group, i.e. Dekpol S.A. conducts operational activities in three areas:

- general contracting for the construction of industrial facilities, public utilities, sports and recreation facilities, environmental protection facilities, as well as sanitary, road and hydrotechnical works;
- property development - construction, finishing and sale of housing estates, single-family housing estates, luxury apartment buildings, condo hotels and commercial and service areas;
- production of equipment for construction machines.



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3.1 KEY PRODUCTS, GOODS AND SERVICES.

Operating segments in the reporting period (consolidated data) :

Item	General contracting	Property development activity	Production of equipment for construction machines	Other	Exclusions	Total
Total sales revenues	551 984	160 573	73 205	51 271	0	837 034
Other operating income	0	0	0	26 987	0	26 987
Other operating expenses	0	0	0	21 133	0	21 133
Total operating expenses	515 516	148 046	65 564	61 509	0	790 635
Operating result	36 468	12 528	7 641	-4 384	0	52 253
Financial income	0	0	0	287	0	287
Financial expenses	0	0	0	7 323	0	7 323
Income tax	0	0	0	11 285	0	11 285
Net result	36 468	12 528	7 641	-22 705	0	33 932

Operating segments in previous reporting period (consolidated data) :

Item	General contracting	Property development activity	Production of equipment for construction machines	Other	Exclusion s	Total
Total sales revenues	292 863	199 843	51 590	34 696	0	578 992
Other operating income	0	0	0	3 648	0	3 648
Other operating expenses	1 199	0	0	5 714	0	6 912
Total operating expenses	268 700	170 176	45 911	43 858	0	528 644
Operating result	22 964	29 667	5 679	-11 228	0	47 083
Financial income	0	0	0	226	0	226
Financial expenses	0	0	1	6 032	0	6 033
Income tax	0	0	0	8 297	0	8 297
Net result	22 964	29 667	5 679	-25 332	0	32 979

Operating segments in the reporting period (separate data) :

Item	General contracting	Property development activity	Production of equipment for construction machines	Other	Exclusions	Total
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Revenues from external customers	648 006	153 943	73 205	54 833	0	929 987
Revenue from other segments	0	0	0	0	0	0
Total sales revenues	648 006	153 943	73 205	54 833	0	929 987
Other operating income	0	0	0	25 005	0	25 005
Other operating expenses	0	0	0	19 607	0	19 607
Total operating expenses	609 906	146 755	65 564	69 621	0	891 846
Operating result	38 101	7 187	7 641	-9 390	0	43 540
Financial income	0	0	0	13 174	0	13 174
Financial expenses	0	0	0	19 322	0	19 322
Income tax	0	0	0	7 009	0	7 009
Net result	38 101	7 187	7 641	-22 547	0	30 383

Operating segments in previous reporting period (separate data) :

Item	General contracting	Property development activity	Production of equipment for construction machines	Other	Exclusions	Total
Revenues from external customers	302 289	199 843	51 590	29 805	0	583 527
Revenue from other segments	0	0	0	0	0	0
Total sales revenues	302 289	199 843	51 590	29 805	0	583 527
Other operating income	0	0	0	3 540	0	3 540
Other operating expenses	1 199	0	0	5 641	0	6 840
Total operating expenses	286 928	174 339	45 898	41 130	0	548 295
Operating result	14 163	25 504	5 692	-13 426	0	31 933
Financial income	0	0	0	226	0	226
Financial expenses	0	0	0	6 027	0	6 027
Income tax	0	0	0	5 361	0	5 361
Net result	14 163	25 504	5 692	-24 588	0	20 770

General Contracting

As part of the general contracting segment, the Capital Group at the end of 2018 implemented contracts for external entities with a total contractual value of over PLN 637 million net. For implementation after the reporting period, projects with a total value of over PLN 309 million net remained, of which the vast majority of works



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will be carried out in 2019. All projects are carried out on behalf of private investors. In addition, the Issuer within the general contracting segment implements intra-group property development projects with a total value remaining to be realized after 2018 amounting to nearly PLN 125 million net. The main area of activity is the Pomeranian Voivodeship, where nearly 60% of projects are implemented. Industrial, logistics, commercial and service facilities are built along with full external infrastructure (roads, squares, parking lots).

List of major contracts performed by the Issuer as at 31/12/2018:

- reconstruction and extension of the Targówek shopping center in Warsaw for Atrium Targówek Sp. z o.o.
- comprehensive implementation of construction works including the construction of a warehouse and office facility with the necessary technical infrastructure in the town Kokotów for 7R S.A company
- construction of a high storage warehouse with an office building, necessary infrastructure and land development in Pruszcz Gdański for LPP S.A. company
- construction of warehouse buildings with a social-office part, accompanying facilities, internal roads, paved squares and parking lots with the necessary infrastructure in Gdańsk for Elite Partners Logistics 1 Sp. z o.o. company

Property development activity

In 2018, the Dekpol Capital Group continued the implementation of residential and service projects in Gdańsk, Rokitki near Tczew and Jurata. Although 2018 was a period of difficulties and challenges on the real estate market, we still maintain a high position among Tri-City property developers, achieving very good sales results. In addition, we were able to sell the EcoMilan project in Milanówek, which is synonymous with the start of operations in the Masovian Voivodeship. At the end of 2018, contracting within the meaning of preliminary, development and reservation agreements amounted to 569 units. In the property development segment's revenue in 2018, 591 units were recognized. For comparison, in the same period of the previous year, there were 573 premises recognized.

As at 31/12/2018, the Dekpol Capital Group implemented the following property development projects, on which 480 premises were in the sales offer:

- ECOMILAN in Milanówek – 77 premises,
- FORESTA in Gdańsk – 49 premises,
- GRANO RESIDENCE in Gdańsk – 85 premises,
- NOWA MOTŁAWA in Gdańsk – 1 lokal,
- MŁODA MORENA PARK II in Gdańsk – 27 premises,
- OSIEDLE ZIELONE in Gdańsk – 7 premises,
- NOWE ROKITKI IV in Rokitki near Tczew – 6 premises,



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- NOWE ROKITKI V and VI in Rokitki near Tczew – 77 premises,
- NOWE ROKITKI PARK in Rokitki near Tczew – 10 premises,
- OSIEDLE PASTELOWE in Gdańsk – 96 premises,
- OSIEDLE ZIELONE in Gdańsk 39 premises,
- VERANO RESIDENCE in Jurata – 6 premises.

In addition, in 2018, the Capital Group continued the strategy of expanding the land bank, ensuring its conditions for further development. As at the date of publication of this report, the Company has a land bank that allows the design and implementation of subsequent, well-located development projects for approximately 170 k UFA.

Production of equipment for construction machines

In 2018, the Department of construction equipment for construction machines achieved a 42% higher revenue as compared to 2017. From June 2018 standardization of products was implemented as well as the focus on the production of equipment for construction machines with a weight of over 20 tons. Thanks to this action, the efficiency of work as well as shortened delivery time have been improved. Optimization of production time has allowed to increase the number of products in a given unit of time, improving the profitability of production. The emphasis on good production planning was reflected in the number of orders from regular and new contractors. Proper use of the current production area has allowed the creation of new workplaces without unnecessary expansion. Areas for the production of large-size buckets with a weight of about 10 tons have been identified, directed mainly to recipients of open-cast mines in Africa, India and South America. Reaching customers of "mining" is the main goal of the expansion of the commercial and technological department of the production of equipment for construction machines.

3.2 SALES MARKETS AND SOURCES OF SUPPLY

The sale of the Dekpol Capital Group in the period from 1st of January 2018 to 31st of December 2018 shows a similar sales structure as in 2017. In connection with the Issuer's plans for the development of the construction machinery department, the value of sales revenues of this type of business will grow, which may also result in a change in the target structure of sales revenues.

The structure of sales revenues of the Dekpol Capital Group in the period 01.01.2018-31.12.2018, 01.01.2017-31.12.2017

Item	31.12.2018	31.12.2017
Poland	759 509	538 999
European Union	71 487	35 946



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Other countries	6 037	4 047
Sales revenues	837 034	578 992

**The structure of sales revenues of the Dekpol Capital Group in the period
01.01.2018-31.12.2018, 01.01.2017-31.12.2017**

Item	31.12.2018	31.12.2017
Poland	853 783	543 557
European Union	70 167	35 923
Other countries	6 037	4 047
Sales revenues	929 987	583 527

The Issuer cooperates with many suppliers and customers, and the turnover with them are diverse and with none of them exceed 10% of sales revenues. The Issuer is not dependent on the recipients or suppliers of the Company.

Companies from the Dekpol Capital Group cooperate with many suppliers and customers, and the turnover with them is diverse and with none of them exceed 10% of sales revenues. The companies from the Issuer's Capital Group are not dependent on their customers or suppliers.

3.3 MAIN DOMESTIC AND FOREIGN INVESTMENTS AND CAPITAL INVESTMENTS

Main Investments of the Dekpol Capital Group:

Item	31.12.2018	31.12.2017
Land	8 056	6 084
Buildings and structures	27 646	11 504
Machines and technical devices	27 089	22 030
Vehicles	7 736	3 673
Other fixed assets	1 382	1 176
Fixed assets under construction	8 026	8 900
Advances in respect of fixed assets	23	96
Net value of property, plant and equipment	79 957	53 462



Main Investments of the Dekpol S.A.:

Item	31.12.2018	31.12.2017
Land	5 994	6 084
Buildings and structures	18 695	11 765
Machines and technical devices	27 057	21 909
Vehicles	7 736	3 673
Other fixed assets	1 376	1 040
Fixed assets under construction	7 986	8 900
Advances in respect of fixed assets	23	96
Net value of property, plant and equipment	68 868	53 467

All purchased, improved and constructed fixed assets are used for current operations.

3.4 EVENTS AND AGREEMENTS IN THE FINANCIAL YEAR 2018 AND AFTER ITS END

3.4.1 SIGNIFICANT EVENTS AND AGREEMENTS

Conclusion of a construction contract in Oława and annexes to this agreement

On 16th of January 2018, the Company and ERGO Elżbieta Jeżewska (the Ordering Party) concluded an agreement on the reconstruction, extension and partial superstructure of a commercial and service building in Oława. The net remuneration for the performance of the subject of the Agreement is approximately 2% of revenue of the Dekpol SA Capital Group for 2017. The contract was originally to enter into force provided that the contractor was notified by 15th of April 2018 of the ordering party's written decision to start the works. On 13th of April 2018, 15th of May 2018 and 29th of June 2018, the Company and the Ordering Party concluded an Agreement pursuant to which the Agreement was to enter into force, subject to the Ordering Party's written decision to commence works by 15th of May 2018, and then by 30th of June 2018 and by 30th of September 2018. The completion of the works was originally planned for 31st of December 2018, and then as of 31st of May 2019 and 31st of December 2019 respectively. The contract provides contractual penalties for late payment of the subject of the contract and removal of defects. In addition, the parties to the contract are entitled to demand payment of contractual penalty in the amount of 10% of remuneration for withdrawal from the Agreement for reasons on the other side of the contract. The maximum number of contractual penalties to which the contractor is required to pay may not exceed 10% of the remuneration. The parties are entitled to claim compensation for damage in full, on general terms

On 3rd of October 2018, the Company received a mutually signed another annex to the aforementioned contract, according to which the contract will come into force, provided that the Company has a written decision of the ordering party to



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commence work by 31st of March 2019. The deadline for completion of works has also been changed, which is currently set for 30th of June 2020.

On 29th of March 2019 (event after the balance sheet date), the Management Board of the Company received from the Ordering Party the decision to start the works.

About the above the Company announced in the current reports No. 3/2018 of 17th of January 2018, No. 21/2018 of 13th of April 2018, No. 30/2018 of 16th of May 2018, No. 51/2018 of 29th of June 2018, No. 68/2018 of 3rd of October 2018 and No. 7/2019 of 29th of March 2019.

Acquisition of real estate in Gdańsk at Myśliwska street

On 26th of January 2018, the Management Board of the Company informed about the acquisition of real property at Myśliwska street in Gdańsk in connection with the fulfillment of the conditions precedent provided for in the preliminary agreement and the conclusion of the final agreement. The net purchase price of the subject of the agreement was approximately 5% of the equity of Dekpol SA. at the end of 2017. A property development project is planned to be implemented on the property including the construction of approximately 150 premises.

About the above the Company informed in current report No. 5/2018 dated 26th of January 2018.

Conclusion of a construction contract for the construction of commercial and service buildings in Babice Nowe

On 14th of February 2018, the Company concluded with GRADUS Sp. z o. o. sp. k. a contract for construction works, the subject of which is the construction of four commercial and service buildings with accompanying infrastructure in Babice Nowe. Under the agreement, the Issuer undertook to performing all necessary construction works, projects and documentation and obtaining a valid and final occupancy permit. The completion date of the facilities was October 2018. The net remuneration for the performance of the subject of the Agreement is approximately 3% of revenue of the Dekpol SA Capital Group for 2017.

About the above the Company informed in current report No. 8/2018 of 14th of February 2018.

Purchase of real estate in Warsaw at Prądzyńskiego street

On 28th of February 2018, the Management Board of Dekpol S.A. informed that it has concluded an agreement extending the conclusion of the final agreement to acquire the right of perpetual usufruct of a plot of 0.6 ha located in Warsaw at Prądzyńskiego street and constituting a separate property of the buildings erected on it, until 31st of March 2018. On 20th of March 2018, the Issuer concluded a purchase agreement for the abovementioned property. The net purchase price was



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about 8% of Dekpol S.A. equity. at the end of 2017. The purchased property is the first investment property acquired by Dekpol S.A. in Warsaw.

The Company informed of the above events in current reports No. 10/2018 of 28th of February 2018 and No. 16/2018 of 20th of March 2018.

Conclusion of an annex to the contract regarding the implementation of the "Grano Residence" project in Gdańsk

On 12th of March 2018, the Company concluded an annex to the agreement of 8th of January 2018 for construction works for a residential and service building in Gdańsk at Pszenna, Chmielna and Żytnia streets concluded with Pozbud T & R S.A. Pursuant to the annex, the scope of works has been extended in relation to the scope specified in the original agreement, as a result of which the Company is obliged to secure the excavation and complete raw state of the building together with all bricklaying works as well as delivery and assembly of wooden window frames. In connection with the above, a flat-rate remuneration was increased for the performance of the subject of the contract from the original amount of PLN 6 million net to PLN 25 million net. The date of completion of works has been set for 30th of August 2019 with reference to the shell and as at 31st of December 2019 with regard to window joinery. In case of a delay in performance of works or removal of defects, the Contractor shall pay the Ordering Party a contractual penalty amounting to 0.5% of net remuneration for each day of delay for the first 7 days and 1.0% of net remuneration for each subsequent day counting from the eighth day of delay. In addition, each of the parties to the contract may demand from the other party payment of contractual penalty in the amount of 10% of net remuneration, in case of withdrawal from the contract for reasons on the other side. The demand as well as the payment of contractual penalties does not deprive the Ordering Party of the right to claim compensation on general terms.

About the abovementioned annexed the Company informed in Current Report No. 13/2018 of 12th of March 2018.

General contracting of the facility in town Linowiec

On 12th of March 2018, the Company received from Biznes Park Starogard Gd. Sp. j. an order for comprehensive construction of a facility with production, warehouse and office rooms as well as squares, parking lots and access roads in Linowiec with a net value of approx. 2% of revenues of the Dekpol S.A. Capital Group for 2017. The investment was to be completed by the end of May 2019. Contract for the implementation of the above the contract was concluded on 5th of September 2018. Pursuant to the contract, the parties agreed that in case that the general contractor fails to provide the Company with the investment until 21st of September 2018, a written confirmation of acceptance by the investor of the above-mentioned investment in the manner and conditions for the performance of works by the Company, the contract is terminated without the right to demand by either party



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the payment of contractual and non-contractual penalties. On 28th of September 2018, the Management Board of Dekpol S.A. informed that by that date the Company had not received a written confirmation from GRI that the investor had accepted the manner and conditions of the above-mentioned performance of the works by the Company, and therefore the Company recognized the above-mentioned contract as terminated. The agreement, in the opinion of the Company, was terminated without the right to demand payment by contractual and compensatory penalties by either party.

About the above The Company informed in current reports No. 15/2018 of 12th of March 2018, No. 62/2018 of 5th of September 2018 and 67/2018 of 28th of September 2018.

Receiving a building permit for the second stage of the "Młoda Morena Park" project

On 22nd of March 2018, the Company received a final decision issued by the President of the City of Gdańsk regarding the approval of the construction design and granting permission for the construction of a complex of eight multi-family residential buildings with underground garage halls, including technical infrastructure and land development as part of the second stage of the project "Młoda Morena Park "at Dolne Migowo street in Gdańsk. As part of the second stage of the investment, the Company plans to build residential buildings with a total usable area of 2,480 square meters. The estimated value of revenues earned by the Company from the implementation of the second stage of the investment is approximately PLN 20 million net. Completion of the construction and commissioning of the housing estate is planned for the second quarter of 2019. The project is implemented by the Issuer's subsidiary and the investment outlays will be financed with the Company's own funds, however partial financing with foreign capital is not excluded.

The Company informed about receiving the permit in the current report No. 17/2018 dated 22nd of March 2018.

Receiving a building permit for the second stage of a housing estate as part of the "Nowe Rokitki Park" project

On 26th of March 2018, the Company received a final decision issued by Poviato Governor of Tczew regarding approval of a construction project and granting a permit for the construction of a housing estate of 12 single-family semi-detached houses - the second stage of the investment "Nowe Rokitki Park" in Śliwiny, commune Tczew. As part of the second stage of the investment, the Company plans to build residential buildings with a total usable area of 1326 square meters. The estimated value of revenues earned by the Company from the implementation of the second stage of the investment is approximately PLN 4.2 million net. The completion of the construction and commissioning of the housing estate was planned for the fourth quarter of 2018. The project was implemented by the Issuer's subsidiary and investment expenditures financed with the Company's own funds.



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The Company informed about receiving the permit in the current report No. 18/2018 dated 26th of March 2018.

Additional order to the contract for general contracting of investments in Lithuania

On 30th of April 2018, the Management Board of Dekpol S.A. informed that works related to the contract for general contracting of investments, the subject of which is the construction of a production plant in Lithuania with an area of over 20,000 sq m m² were completed on time, but the company with its registered office in Lithuania (Ordering Party) commissioned the Issuer to carry out additional works until 30th of June 2018. In connection with the implementation, at the request of the Ordering Party, additional work not initially covered by the contract, the total net remuneration due to the Company with the implementation of the mentioned investment, increased to approx. 12% of the sales revenues of the Capital Group of the Company for 2017. Additional works were completed on time.

About the above the Company informed in Current Report No. 26/2018 of 30th of April 2018.

Contract for construction works in Gdańsk

On 17th of May 2018, the Company received a contract signed by Panattoni Development Europe sp. z o.o. (Investor, an entity that took over the rights and obligations related to the implementation of the Investment from Panattoni Europe sp. z o.o.) for the execution of construction works. The subject of the Agreement includes the construction of two warehouse buildings in Gdańsk with a social and office part with an area of approx. 16.6 thousand m² and 25.1 thousand m², accompanying facilities, internal roads, paved squares and parking lots with the necessary infrastructure. Completion of the construction and obtaining a permit for the use of the first building (as a result, the Company was entitled to a net remuneration of ca. 5% of revenues of the Dekpol S.A. Capital Group for 2017 converted according to the Euro exchange rate of 16th of May 2018). The first stage was completed on time.

After completing the first stage, the investor, within 8 next months, was to confirm the commencement by the Company of the second stage of works involving the construction of the second building, for which the Company is entitled to a net remuneration of approx. 5% of revenues of the Dekpol S.A. Capital Group for 2017, converted according to the euro exchange rate of 16th of May 2018. The Company received confirmation regarding execution of the second stage of work on 5th of March 2019 (event after the balance sheet date).

The contract contains provisions regarding contractual penalties, i.e. in case of delays in construction. The total amount of contractual penalties may not exceed 20% of remuneration. The investor may claim supplementary compensation on general terms. In the event of refusal to grant the Investor earlier access to the



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completed part of the facility and signing the protocol regarding the status of works, the Investor may terminate the Contract with immediate effect and / or demand payment of a contractual penalty in the amount of 15% of remuneration, regardless of any limitations to the contractual penalties. Abovementioned contractual penalty does not exclude the possibility of seeking additional compensation by the Investor in accordance with general legal principles.

The above-mentioned agreement was concluded as a result of the letter of intent, concluded on 18th of January 2018 with Panattoni Europe sp. z o.o.. A letter of intent regarding the selection of the Company as a general contractor to carry out the above-mentioned works. Pursuant to the letter of intent, the parties agreed to conclude an "turnkey" contract by 28th of March 2018. On 28th of March 2018, due to the end of the contract term, the Company announced that it is continuing its activities in order to conclude a construction contract. The activities carried out led to the conclusion on 17th of May 2018 of the abovementioned agreement.

About the above the Company announced in the current reports No. 4/2018 of 18th of January 2018, No. 19/2018 of 28th of March 2018, No. 31/2018 of 17th of May 2018 and No. 5/2019 of 5th of March 2019.

Obtaining a building permit for the construction of the fifth and sixth stage of a housing estate as part of the "Nowe Rokitki" project

on 14th of June 2018 the Company received, validated by the District Governor's Office in Tczew, a legally valid permit for the construction of the fifth and sixth stage of the multi-family housing estate "Nowe Rokitki" together with the necessary technical infrastructure in Rokitki near Tczew. As part of the aforementioned investment stages, the Company plans to build 9 buildings, i.e. 139 apartments along with storage rooms with a total usable area of approximately 7,500 square meters and 141 parking spaces and garages. The estimated value of revenues obtained from the implementation of the above-mentioned stages is approx. PLN 26 million net. The implementation of the above mentioned investment stages will be completed in the third quarter of 2019, and the first premises will be put into use in the fourth quarter of 2019. The project will be implemented by the Issuer's subsidiary, and the capital expenditures will be financed with the Company's own funds, however, partial financing with foreign capital is not excluded.

The Company informed about obtaining the permit in the current report No. 46/2018 dated 14th of June 2018.

Conclusion of an agreement about general contraction works with 7R S.A.

On 20th of June 2018 the Company concluded with 7R S.A. ("Ordering Party") contract for the general comprehensive construction works in the systems of both contractor performance and "design and build" as well as construction and installation works together with the supply of materials and equipment and obtaining



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a building and use permit, which results in turnkey execution of the facility warehouse and office in Gdańsk at Sądzińska street. The net remuneration due to the Company for the entirety of works covered by the Agreement amounts to approximately 3% of the consolidated revenues of the Capital Group of the Company for 2017. The completion date of the investment was set for 1st of February 2019. Additionally in May 2018 the Company concluded an agreement with the Ordering Party to perform comprehensive construction works in the systems of both general contracting and "design and build" as well as construction and installation works together with the supply of materials and equipment and obtaining a building and use permit, the result of which is turnkey execution of the investment in Szczecin at Struga street, for which the Company is entitled to net remuneration at the level of approx. 3% of the consolidated revenues of the Capital Group of the Company for 2017. The completion date of the investment in Szczecin was established on 30th of November 2018. The total amount of net remuneration due to the Company for the implementation of both contracts concluded with the Ordering Party amounted to approximately 6% of revenues of the Capital Group of the Company for 2017.

About the above the Company informed in Current Report No. 47/2018 of 20th of June 2018

Conclusion of a preliminary real estate purchase agreement, where the precast concrete plant is located, in Toruń

On 21st of June 2018 it has been concluded a preliminary agreement for the purchase by the Company of BUDOM Sp. z o. o. real estate along with movables in Toruń at Wapienna street with an area of approx. 4 hectares, on which the precast concrete plant is located. In addition, as part of the Agreement, the current tenant of the Real Estate has undertaken to sell movable property and receivables from the Company for the construction of buildings and structures on the Property. The parties to the contract were obliged to enter into promised agreements by 14th of September 2018, if the conditions precedent are met, according to which (i) the real estate could not be encumbered with any rights or claims of third parties, and in sections III and IV of the land and mortgage register kept for the property there could be no entries and references to applications for entry for third parties, other than those listed in these sections today, (ii) claims due to outlays for the construction of buildings and structures as well as movable property could not be charged with any rights or claims of third parties.

The final purchase agreement was concluded on 13th of September 2018. On the same day, the Company was granted real property, expenditure incurred on real estate and movable property. The total purchase price of real estate, movables and receivables is approx. 6% equity of Dekpol S.A. at the end of 2017. Real estate purchase in the opinion of the Issuer is an important information due to the possibility of ensuring the continuity of deliveries of concrete prefabricates used in the



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performance of contracts in general contracting. In addition, the Company will be able to optimize the timeliness of implementation of property development projects and reduce the involvement of the human factor in ongoing investments.

About the above the Company informed in current reports No. 49/2018 of 21st of June 2018 and No. 64/2018 of 14th of September 2018.

Conclusion of a preliminary real estate sales agreement and contract for general contracting with 7R

On 3rd of July 2018 the Company concluded with 7R S.A. ("Buyer", "Ordering Party") a preliminary real estate sales agreement, under which the parties agreed to conclude the promised sales agreement of the property owned by the Company in Swarozyn with a total area of approximately 8.8 hectare ("Real Property") and the right to project documentation. In order to conclude the Promised Contract, the Seller undertook to build on the Real Estate and obtain, by 31st of December 2018 a decision authorizing the use of the warehouse and production facility.

The Promised Contract was to be concluded by 31st of December 2018 provided that the competent public administration authority has issued an unconditional decision on the permission to use the Building and the division decision and disclose the division of the Real Property into the land register.

At the same time, the Company concluded with 7R S.A. a conditional contract for performance in both systems: "the general contracting" and "design and build" comprehensive construction works as well as construction and installation works together with the supply of materials and equipment and obtaining a revised construction permit and occupancy permit (GC Agreement), which results in the implementation of an additional turnkey warehouse and office facility on the property, which will be the second stage of investment on Real Estate. The deadline for completing the investment was set for 15th of April 2019. The net remuneration due to the Company for the implementation of the above-mentioned facility amounts to approx. 4% of the consolidated revenues of the Capital Group of the Company for 2017.

The GC Agreement entered into force under the condition that the Contracting Authority purchases the Property from the Contractor under the provisions of the Preliminary Agreement. Due to the commencement of works related to the construction of the object before the sale of the Real Estate, a part of the remuneration in the amount of expenditures was to be settled under the Promised Contract.

On 28th of December 2018 it was concluded with HE 7R Pomorskie 1 sp. z o.o. ("Buyer", a company that has entered into the rights and obligations of 7R S.A. resulting from the above preliminary contract) the contract for the sale of the Real Property along with the rights to the project documentation and the warehouse and



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production property built on the Real Estate. The total net sales price amounted to approx. 8% of revenues of the Dekpol Capital Group for 2017, including ca. 7% of the value of the contract being the expenditure incurred so far by the Company for the implementation of the second stage of the investment on Real Estate.

The subject of the sales contract was released to the Buyer on 31st of December 2018. In connection with the conclusion of the contract for the sale of real estate entered into force contract for general contracting of stage II of the investment. An additional warehouse and office building constituting the second stage of investment on the property was completed on time.

About the above the Company announced in the current reports No. 52/2018 of 3rd of July 2018 and 87/2018 of 28th of December 2018.

Conclusion of a letter of intent and contract for construction works with LPP S.A.

On 16th of July 2017 Dekpol S.A. concluded with LPP S.A. ("Investor") a letter of intent concerning the intention to conclude a construction contract, under which the Issuer will adopt for implementation of the construction of a high-storage warehouse with a usable area of approximately 23 thousand m² with an office building with a usable area of approx. PLN 5,500 m² ("Facility") as part of the extension of the Investor's Distribution Center in Pruszcz Gdański. The contract for construction works was to be concluded by 31st of July 2018. On 1st of August 2018 the Company received a mutually signed annex to the Letter of Intent extending until 31st of August 2018 the deadline for concluding the above-mentioned contracts for construction works.

On 30th of August 2018 the Issuer concluded with LPP S.A. a abovementioned contract for construction works. The net remuneration due to the Company for all the works covered by the Agreement is approximately 11% of the consolidated revenues of the Capital Group of the Company for 2017. The completion date of the Facility was set for 30th of August 2019. The contract provides for a number of contractual penalties, including the case of withdrawal from the Agreement due to the fault of the Contractor (10% of the remuneration), in case of delay in the performance of the Facility or its individual stages, as well as delays in the repair of faults and defects. The total amount of contractual penalties may not exceed 10% of remuneration. The parties have the right to claim damages in excess of the contractual penalties. To secure the correct and timely performance of the investment, the Investor's claims under the warranty and guarantee and claims for non-performance or improper performance of the Contract or part thereof, including contractual penalties and obligations to subcontractors, the Contractor within 21 days from the date of signing the contract will provide the Investor with unconditional, irrevocable and payable on the first bank or insurance demand a guarantee of due and timely performance of the Agreement and fulfillment of the warranty and warranty obligations for physical defects, amounting to the equivalent



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of 10% of remuneration. The Agreement contains provisions regarding the withdrawal by the parties from the Agreement, including if the Contractor is allowed to delay for reasons attributable to him in the execution of the works in relation to the material schedule adopted pursuant to the Agreement by more than 30 days. Withdrawal from the Agreement does not exclude the obligation to pay contractual penalties or compensation.

About the above the Company announced in the current reports No. 55/2018 of 16th of July 2018, No. 57/2018 of 1st of August 2018 and No. 61/2018 of 30th of August 2018.

Conclusion of an annex to the agreement on general contracting of the service-hall in Rusocin

On 31st of July 2018 Dekpol S.A. concluded with Transport Ciężarowy Mariusz Kulczyk and Trans-Wybrzeże Mateusz Kulczyk an annex to the Agreement, introducing additional and replacement works to perform, as a result of which the deadline for completion of the works covered by the Agreement was extended until 15th of September 2018 (so far: 31st of July 2018), and the net value of the Agreement increased by approx. 4% of its original value.

Works covered by the contract and annex were completed on time.

About the above the Company informed in the current report No. 56/2018 of 31st of July 2018.

Conclusion of a preliminary real estate purchase contract

On 9th of August 2018 Dekpol S.A. signed with natural persons of a preliminary agreement regarding the purchase by the Issuer of real estate with a total area of approx. 9.3 ha located in Wiślinka. Under the Preliminary Agreement, the parties agreed to conclude a promised contract by 31st of July 2019, subject to legally binding removal from the land and mortgage register of a claim to conclude a promised sale contract entered for the benefit of another entity. The condition precedent has been reserved in favor of the Company. The sale price of the Real Property is approx. 13% of the equity of Dekpol S.A. at the end of 2017. The parties to the Preliminary Agreement are entitled to withdraw from the Preliminary Agreement and avoid the conclusion of the final agreement, i.e. if the Buyer fails to pay the deposit or the legal or actual status of the Real Property proves to be inconsistent with the Seller's statements. The Issuer is planning to acquire a real estate on which it intends to carry out a property development investment.

About the above the Company informed in the current report No. 59/2018 dated 10th of August 2018.

Acquisition of shares in Nordic Milan Sp. z o.o.

On 5th of October 2018 Dekpol S.A. concluded an agreement with Eco Milan Sp. z o.o. for the acquisition of 50% shares in Nordic Milan Sp. z o.o.. Purchase price of the



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above shares is not a significant value from the perspective of the Issuer's financial results. Due to the fact that from April 2018 the Issuer owns the remaining 50% shares in Nordic Milan, as a result of the conclusion of the above mentioned agreement and transfer of ownership of the above-mentioned shares of the company, the Issuer owns 100% shares in Nordic Milan. Nordic Milan owns a land property with an area of 1.06 ha in Milanówek, on which the development project is carried out, including the construction of four multi-family buildings in an organized construction complex with underground garages and the necessary infrastructure. So far, the Issuer was the general contractor of this investment due to a contract signed, about what the Company announced in the current report No. 24/2016 of 14th of November 2016 (there was a change of the company's name from ISLAND Sp. z o.o. to Nordic Milan Sp.z o.o.). Currently due the acquisition of shares in Nordic Milan, this investment is a part of projects implemented by the Dekpol Capital Group. The estimated value of revenues from the investment is approximately PLN 50 million net. The total number of premises under the investment is 188 with a total utility value of apartments 9.5 thousand m². The first premises as part of the investment were recognized in the Group's financial results in 2019.

About the above the Company informed in Current Report No. 69/2018 of 5th of October 2018.

Conclusion of a letter of intent and an agreement for execution of a car showroom in general contracting mode in Gdańsk

On 19th of October 2018 Dekpol S.A. concluded with Delta Invest sp. z o.o. an agreement of general contracting for construction works covering the construction of a car showroom with car maintenance and body-painting service, a car wash and the necessary infrastructure in Gdańsk. The contract was concluded as a result of a letter of intent signed by the parties on 11th of October 2018 regarding the establishment of cooperation and negotiations of the contract. Pursuant to the Letter of Intent, the contract was be concluded under the condition that the Investor receives a permit for the construction of the facility by 17th of October 2018, which also happened. Under the Agreement, the Issuer undertook to perform all works and obtain a final occupancy permit by 31st of May 2019. The value of the Company's net remuneration for the investment is approximately 5% of revenues of the Dekpol Capital Group for 2017.

The contract provides for a number of contractual penalties, including in case of a delay in the performance of the subject of the Contract or its stages, as well as a delay in the removal of faults and defects. In addition, the parties to the Agreement are entitled to demand payment of a contractual penalty in the amount of 10% of the remuneration for withdrawing from the Agreement from the reasons specified in the Agreement attributable to other Party of the Agreement. The maximum amount of contractual penalties may not exceed 10% of remuneration. The parties have the



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right to claim supplementary compensation for damage up to the full amount of the damage. The Issuer may entrust the execution of some construction works to subcontractors, but is responsible for their actions and omissions as for his own. The Agreement contains provisions regarding the right to withdraw from the Agreement by the parties, including if the Contractor, due to reasons attributable to him, allows the delay specified in the Contract to perform works, suspend performance of the Contract. Furthermore, the concluded Agreement shall be terminated if the authorized entity (Municipality of the City of Gdańsk) declares that the right of first refusal of the real estate has been exercised and the Investor is obliged to reimburse the costs related to its performance incurred until the expiry of the Contract

About the above the Company announced in the current reports No. 70/2018 of 11th of October 2018 and 72/2018 of 19th of October 2018.

Conclusion of an construction agreement with an entity from the Marvipol Development Capital Group

On 27th of November 2018 the Company received a mutually signed contract for construction works concluded with PDC Industrial Center 82 sp. o.o. (a subsidiary of Marvipol Development S.A.), whose subject is the construction of a warehouse and office hall with technical and office rooms and associated infrastructure in the town of Opacz Kolonia. The net remuneration for the performance of the subject of Contract 1 paid in euro amounts to the equivalent of ca. 3.5% of revenues from sales of the Dekpol Capital Group for 2017 as at the date of concluding the Agreement 1. The completion of works and obtaining a use permit is to take place until 21st of January 2019.

In addition, the Issuer informs that in October 2018 it was concluded with another entity from the Marvipol Development Capital Group, i.e. PDC Industrial Center 59 sp. o.o. ("Orderer2") a contract for construction works, the subject of which is the construction of a warehouse and office hall with technical and office rooms and associated infrastructure in Warsaw ("Agreement 2"). The net remuneration for the performance of the object of the Contract 2 paid in euro amounts to the equivalent of approximately 3.8% of the sales revenues of the Dekpol Capital Group for 2017 as at the date of the conclusion of the Agreement. According to the agreement, the completion of works was to take place by 3rd of December 2018, and obtaining all occupancy permits by 31st of January 2019.

The total amount of net remuneration due to the Company for the implementation of both contracts concluded with entities from the Marvipol Development Capital Group, according to the euro exchange rate, as at the date of conclusion of each agreement, the equivalent of approx. 7.3% of sales revenues of the Dekpol Capital Group for 2017.

About the above the Company informed in Current Report No. 78/2018 of 27th of November 2018.



Conclusion of a letter of intent and an agreement for the execution of investment in the general contracting system with 7R S.A. in Kokotów.

On 29th of November 2018 the Company received a mutually signed letter of intent concluded with 7R S.A. ("Ordering Party"), in which the parties agreed terms of the contract for general contracting, on the basis of which the Ordering Party entrusts the Company with the execution of an office and warehouse facility in Kokotów. The contract for general contracting was to be concluded under the condition of prior agreement of all contractual terms, initially until 3rd of December 2018, and then in accordance with the annexes respectively, by 14th of December 2018 and 21st of December 2018. On 21st of December 2018 the Company concluded with 7R S.A. a contract for the performance in the "design and build" general contracting system of comprehensive construction works including the construction of a warehouse and office facility with a construction area of approx. 40.4 thousand m² ha with the necessary technical infrastructure in Kokotów ("Agreement" and "Investment"). The investment will be implemented in three stages: Stage I covering the implementation by 1st of July 2019 of an investments excluding the mezzanine shelf with the necessary retrofitting, Stage II covering the implementation of the above mentioned mezzanine by 31st of December 2019 and Stage III covering the reconstruction of the section of the municipal road by 1st of June 2019, wherein stages II and III corresponding to 20% and 1% respectively of the value of the contract will be implemented only in case that the Ordering Party provides a written order to perform the above-mentioned stages, and in relation to stage II, also derogation from the technical and construction regulations to the extent enabling the execution of works under the second stage. Under the Agreement, the Issuer undertook to prepare detailed designs necessary to implement the Investment and obtain a decision on changing the building permit and obtaining a permit to use the Investment. The value of the Company's net remuneration for completing all stages of the Investment has been set at approx. 13% of sales revenues of the Dekpol Capital Group for 2017. The remuneration may be changed in case of additional works ordered by the Ordering Party. The agreement provides for a number of provisions regarding the possibility of the parties withdrawing from the contract and provisions regarding contractual penalties, e.g. in the event of the Contractor's delay in execution of particular stages of the Contract, as well as delays in rectifying defects and faults. In addition, the parties to the Agreement are entitled to demand payment of a contractual penalty in the amount of 10% of remuneration in case of withdrawal from the Agreement, in whole or in part, due to the fault of the other party. The total amount of contractual penalties may not exceed 12% of remuneration. The parties have the right to claim supplementary compensation for damages on general terms up to the full amount of the damage suffered. The Issuer may entrust the execution of some construction works to subcontractors, but is responsible for their actions and omissions as for his own.



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About the above events, the Company informed in current reports No. 79/2018 of 30th of November 2018, No. 80/2018 of 4th of December 2018, No. 82/2018 of 14th of December 2018 and No. 86/2018 of 21st of December 2018.

Conclusion of a construction contract with Panattoni Development Europe Sp. z o. o.

On 8th of February 2019 (event after balance sheet date) Dekpol S.A. (Contractor) concluded with Panattoni Development Europe Sp. z o. o. (Developer) contract for construction works (Agreement) regarding the construction as a general contractor for a building with production, warehouse, technical and office and social space, covering a total of 8.2 thousand m² with other buildings and related land use on a plot of land located in Grudziądz (Investment). Completion of construction and obtaining a use permit has to be completed by 2nd of September 2019. The remuneration due to the Contractor for the implementation of the subject of the Agreement is equal to almost 5% of revenues of the Dekpol Capital Group for 2017 (according to the EUR / PLN exchange rate on the day the Agreement was concluded). The contract contains provisions regarding contractual penalties in case of i.e. delays in construction or certain derogations from the technical specifications. The total amount of contractual penalties may not exceed 11% of the remuneration. The developer has the right to claim compensation for damage caused by the Contractor's delay in the amount exceeding the amount of contractual penalties. The contract may be terminated by the Developer in case of i.e. delay or failure by the Contractor to perform its obligations under the Agreement, cease the performance of works or terminate the development contract between the Developer and the owner of the land property on which the Investment is carried out.

About the above the Company informed in the current report No. 4/2019 of 8th of February 2019.

Conclusion of contract with 7R S.A. for general contracting of facilities in Warsaw

on 29th of March 2019 (event after balance sheet date) the Management Board of Dekpol S.A. concluded with 7R S.A. (Ordering Party) a contract for the general contracting performance of comprehensive construction and engineering works as well as construction and installation works together with the supply of materials and equipment (Agreement), the result of which is the turnkey execution of 7R CityFlex Warsaw Airport warehouse, office and service buildings with the necessary technical infrastructure in Warsaw at Działkowa and Kolumba street (Investment). Under the Agreement, the Issuer undertook to develop designs - replacement and executive construction - necessary to implement the Investment and obtain a decision on changing the building permit and obtaining a permit to use the Investment. The deadline for completion of the subject of the Agreement expires in November 2019. The net lump-sum remuneration of the Contractor for all works covered by the Agreement amounts to ca. 4% of revenues from the sales of the Dekpol Capital



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Group for 2017. The remuneration may be changed if the Ordering Party orders additional or replacement works. In such situations, there may also be changes in the terms of the Contract. In case of agreeing significant changes, the Issuer will inform about this in the relevant current report. The contract contains provisions regarding contractual penalties due in failure to meet deadlines under the Agreement. In addition, the parties to the Agreement have the right to demand payment of a contractual penalty in the amount of 10% of remuneration in case of withdrawal from the Agreement due to the fault of the other party. The total amount of contractual penalties cannot exceed 12% of remuneration. The parties have the right to claim supplementary compensation for damages on general terms up to the full amount of the damage suffered.

About the above the Company informed in current report No. 8/2019 dated 29th of March 2019.

Building permit for the construction of a residential building as part of the 3rd stage of the project "Osiedle Zielone" in Gdańsk obtained

On 19th of April 2019 (event after balance sheet date) the Management Board of Dekpol S.A. received, validated by the Mayor of Gdańsk, a valid building permit for the construction of residential building No. 4 as part of the third stage of the project "Osiedle Zielone" together with the necessary technical infrastructure in Gdańsk, at Potęgowska street (Investment). As part of the Investment, the Company plans to build a residential building in which there will be 42 apartments with storage units with a total usable area of approximately 2070 square meters and 51 parking spaces and garages.

The estimated value of revenues from the Investment is approximately PLN 14.6 million net. The investment implementation will be completed in the second quarter of 2020, and the first premises will be put into use in the third quarter of 2020.

The project will be implemented by a company from the Issuer's Capital Group, and the capital expenditures will be financed with the Company's own funds, however partial financing with foreign capital is not excluded.

About receiving a building permit for construction of three other residential buildings as part of the 3rd stage of the project "Osiedle Zielone" the Company informed in current report no. 10/2017 dated 8th of February 2017, and about the above event the Company informed in current report no. 10/2019 of 19th of April 2019.

Conclusion with Panattoni Construction Europe Sp. z o.o. a contract for construction works

On 25th of April 2019 (event after balance sheet date) the Management Board of Dekpol S.A. received a mutually signed letter of intent concluded with Panattoni Construction Europe sp. z o. o. (Ordering Party) regarding the selection of the Issuer



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as the General Contractor of the production and storage facility with office and social facilities in Pruszków-Parzniew (Investment).

The contract for construction works was to be concluded by 30th of April 2019. The Issuer's completion of the Investment and obtaining the occupancy permit by the Issuer is to be completed by 30th of September 2019. The value of the Issuer's net remuneration for the execution of the Investment was set at approx. 10% of the consolidated revenues of the Issuer's Capital Group for 2017 (converted according to the Euro exchange rate of 25th of April 2019).

On 26th of April 2019 the Management Board of Dekpol S.A. received a signed construction contract for the construction of a warehouse and logistics park comprising two warehouses with accompanying infrastructure located in Parzniew and execution of all accompanying and project works (Agreement).

The contract contains provisions regarding contractual penalties due in delays in the performance of the subject of the Contract, as well as in the removal of defects. In addition, the parties to the Agreement have the right to demand payment of contractual penalty in the amount of 10% of remuneration in case of withdrawal from the Agreement for reasons related to the other party. The total amount of contractual penalties may not exceed 10% of remuneration. In the event of withdrawal from the Agreement for reasons specified in the Agreement, the parties, apart from demanding payment of contractual penalties, have the right to claim compensation in the amount of the actual damage suffered as a result of withdrawal.

The Issuer may entrust the execution of some construction works to subcontractors, but is responsible for their actions and omissions as for his own.

The Company announced the signing of the letter of intent and the contract in current report No. 11/2019 of 25th of April 2019 and 13/2019 of 26th of April 2019.



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3.5 BORROWINGS AND LOANS

Below Dekpol S.A. presents a summary of loan agreements to which it was a party in 2018:

Bank name	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2018 (in thousands of zlotys)	Date of repayment
Bank BGŻ BNP Paribas S.A.	overdraft	3 000	loan for current operations	WIBOR 3M + bank's margin	PLN	1 624	10.12.2019
Bank BGŻ BNP Paribas S.A.	working capital credit	14 000	loan for current operations	WIBOR 3M + bank's margin	PLN	13 199	10.12.2019
ING Bank Śląski S.A.	working capital credit	5 000	Discount agreement	WIBOR 1M + bank's margin	PLN	4 252	16.01.2019**
mBank S.A.	overdraft	14 000	loan for current operations	WIBOR O/N + bank's margin	PLN	7 989	03.04.2019***
Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.)	overdraft	6 000	loan for current operations	WIBOR 1M + bank's margin	PLN	4 452	22.12.2019
SGB-Bank S.A.	revolving credit	30 000	loan for current operations	WIBOR 3M + bank's margin	PLN	29 999	31.12.2020
SGB-Bank S.A.	working capital credit	20 000	loan for current operations	WIBOR 3M + bank's margin	PLN	938	07.06.2019*
mBank S.A.	working capital credit	12 540	loan for property development activity	WIBOR 1M + bank's margin	PLN	0	30.09.2019****
mBank S.A.	working capital credit	10 682	loan for property development activity	WIBOR 1M + bank's margin	PLN	573	29.11.2019*
Bank Spółdzielczy in Wschowa	working capital credit	18 000	loan for current operations	WIBOR 1M + bank's margin	PLN	17 450	19.08.2019
Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.)	working capital credit	26 300	loan for the implementation of the 7R facility	WIBOR 1M + bank's margin	PLN	10 428	31.05.2019*
Millennium Bank S.A.	revolving credit	5 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	18.05.2018****
Mariusz Tuchlin	borrowing	9 030	borrowing for current operations	fixed contractual interest	PLN	0	31.12.2018****



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* loan repaid and closed in 2019 ** loan extended until 16th of January 2020 *** loan extended until 30th of May 2019 **** borrowings and loans repaid and closed in 2018

Below is a list of loan agreements concluded by the companies from the Dekpol Capital Group, of which the Companies were a party in 2018:

Company name	Bank name/ name of the lender	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2018 (in thousands of zlotys)	Date of repayment
Nordic Milan Sp. z o.o.	Bank Ochrony Środowiska S.A.	working capital credit	27 975	loan for property development activity	WIBOR 3M + bank's margin	PLN	15 000	30.11.2019
Nordic Milan Sp. z o.o.	Bank Ochrony Środowiska S.A.	working capital credit	2 000	VAT credit	WIBOR 3M + bank's margin	PLN	1 991	30.11.2019
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	8 286	Borrowing agreement	fixed contractual interest	PLN	8 286	31.03.2020
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	13	31.03.2020
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	2	Borrowing agreement	fixed contractual interest	PLN	2	31.03.2020
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	13	31.03.2020

The remaining companies from the Dekpol Capital Group did not take out loans and borrowings in 2018, with the exception of intercompany loans described below.



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In 2018, the Group companies did not grant loans to other entities from outside the Group.

As at 31st of December 2018, the total balance of loans granted by the Group amounted to 1,128 thousands PLN and resulted from seven loan agreements granted to the following entities:

- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. pursuant to the agreement of 20th of June 2017 (as amended), in the amount of PLN 5,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/12/2019.
- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. pursuant to the agreement of 31st of December 2018, in the amount of PLN 5,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/12/2019.
- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. K. on the basis of the agreement of 28th of June 2017 (as amended), in the amount of PLN 18 thousand PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/12/2019.
- Dekpol S.A. granted a loan to Dekpol Pszenna Sp. z o.o. pursuant to the agreement of 20th of June 2017 (as amended), in the amount of PLN 5,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/12/2019.
- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. Rokitki Sp. K. on the basis of the agreement of 28th of June 2017 (as amended), in the amount of PLN 15,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/01/2018. The loan was repaid.
- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. Development Sp. K. on the basis of the agreement of 28th of June 2017 (as amended), in the amount of PLN 15,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/01/2018. The loan was repaid.
- Dekpol S.A. granted a loan to Dekpol 1 Sp. z o.o. on the basis of the agreement of 7th of October 2015 (as amended), in the amount of PLN 30,000 PLN, interest rate 5% per annum; the loan was granted with the repayment date falling on 31.12.2019, of which 18 thousand were to be repaid at the end of 2018.
- Dekpol S.A. granted a loan to Dekpol Inwestycje Sp. z o.o. Braniborska Sp. K. on the basis of the agreement of 10th of April 2018, in the amount of PLN 40,000 PLN, interest rate 7% per annum; the loan was granted with the repayment date falling on 31/12/2019.
- Dekpol S.A. granted a loan to Smartex Sp. z o.o. pursuant to the agreement of 31st of October 2018, in the amount of PLN 1 037 thousand PLN, interest rate 7% per



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annum; the loan was granted with the repayment date falling on 31st of December 2020.

As at 31st of December 2018, the value of accrued interest on the aforementioned loans amounted to PLN 15,394.91.

Significant loan agreements

Conclusion of working capital credit agreement with mBank S.A.

On 21st of May 2018 the Company concluded with mBank SA two agreements for a working capital credit in the amount of PLN 12.5 million and PLN 10.7 million respectively for financing expenses related to the implementation of development projects under the name "Młoda Morena - Building No. 2" and "Młoda Morena - Building No. 3" in Gdańsk. The Company was entitled to use the first loan until 28th of December 2018 and is obliged to repay it by 30th of September 2019 and is entitled to use the second loan until 28th of February 2019 and obliged to repay it by 29th of November 2019. The interest rate on both loans is variable and based on the 1-month WIBOR base rate plus the Bank's margin. The collateral of loans are blank promissory notes issued to the Bank and contractual mortgages up to PLN 18.8 million and PLN 16 million respectively for the land properties owned by the Company, on which the aforementioned development projects will be implemented. The loan agreements concluded oblige the Company to maintain appropriate financial ratios at the individual and consolidated level and to complete construction works and obtain a permit for the use of buildings constructed within the frames of the aforementioned development projects and to keep the appropriate deadlines, i.e. until 30th of December 2018 - Building No. 1 and until 28th of February 2019 - Building No. 2.

About the above the Company informed in current report No. 33/2018 of 21st of May 2018.

Working capital loan agreement with Santander Bank Polska S.A.

On 21st of November 2018 the Company entered into a working-capital credit facility in the amount of PLN 26.3 million with Santander Bank Polska SA. The funds from the loan will be used for financing and refinancing the investment costs consisting in the construction of a warehouse and production building in Swarozyn intended for sale to the company 7R S.A., about which investment is referred to in this point above. The loan was granted for the period up to 31st of May 2019. The interest rate is equal to the WIBOR 1M rate increased by the Bank's margin. The loan will be activated once the formal and legal conditions have been met. The Bank's receivables resulting from the Agreement are secured by: contractual mortgage up to PLN 39.45 million on the real estate being the subject of the investment and transfers of claims under construction insurance and from the insurance of buildings for the above-mentioned real estate in the amount not lower than PLN 26.3 million each. The



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company also signed a statement on submission to enforcement pursuant to art. 777 § 1 point 5 of the Civil Procedure Code. The bank has the right to change the interest rate by changing the margin level in case e.g. the Company's failure to comply with the applicable consolidated financial ratios.

About the above the Company informed in Current Report No. 77/2018 of 21st of November 2018.

Annex to the multi-purpose credit line agreement with Bank BGŻ BNP Paribas S.A.

On 7th of December 2018 the Company concluded with Bank BGŻ BNP Paribas S.A. annex to the multi-purpose credit line agreement dated 11th of December 2015 (Annex). Pursuant to the Annex, the period of making the credit line available has been extended until 10th of December 2019. At the same time, the permitted forms of lending specified in the Annex and limits on the use of particular forms of lending are currently: open-end credit - PLN 14 million, bank guarantee line - PLN 17 million, current account credit facility- PLN 3 million.

About the above the Company informed in current report No. 81/2018 of 7th of December 2018.

Conclusion of a current loan agreement by a subsidiary with mBank S.A.

On 4th of January 2019 (event after balance sheet date) a subsidiary of the Issuer - Dekpol Inwestycje Spółka z ograniczoną odpowiedzialnością Myśliwska Spółka komandytowa concluded with mBank S.A. (Bank) contract for current loan in the amount of PLN 45.7 million (Agreement). The funds from the loan will be used to finance expenses related to the implementation of the property development project under the name "Foresta" at Myśliwska street in Gdańsk (Investment). The loan was granted for the period up to 30th of November 2020. The interest rate is equal to the WIBOR 1M rate increased by the Bank's margin. The loan will be activated in tranches after the formal and legal conditions have been met. The Bank's receivables under the Agreement are secured by: contractual mortgage up to PLN 68.55 million on the Borrower's land property on which the Investment is implemented, a blank promissory note guaranteed by the Issuer together with a promissory note declaration and assignment of receivables due to the Borrower from the apartment buyers.

About the above the Company informed in current report No. 1/2019 dated 4th of January 2019.



3.6 SURETIES AND GUARANTEES

In the reporting period, neither the Company nor its subsidiaries gave any sureties or guarantees regarding financial liabilities of other entities. The company provided guarantees and received guarantees regarding the construction works carried out.

Between the Issuer and related entities in 2018, there was no mutual guarantee and surety granted, except for the surety for liabilities of Dekpol S.A. and related to the financing obtained through the issue of series F bonds for the implementation of the Grano Residence investment in Gdańsk, the investor of which is Dekpol Pszenna Sp. z o.o. Sp. k.

As at 31st of December 2018, the total balance of guarantees and sureties granted and received by the Dekpol Capital Group is presented in the table below:

Item	31.12.2018	31.12.2017
Conditional liabilities towards affiliates - guarantees of satisfactory performance of contracts	0	0
Conditional liabilities towards affiliates – guarantees and sureties of repayment of financial liabilities	0	0
Other conditional liabilities	0	0
Conditional liabilities towards affiliates	0	0
Granted guarantees of satisfactory performance of contracts - insurance	28 854	28 205
Granted guarantees of satisfactory performance of contracts - banking	38 484	19 082
Granted guarantees and sureties of repayment of financial liabilities	0	0
Court litigations	0	0
Other conditional liabilities	0	0
Conditional liabilities towards non-affiliates	67 338	47 287
Conditional liabilities	67 338	47 287
Received guarantees of satisfactory performance of contracts from affiliates	0	0
Received guarantees and sureties of repayment of financial liabilities from affiliates	0	0
Other conditional assets	0	0
Conditional assets from affiliates	0	0
Received guarantees of satisfactory performance of contracts from non-affiliates - insurance	2 076	1 747
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	3 275	1 478
Received guarantees and sureties of repayment of liabilities from non-affiliates	0	0
Conditional receivables - Court litigations	0	0
Other conditional assets from non-affiliates	0	0



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Conditional assets from non-affiliates	5 352	3 225
Conditional assets	5 352	3 225

As at 31st of December 2018, the total balance granted and received by Dekpol S.A. guarantees and sureties are presented in the table below:

Item	31.12.2018	31.12.2017
Conditional liabilities towards affiliates – guarantees and sureties of repayment of financial liabilities	0	0
Conditional liabilities towards affiliates - guarantees of satisfactory performance of contracts	0	0
Other conditional liabilities	0	0
Conditional liabilities towards affiliates	0	0
Granted guarantees and sureties of repayment of financial liabilities	0	0
Granted guarantees of satisfactory performance of contracts - insurance	28 854	28 205
Granted guarantees of satisfactory performance of contracts - banking	38 484	19 082
Court litigations	0	0
Other conditional liabilities	0	0
Conditional liabilities towards non-affiliates	67 338	47 287
Conditional liabilities	67 338	47 287
Received guarantees and sureties of repayment of liabilities from non-affiliates	0	0
Received guarantees of satisfactory performance of contracts from non-affiliates - insurance	2 076	1 747
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	3 275	1 478
Conditional receivables - Court litigations	0	0
Other conditional assets from non-affiliates	0	0
Conditional assets from non-affiliates	5 352	3 225
Received guarantees and sureties of repayment of financial liabilities from affiliates	0	0
Received guarantees of satisfactory performance of contracts from affiliates	0	0
Other conditional assets	0	0
Conditional assets from affiliates	0	0
Conditional assets	5 352	3 225

3.7 TRANSACTIONS WITH RELATED ENTITIES

The Issuer as well as its subsidiaries in the reporting period did not conclude transactions with related entities on terms other than market terms.



3.8 FACTORS AND EVENTS, INCLUDING UNUSUAL CHARACTER, AFFECTING THE ACTIVITIES AND FINANCIAL STATEMENTS

In 2018, there were no other factors or events than those described elsewhere in this report, including those of a non-standard nature, which had a significant impact on the operations of the Company or the Group and on the separate or consolidated financial statements.

4. ECONOMIC AND FINANCIAL RESULTS OF THE COMPANY

4.1 PRINCIPLES OF PREPARING A SEPARATE FINANCIAL STATEMENT

Financial statement of Dekpol S.A. for 2018 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations (hereinafter referred to as IFRS). The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. The statement presents the financial position of the Company as at 31st of December 2018 and 31st of December 2017, the results achieved on the operations of the Company and cash flow for the 12 months ended 31st of December 2018 and 31st of December 2017.

Comparative information is the unit data of Dekpol S.A. for 2017 prepared in accordance with IFRS.

The Management Board's report on Dekpol S.A.' activities for 2018 was prepared in accordance with the requirements of the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and on consideration as equivalent the information required by law of the countries outside the EU (consolidated text: Dz. U. z 2018 poz. 757).

The Management Board of the Company has decided to change the accounting policy regarding the recognition of cash held on escrow accounts, which are supervised by banks and are subject to release as the property development works progress. Until now, the Company did not disclose such cash and related advance payments from customers in the statement of financial position, being guided by limitations in exercising control over this asset. Considering the common market practice, according to which funds on the escrow accounts are recognized in the statement of financial position and cash flow statement and the requirements of IFRS 15 regarding disclosure of obligations under concluded contracts with customers, it was decided to change the accounting policy and disclose cash for escrow



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accounts as assets - restricted cash in correspondence with advances from Customers presented in liabilities. Comparability of data for comparative periods was ensured. The changes in comparative data resulting from changes in accounting policy have been presented in the annual separate financial statement of Dekpol SA. The change in the accounting policy does not affect the value of the financial result and equity.

4.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF DEKPOL S.A.

4.2.1 ANALYSIS OF FINANCIAL SITUATION

Item	31.12.2018	31.12.2017	31.12.2016
Fixed assets	298 028	200 951	151 955
Property, plant and equipment	68 868	53 467	36 144
Investment properties	36 129	8 504	1 510
Intangible assets	307	195	182
Stocks and shares	179 689	128 780	108 027
Receivables	1 875	3 912	4 037
Other long-term financial assets	3 643	1 256	754
Long-term deferred charges	0	0	0
Deferred income tax assets	7 517	4 837	1 300
Current assets	597 889	431 430	398 948
Inventory	180 707	233 018	212 865
Receivables due to contracts with clients	72 119	3 920	10 460
Trade receivables and other receivables	291 627	131 970	106 892
Other short-term financial assets	0	77	0
Units of participation in Open Investment Funds	0	0	0
Short-term deferred charges	1 974	2 102	3 305
Cash and cash equivalents	51 461	60 344	65 425
including cash on escrow accounts	21 790	31 784	27 419
Assets classified as held for sale	0	0	0
Assets in total	895 917	632 381	550 902



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Item	31.12.2018	31.12.2017	31.12.2016
Equity	215 465	194 950	178 612
Share capital	8 363	8 363	8 363
Equity from sales of shares over its nominal value	26 309	26 309	26 309
Other equities	150 410	139 674	135 202
Own shares (-)	0	0	0
Profit (loss) from previous years	0	-166	-166
Profits retained	30 383	20 770	8 904
Long-term liabilities	240 393	117 477	135 928
Deferred income tax provision	24 602	14 916	14 774
Liabilities and provisions on employee benefits	107	59	44
Other long-term provisions	0	0	0
Long-term credits, borrowings and debt instruments	188 169	78 849	112 713
Other long-term financial liabilities	7 662	6 690	1 712
Other long-term liabilities	19 854	16 963	6 685
Short-term liabilities	440 059	319 955	236 362
Liabilities and provisions on employee benefits	15	4	5
Other short-term provisions	14 116	9 572	1 653
Short-term credits, borrowings and debt instruments	60 338	67 070	26 322
Other short-term financial liabilities	8 456	4 707	1 043
Liabilities due to contracts with clients	0	0	0
Trade liabilities and other liabilities	350 436	231 400	199 619
Receivables from future terms	6 697	7 202	7 719
Liabilities connected to assets intended for sale	0	0	0
Liabilities in total	895 917	632 381	550 902

4.2.2 ANALYSIS OF FINANCIAL SITUATION

Item	01.01- 31.12.2018	01.01- 31.12.2017
Revenue from sales	929 987	583 527
Costs of goods sold	838 698	497 816
Gross profit (loss) from sales	91 289	85 711
Selling costs	36 210	40 460
General administrative expenses	16 938	10 019
Other operating income	25 005	3 540
Other operating expenses	19 607	6 840



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Operating profit (loss)	43 540	31 933
Share In profit (loss) of entities accounted using the equity method	0	0
Financial revenues	13 174	226
Financial expenses	19 322	6 027
Profit (loss) before tax	37 392	26 131
Income tax	7 009	5 361
Profit (loss) from continuing operations	30 383	20 770
Net profit (loss)	30 383	20 770
exchange differences arising on the translation of the financial statements of a foreign operation	0	0
Other net comprehensive income	0	0
Comprehensive income	30 383	20 770

4.2.3 CASH FLOW ANALYSIS

Item	01.01-31.12.2018	01.01-31.12.2017
Profit (loss) before tax	37 392	26 131
Adjustments:	-2 831	9 809
Depreciation	7 833	5 844
Change of fair value of investment properties	-6 521	0
Profit (loss) from sales of non-financial tangible assets	-138	-1 040
Profit (loss) from sales of financial assets (other than derivatives)	389	0
Profits (losses) from foreign exchange differences	0	-300
Interests and shares in profits	-4 394	5 305
Change in working capital	-92 867	965
Income tax on profit before tax	-7 009	-5 361
Income tax paid	6 616	3 089
Net cash from operating activities	-58 700	34 633
Expenses related to acquisition of intangible assets	-669	-440
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-4 354	-20 016
Inflows from sales of property, plant and equipment	277	1 500
Expenses related to acquisition of investment properties	-12 408	-8 504
Inflows from sales of investment properties	0	0
Net inflows from sales of subsidiaries	0	0
Net expenses for the acquisition of subsidiaries	-28 793	-5 210



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Repayments received from loans granted	0	12
Expenses for the purchase of other financial assets	-2 387	0
Inflows from sales of other financial assets	0	-532
Loans granted	-1 105	-59
Interest received	40	0
Dividends received	12 923	0
Net cash from investment activities	-36 476	-33 249
Net inflows from issue of shares	0	0
Inflows from issue of debt securities	132 038	42 000
Other inflows (expenses) from investment activities	-30 495	0
Inflows from received grants	0	0
Redemption of debt securities	0	-82 340
Inflows from loans and borrowings taken out	73 419	114 075
Repayment of loans and borrowings	-58 137	-66 958
Repayment of liabilities under finance lease	-7 121	-2 869
Interest paid	-13 543	-5 941
Dividends paid	-9 868	-4 432
Net cash from financial activities	86 293	-6 465
Net change in cash and cash equivalents	-8 883	-5 081
Cash and cash equivalents at the beginning of the period	60 344	65 425
Cash and cash equivalents at the end of the period	51 461	60 344
Including cash of limited disposal right	21 987	31 803

4.2.4 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2018
Profitability of sales	max	4,10 %
Gross profitability of sales	max	4,00 %
Net profitability of sales	max	3,30 %
Profitability of net assets	max	4,10 %
Return on equity net	max	16,00 %
Current liquidity	1,4-2,0	1,36
Quick liquidity	0,8-1,0	0,94

In the Company's opinion, non-financial performance indicators related to the Issuer's operations do not affect the assessment of the Issuer's development, results and situation.

4.2.5 FINANCIAL RESULTS FORECAST

Dekpol S.A. did not publish forecasts of the Company's financial results for 2018.



4.3 DIVIDEND POLICY

The company has no adopted dividend policy. The recommendation by the Management Board of the possible payment of a dividend for a given year includes the covenants specified in the terms of bond issue and loan agreements, according to which the payment of dividend may not exceed 30% of the consolidated net profit and is based each time on the analysis of financial possibilities taking into account the development strategy of the Issuer, including first of all, striving to expand operational capabilities.

On 30th of April 2018, the Management Board of Dekpol S.A. adopted a resolution on recommending to the Ordinary General Meeting of Shareholders a part of PLN 20,770,470.30 of the net profit for 2017 for the dividend generated by the Company. The Issuer's Management Board recommended allocating PLN 9,867,807.82 to the dividend, i.e. PLN 1.18 per share, and allocating the remaining part of the net profit for 2017 in the amount of PLN 10,902,662.48 to increase the Company's supplementary capital. As the dividend day, it was recommended on 20th of August 2018, and as the dividend payment date – 28th of August 2018. The recommendation of the Management Board was positively evaluated by the Supervisory Board on 25th of May 2018.

The final decision on the distribution of profit, dividend record date and dividend payment date was made by the Ordinary General Meeting of the Company, which on 28th of May 2018, pursuant to the resolution, decided to allocate a net profit for 2017 in the amount of PLN 20 770 470.30:

- a. in part, i.e. as to the amount of PLN 9,867,807.82 for the payment of dividends, i.e. PLN 1.18 per share,
- b. in part, i.e. as to the amount of PLN 166 013.61 to cover losses from previous years,
- c. in the remaining part, i.e. as to the amount of PLN 10 736 648.87 for the Company's supplementary capital.

The Ordinary General Meeting of the Company set the dividend day as of 20th of August 2018, and the dividend payment day as of 28th of August 2018.

About the above The Company informed in current reports No. 25/2018 of 30th of April 2018, No. 36/2018 of 25th of May 2018 and No. 38/2018 of 28th of May 2018.

4.4 ISSUES OF SECURITIES

Issue of series F1 bonds

On 4th of January 2018 Management Board adopted resolution concerning allocation of 17 000 units of F1-series bonds of a total nominal value of PLN 1000 each and of a total nominal value of PLN 17 million to the following funds: Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji – Dynamiczna Alokacja Fundusz



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Inwestycyjny Otwarty. The Bonds have been issued at issue price equal to nominal value of Bonds. Bonds are bearer securities, of a non-document nature and shall bear interest at WIBOR 3M interest rate plus margin with interest paid quarterly. The Bonds are limited to cash benefits only. Redemption date of Bonds falls on January 4, 2022. The Issuer is entitled to earlier redemption of all or some part of Bonds. In cases specified in Terms of Bonds Issue Programme, the Issuer is obliged to make obligatory early redemption of Bonds. In addition, the Bondholder is entitled to submit to the Issuer in certain cases a demand for early redemption of Bonds.

The purpose of Bonds issue is to raise funds for the execution of Issuer's investment consisting on construction of a complex of two buildings – residential and commercial ones as a part of the project called "Grano Residence" in Gdańsk at Pszenna, Chmielna and Żytnia streets. The Funds raised within Bonds issue will be transferred by the Issuer to the Company Dekpol Pszenna sp. z o.o. sp. k. (the company performing investment – "SPV"). Coverage of bonds constitute: (i) contractual mortgage to the maximum amount of PLN 25.5 million on perpetual usufruct right of the property, where the investment will be performed; (ii) escrow account agreement ensuring control of cash flows of the Company within investment, (iii) warranty granted by SPV to the amount of PLN 25,5 million; (iv) Fiduciary transfer of the ownership of all shares in Company's equity of a general partner of SPV in favor of security administrator; (v) irrevocable offer of transfer of all rights and duties of a general partner of SPV for the benefit of security administrator; (vi) confers authority as a collateral, based on which the Issuer, and then SPV will give the power of attorney to make a declaration of will about granting respectively – by the Issuer and the SPV in the way described in article 40 section 1 of Building Act of approval on transfer for the benefit of other entity of a construction permit decision concerning the investment and about granting further power of attorneys in favor of other entity, which will fulfill the function of a mortgage administrator in place of current administrator; (vii) agreement, based on which, Mortgage administrator will get legal title (e.g. copyrights or license) to unlimited right on project documentation connected with the investment and the possibility of unconstrained disposal of this legal title for the benefit of other entities; (viii) declarations of submission to enforcement pursuant to Article 777 § 1(5) of Code of Civil Procedure issued by the Issuer in favor of general partners and by SPV in favor of security administrator..

The Company informed about the above in the Current Report no. 1/2018 dated 4th of January 2018.

Issue of series G bonds

On 19th of February 2018 Management Board of the Company adopted resolution which changes resolution of the Management Board of the Company regarding G-series bonds issue programme dated 24th of October 2017 in such a way, that the



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Company will issue G-series bonds of a total nominal value in the amount of PLN 85 million (initially: up to PLN 50 million). On 7th of March 2018 the Management Board of Dekpol S.A. adopted resolution about the final allocation of 76 880 G-series bonds of a nominal value of PLN 1000 each and joint nominal value of PLN 76,88 million. Allocation has been performed under condition of the final settlement of Bonds by CSD S.A. (Central Securities Depository), which took place on 8th of March 2018. Bonds have been issued at issue price equal to its nominal value. Bonds are unwarranted bearer securities, of a non-document form and bear interest at interest rate equal to WIBOR 6M rate plus margin. Interests will be paid half-yearly (every six months). Bonds will cover cash benefits only. Redemption of Bonds will be effective on 8th of March 2021 provided the Company will perform mandatory amortization of 25% of Bonds as at the day of interests payout for the sixth interests period. In addition, the Company may claim earlier redemption of Bonds on each day of interests payment starting with the second interests period, paying in such a case certain bonus from such title (0-1% of value of Bonds). The bondholder may claim earlier redemption of Bonds in case of, among other things, crossing by Company's Capital Group of certain debt indicators. Funds raised from Bonds issue programme will be used for current business activities of the Company, especially for financing of ground properties purchase as well as refinancing of a part or all D-series bonds.

The Company informed of the above events in Current Reports no. 9/2018 of 19th of February, 11/2018 of 7th of March and 12/2018 of 8th of March 2018.

Early redemption of series D bonds

On 12th of March 2018 the Management Board of Dekpol S.A. adopted resolution about early partial redemption of Bonds. The subject of early redemption will be 223 751 Bonds of a joint nominal value in the amount of PLN 22,375.100 described by code ISIN PLDEKPL00065. Early redemption of Bonds followed on the basis of point 18 of Bonds Issue Conditions with the purpose of its remission. The Issuer performed early partial redemption of Bonds as at interests payout for the tenth interest period, i.e. on 16th of April 2018, paying Bondholders for each Bond the amount equal to its nominal value underlying early redemption (i.e. PLN 100,00 for each bond), outstanding interests for tenth interest period in full amount, as well as bonus in the amount of 0,25% of nominal value of bonds underlying early partial redemption. In connection with the above mentioned, from 4th of April 2018 to 16th of April 2018 a trade turnover of Bonds on ASO BondSpot and ASO GPW has been suspended, while the 6th of April 2018 was appointed as a day of arrangement of entities entitled to the above mentioned remission. On 12th of March 2018 Management Board of the Issuer adopted resolution about remission of 45 049 Bonds described by code ISIN PLDEKPL00065 purchased by the Company on the basis of sales agreement of bonds on the OTC market with the bondholder in accordance with article 76 of the Act of Bonds. Joint nominal value of redeemed Bonds amounted PLN 4.504.900, while



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separate purchase price amounted PLN 101,05. The purpose of early redemption and remission of Bonds was refinancing of a debt of the Company by use of G-series bonds issued in March.

On 14th of July 2018, Dekpol S.A. adopted a resolution on a full premature buy-back of all D series bonds that were not redeemed or which were not the property of the Issuer, ie. 81,200 bonds with the total nominal value of PLN 8,120,000 marked with the ISIN code PLDEKPL00065. Early redemption of bonds took place on 16th of July 2018. Bondholders from each Bond had a benefit of PLN 100 as the redemption amount equal to the nominal value of one Bond increased by interest on the day of early redemption in the amount of PLN 1.42 gross and an additional cash benefit in the form of a bonus of PLN 0.13 gross. In connection with the above, in the period from 4th of July to 16th of July 2018, trading in bonds on ASO BondSpot and ASO GPW was suspended, and on 6th of July 2018, it was designated as the day of fixing those entitled to early redemption of bonds. The aim of early redemption of the Bonds was to refinance the Company's debt by issuing in June this year H series bonds.

The above mentioned has been notified in Current Reports no. 14/2018 dated 12th of March 2018, No. 44/2018 of 14th of June 2018 and No. 50/2018 of 25th of June 2018.

Issue of series H bonds

On 21st of May 2018 the Management Board of Dekpol S.A. adopted a resolution regarding the issue of unsecured and un-issued H series bearer bonds with a total nominal value of up to PLN 15,000,000 with maturity date of 8th of March 2021. On 11th of June 2018 the Management Board of Dekpol S.A. adopted a resolution regarding conditional allocation of 15,000 H-series bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 15 million issued. The bonds were issued under private placement pursuant to art. 33 point 2 of the Act of 15th of January 2015 on bonds. The allocation was made subject to the final settlement of the bonds by KDPW (the Central Securities Depository of Poland) as a result of the execution of settlement instructions on the day of issue and payment by the entities listed in the bondholders' list of the Bonds allocated to them. On 12th of June 2018, KDPW made a final settlement of the bonds. The bonds are transferable unsecured securities and refer only to cash benefits. The issue price of the Bonds is equal to the nominal value. The interest on the Bonds is variable and based on the WIBOR 6M base rate plus a margin. Interest on the Bonds is payable in 6-month periods. The Bonds will be redeemed on 8th of March 2021, with the reservation that the Company is obliged to forcibly depreciate 25% of the Bonds on the day of payment of interest for the 5th interest period. The Company may request early redemption of the Bonds on each day of interest payment by paying a premium of 0-1% of the nominal value of the Bonds, which are to be redeemed. In addition, the bondholder may request early redemption of the Bonds in the case of i.e. the Capital Group of the Company exceeded certain debt ratios. The purpose of the issue of the Bonds is to allocate



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funds for the repayment of debt under the series D bonds of the Company, and in the remaining scope to finance the Issuer's current operations, in particular for financing the purchase of land. The Issuer will apply for the introduction of the Bonds to the Catalyst alternative trading system.

About the above The Company informed in current reports No. 32/2018 of 21st of May 2018, No. 42/2018 of 11th of June 2018 and No. 43/2018 of 12th of June 2018.

Allocation of F2 series bonds

On 14th of June 2018 the Management Board of Dekpol S.A. adopted a resolution to allocate 8,000 series F2 bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 8 million to Pekao Fundusz Inwestycyjny Otwarty and Pekao Obligacji - iczna Alokacja Fundusz Inwestycyjny Otwarty (previously: Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty). The bonds were issued in the mode of Article 33 point 2 of the Act on Bonds. The bonds were issued at the issue price equal to the nominal value of the Bonds. The bonds are negotiable bearer securities, without the form of a document, bearing interest at the WIBOR 3M interest rate plus a margin with interest paid quarterly. The Bonds are limited to cash benefits only. The purpose of the issue of the Bonds is to raise funds for the implementation of an investment consisting of the construction of a residential and service building complex as part of the "Grano Residence" project in Gdańsk at Pszenna, Chmielna and Żytnia streets. Funds from the issue of the Bonds will be transferred by the Issuer to Dekpol Pszenna sp. z o. o. Sp. K. (the company realizing the investment - "SPV"). The redemption date of the Bonds is 4th of January 2022. The Issuer is entitled to earlier redemption of all or part of the Bonds. In the cases specified in the Terms of Issue of Bonds, the Issuer is obliged to make obligatory early redemption of the Bonds. In addition, the Bondholder is entitled to submit to the Issuer in certain cases the demand for early redemption of the Bonds. The Bonds will be secured by: (i) contractual mortgage established for the security administrator up to PLN 12 million on the perpetual usufruct right to the real estate on which the investment is carried out; (ii) a reserved account agreement to which i.a. cash for the sale of premises will be paid; (iii) surety granted by SPV up to PLN 12 million; (iv) transferring as security for all shares in the share capital of the general partner SPV to the security administrator; (v) an irrevocable offer to transfer all of SPV's limited liability and rights to a security administrator; (vi) the power of attorney granted to the security administrator, under which the Issuer authorized the proxy to submit a declaration of intent expressed by the Issuer pursuant to art. 40 Section 1 of the Construction Law, the consent to transfer to a third party a decision on a construction permit regarding the investment and to grant a further power of attorney, to the entity that will act as a mortgage administrator in place of the current administrator, where in case that the decision on the building permit will be transferred to SPV, then SPV will be required to provide the above powers of



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attorney; (vii) an agreement under which the securities administrator obtains a legal title (e.g. copyrights or license) to fully use the project documentation related to the investment and the option of freely disposing of that title for other entities; (viii) assignment of receivables from the insurance policy regarding the property and the investment realized on it. In addition to the establishment of the security described above, declarations of submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure by the Issuer to the Bondholders and by SPV to the security administrator have been made.

About the above the Company informed in the current report No. 45/2018 dated 14th of June 2018.

Allocation of F3 series bonds

On 9th of August 2018 the Management Board of Dekpol S.A. adopted a resolution to allocate 9,000 series F3 bonds with a par value of PLN 1,000 each and a total nominal value of PLN 9 million to Pekao Fundusz Inwestycyjny Otwarty and Pekao Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty (previously: Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty). The bonds were issued in the mode of Article 33 point 2 of the Act on Bonds. The bonds were issued at the issue price equal to the nominal value of the Bonds. The Bonds are transferable bearer securities, not in the form of a document, bearing interest at the WIBOR 3M interest rate plus a margin with interest paid out in three-month periods. The Bonds are limited to cash benefits only. The purpose of the issue of the Bonds is to raise funds for the implementation of an investment consisting in the construction of a residential and service building complex as part of the "Grano Residence" project in Gdańsk at Pszenna, Chmielna and Żytnia streets. Funds from the issue of the Bonds will be transferred by the Issuer to Dekpol Pszenna sp. z o. o. sp. k. (The company realizing the investment - "SPV"). The redemption date of the Bonds is 4th of January 2022. The Issuer is entitled to earlier redemption of all or part of the Bonds. In the cases specified in the Terms of Issue of Bonds, the Issuer is obliged to make obligatory early redemption of the Bonds. In addition, the Bondholder is entitled to submit to the Issuer in certain cases the demand for early redemption of the Bonds. The Bonds will be secured by: (i) a contractual mortgage established for the security administrator up to the amount of PLN 13.5 million on the perpetual usufruct right to the real estate on which the investment is carried out; (ii) an escrow account agreement to which cash for the sale of premises will be deposited; (iii) surety granted by SPV up to PLN 13.5 million; (iv) transferring as security for all shares in the share capital of the general partner SPV to the security administrator; (v) an irrevocable offer to transfer all of SPV's limited liability and rights to a security administrator; (vi) the power of attorney granted to the security administrator, under which the Issuer authorized the proxy to submit a declaration of intent expressed by the Issuer pursuant to article 40 section 1 of the



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Construction Law, the consent to transfer to a third party a decision on a construction permit regarding the investment and to grant a further power of attorney, to the entity that will act as a mortgage administrator in place of the current administrator, in case the decision on the building permit will be transferred to SPV, then SPV will be required to provide the above powers of attorney; (vii) an agreement under which the securities administrator obtains a legal title (e.g. copyrights or license) to fully use the project documentation related to the investment and the option of freely disposing of that title for other entities; (viii) assignment of receivables from the insurance policy regarding the property and the investment realized on it. In addition to the establishment of the security described above, declarations of submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure by the Issuer to the Bondholders and by SPV to the security administrator have been made.

About the above the Company informed in the current report No. 58/2018 dated 9th of August 2018.

Allocation of F4 series bonds

On 29th of October 2018 the Management Board of Dekpol S.A. adopted a resolution to allocate 13,000 of F4 series bonds of a nominal value of PLN 1,000 each and a total nominal value of PLN 13 million ("Bonds") to Pekao Fundusz Inwestycyjny Otwarty and Pekao Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty (previously: Pioneer Fundusz Inwestycyjny Otwarty and Pioneer Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty). The bonds were issued in the mode of Article 33 point 2 of the Act on Bonds. The bonds were issued at the issue price equal to the nominal value of the Bonds. The Bonds are transferable bearer securities, not in the form of a document, bearing interest at the WIBOR 3M interest rate plus a margin with interest paid out in three-month periods. The Bonds are limited to cash benefits only. The purpose of the issue of the Bonds is to raise funds for the implementation of an investment consisting in the construction of a residential and service building complex as part of the "Grano Residence" project in Gdańsk at Pszenna, Chmielna and Żytnia streets. Funds from the issue of the Bonds will be transferred by the Issuer to Dekpol Pszenna sp. z o. o. sp. k. (The company realizing the investment - "SPV"). The redemption date of the Bonds is 4th of January 2022.

The Issuer is entitled to earlier redemption of all or part of the Bonds. In the cases specified in the Terms of Issue of Bonds, the Issuer is obliged to make obligatory early redemption of the Bonds. In addition, the Bondholder is entitled to submit to the Issuer in certain cases the demand for early redemption of the Bonds.

The Bonds will be secured by: (i) a contractual mortgage established for the security administrator up to the amount of PLN 13.5 million on the perpetual usufruct right to the real estate on which the investment is carried out; (ii) an escrow account



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agreement to which cash for the sale of premises will be deposited; (iii) surety granted by SPV up to PLN 13.5 million; (iv) transferring as security for all shares in the share capital of the general partner SPV to the security administrator; (v) an irrevocable offer to transfer all of SPV's limited liability and rights to a security administrator; (vi) the power of attorney granted to the security administrator, under which the Issuer authorized the proxy to submit a declaration of intent expressed by the Issuer pursuant to article 40 section 1 of the Construction Law, the consent to transfer to a third party a decision on a construction permit regarding the investment and to grant a further power of attorney, to the entity that will act as a mortgage administrator in place of the current administrator, in case the decision on the building permit will be transferred to SPV, then SPV will be required to provide the above powers of attorney; (vii) an agreement under which the securities administrator obtains a legal title (e.g. copyrights or license) to fully use the project documentation related to the investment and the option of freely disposing of that title for other entities; (viii) assignment of receivables from the insurance policy regarding the property and the investment realized on it. In addition to the establishment of the security described above, declarations of submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure by the Issuer to the Bondholders and by SPV to the security administrator have been made.

About the above the Company informed in the current report No. 73/2018 dated 29th of October 2018.

Conclusion of an annex on the series F bonds issue program

On 6th of March 2019 (event after balance sheet date) the Company concluded an annex to the agreement on the series F bonds issue program with the investment funds Pekao Fundusz Inwestycyjny Otwarty and Pekao Obligacji - Dynamiczna Alokacja Fundusz Inwestycyjny ("Annex", "Agreement", "Funds" respectively). Until the conclusion of the Annex, DEKPOL issued Series F bonds with a total nominal value of PLN 47 million (series F1-F4 bonds). According to the Agreement, there were remained to issue series F bonds with a total nominal value of PLN 33 million (series F5-F7 bonds). Due to very good sales results of premises under the "Grano Residence" project in Gdańsk ("Investment"), for which funds were obtained from the issue of F series bonds, it was decided in the Annex that F5-F7 bonds will not be issued by the Company. In exchange, the Dekpol Capital Group will be authorized and obliged to use the funds from the sale of premises under the Investment in the amount corresponding to the total nominal value of F5-F7 series bonds exclusively for the Investment, while the proceeds from the sale in excess of this amount will be required to redeem the Series Bonds F1-F4.

About the above the Company informed in the current report No. 6/2019 dated 6th of March 2019.



4.5 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT

The management of Dekpol company's financial resources should be considered as correct. The financial situation is stable as evidenced by the presented liquidity and profitability ratios indicated in point 4.2.4 of this report. Free funds are placed on short-term bank deposits. The company is capable of meeting its obligations and does not see any threats in the future.

4.6 FINANCIAL INSTRUMENTS

In 2018, the Issuer had financial resources, including own funds and funds from bonds, loans and borrowings. The company does not undertake derivative transactions. The owned resources allow to fully meet financial obligations, without the risk of losing financial liquidity. The Issuer maintains financial liquidity and settles its liabilities on an ongoing basis. The Management Board of Dekpol S.A. positively assesses liquidity and does not see any threats in this matter.

5. ECONOMIC AND FINANCIAL RESULTS OF THE DEKPOL S.A. CAPITAL GROUP

5.1 RULES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENT

Financial statement of Dekpol S.A. for 2018 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations (hereinafter referred to as IFRS). The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. The statement presents the financial position of the Capital Group as at 31st of December 2018 and 31st of December 2017, the results achieved on the operations of the Group and cash flow for the 12 months ended 31st of December 2018 and 31st of December 2017.

The Management Board's report on the Company and Capital Group of Dekpol S.A. activities for 2018 was prepared in accordance with the requirements of the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and on consideration as equivalent the information required by law of the countries outside the EU (consolidated text: Dz. U. z 2018 poz. 757).

The Management Board of the Company has decided to change the accounting policy regarding the recognition of cash held on escrow accounts, which are supervised by banks and are subject to release as the property development works



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progress. Until now, the Company did not disclose such cash and related advance payments from customers in the statement of financial position, being guided by limitations in exercising control over this asset. Considering the common market practice, according to which funds on the escrow accounts are recognized in the statement of financial position and cash flow statement and the requirements of IFRS 15 regarding disclosure of obligations under concluded contracts with customers, it was decided to change the accounting policy and disclose cash for escrow accounts as assets - restricted cash in correspondence with advances from Customers presented in liabilities. Comparability of data for comparative periods was ensured. The changes in comparative data resulting from changes in accounting policy have been presented in the annual separate financial statement of Dekpol SA. The change in the accounting policy does not affect the value of the financial result and equity.

5.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF THE DEKPOL CAPITAL GROUP

5.2.1 ANALYSIS OF FINANCIAL SITUATION

Item	Note	31.12.2018	31.12.2017	31.12.2016
Fixed assets		207 758	162 646	
Property, plant and equipment	1.	79 957	53 462	
Intangible assets		307	195	
Goodwill	3.	0	0	
Investment properties	2.	116 872	98 941	
Stocks and shares		0	0	
Receivables		599	3 912	
Other long-term financial assets		2 499	1 260	
Long-term deferred charges		0	0	
Deferred income tax assets		7 523	4 875	
Current assets		693 059	420 020	
Inventory	6.	340 586	242 320	
Receivables due to contracts with clients		48 493	91	
Trade receivables and other receivables	7.	233 464	113 965	
Other short-term financial assets		0	0	
Short-term deferred charges	9.	4 559	2 121	
Cash and cash equivalents		65 957	61 523	



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including cash on escrow accounts	24 372	31 784
Assets classified as intended for sale	0	0
Assets in total	900 817	582 666

Item	Note	31.12.2018	31.12.2017
Equity		191 525	167 443
Share capital		8 363	8 363
Equity from sales of shares over its nominal value		26 309	26 309
Other equities		154 590	141 070
Own shares (-)		0	0
Exchange rate differences resulting from translation		0	-17
Profits retained:		2 263	-8 282
Equity attributable to shareholders of the parent entity		191 524	167 443
Non-controlling shares		1	1
Long-term liabilities	13.	258 515	108 276
Deferred income tax provision		16 821	4 830
Liabilities and provisions on employee benefits		107	59
Other long-term provisions		3	0
Long-term credits, borrowings and debt instruments		214 069	78 849
Other long-term financial liabilities		7 662	6 690
Other long-term liabilities		19 854	17 847
Short-term liabilities	13.2.	450 777	306 946
Liabilities and provisions on employee benefits		15	4
Other short-term provisions		14 222	9 572
Short-term credits, borrowings and debt instruments		60 338	67 070
Other short-term financial liabilities		8 462	4 707
Liabilities due to contracts with clients		0	183
Trade liabilities and other liabilities		361 018	218 186
Receivables from future terms		6 721	7 226
Liabilities connected to assets intended for sale		0	0



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Liabilities in total	900 817	582 666
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5.2.2 ANALYSIS OF FINANCIAL SITUATION

Item	Note	01.01-31.12.2018	01.01-31.12.2017
Revenue from sales	16.1	837 034	578 992
Costs of goods sold	16.3.	743 708	491 271
Gross profit (loss) from sales		93 326	87 721
Selling costs	16.2.	27 889	26 393
General administrative expenses	16.2.	19 038	10 881
Other operating income	16.4.	26 987	3 648
Other operating expenses	16.5.	21 133	7 012
Operating profit (loss)		52 253	47 083
Financial revenues	17.1.	287	223
Financial expenses	17.2.	7 323	6 030
Share In profit (loss) of entities accounted using the equity method		0	0
Profit (loss) before tax		45 217	41 276
Income tax		11 285	8 297
Profit (loss) from continuing operations		33 932	32 979
Net profit (loss)		33 932	32 979
Other net comprehensive income		17	-17
Total income attributable to non-controlling shareholders		0	0
Total income attributable to shareholders of the parent entity		33 949	32 961

5.2.3 ANALYSIS OF CASH FLOWS

Item	01.01-31.12.2018	01.01-31.12.2017
Profit (loss) before tax	45 217	41 276
Adjustments:	-6 360	9 968
Depreciation	7 897	5 902
Change of fair value of investment properties	-20 107	100
Profit (loss) from sales of non-financial tangible assets	0	-1 040



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Profit (loss) from sales of financial assets (other than derivatives)	0	0
Profits (losses) from foreign exchange differences	0	-300
Interests and shares in profits	5 849	5 306
Other adjustments	0	0
Change in working capital	-103 250	-13 619
Change in inventories	-88 078	-26 414
Change in receivables	-164 589	-16 496
Change in liabilities	138 305	24 001
Change in provisions and accruals	11 113	5 290
Other adjustments	0	0
Income tax on profit before taxation	-11 285	-8 020
Income tax paid	8 101	5 533
Net cash from operating activities	-67 577	35 137
Expenses related to acquisition of intangible assets	-669	-440
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-4 499	-20 026
Inflows from sales of property, plant and equipment	277	1 500
Expenses related to acquisition of investment properties	-12 308	-8 504
Inflows from sales of investment properties	0	0
Net expenses for the acquisition of subsidiaries	0	-4 740
Repayments received from loans granted	0	13
Loans granted	0	-18
Expenses related to acquisition of other financial assets	-1 240	0
Inflows from the sales of other financial assets	0	-549
Net cash from investment activities	-18 439	-32 764
Net inflows from issue of shares	0	1
Purchase of own shares	0	0
Inflows from issue of debt securities	132 045	42 000
Redemption of debt securities	-46 033	-82 340
Inflows from loans and borrowings taken out	90 411	114 075
Repayment of loans and borrowings	-58 138	-66 960
Repayment of liabilities under finance lease	-7 121	-2 869
Interest paid	-10 846	-5 942
Dividends paid	-9 868	-4 432
Inflows from received grants	0	0
Other inflows (expenses) from investment activities	0	0



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Net cash from financial activities	90 450	-6 468
Change in net cash and cash equivalents without exchange differences	4 434	-4 094
Change in cash and cash equivalents due to exchange differences	0	0
Net change in cash and cash equivalents	4 434	-4 094
Cash and cash equivalents at the beginning of the period	61 524	65 617
Cash and cash equivalents at the end of the period	65 957	61 523
Including cash of limited disposal right	27 608	31 803

5.2.4 SIGNIFICANT OFF-BALANCE SHEET ITEMS

Type of guarantee	Granted (in thousand PLN)	Received (in thousand PLN)
Insurance guarantee	28 854	2 076
Bank guarantee	38 484	3 275
Total:	67 338	5 352

5.2.5 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2018
Profitability of sales	max	5,54 %
Gross profitability of sales	max	5,40 %
Net profitability of sales	max	4,10 %
Profitability of net assets	max	4,57 %
Return on equity net	max	20,88 %
Current liquidity	1,4-2,0	1,54
Quick liquidity	0,8-1,0	0,77
Debt to EBITDA	<4,5	3,73
Debt to equity	<1,3	1,17

In the opinion of the Management Board, non-financial performance indicators related to the operations of the Capital Group do not affect the assessment of the development, results and situation of the Group.

5.2.6 FINANCIAL RESULTS FORECAST

On 1st of February 2018, the Company published its sales revenue forecast for 2018 (current report No. 7/2018). According to the forecasts, in the opinion of the Issuer's Management Board, sales revenues of the Dekpol Capital Group for 2018 in total from all areas of operations were to amount to PLN 710 million, including sales revenues in the General contracting segment PLN 450 million, sales revenues in the



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Property development segment PLN 190 million and sales revenues in the segment Production of equipment for construction machines PLN 70 million.

On 25th of September 2018, the Issuer's Management Board, in connection with the review of financial data of the Capital Group after the first half of 2018, decided to update the forecast of financial results of the Dekpol Capital Group for 2018 (current report No. 66/2018) and in accordance with the forecast sales revenues of the Dekpol Capital Group for 2018 in total from all areas of operations were to amount to PLN 800 million, including sales revenues in the General contracting segment PLN 540 million, sales revenues in the Property Development activity segment of PLN 190 million, sales revenues in the segment Production of equipment for construction machines PLN 70 million. The level of expected revenues was mainly related to the completion of ongoing property development projects, which were recognized in the Group's revenues in 2018, significantly increasing the share of property development activity in the total revenues of the Issuer's Capital Group. However, the increase in the expected level of revenues in the General Contracting segment was related to the signing of new contracts in the second half of the year, the implementation of which affected the level of revenues for 2018.

In accordance with the consolidated financial statement of the Dekpol Capital Group for 2018, the Dekpol Group generated sales revenues as follows:

- revenues from all areas of activity: PLN 837 million
- revenues in the General Contracting segment: PLN 552 million
- revenues in the Property development segment: PLN 161 million
- revenues in the segment Production of equipment for construction machines PLN 73 million
- other revenues: PLN 51 million

The Group's financial results achieved at the end are at a similar level to the published forecasts.

5.3 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT

The management of financial resources of the Dekpol Capital Group should be considered as correct. The financial situation is stable as evidenced by the presented liquidity and profitability ratios indicated in point 5.2.5 of this report. Free funds are placed on short-term bank deposits. The Group companies are able to meet their obligations and the Management Board of Dekpol S.A. does not see any threats in the future in this matter.



5.4 FINANCIAL INSTRUMENTS

In 2018, Dekpol Capital Group had financial resources, including own funds and funds from bonds, loans and borrowings. Companies from the Dekpol Capital Group do not undertake any derivative transactions. The owned resources allow to fully meet financial obligations, without the risk of losing financial liquidity. Both the Issuer and its subsidiaries retain financial liquidity and settle their liabilities on an ongoing basis. The Management Board of Dekpol S.A. positively assesses the liquidity of the entire Capital Group and does not see any threats in this matter.

6. DEVELOPMENT PERSPECTIVES OF THE COMPANY AND THE DEKPOL CAPITAL GROUP

6.1 STRATEGY AND DIRECTIONS OF DEVELOPMENT

The company's strategy assumes a stable development of all three business segments and a focus on the implementation of high-margin projects. This will lead to systematic improvement of the financial results achieved.

General contracting segment

In the general contracting segment, the Company will focus on processes leading to an increase in gross profitability of contracts performed by, among others: increasing the diversification of the portfolio of projects, gaining and developing new markets in geographical and industry terms, increasing the discipline of project management, primarily in terms of work organization, direct implementation, costs and cash flow. The company is currently implementing or developing already existing organizational and technical solutions aimed at on-going monitoring and measurement of the efficiency of the general contracting processes and operating costs of the segment, which the Company intends to maintain at a low level relative to the generated turnover. The Company's priority in the general contracting segment will consist of acquiring short-term and medium-term contracts for execution, which are characterized by significantly lower risk from the external environment. In addition, the development of the human capital competence of the general contracting segment will be consistently continued, in particular involved in the project management and construction process.

Segment for the production of equipment for construction machines

In the construction machinery segment, a dynamic increase in revenues in subsequent years is still assumed, without envisaging a significant increase in indirect / segment costs. Ongoing optimizations of the production process assume an



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additional improvement in production efficiency which will translate directly into a lower unit cost of manufacturing the product. The company achieved an established position among the equipment manufacturers, both as an OEM supplier for global manufacturers of construction machinery and supplier of buckets on the secondary market. There will be verification of current contracts, price negotiations with customers, as well as the elimination of less profitable ones, in the place of which new ones with higher margin will appear. In addition, it is planned to fill the niche on the market of large-size buckets, whose profitability significantly exceeds the currently produced products.

Property Development segment

In the property development segment, the Company will focus on strengthening its position on the real estate market - not only in the Tri-City, we will also gradually expand its operations to the Warsaw and Wrocław markets by implementing new commercial and residential investments in attractive locations. Expansion to other markets will enable the Company to continue its dynamic development and increase its visibility. Both adjusting the offer to the financial capabilities and expectations of customers, as well as intensified marketing activities will allow to maintain a satisfactory level of sales. Thanks to the land bank, which is constantly growing, the Company will be able to systematically launch new investments for sale, both in the popular, elevated and premium standard. An important element of the Company's strategy will be to strengthen the Dekpol brand as a property developer offering premises with the best value for money. In order to increase the transparency of this segment, from January 2019 an organized part of the enterprise was transferred, including the property development segment of the Company to the newly established company Dekpol Deweloper Sp. z o.o. The regulation of an organized part of the enterprise allowed the separation of property development activities from other areas of the Company's operation, and as a consequence limiting the business and legal risk, while at the same time increasing organizational and financial transparency within the Dekpol S.A. Capital Group.

6.2 IMPLEMENTATION OF THE STRATEGY OF THE COMPANY AND THE DEKPOL S.A. CAPITAL GROUP IN YEAR 2018

In the financial year 2018, as part of the implementation of the adopted development strategy, the following actions were taken:

General contracting segment

In 2018, the company also purchased a concrete precast plant in Toruń, which allowed for a significant improvement in the timeliness of deliveries, an increase in the quality of goods offered and the independence of the Company from fluctuations in the price of reinforced concrete products.



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The Group also significantly increased the scale of operations in terms of the number of investments. It is also noticeable that the territorial extension of the contracts is being implemented.

The company purchased new machines, construction and transport equipment. Thanks to that, it adapted its machine park to the increased scale of operations in the General Contracting sector.

Manufacture of accessories for construction machines

In past year, the company completed the investment in a plant manufacturing equipment for construction machinery consisting in the expansion of the production hall and the finished product warehouse. The production plant was also enriched with modern machines, which increased the production potential in this segment.

Property Development segment

In 2018, the Group purchased new plots of land among others in Gdańsk and Warsaw, which will increase the number of property development projects offered by the Group. In the past year, the company purchased 100% shares in the company Nordic Milan Sp. z o.o. and enriched the offer with an investment in Milanówek - which was the first step in the development of the property development segment outside the Pomeranian Voivodeship. The company purchased real estate in Warsaw, which will enable the expansion of the Group's operations in Mazovia.

6.3 DEVELOPMENT PERSPECTIVES FOR THE UPCOMING YEAR

The company's strategy assumes a stable development of all three business segments and a focus on the implementation of high-margin projects. This will lead to systematic improvement of the financial results achieved. More information on the strategy of the Company and the Capital Group is described in section 6.1 of this report.

6.4 EXTERNAL AND INTERNAL FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE COMPANY AND THE CAPITAL GROUP

The future results of the Issuer and the Group will depend on the success in implementing the development strategy and the investment plan specified in the strategy of the Dekpol Capital Group.

Internal factors affecting the results of the Company and the Group in subsequent periods will be:

- acquiring new construction contracts and their timely implementation,
- continuation and development of activities in Lithuania,



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- further extension of the production plant for construction machinery equipment,
- delivery of products on time and maintaining their high quality,
- acquiring new lands for property development investments in attractive locations,
- timely implementation of property development projects,
- appropriate sales policy for premises in terms of prices, surface structure and expanding the services offered to clients (assistance in finding financing, design services,, finishing services, troubleshooting),
- developing cooperation with financial institutions, which is to provide the Company with access to capital enabling the implementation of its objectives,
- and implementation of current projects.

The factors that appeared in 2018 and after its end that have or may have an impact on the results of the Company and the Group in subsequent periods should also include the events listed in point 3.4 of this report.

In addition, external and macroeconomic factors such as the overall condition of the Polish economy, inflation, GDP growth, tax policy, interest rates, investment level, demand on the domestic market, exchange rates, government programs supporting the development of housing, the level of prices of construction materials and services, the availability of qualified employees, and the level of wages will also have an impact on the results achieved. GDP growth, wealth of the society and the development of enterprises have an impact on the increase in demand for construction services both in the field of housing and industrial construction. All this has a positive impact on the financial results of the Issuer and its capital group.

6.5 ASSESSMENT OF THE POSSIBILITY TO MEET INVESTMENT PLANS

The Issuer and companies from the Dekpol Capital Group are going to implement investments in 2019 based on their own financial resources, funds from bank loans, leasing and funds raised from the issue of bonds. The Issuer does not see any threats when it comes to obtaining financing for the implementation of the investments planned by the companies from the Dekpol Capital Group, and thus does not see any significant problems with the Group's implementation of the intended goals.

7. WEAKNESSES AND THREATS FACTORS

From the point of view of the Issuer's future and the Capital Group, the main risks associated with its operation are as follows:

Risks related directly to the operations of the Issuer and the Capital Group



Risk related to the construction process

The main feature of construction activity is the necessity of engaging significant funds throughout the investment implementation period, up to the moment the facility is handed over to the counterparty. The services provided by the Issuer are of individual nature, developed under given conditions and using the available procedures and technologies. Due to the length of the entire construction process, there may be various changes to the conditions set at the beginning. The entire production and executive process carries a variety of risks. During this time, the following risks may occur:

- current design and executive changes at almost every stage of the process,
- incorrect initial estimation of project implementation costs,
- significant change in costs during the project implementation (increase in the costs of material purchase, increase in employment costs)
- limited employment opportunities for qualified staff,
- mistakes made in managing the entire construction process,
- errors related to the applied technical and technological solutions.

All this may have an impact on extending the entire product development process, resulting in increased costs and a delay in payment, which in turn leads directly to a decrease in the Issuer's result and disruption of the financial balance.

Risk related to weather conditions

Conducting activity on the wider construction market, the Issuer is particularly dependent on atmospheric factors. They have an impact not only on the implementation of construction projects, but also on the seasonality of revenues from sales. Revenues from this activity are traditionally the largest in the summer periods, while they usually decrease in winter periods, in particular in the first quarter of a given year. Weather anomalies may have an adverse effect on the timing of projects, the extension of which may result in increased project costs and customer claims due to non-compliance with contractual conditions. The Issuer, while creating a project implementation schedule, assumes typical atmospheric conditions for the given seasons. The Issuer is trying to plan implementation schedules so that during winter periods, it will ensure finishing works inside buildings and perform tasks that can be performed at sub-zero temperatures. In spite of undertaking actions aimed at flattening the revenue structure, it should be taken into consideration the diversity of financial results in individual quarters of the year.

The risk of changes in prices and availability of materials, raw materials and foods

In case of the activity conducted by the Issuer, due to the length of the entire production process, the risk of material price increases is significant, which translates directly into the disruption of the investment budget and its profitability. The same applies to the availability of the necessary materials and raw materials. Their



limitation would entail disruption of the entire production process and delay in the completion of projects. In addition, the risk of rising fuel prices, which is an important price-creating factor, must also be taken into account. However, if the overall level of investment increases, there is a risk of lengthening the waiting time for the necessary materials. The occurrence of such a situation may have a negative impact on the Issuer's financial result and its development prospects. Therefore, actions are taken to minimize this type of risk by concluding long-term contracts with key suppliers. Thanks to this, it is possible to balance unfavorable factors and more accurate cost planning, translating directly into the Issuer's profitability.

The risk related to underestimating contracts

The Issuer's contracts are based on their previous cost estimation. There is a risk that some of the works may be omitted from incomplete or incorrect recognition, and in the light of the lump-sum character of remuneration for work - the necessity of bearing their costs by the Issuer himself, and as a result - losses on the investment. This may have a negative impact on the Issuer's operations, financial position or results. It should be explained that the Issuer makes due diligence in the preparation of offers and employs qualified and experienced cost estimators, while during the implementation of the investment, it verifies the costs incurred in relation to the assumed ones.

Risk related to the contracts being performed, including defects and failures

Due to the fact that the construction process is very complex, in itself it can be a source of risk for the Issuer. Despite cooperation with renowned and proven contractors and suppliers, as well as ongoing supervision over the performance of works, the Issuer is not able to fully guarantee the absence of failures or defects in the completed investments. The disclosure of failures or defects may have a negative impact on the Issuer's market image and its financial result due to the need to incur additional costs related to the removal of the defect or failures. In addition, long-term removal of defects and failures may lead to failure to meet project deadlines, which will also adversely affect the Issuer's financial situation, due to the need to pay potential contractual penalties to clients with whom term contracts or payment of amounts resulting from claims for damages have been concluded. It cannot be ruled out that materials used to carry out construction works will have hidden defects that may affect the quality of the investment. In connection with the above, the Issuer applies various methods of protection against this type of risk. First of all, the implemented procedures minimizing delays are applied in the implementation of the investment. Agreements are concluded with permanent and proven suppliers and subcontractors who provide the Issuer with high quality and timely work as well as deferred payments. Also important here are the efficient procedures for ongoing internal control and monitoring of individual orders. It is worth



emphasizing that in the Issuer's current operations such events have occurred sporadically.

Risk related to the concentration of activities on the local market

The majority of investments carried out by the Issuer in the scope of General Contracting segment as well as property development activities are located in the area of the Pomeranian Voivodship. The concentration of activities on the local market causes dependence on the local market situation. As a result, the Issuer must compete with a large number of domestic and foreign business entities serving the property development and construction market. Such local restrictions mean that the Issuer's revenues largely depend on the level of activity of investors in the region, who have a demand for the Issuer's services and the demand on the housing market. A significant reduction in the level of local investments, or a lot of competitive housing investments may have an impact on reducing the Issuer's revenues. This translates directly into the financial result and prospects of the Issuer's development in the future. To mitigate this risk, new contracts are being sought on a wider market, which will allow for greater independence from the situation on the local market and will contribute to the development of the Issuer. The Issuer also focuses on strengthening its market position and increasing its competitive advantage by providing high-quality services and timely delivery as well as offering comprehensive solutions for both private investors and investors representing international concerns developing their operations in Poland.

Risk related to changes in market trends

One of the most serious risks is the possibility of changes in market trends. The demand for investment goods is affected by many variables independent of the Issuer. On the other hand, the revenue generated by the conducted activity is directly affected by demand and supply for construction services. There is a risk of deterioration in the construction market by limiting the amount of investment, which may translate into the level of the margin, and thus - the profitability of the Issuer. In addition, the Issuer's revenues depend to a large extent on the activity of investors in the region. A reduction in the level of investment may have an adverse effect on its financial results and development prospects. To mitigate this risk, the Issuer is looking for new contracts in the wider market. This serves to minimize the risk of concentration of activity only on the local market. In addition, the Management Board, in case of adverse market changes, will implement measures aimed at adapting the Issuer to the changing market realities, e.g. through actions aimed at reducing costs.

Risk related to non-payment of receivables by clients

Contracts for the execution of construction works usually include clauses concerning payments for individual construction stages and provisions guaranteeing partial invoicing for performed works. As a result, the risk of payment default for services



provided is low. However, there is a risk that, despite the implementation of a given stage of work, the principal fails (or does not meet his / her agreed dates) from the agreed payments, which may lead to limitation of the Issuer's financial liquidity and, in extreme cases, lead to financial losses. The Issuer tries to limit the above risk by signing contracts with reliable contractors, however, it cannot guarantee that such losses may incur in the future. In addition, all customers who are interested in using the trade credit are subject to verification procedures, and the Issuer monitors the receivables on an ongoing basis. It is also important that this type of risk is limited to a certain extent by the provisions of the Civil Code regarding payment guarantees for construction works.

Risk related to current financing of operations

The Issuer finances its operations also with use of funds from bank loans. As at the date of this report, there are no indications that there may be difficulties with the Issuer's performance of obligations under loan agreements. However, the risk of such problems in the future cannot be completely eliminated. In an extreme case, in order to meet obligations, the Issuer may be forced to sell some assets, which could negatively affect the Issuer's financial situation and opportunities for further development.

Risk related to the implementation of property development projects

The property development project cycle is a long-term cycle (over 24 months), characterized by the need to incur significant financial outlays and the total return of incurred expenses only after the minimum of 2 years. The following financial results may have a fundamental impact on the financial results realized as part of the property development activities, in particular: - the need to incur additional costs; - postponing the date of completion of construction; - delay in obtaining consent for use; - delays in completing the documentation necessary to sign the notary deeds of sale.

The risk related to the change in the price of premises as part of the property development

Profitability of property development activity depends on the prices of sold premises, for which the Issuer has no direct influence. The current level of prices is mainly influenced by the level of wealth of the society, the availability of loans and the level of interest rates. During the price reduction period, the Issuer may significantly reduce the sale of constructed premises, and in extreme conditions, stop the implementation of selected projects. Such a situation, in case of its occurrence, may have a negative impact on the Issuer's financial result.

Risk associated with the use of clauses not allowed in contracts concluded as part of the property development activity



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The Issuer operates, among others in the property development industry, selling premises largely to consumers. In relations with consumers, the Issuer uses usually developed contract templates. There is a risk of accusation against the Issuer that the formulas used contain prohibited contractual provisions, which, pursuant to Art. 385 (1) §1 of Civil Code it is understood as such unconcerned individual clauses that shape its rights and obligations in a manner contrary to good customs, grossly violating its interests. This may have a negative impact on the Issuer's operations, financial position or results. It should be explained that the Issuer negotiates contracts with clients and provides the possibility to individually agree their provisions. So far, there have been no proceedings against the Issuer regarding recognition of the provisions of the template as prohibited.

Risk of accidents at the construction site

The Issuer, as conducting construction works as a general contractor during the implementation of individual projects, is responsible for its employees. Exclusion is subject to liability for employees of subcontractors, except for cases resulting from misconduct, negligence on the part of the Issuer. Minimizing the indicated risk takes place through appropriate organization of work and strict compliance with health and safety at work regulations. However, the risk associated with possible claims for damages in case of an accident at the construction site, which may also affect the timeliness of the work carried out, cannot be excluded.

Risk related to subcontractors

One of the factors that have a significant impact on the correct course of contracts' implementation is cooperation with subcontractors. In addition to its own human resources, the Issuer uses the services of subcontractors, at the same time taking over from investors the risk associated with improper performance of contract terms or late performance of the subject of the contract by subcontractors. This may result in the Issuer's violation of the contract with the investor and lead to claims against the Issuer and expose him to the loss of the status of a reliable contractor, which adversely affects the financial result of the Issuer. The Issuer tries to limit this risk by intensifying activities aimed at building its own base of qualified employees. In addition, the Issuer, while constructing contracts with subcontractors, defines the terms and conditions in an attempt to protect it against non-performance or improper performance of the terms of the agreement by these entities. The risk related to improper performance of works by subcontractors is further reduced by appropriate selection of subcontractors, i.e. verified subcontractors with whom the Issuer has been cooperating for many years, possessing appropriate certificates and experience.

Limited availability of external subcontractors may also result in an increase in costs incurred for subcontractors, and thus not affect the Issuer's financial results and



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financial situation, which tries to limit the impact of this phenomenon by expanding its own executive forces. It should also be noted that if the Issuer uses the services of subcontractors without obtaining the consent of the investor or contractor, he exposes himself to the risk of terminating the contract. In addition, in such cases the provision of article 6471 of the Civil Code providing for joint and several liability of an entity concluding a contract with a subcontractor, investor and contractor for payment of remuneration for services performed by a subcontractor. The Issuer, being aware of this risk, each time seeks to obtain appropriate approvals from investors or contractors.

Risk related to liability for members of the consortium

While executing contracts under the consortium, the Issuer bears responsibility not only for its own activities and its subcontractors, but also, as a rule, joint and several liability for the activities of other consortium members. Due to the nature of the Issuer's activities, the implementation of contracts within the consortium is and will be an important element of the activity. In case of the investor making claims against the consortium, it cannot be ruled out that the Issuer will be required to pay contractual penalties or other damages also for acts of culpability or dependence on the syndicated partner. Due to the risk of ineffectiveness of possible recourse claims, e.g. in case of the bankruptcy of a consortium partner, it cannot be ruled out that the Issuer will not be able to recover all or part of the amounts paid for this. This may have a negative impact on the Issuer's financial results or prospects.

Risk associated with acquiring new contracts

The nature of the business activity conducted by the Issuer means that a significant number of contracts is obtained through a tender. The Issuer's Management Board prepares offers, defines and optionally negotiates the terms of bids, and prepares the Company for the implementation of these contracts, however, it does not affect the criteria for the assessment of bids, which are the basis for their selection. One of the key factors contributing to the success of the Issuer is the consistent implementation of the development strategy focused on acquiring contracts with the highest profitability. The Issuer has developed an effective contract valuation system, which, combined with strict cost control, means that the Issuer is currently executing contracts at assumed profitability and achieving good financial results. The Issuer pays attention to the restructuring and minimization of all cost elements, both at individual stages of the contract execution as well as the general management costs of the Company. It cannot be ruled out that changing market conditions will negatively affect the Issuer's ability to acquire new contracts and achieve a satisfactory level of margin. In order to minimize this risk, the Issuer aims to continuously improve the project management system including the process of bidding and budgeting contracts. In addition, high activity in tender procedures contributes to the continuous improvement of efficiency in obtaining new contracts.



Risk related to competition

The construction market in Poland is served by a large number of business entities, both domestic and foreign, including significant European groups / construction companies. In terms of competition, the Issuer on the one hand deals with small companies that provide their services on local markets, and on the other with strong capital groups that carry out large and complex construction projects. The Issuer implements industrial construction facilities in the general contracting system. The Issuer focuses on strengthening its market position and increasing its competitive advantage by providing high quality services and timeliness, as well as offering comprehensive solutions for both private investors and investors representing international concerns developing their operations in Poland. In order to minimize the risk associated with competition, the Issuer carries out his work with the utmost diligence, building the best possible relations with clients. In addition, the Issuer limits the risk in question by diversifying its operations (implementation of investments as part of general contracting, property development activities, steel structures and elements of construction machines).



Risks related to the environment in which the Issuer and the Capital Group operate

The risk related to the macroeconomic situation

The results obtained by the Issuer depend on the macroeconomic situation and the pace of economic growth in the markets on which its operations are conducted. Due to the fact that the Issuer operates mainly on the Polish market, the shaping of the economic and political situation in Poland has a significant impact on the financial results achieved and the implementation of the strategy. Unfavorable changes, including in particular a slowdown in economic growth, may negatively affect the level of investment expenditures in the economy, lead to a deterioration of the construction market, including through a smaller supply of projects for general contracting, and cause a slowdown in development and deterioration of the Issuer's profitability.

Risk of instability of the Polish tax system

Regarding the Polish tax system, there are frequent amendments, incoherence and lack of uniform interpretation of tax law. These inaccuracies entail significant risks related to the tax environment in which the Issuer operates. Questioning by the tax authorities of tax settlements made by the Issuer, due to discrepancies or changes in interpretation or non-uniform application of tax law by various tax administration authorities, may result in imposing relatively high penalties or other sanctions on the Issuer. Considering the relatively long period of limitation of tax liabilities, the assessment of tax risk is particularly difficult, however the fulfillment of the risks described above may have a material adverse effect on the Issuer's operations, financial position or results.

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

The Polish legal system is subject to numerous changes that have a huge impact on the Issuer's operations. The most important for him are changes made in the following legal provisions: - construction law, - commercial law, - tax law, - labor and social insurance law, - law established by local government units. Introduced legal changes can potentially create a risk related to interpretation problems, lack of case-law practice, unfavorable interpretations adopted by courts or public administration bodies. It should also be remembered that currently interpretation of the provisions is made not only by Polish courts and public administration bodies, but also by the courts of the European Community. These changes may cause problems resulting directly from the lack of a uniform interpretation of the law. Since the knowledge of Community jurisprudence is not common in Poland, and the Polish courts do not always apply it, a situation may arise where the sentence pronounced in Poland will be repealed as incompatible with European law. Implemented legal changes can potentially create a risk related to interpretation problems, lack of case-law practice, unfavorable interpretations adopted by courts or public



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administration bodies. It should also be remembered that currently interpretation of the provisions is made not only by Polish courts and public administration bodies, but also by the courts of the European Community. These changes may cause problems resulting directly from the lack of a uniform interpretation of the law. Since the knowledge of Community jurisprudence is not common in Poland, and the Polish courts do not always apply it, a situation may arise where the sentence pronounced in Poland will be repealed as incompatible with European law.

Changes in law or various interpretations may create some threats. Inconsistency, lack of uniform interpretation of legal provisions, frequent amendments and existing contradictions between the provisions of laws and executive acts entail a serious risk in running a business. Possible changes in the regulations may lead to negative effects on the Issuer's operations. The entry into force of the new regulations on business transactions may be connected with interpretation problems, inconsistent court decisions, unfavorable interpretations adopted by public administration bodies, etc. Changes in law related to this may affect the legal environment of business operations, including the Issuer's. In order to minimize the above-described risk, the Issuer monitors the changes of the law on an ongoing basis and uses professional legal assistance.

Risk associated with building regulations

Due to the type of activity conducted by the Issuer, the most important legal acts are regulations in the field of construction law and general execution of implemented investments. The basic duties that should be met and implemented by the Issuer during the implementation of the investment, as well as before and after its completion, are defined by the Construction Law Act of 7th of July 1994. (Journal of Laws 2019, item 630). In addition, the provisions of the Civil Code regulating the issue of contracts and construction works provide for additional restrictions related to the occurrence of the Issuer as a general contractor or investor. They were included in Title XVI of the CC, which defined the form and scope of the contract, scope of works, payment guarantee and its amount, information on obstacles and damages at the construction site, a form of partial acceptance, as well as the risk of destruction of the facility. An inappropriate manner of performance of duties is connected with the risk of a delay in the performance of a given project, its suspension or non-performance, and may have a negative impact on the financial result and the operations or organizational situation obtained by the Issuer and the Capital Group. However, according to best knowledge, contracts for construction works, to which the Issuer was or is a party, contain provisions in accordance with the provisions of the Civil Code.

Risks related to financial instruments



Currency risk

The Issuer operates mainly in Poland. In the field of export activity, the Issuer is exposed to the risk of exchange rate fluctuations. Strengthening the exchange rate of the Polish currency against the currencies of the countries to which the Issuer's products are exported, will lead to a reduction in sales proceeds, which in turn will have a negative impact on the financial results achieved by the Issuer.

Interest rate risk

The Issuer finances its activities, among others with variable rate debt (including working capital loans and bonds). Therefore, he is exposed to interest rate risk. In case of a significant increase in interest rates, the Issuer's financial results may deteriorate due to increase in financial costs. In addition, high exposure associated with this risk and inappropriate assessment of this risk may adversely affect the Issuer's financial results.

Risks related to bonds issued

Due to bonds issued, the Issuer's assets may be depleted, as in case of defaults on repayment of liabilities, including interest payments, the bondholders have grounds to enforce their early redemption, which may significantly deplete the Issuer's current assets. Nor can it be ruled out that, in case of non-payment of obligations, bondholders - creditors may exercise their right to apply to court to declare bankruptcy. As at the date of publication of this document, the Issuer has no problem with timely debt bond service. The Issuer, as at the date of publication of this document, does not identify real risks related to bonds issued. However, taking into account all the risks directly related to the operating activity, the Issuer does not rule out that in the future there may be problems in the timely repayment of liabilities.

Risks related to concluded loan agreements

Due to credit obligations, the Issuer's assets may be depleted, because banks in case of fail to meet the loan obligations may have grounds to terminate loan agreements and may proceed with the enforcement of loan repayments or take advantage of the assets subject to collateral. It cannot be ruled out that if the liabilities fail to be settled, the banks-creditors may exercise their right to apply to bankruptcy. Not servicing the credit obligations by the Issuer will cause that interest will increase which will increase its indebtedness.



8. CORPORATE GOVERNANCE STATEMENT

8.1 COLLECTION OF CORPORATE GOVERNANCE PRINCIPLES APPLICABLE

In 2018, the Company was subject to the corporate governance principles described in the document Good Practices of WSE Listed Companies 2016, adopted by the WSE Supervisory Board with resolution no. 27/1414/2015 of 13th of October 2015, which entered into force on 1st of January 2016.

The text of the collection "Good Practices of WSE Listed Companies 2016" is publicly available on the WSE website: www.gpw.pl/dobre-praktyki

Dekpol S.A. recognizes the principles of corporate governance as a determinant of behavior and a basic element of corporate culture. The company pays special attention to the transparency of action and open communication with stakeholders in the spirit of dialogue and trust.

8.2 COLLECTION OF THE CORPORATE GOVERNANCE PRINCIPLES, THAT HAVE BEEN WAIVED

In the financial year 2018, Dekpol S.A. applied all the corporate governance principles contained in the document "Good Practices of WSE Listed Companies 2016", except for the following principles:

Recommendation I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle is not applied. In the Company's opinion, the sponsorship, charity or other similar activities carried out by the Company are of marginal significance, and consequently, information on this subject is not justified in the annual activity report.

Principle I.Z.1.3 A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

The principle is not applied. The company has an internal organizational division specifying the division of tasks among members of the board, however, it does not specify the division of responsibilities between board members. Currently, the Company does not see the necessity of publishing the division of tasks and responsibilities between board members on the website. The company does not rule out the application of this principle in the future.



Principle I.Z.1.20 A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting.

The principle is not applied. Due to the shareholding structure, at the moment the Company does not see the need to record the the General Meeting in the form of audio or video. The costs of introducing technology, registering the proceedings and making these broadcasts public, the need to make extensive legal analyzes regarding, among others, publication of the shareholder's image and their statements, as well as organizational burden related to the above activities do not currently justify the introduction of these procedures in the Company. The company will consider introducing this principle in the future.

Principle I.Z.2 A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The principle does not apply to the company. The Company's shares are not classified into WIG20 or mWIG40 stock market indices. The compact structure of shareholding as well as the nature and scope of the business are not in favor of the application of the principle. The company also notes that it runs its website in English. It also contains information of a corporate nature, however to a narrower extent than it appears in this principle.

Recommendation II.R.2 Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is not applied, which results from the fact that the functions of members of the management and supervisory body were entrusted to specific persons regardless of their gender, age or direction of education, and according to the substantive preparation and experience of these persons. Key personnel decisions regarding the selection of members of the Company's governing bodies are made by the General Meeting and the Supervisory Board and as regards senior managers - the Management Board.

Principle II.Z.1 The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

The principle is not applied. The company has an internal organizational division specifying the division of tasks among members of the board, however, it does not



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specify the division of responsibilities between board members. At the same time, at the moment, he does not see the necessity of publishing the division of tasks and responsibilities between members of the board. The company does not rule out the application of this principle in the future.

Principle II.Z.2 A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied. The Company's internal regulations do not impose the obligation to obtain consent for the members of the company's management board to sit on management boards or supervisory boards of companies from outside the capital group. The Statute of the Company requires only obtaining the consent of the Supervisory Board to deal with competing interests by a member of the Board or to participate in a competitive company as a partner or member of the authorities. In the Company's opinion, these are sufficient records from the point of view of the Company and investors ensuring the safe operation of the Company. At the same time, members of the Management Board of the Company maintain transparency of their professional activity.

Principle II.Z.10.1 In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following: an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The principle is not applied. The Company applies this rule, excluding the assessment of internal risk management systems, compliance and internal audit functions, which have not been implemented for use in the Company.

Rekomendacja III.R.1 Spółka wyodrębnia w swojej strukturze jednostki odpowiedzialne za realizację zadań w poszczególnych systemach lub funkcjach, chyba że wyodrębnienie jednostek organizacyjnych nie jest uzasadnione z uwagi na rozmiar lub rodzaj działalności prowadzonej przez spółkę.

Zasada nie jest stosowana. Z uwagi na rozmiar działalności, w strukturze Spółki nie są obecnie wyodrębniane specjalne jednostki odpowiedzialne za realizację zadań w poszczególnych systemach lub funkcjach tj. jednostki kontroli wewnętrznej, zarządzania ryzykiem, compliance i funkcje audytu wewnętrznego. Zgodnie z zasadą III.Z.1. za wdrożenie tych systemów odpowiedzialny jest Zarząd Spółki.

Zasada III.Z.2 Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.



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The principle is not applied. As indicated in relation to rule No. III.Z.1, the Company did not separate persons responsible for risk management, internal audit and compliance.

Principle III.Z.3 The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is not applied. The Company does not have a separate internal audit unit and there is no separate position of the person managing this function. The Company applies the principles described in the justification to rule No. III.Z.1 above.

Principle III.Z.4 The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is not applied. In the Company, as already indicated in the justification for non-application of rule No. III.Z.3, there is no separate internal audit unit and no separate position of the person managing that unit. In addition, according to the justification to rule III.Z.1. as part of the performance of the entrusted function, the Management Board performs internal control, risk management, compliance and internal audit tasks, while in addition to contacts with the Supervisory Board resulting from the normal course of business, the Company does not present a separate assessment effectiveness of the above systems functioning.

Principle III.Z.5 The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's 12 management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied. In the Company, as indicated in the justification to rule III.Z.1, there are no formal procedures and specialized units to manage internal control processes, manage risk and compliance. In connection with the above, the Supervisory Board and the Audit Committee monitor the effectiveness of the aforementioned systems based on permanent contacts with the Management Board responsible for the implementation of the above tasks, however, according to the justification to rule II.Z.10.1 the Supervisory Board does not prepare a separate assessment of effectiveness functioning of these systems.



Recommendation IV.R.2 If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting,
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The principle does not apply to the Company. Due to the shareholder structure and the lack of such expectations of shareholders, the Company does not consider it legitimate to broadcast the general meeting. This principle is not applied due to the high costs associated with its implementation.

Recommendation IV.R.3 Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle does not apply to the Company. Securities issued by the Company are only traded on the domestic market.

Principle IV.Z.2 If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle does not apply to the Company. The transmission costs of the General Meeting are too high, and the current shareholding structure does not justify the transmission of the General Meeting in real time due to the lack of interest in the transmission of the meeting by the shareholders.

Principle V.Z.6 In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is not applied. Currently, the company does not have adopted internal regulations defining the criteria and circumstances in which a conflict of interest may arise in the company, nor does it have regulated rules of conduct in the face of a



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conflict of interest or the possibility of its occurrence. The company will verify the practice in this area and does not rule out the possibility of implementing relevant internal regulations in the future.

Recommendation VI.R.1 The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle is not applied. The rules for remunerating members of the Supervisory Board are determined by the General Meeting. The remuneration of Management Board members is subject to negotiations. The Supervisory Board determines the principles of remuneration and the amount of remuneration of the Management Board's members. There is no document in the Company specifying the rules for determining the remuneration policy. The company is obliged to present the amount of remuneration of the members of the bodies in the annual reports.

Recommendation VI.R.2 The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

The principle is not applied. The company, as indicated in the commentary on the VI.R.1 recommendation, does not have a remuneration policy. However, the adopted remuneration policy in the Company complies with the requirements set out in recommendation VI.R.2.

Recommendation VI.R.3 If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

The principle does not apply to the Company. The Company does not have a remuneration committee.

Principle VI.Z.1 Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and longterm shareholder value creation as well as the company's stability.

The principle does not apply to the Company. The company has not adopted incentive programs.

Principle VI.Z.2 To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle does not apply to the Company. The company has not adopted incentive programs.

Since 27th of April 2018, the Company began applying the principle IZ.1.7, which says:



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"A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: information materials published by the company concerning the company's strategy and its financial results".

The Company announced the adoption of the principle to be applied in the current report EBI No. 1/2018 dated 27th of April 2018.

8.3 SHAREHOLDERS POSSESSING DIRECTLY OR INDIRECTLY CONSIDERABLE SHARE PACKETS

Shareholders of Dekpol S.A. holding at least 5% of the total number of votes at the General Meeting of the Company as at 31st of December 2018 and as at the date of publication of this report:

Major shareholders	Number of shares/votes	Share in the share capital / total number of votes
Mariusz Tuchlin	6 449 860	77,13%
Funds managed by Trigon TFI S.A.*	720 000	8,61%
Familiar S.A. SICAV-SIF**	679 583	8,13%
Other shareholders	513 106	6,14%
Total:	8 362 549	100%

* including Trigon Infinity Akcji Fundusz Inwestycyjny Zamknięty holding 550,000 shares of the Company, constituting 6.58% of the share capital of the Company, entitling to 550,000 votes in the Company, which is 6.58% of the total number of votes in the Company (based on the number of registered shares The Ordinary General Meeting of the Company convened for 28th of May 2018).

** based on the number of registered shares for the Ordinary General Meeting of the Company convened for 28th of May 2018.

8.4 INDICATION OF THE OWNERS OF ANY SECURITIES, WHICH PROVIDE SPECIAL CONTROL RIGHTS, TOGETHER WITH THE DESCRIPTIONS OF THE RIGHTS.

Dekpol S.A. did not issue any securities that could provide special control rights to the Issuer.

8.5 INDICATION OF ANY RESTRICTIONS REFERRING TO THE RIGHT OF VOTE

There are no restrictions in the Company regarding the exercise of voting rights, except for those resulting from generally applicable laws.



8.6 INDICATION OF ANY LIMITATIONS CONCERNING THE TRANSFER OF THE ISSUER'S SECURITIES' PROPERTY RIGHTS

As at the date of publication of this report, there were no restrictions on the transfer of property rights of the Issuer's securities, except for limitations resulting from the submitted statement below.

8.7 BODIES OF THE COMPANY

8.7.1 MANAGEMENT BOARD

PERSONAL COMPOSITION AND RULES FOR APPOINTING AND WITHDRAWAL FROM THE FUNCTION OF MANAGEMENT BOARD MEMBER

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

Composition of the Management Board of Dekpol S.A. as at the date of publication of this report:

Name and surname	Function
Mariusz Tuchlin	President of Management Board
Michał Skowron	Vice President of Management Board
Andrzej Kuchtyk	Member of Management Board
Rafał Dietrich	Member of Management Board

The term of office of the Vice-President of the Management Board of Michał Skowron will expire on 1st of January 2023, while the term of office of the President of the Management Board, Mariusz Tuchlin and Members of the Management Board of Rafał Dietrich and Andrzej Kuchtyk expired on 1st of April 2019. The Issuer explains that the expiration of the term of office of the said members of the Management Board does not deprive them of their functions, as in accordance with art. 369 § 4 of the Code of Commercial Companies, the mandate of a management board member expires at the latest on the day of the general meeting approving the financial statements for the last full financial year of performing the function of a management board member.

Changes in the composition of the Management Board of Dekpol S.A. in 2018 and until the date of publication of the report

On 1st of January 2018, Mr. Michał Skowron was appointed to the Management Board of the Company, who was entrusted with the function of the Vice-President of the Management Board of the Company.



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On 10th of August 2018, the Company received the resignation of Mr. Krzysztof Łukowski from the position of the Vice-President of the Management Board of the Company with effect on 31st of August 2018.

On 31st of December 2018, the Company received the resignation of Mr. Sebastian Barandziak from the position of the Member of the Management Board of the Company with effect on 31st of December 2018, on the day indicated.

DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS

Management Board manages and represents the Issuer. The provisions of the Statute introduce in this respect the principle, that all matters not reserved by law or by articles of the Statute for General Meeting of Shareholders or for Supervisory Board, fall within the competence of the Management Board. Acquisition and disposal of real estate property, perpetual usufruct or interest in real estate property or a share in perpetual usufruct does not require a resolution of the General Meeting of Shareholders. Acquisition of real estate property, perpetual usufruct or interest in real estate property as well as a share in perpetual usufruct for a price higher than PLN 25,000,000 require the consent of the Supervisory Board expressed in the form of a resolution (§15 paragraph. 4 of the Statute). Internal organization and manner of operations performed by Management Board determines the Regulations of the Management Board, adopted by the Supervisory Board (available on <http://dekpol.pl/lad-korporacyjny/#dokumenty-korporacyjne>).

The manner of representation of the Issuer is dependent on the size of the Management Board. In the case when it consists of one member, that member has the right to self-representation of the Issuer, while if the Management Board is multipersonal, declarations need to be done by two members of the Management Board or one member of the Management Board plus proxy. Only the President of the Management Board has the self-representation right. On the other hand, each member of the Management Board is entitled and also obliged to manage the affairs of the Issuer, to the extent not exceeding his normal activities.

Management Board resolutions are passed by an absolute majority of votes. In case of equality of votes, decides the vote of the President of the Management Board. The validity of the resolutions taken at the meeting of the Management Board, is subject to prior notification to all its members, as well as the fulfillment of the requirement of a quorum, according to which, necessary is the presence of the majority of members of the Management Board, including the President of the Management Board.

In the agreement between the Issuer and a member of the Management Board, the Issuer is represented by the Supervisory Board, who may authorize by resolution one or more members to perform such legal actions. Issuer may also be represented by a proxy appointed by resolution of the General Meeting of Shareholders.



Managing people do not have right to decide on the issue or redemption of shares.

8.7.2 SUPERVISORY BOARD

PERSONAL COMPOSITION AND RULES FOR APPOINTING AND WITHDRAWAL FROM THE FUNCTION OF SUPERVISORY BOARD MEMBER

The Statute of the Dekpol S.A. provides that the Supervisory Board consists of three to five members, whereas in case of obtaining by the Issuer the status of a public company from five to seven members. Vocation as well as dismissal of members of the 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 cannot be joint.

S Composition of the Supervisory Board of Dekpol S.A. as at the date of publication of this report:

Name and surname	Function
Roman Suszek	Chairman of Supervisory Board
Jacek Grzywacz	Vice-Chairman of Supervisory Board
Jacek Kędzierski	Member of Supervisory Board
Grzegorz Wąsacz	Member of Supervisory Board
Wojciech Sobczak	Member of Supervisory Board

Kadencja Jacka Kędzierskiego upłynie z dniem 30 czerwca 2019 roku. Kadencja Grzegorza Wąsacza upłynie z dniem 7 marca 2022 roku. Kadencja Wojciecha Sobczaka upłynie z dniem 28 maja 2023 roku. Kadencja Romana Suszka i Jacka Grzywacza upłynie z dniem 1 kwietnia 2024 roku.

Changes in the composition of the Supervisory Board of Dekpol S.A. in 2018 and until the date of publication of the report

On 23rd of May 2018, the Company received the resignation of Mr. Piotr Stobiecki from the position of Member of the Supervisory Board of the Company as of the day of the General Meeting of the Issuer convened for 28th of May 2018.

On 28th of May 2018, the Ordinary General Meeting of the Company appointed a member of the Supervisory Board in the person of Mr. Wojciech Sobczak.

On 17th of December 2018, the Extraordinary General Meeting of the Company adopted a resolution on determining the number of Supervisory Board members according to which the Supervisory Board of the Company will consist of 5 persons. The resolution of the EGM enters into force on 2nd of April 2019, after the end of the



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current term of office of the Supervisory Board Members, Mr. Roman Suszek and Mr. Jacek Grzywacz.

EGM also adopted resolutions regarding the appointment of the current members of the Supervisory Board for the next term of office: Mr. Roman Suszek as the Chairman of the Supervisory Board, Mr. Jacek Grzywacz as the Vice-Chairman of the Supervisory Board and Mr. Jacek Kędzierski as a Member of the Supervisory Board. Resolutions on the appointment of Mr. Roman Suszek and Mr. Jacek Grzywacz enter into force on 2nd of April 2019 after the end of their current term of office, and the resolution on the appointment of Mr. Jacek Kędzierski comes into force on 1st of July 2019 after the expiration of his current term of office.

DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS

The Supervisory Board exercises permanent supervision over the activities of the Issuer. The competences of the Supervisory Board include:

1. assessment of the financial statement and of the Management Board' report of the Issuer's activities for the previous year, in terms of their compliance with books and documents, as well as with the reality and the assessment of the Management Board concerning distribution of profit or covering of loss and the submission of annual written report on the results of this assessment for the General Meeting of Shareholders,
2. suspending in action, for important reasons, individual or all members of the Management Board and delegating members of the Supervisory Board, for a period not longer than three months, to temporarily perform the duties of members of the Management Board, who have been dismissed, have resigned or for other reasons cannot perform their duties;
3. passage and amendments of Management Board Regulations;
4. setting the remuneration of members of the Management Board;
5. issue of consent for the acquisition, purchase, disposal and encumbrance by the Issuer of stocks or shares in other companies, accession to or resigning from other companies, entities or joint ventures and the acquisition of companies or organized parts of companies belonging to other entities;
6. issue of consent for conclusion of loans and credit agreements, giving surety, guarantee, pledge, mortgage, transfer of ownership (alienation) by way of security or any other security of a personal or material form or any other form of liability for the debts of any third party, in the value of benefit of over PLN 50 000 000;
7. issue of consent for free of charge activities, in the one-time value of benefit of over PLN 100 000;
8. approval of budgets and financial plans of the Issuer and any amendments to these documents;
9. issue of opinions on the periodic reports of the Management Board;



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10. issue of consent to operations on derivative instruments;
11. appoint an senior auditor to audit the financial statements of the Issuer (consolidated and separate), as well as approval of the terms and conditions of agreement with senior auditor and approval of the termination by the Issuer of such an agreement;
12. issue of consent on creation and liquidation of branches of the Issuer;
13. issue of consent on dealing by member of the Management Board with competing interests or participation in a competitive company as a partner or member of authorities;
14. other matters reserved for the Supervisory Board as by law or the Articles of Association.

Members of the Supervisory Board exercise their rights and duties personally. The functioning of the Supervisory Board determines adopted Regulations of the Supervisory Board, which is subject to approval by the General Meeting of Shareholders (available at <http://dekpole.pl/lad-korporacyjny/#dokumenty-korporacyjne>).

Members of the Supervisory Board are bound to a prohibition of competition within the meaning of art. 380 Commercial Companies Code. The consent to engage in competitive can be granted by the General Meeting of Shareholders.

COMMITTEES OF THE SUPERVISORY BOARD

In accordance with § 4. 4 of the Regulations of the Supervisory Board, this body is authorized to create internal committees, whose main function is to advise, review and issue of recommendations and assessments in selected matters within the competence of the Supervisory Board. In the resolution on the establishment of the internal committee, it shall follow the indication of the name of the committee, the determination of minimum number of members, the appointment of members of the committee, including its chairman and also specification of functioning rules of the committee by identification of issues and tasks of the committee.

In the financial year 2018 in the Supervisory Board of Dekpol S.A. there was one committee - the Audit Committee.

Notwithstanding the provisions of the Rules of the Supervisory Board, the basis for the establishment of an audit committee by Supervisory Board is an Act of 11th of May 2017 on Statutory Auditors, Their Self-Governing Organisation, Entities Authorised to Audit Financial Statements and on Public Oversight

The competences of the Audit Committee are stipulated to:

1. monitoring of the financial reporting process,
2. monitoring the effectiveness of internal control systems, risk management and internal audit including in the field of financial reporting,



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3. monitoring the performance of financial audit, especially carrying out by auditory company of an audit, including all requests and findings of Komisja Nadzoru Audytowego resulting from control performed in auditory company,
4. controlling and monitoring of remuneration of statutory auditor and auditory company, especially in case, when for the benefit of the Company are served by auditory company other services than audit,
5. Informing of Supervisory Board about results from audit and explanations, in which way audit contributed to reliability of financial reporting of the Company, and also what was the role of the Audit Committee in audit process,
6. Evaluation of independency grade of statutory auditor and expressing a consent on serving by him of possible non-audit services,
7. Preparation of election of auditory company policy,
8. Preparation of the policy regarding serving by auditory company carrying an audit, by entities affiliated with the auditory company and by member of a the group of auditory company of non-audit services,
9. Setting of procedure of election of auditory company,
10. Presentation to Supervisory Board of recommendation, in cases related to election of statutory auditors of auditory companies, in accordance with policies, referred to in points 5 and 6,
11. Presentation of recommendations aiming ensuring reliability of financial reporting process in the Company.

The Audit Committee consists of at least three members, appointed by the Supervisory Board from among its members, for the duration of their term of office as members of the Supervisory Board, provided that at least one member of the Audit Committee shall meet the independence criteria and have qualifications in accounting or auditing, according to Article. 86 paragraph. 4 of the Act of 7 May 2009 on Statutory Auditors, Their Self-Governing Organization, Entities Authorized to Audit Financial Statements and on Public Oversight. At least one member of the Audit Committee shall have knowledge and skills from range of business activities, in which the Issuer carries out its operations, or certain members in described principles should possess knowledge and skills for this industry. To the members of the Audit Committee shall apply also principles of The Best Practice GWP 2016.

In 2018 and until publication date of this report, The Audit Committee worked in the following composition:

1. **Jacek Kędzierski** - President of the Audit Committee,
2. **Jacek Grzywacz** - Member of the Audit Committee,
3. **Roman Suszek** - Member of the Audit Committee.

In 2018, the Audit Committee held four meetings.



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Members of the Audit Committee, Mr. Jacek Kędzierski and Roman Suszek meet criteria of independent members in the meaning of the Statutory Auditors Act, as well as in the meaning of principles of The Best Practice GWP 2016.

Jacek Kędzierski and Jacek Grzywacz meet criteria set in article 129 section 1 of the Statutory Auditors Act. Both – education, as well as professional experience justify affirmation, that they own knowledge and skills in accounting field. All members of the Audit Committee have sufficient knowledge and skills in industry, in which the Company operates.

Jacek Kędzierski

Education: MA in Economic Cybernetics and Computer Science at the University of Gdańsk specializing in Data Processing and Accounting. Postgraduate studies at the Institute of Law Studies of the Polish Academy of Sciences in Warsaw in the field of Information Security Administrator. Professional career: 2016 - up to now – running business in the form of a civil partnership in the field of personal data protection; performing the function of Data Protection Officer; 1992 - 2018 - own business in the field of financial consulting; 2005 - 2014 - implementation of joint projects for the sale of goods to the largest retail chains in Poland with the company "Inter Rabs" Sp. z o.o.; 2005 - 2007 - financial and accounting consulting and implementation of joint sales projects with the company "Evamex"; 2001-2005 - implementation of joint contracts with agencies and international corporations with the company "Drimtex" Sp. z o.o. ; 1994 - 2001 - financial and accounting consulting for the company "Drimtex" Sp. z o.o.

Jacek Grzywacz

Education: higher - master's degree in engineering, Silesian University of Technology in Katowice, Department of Organization and Management, Specialization: Economics, Finance and Marketing in Enterprise, Diploma of the Magister-Engineer of Organization and Management. Completed Study for Financial Directors of "Financial Management of Companies" organized by the Privatization Center Foundation - Business Development Institute. Professional career: 12.2009 - until now - partner and President of the Management Board of JKG Finanse Sp. z o.o., a company dealing in economic and financial consultancy; 05.2009 - 04.2010 - Seccus Asset Management S.A., position: Director of the Private Equity Department; 05.2005 - 12.2009 - Inwestexpert Corporate Finance Sp. z o.o. - a company dealing in economic and financial consulting, position: Managing Director; 08.1999 - 04.2005 - TAG Sp. z o.o. - a company dealing in economic and financial consulting, position: from an economic and financial consultant to the Director of the Enterprise Finance Team. Jacek Grzywacz is the Chairman of the Supervisory Board of S&A S.A., Member of the Supervisory Board of Esotiq & Henderson S.A., MC COMP S.A. and



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PTWP S.A. In the years 2009-2010 he was also a Member of the Supervisory Boards in the following entities: Sento S.A., Agito S.A., APN Promise Sp. z o.o.

Roman Suszek

Education: higher, law, University of Gdańsk, Faculty of Law and Administration, Master of Law. Completed legal counsel training at the District Chamber of Legal Advisors in Gdańsk. Professional career: 06.2012 - until now - representative in the Pannonia Branch Ethanol S.A. Branch in Poland; 05.2004 - until now - legal office of legal counsel Roman Suszek, owner of the Law Firm; 01.1999 - 05.2004 - Kancelaria Radców Prawnych Bodakowski, Roszkowski, Sekściński s.c. in Gdansk; 08.1999 - 06.2000 - Legal and Accounting Office Certyfikat in Gdańsk.

The Audit Committee prepared the Policy and Procedure for the Selection of an Audit Firm to conduct the study and the Policy of the Audit Firm conducting the audit of permitted non-audit services. The main assumptions of the above policies are:

1. The entity authorized to audit financial statements is selected by the Supervisory Board, based on the recommendation of the Audit Committee. The selection is made as a result of conducting the procedure specified in the Procedure for selecting an audit firm.
2. The selection should take place within a period that enables the audit firm to participate in the inventory of significant assets.
3. The bodies of the Company participating in the selection and the Audit Committee are guided by the need to ensure impartiality and high quality of the audit, in particular they take into account:
 - a. knowledge, professional competences and reputation of the auditing company and the statutory auditor;
 - b. experience of the auditing company and the statutory auditor, in particular in conducting the audit of public interest entities;
 - c. knowledge by the auditing company and the statutory auditor of the industry in which the Company operates.
4. The control and monitoring of the independence of the statutory auditor and the audit firm are carried out at every stage of the auditor's selection procedure.
5. The first contract for the audit of the financial statements is concluded with the auditing company for a period of not less than two years.

In the financial year 2018, an auditing company examining the financial statements of Dekpol S.A. and the Dekpol Capital Group did not provide permitted non-audit services to the Company. The recommendation regarding the selection of the auditing company to conduct the audit met the applicable conditions and was prepared following the selection procedure organized by the Company meeting the applicable criteria.



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There is no remuneration committee in the Supervisory Board; however, it can not be ruled out that it will be created by the Supervisory Board in the future, on the basis of the competence specified in § 4 Section 4 of the Regulations of the Supervisory Board.

8.7.3 GENERAL MEETING OF SHAREHOLDERS

OPERATION AND ESSENTIAL POWERS

According to the art. 399 of Commercial Companies Code, the General Meeting of Shareholders is convened by the Management Board. The Supervisory Board has the right to convene the Ordinary General Meeting of Shareholders, if the Management Board fails to convene it within the time specified in the Commercial Companies Code, and the Extraordinary General Meeting of Shareholders, if it deems it necessary, and the Management Board fails to convene the General Meeting of Shareholders within two weeks from the date of filing the relevant request by the Supervisory Board. In addition, in accordance with Article. 400 of Commercial Companies Code, a shareholder or shareholders representing at least one-tenth of the share capital, may request the convening of an Extraordinary General Meeting of Shareholders, as well as the inclusion of specific issues on the agenda of the next General Meeting of Shareholders. Such a request must be submitted in a written form to the Management Board at the latest one month before the proposed date of the General Meeting of Shareholders. Pursuant to § 23 of the Statute, the General Meeting of Shareholders may deliberate as ordinary or extraordinary. The General Meeting of Shareholders takes place in the Company's headquarter or in Starogard Gdański, Gdańsk, Gdynia, Sopot or in Warszawa. There is a lack in internal regulations of the Issuer of records that would change the rules of generally applicable laws.

The General Meeting of Shareholders is convened by an announcement, that should be made at least three weeks before the General Meeting of Shareholders. The announcement should include the date, time and place of the General Meeting of Shareholders and a detailed agenda. In case of intended changes in the statute, it should be cited existing provisions, as well as the proposed amendments. If it is justified by the large scope of the proposed amendments, the announcement may include a draft new text of uniform Articles of Association along with a list of new or revised provisions of Articles of Association. According to the art. 9 paragraph. 3 of the Act on Trading in Financial Instruments, the condition of participation in the General Meeting of Shareholders of a public company with its headquarter on the territory of Poland, is submission at its headquarter, at least one week before the date of General Meeting of Shareholders, of a certificate, issued to confirm the right of the holder of dematerialized shares to participate in this meeting. Shareholders, after the announcement of convening of General Meeting of Shareholders and no later than the first weekday after the date of registration of participation in the General Meeting of Shareholders, can report to the entity running their securities a



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demand of the issue of a personal certificate of entitlement on participation right in the General Meeting of Shareholders. Shareholders may participate in the General Meeting of Shareholders personally or by proxy (art. 412 of Commercial Companies Code). Power of attorney to participation in the General Meeting of Shareholders and exercising of voting rights must be granted in written or in electronic form.

Regulations of General Meeting of Shareholders (available at <http://dekpole.pl/lad-korporacyjny/#dokumenty-korporacyjne>) indicates ways to verify the notification of granting power of attorney in an electronic form. The proxy is entitled to grant further power of attorney, if it results from power of attorney. A proxy may represent more than one shareholder. Shareholders whose shares are registered on the collective account, are eligible to establish separate proxies to exercise the rights from shares, registered on this account. Also, in case of possessing of shares registered in more than one securities account, it is possible to establish separate proxies to exercise the rights from shares, registered on each account.

The General Meeting of Shareholders is opened by the Chairman or Vice-Chairman of the Supervisory Board, and then, from the persons entitled to participation in the General Meeting of Shareholders, is being elected the President. Each share carries one vote at the General Meeting of Shareholders. Resolutions are passed by the absolute majority of votes of shareholders present at the General Meeting of Shareholders, unless the provisions of the Commercial Companies Code or other applicable laws constitute it otherwise.

Resolutions, on which base follows the increase of benefits of Shareholders or depleting their rights, require the consent of all shareholders concerned.

Regulations of General Meeting of Shareholders allow recording of the proceedings by means of electronic information carriers. Recordings of the proceedings of the General Meeting of Shareholders are archived in the Company's registered office and access to them can be provided on the Company's website. Regulations of the General Meeting of Shareholders also allows broadcasting of the proceedings of the General Meeting of Shareholders via Internet and sharing to the public on the Company's website.

The General Meeting of Shareholders, in a resolution adopted by an absolute majority of votes, decides on the possible presence at the meeting of media representatives, the recording of their meeting or taking pictures or filming.

General Meeting of Shareholders Authority

In accordance with the provisions of the Statute, the following matters require a resolution of the General Meeting of Shareholders:



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1. review and approval of the statement of the Management Board on activities of the Company and approval of financial statement for the previous financial year;
2. adoption of resolutions on distribution of profit or covering of loss;
3. granting of approval for members of the Company bodies for execution of their duties;
4. adoption of resolutions on determining the dividend record date and the dividend payment date;
5. The amendment of the Articles of Association;
6. adoption of Regulation of the General Meeting of Shareholders;
7. sale or lease of the enterprise or its organized part and establishing of limited property right on it;
8. resolutions concerning claims damages caused while establishing the Company or while managing or supervising;
9. dissolution, liquidation and merger, division or transformation of the Company;
10. issue of convertible bonds or bonds with priority rights and subscription warrants;
11. other matters reserved for the General Meeting of Shareholders by law or the Articles of Association.

SHAREHOLDER'S RIGHTS AND THE WAY OF THEIR EXERCISE

Rights (entitlements) and obligations related to the shares of the Issuer, are governed by the provisions of the Commercial Companies Code, other laws and the provisions of Articles of Association. The terms of reference of shares of series A and B are identical, within the framework of the share capital of the Issuer there are no preferred shares.

Rights correlated with the shares have a financial or corporate nature, and their content presents the following description.

Financial rights:

1. The right to participate in profits. Shares of series A and series B carry equal dividend rights. Adoption of resolutions on determining the dividend record date and the dividend payment date is the prerogative of the General Meeting of Shareholders. According to terms of Resolution No. 4 of the Extraordinary General Meeting of Shareholders dated 30.06.2014, the shares of series B participate in dividend starting from profit distributions for the year 2014, this is since 01.01.2014.
2. With shares are not related other rights to share in the profits of the Issuer.
3. The right of subscription of new shares – is entitled to all shareholders, in proportion to the number of shares (Art. 433 of Commercial Companies Code). However, in the interest of the Issuer, the General Meeting of Shareholders is entitled to deprive the shareholders of right of subscription of new shares



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completely or partially, and, for the adoption of a resolution in this regard, it is first necessary the announcement in the agenda of the General Meeting of Shareholders and obtaining a majority of at least 4/5 of the votes.

4. The right of participation in the distribution of the residual value of the company – is entitled to all shareholders as the right of participation in the company's assets remaining after satisfying or securing creditors, and, the division can take place not earlier than one year after the announcement of the opening of the liquidation and creditors call.
5. The right to dispose of shares - shareholders are entitled to encumber owned shares with pledge or usufruct.
6. Corporate rights:
7. The right to participate in the General Meeting of Shareholders - is granted to all persons who are shareholders of the Company, sixteen days before the General Meeting of Shareholders.
8. The right to vote at the General Meeting of Shareholders - is entitled to all shareholders, and each share entitles to one vote at the General Meeting of Shareholders. According to the Regulations of the General Meeting of Shareholders, it is possible to vote at the General Meeting of Shareholders by mail, using the form available on the website of the Issuer. A vote cast in a form other than the form made available by the Issuer is invalid.
9. The rights of the shareholders, dependent on participation in the share capital or one general number of votes:
10. - - the right to convene the General Meeting of Shareholders,
11. - the right to request the convening of the General Meeting of Shareholders,
12. - the right to request certain issues on the agenda of the next General Meeting of Shareholders,
13. - The right to submit before the General Meeting of Shareholders of a drafts of resolutions concerning issues put on the agenda of the General Meeting of Shareholders or matters which might be put on the agenda,
14. - the right to request election of the Supervisory Board by voting in separate groups.
15. The right to propose during the General Meeting of Shareholders of drafts of resolutions concerning issues included in the agenda.
16. The right to view a list of shareholders entitled to participate in the General Meeting of Shareholders.
17. The right to request copies of requests on matters included in the agenda of the General Meeting of Shareholders
18. The right to request the attendance list at the General Meeting of Shareholders
19. The right to information concerning the Issuer - during the General Meeting of Shareholders, Management Board is obliged to provide to shareholders, on their



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request, information relating to the Issuer, if it is justified for the assessment of a matter on the agenda.

20. The right to request copies of the statement of Management Board on the operations of the company and the financial statement, together with a copy of the report of Supervisory Board and the senior auditor's opinion
21. Right to review minutes from General Meeting of Shareholders and request the issuance of certified copies of resolutions certified by Management Board
22. The right to registered depository certificate issued by the entity keeping the securities account
23. The right to bring an action for overruling of the resolution
24. The right to bring an action for annulment of the resolution

8.8 AMENDMENT PRINCIPLES OF COMPANY'S ARTICLE OF ASSOCIATION

Change of the Articles of Association, in accordance with Article. 430 of Commercial Companies Code follows by way of a resolution of the General Meeting of Shareholders and the entry into register. In accordance with art. 415 of Commercial Companies Code, the resolution of the General Meeting of Shareholders on amendments to Articles of Association passes by a majority of three-fourths of votes. The current Articles of Association of DEKPOL S.A. does not include additional provisions, different from the above-mentioned provisions of the Code of Commercial Companies, concerning principles of making amendments in the Articles of the Company.

8.9 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO STATEMENT PRODUCTION PROCESS OF THE COMPANY AND THE CAPITAL GROUP

The purpose of the internal control system in relation to the financial reporting process is to ensure the adequacy and accuracy of the financial information included in financial statements published in periodical reports. Management Board is responsible for the system of internal control in the DEKPOL S.A. and for the risk management in relation to the preparation of financial statements, that are prepared and published in accordance with the principles laid down in the Act of 29th of September 1994 on accounting and the Regulation of the Minister of Finance dated 29th of March 2018 on current and periodic information to be published by issuers of securities [...] responsible is the Management Board of the Company.

The basic external control in the process of preparation of Company's financial statements constitutes the verification of financial statements done by independent senior auditor. The audit of an annual report and review of the interim financial statements comes within senior auditor authority. According to § 21 paragraph. 2 points. 11 of the Statute, the selection of an independent senior auditor to audit the



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financial statements of the Company, as well as approval of terms of an agreement with the auditor and approval of termination by the Company of such a contract, falls within the competence of the Supervisory Board.

Financial statements are also presented to Supervisory Board, in which competence is the assessment of the financial statement, of the Report of Management Board of the Company for the previous financial year, in respect of their compliance with books and documents, as well as the facts, and the assessment of proposals of the Management Board regarding the distribution of profit or covering of loss and submission towards Management Board of an annual written report on the results of this assessment.

According to provisions of the Accounting Act, the members of the Management Board and Supervisory Board are obliged to ensure, that the financial statement and the report on the activities meet the requirements of the Act and they are jointly and severally liable to the Company for damages caused by an act or omission constituting the breach of that obligation. As part of the Supervisory Board, the Audit Committee is appointed to supervise the financial reporting process in the Company - The Audit Committee monitors the financial reporting process, review activities and financial independence of senior auditor and the entity authorized to audit financial statements.

Accounting Department of the Company under the supervision of the Chief Accountant deals with preparation of financial statements. Content-related supervision over the process of preparation of financial statements belongs to Member of the Management Board – to Financial Director. Before submitting financial statements to senior auditor, they shall be a subject to verification by Financial Director. Financial data, which are the basis for financial statements and reports of the Management Board as well as managerial and operational reports, come from the accounting and financial system of the Company.

Element of quality control and data validation is to use management reporting system and conducted by the Management 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.

8.10 DIVERSITY POLICY

In the company it has not been developed any formal diversity policy in relation to management staff of the Company and its key managers. Functions of members of management and supervisory bodies have been entrusted to particular persons independently of their gender, age or education, and according to their



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professional background and experience. The key personal decisions concerning election of members of company's bodies are made by General Meeting of Shareholders and Supervisory Board, and in relation to top managers – Management Board.

9. REMUNERATION POLICY

9.1 REMUNERATION SYSTEM

The Company does not have adopted remuneration policy. There are also no motivation programmes in the Company. In 2018, there were no changes in remuneration system. The Company does not exclude in the future setting in form of a document of remuneration policy, but, at this moment, remuneration system is based on adopted remuneration statute. The Company believes that the current system of remuneration of the Management Board members, key executives and members of the Supervisory Board allows the realization of the Company's objectives, in particular the longterm growth of value for shareholder and stability of operations of the Issuer.

9.2 PRINCIPLES AND THE AMOUNT OF REMUNERATION OF MANAGEMENT BOARD MEMBERS

Conditions and the amount of remuneration of Management Board Members is to be set by Supervisory Board through negotiations process..

The value of salaries, bonuses or benefits paid, due or potentially due to members of the Management Board for the year 2018 shows the below table:

Gross remuneration of people managing the Issuer in PLN thousands

Item	Term of Office	Remuneration
Mariusz Tuchlin	Whole 2018	365
Krzysztof Łukowski	I-VIII 2018	258
Michał Skowron	Whole 2018	432
Andrzej Kuchtyk	Whole 2018	341
Rafał Dietrich	Whole 2018	296
Sebastian Barandziak	Whole 2018	150
Total		1842

Members of Management Board receive fixed remuneration. In 2018 managing staff did not receive bonuses, other goods or financial benefits (including any contingent or deferred). In connection with the payout of the first dividend falling in the year 2018, Members of Management Board – which are at the same time shareholders of the Company, received from this title in the year 2018: Mr. Mariusz Tuchlin –



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PLN 7 610.834,80 and Mr. Sebastian Barandziak – PLN 2.312,80.

W 2018 members of the Issuer's Management Board were not granted by the Issuer with benefits in kind for the services they performed.

Agreements between Management Board members and the Issuer do not foresee compensation in case of their resignation or dismissal from the position.

Members of Management Board of the Issuer, performing the functions in the governing bodies of other companies of Dekpol Capital Group, do not get on this account any additional compensation, and the contracts concluded with them do not specify the rules for payment of severance pay and other payments due to termination.

9.3 NON-FINANCIAL REMUNERATION COMPONENTS TENABLE TO MANAGEMENT BOARD MEMBERS AND OTHER KEY MANAGERS

Management Board Members and other key managers do not receive any non-financial remuneration components.

9.4 AGREEMENTS CONCLUDED WITH MANAGEMENT STAFF, PROVIDING COMPENSATIONS IN CAS OF RESIGNATION

There are no agreements concluded between the Company and management staff, providing compensations in case of resignation or dismissal from the function without a valid reason or if their removal or dismissal results from the merge of the issuer by acquisition.

9.5 PRINCIPLES AND THE AMOUNT OF REMUNERATION OF SUPERVISORY BOARD MEMBERS

In accordance with the provisions of the Statute, the members of the Supervisory Board receive remuneration of their functions in the amount determined by resolution of the General Meeting of Shareholders, moreover, they are entitled to reimbursement of costs associated with participation in the work of the Supervisory Board.

The value of salaries, bonuses and benefits paid, due or potentially due to members of the Supervisory Board for the year 2018, shows the below table:

Gross remuneration of people managing the Issuer in PLN thousands

Item	Term of Office	Remuneration
Roman Suszek	Whole 2018	20
Piotr Stobiecki	I-V 2018	8
Wojciech Sobczak	V-XII 2018	9
Jacek Grzywacz	Whole 2018	17
Jacek Kędzierski	Whole 2018	17



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Item	Term of Office	Remuneration
Grzegorz Wąsacz	Whole 2018	17
Total		88

In 2018 supervisory staff did not receive bonuses, other goods or financial benefits (including any contingent or deferred).

In 2018 members of the Issuer's Supervisory Board were not granted by the Issuer with benefits in kind for the services they performed.

Members of Supervisory Board of the Issuer, do not perform any functions in the governing bodies of other companies of Dekpol Capital Group, and thus, do not get on this account any additional compensation.

9.6 COMMITMENTS RESULTING FROM PENSIONS AND PROVISIONS OF A SIMILAR FEATURE FOR FORMER MANAGEMENT AND SUPERVISORY STAFF

In 2018, in the Company there were no obligations resulting from pensions or other benefits of a similar nature for former management and supervisory staff, as well as obligations committed in connection with above mentioned pensions.

10. OTHER INFORMATION

10.1 COURT LOTIGATIONS, PROCEEDINGS IN ARBITRATION BODIES OR IN PUBLIC ADMINISTRATION BODIES

In 2018 there were no litigations driven at public administration authorities, legal proceedings or arbitration which could have a material impact on the financial position or profitability of the Issuer and the Company's Capital Group.

However, the Issuer explains, that the specific nature of its operations is correlated with multiplicity of proceedings related to claims in respect of completed projects. There are also cases, when the issuer acts as the defendant, they are usually associated with the investments being made by him in the course of real estate development activities. The Company did not create reserve for debts, awaiting the results of investigations. On these results will depend further decisions of the Issuer in this regard.



10.2 INFORMATION ON EMPLOYMENT

The size of the average employment in the structures of the Issuer in the period 2018-2017, broken down into white-collar and physical employees, shows the following table:

Employment in the structures of the Issuer in the period 2018 - 2017 (average annual employment in period, in persons)

Item	2018	2017
White-collar employees	220	143
Blue-collar employees	159	117
TOTAL	379	260

Source: Issuer

The employment in the structures of the Issuer in the period 2018-2017, at the end of each period, shows the following table:

Employment in the structures of the Issuer in the period 2018– 2017 (employment at the end of the period, in persons)

Item	31.12.2018	31.12.2017
Employments (persons)	428	306

Źródło: Emitent

In the Issuer's company, as of 31st of December 2018 and for the period presenting historical financial data, there was no labor unions operating.

Moreover, the Issuer informs that as of 31.12.2018, in direct or indirect subsidiaries of the Issuer, employment status amounted:

- Betpref sp. z o.o. – 22 persons.

10.3 AUDIT FIRM

The Audit firm entitled for audit of separate financial statement of Dekpol S.A. and consolidated financial statement of Dekpol Capital Group for financial year 2017 and 2018 is the company HLB M2 Audit PIE Sp. z o.o. (former: HLB M2 Spółka z ograniczoną odpowiedzialnością AUDIT PIE Spółka komandytowa) headquartered in Warszawa at Rakowiecka Street 41/27, registered in National Court Register maintained by District Court for capital city Warszawa, VII Commercial Division of the National Court Register entered the Issuer into Register of Companies under the following number 0000647457 and entered on the list of National Chamber of Statutory Auditors under the following number: 4123. The auditing company was selected by the Supervisory Board, in accordance with the recommendation of the Audit Committee.



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The above mentioned entity has also been selected for audit of interim separate financial statement of the Company, as well as for audit of consolidated interim financial statement of the DEKPOL Capital Group for periods between: 1st of January to 30th of June 2017 and from 1st of January to 30th of June 2018.

In addition to the above, the Company has not previously used the services auditing company.

Agreement with the above mentioned entity has been concluded as of 18th of August 2017 and on the period essential to performance of works being the subject of agreements.

Item	2018	2017
Date of conclusion of contract for audit of financial statement for the relevant period:		
Audit of financial statement	18.08.2017	18.08.2017
Review books	18.08.2017	18.08.2017

Item	2018	2017
Remuneration paid outstanding for the financial year (in thousands of PLN):		
Audit of financial statement (separate)	28,5	28,5
Audit of financial statement (consolidated)	11,5	11,5
Audit of condensed financial statement	20,3	20,3
tax consultancy services	-	-
Other services	-	-
TOTAL	60,3	60,3

10.4 MAJOR ACHIEVEMENTS ON R&D FIELD

As a result of the creation of the Research and Development department, the Issuer is able to conduct research operations for the development of innovative solutions in the field of heavy industry and on their basis to implement modern technology solutions. It will be experimental and theoretical research. Industrial research will be undertaken primarily to acquire new knowledge on the ground of phenomena and observed facts, without any particular application or use.

The research will focus on the development of new solutions in the field of construction equipment and, above all, ditch cleaning buckets. This is due to the fact that the market expects innovative products, distinctive in terms of new technological aspects of usability, quality and functionality, which causes streamline of their operations. First of all, the planned new technological developments, made by department of Research and Development, will concern increasing number of functions in manufactured construction equipment. Therefore, the Issuer will seek to construct new products with new features. This is due to the fact, that the multi-



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purpose ditch cleaning bucket brings a number of benefits for the target audience, and therefore other construction equipments, which will include a greater number of functions performed, will have wide use in the market. Secondly, the development plan of new technological solutions should also focus on the development of construction accessories with lower weight. This is due to the fact, that the weight is an important criterion in choosing a product. In contrast, versatility carries a need of an increase in weight, which is undeniably justified by concentration of four accessories in one. Another area of research is posed on the development of new products with improved strength. These research studies will involve the development of new equipment structure, which will guarantee the extended life of construction equipment. The research will also include research areas such as:

- research on the possibility of deepening buckets;
- research on changing the structure of bucket, leading to an easier way of performing technical activities;
- research on structural actuators;
- research on increasing the operating range of a bucket.

It should be underlined, that the designated research areas have been identified on the basis of the experience of the Issuer, which allowed the accurate diagnosis of needs and preferences of customers from the international market. Development of further, completely new technological solutions with measurable benefits confirmed by a research utility, will allow the Issuer significantly increase the number of receivers.

Created department of Research and Development will seek to discover new regularities, methodological principles in order to achieve the advancement of knowledge in the field of construction machinery equipment by the discovery of new truths, assertions, generalizations, the laws of science. As a result, the directions of the research will also stemmed from the internal logic of the development of science as well as the interests of the Issuer company itself.

In created Department of Research and Development will be carried out R & D activities in the field:

- analysis of the future needs of users on the market;
- study on current conditions and prediction of future developments in the engineering industry;
- acquire new knowledge on the ground of phenomena and observed facts;
- acquire new knowledge in order to develop solutions being scientific progress in the field of construction equipment;
- theoretical and experimental research on the development of innovative solutions;
- analysis of new ideas on the possibility of its application on the market;



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- industrial research and development work on the development of new prototypes;
- creation of construction and technology documentation of new products.

In order to be an innovative company, the Issuer needs to undertake steps towards the creation of this type of department. The issuer decided to create a personal, permanent and independent department of Research and Development at its facility. The Issuer, through the ongoing work of the field of Research and Development, plans to offer for customers products tailored to their needs and requirements and to do it faster and more efficiently than competitors. Therefore, the Issuer has a chance to strengthen its competitive advantage. It turns out, that competitive advantage is largely dependent on the knowledge and technological capability and experience in creation of new products.

10.5 ENVIRONMENTAL ISSUES

The issuer conducting operations in the statutory scope is obliged to comply with legal provisions covering environmental protection, which on are all the time verified and applied.

10.6 SPONSORSHIP AND CHARITY ACTIVITIES

The Issuer does not have any internally defined policy regarding the sponsorship activities, charity or any other of a similar nature. In the opinion of the Company, promotional activities, sponsorship and charity is of marginal importance. The Issuer does not exclude the implementation of a policy in this respect in the future.

10.7 OTHER INFORMATION RELEVANT TO EVALUATE THE SITUATION OF THE DEKPOL CAPITAL GROUP

There are no other information which, in the Company's opinion, are significant for the assessment of the personnel, property, financial situation, financial result of the Company and the Capital Group and their changes, and information that are significant for the assessment of the ability to meet obligations by the company and the Dekpol Capital Group.

10.8 PRIZES AND AWARDS

Dekpol in 2018 was included among the largest enterprises operating on the Polish market. In the list of Rzeczpospolita Lista 500, the company was in 439 place. In turn, Gazeta Parkiet classified Dekpol at 127 position among the largest entities listed on the Stock Exchange. In the next list of 1000 of the largest companies in Poland developed by Gazeta Finansowa, the company was ranked 483. It also debuted on the list of the 200 largest companies of the Wprost weekly, occupying 183th place. However, in the Wprost Polskie Gepardy ranking grouping the most dynamically developing companies in the country, Dekpol was in the 25th position. In terms of



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local ranking of the Top 100 Companies in Pomerania, Dekpol was ranked 22nd. At the same time, the company ranked first in terms of revenue growth with an increase of 223.8%.

10.9 CONTACT FOR INVESTORS

Company name (firm):	Dekpol Spółka Akcyjna
Abbreviated name:	Dekpol S.A.
Headquarter:	ul. Gajowa 31, 83-251 Pinczyn
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Mariusz Tuchlin - President of Management Board

Michał Skowron – Vice-President of Management Board

Andrzej Kuchtyk – Member of Management Board

Rafał Dietrich – Member of Management Board