



Ladies and Gentleman,

I am pleased to provide you with the Consolidated Annual Report of the Dekpol Capital Group summarizing financial results reached in 2019.

It was a successful year for the Capital Group. The Group generated sales revenues in the amount of PLN 772.1 million comparing to PLN 837 million reached one year earlier. In 2019, the Capital Group generated net profit in the amount of PLN 50.8 million, which means an increase of about 50% compared to the result reached in previous year. The value of equity increased by 26.5% to PLN 242.3 million. At the same time, the debt to equity ratio decreased from 1.17 to 0.75.

At the beginning of 2019, the real-estate development business was separated to the subsidiary called Dekpol Deweloper Sp. z o.o.. In November 2019 we decided to separate two further business segments: the Bucket Production Department to the company called Dekpol Steel Sp. z o.o. and the Department of General Contracting Services to the Company called Dekpol Budownictwo Sp. z o.o.. Ultimately, Dekpol S.A. will act as a holding company managing the Capital Group. The reorganization measures are aimed at introducing of a management system tailored to the increasing scale of operations of individual segments, the structure being expanded, as well as further development plans.

We assess 2019 positively in all segments of business activities. Within general contracting services, at the end of the year 2019 we performed contracts for external entities with a total contractual value of over net PLN 432 million. Projects with a total value of over net PLN 270 million remained to be implemented after the reporting period, of which the vast majority of works will be performed in 2020. At the end of 2019 we also had letters of intent for the performance of investment projects with a total value of over net PLN 220 million.

Within real-estate development activities we performed projects covering both, construction of housing estates, single family housing estates, luxury apartment buildings as well as condo and aparthotels. Characteristic for the year 2019 was an increase in sales of higher prestige and standard projects addressed to more demanding customers. The average value of apartments increased y/y by over 20%.

Within business segment of production of construction machinery accessories, we ended the year with an increase in revenues of 25% compared to the previous year, also significantly increasing the generated net profit. These results clearly confirm the adopted development policy and increasing production efficiency. Last year, we were focused on building a strong sales base both on the domestic and foreign markets. The main goal was creation of our own sales network in France and Germany aimed at strengthening the Dekpol brand and increasing its share in these markets. Proactive participation of our managers in conferences and scientific



seminars has led to establishing fruitful contacts with the largest mining companies in Poland. Our goal for 2020 is to continue an increase of revenues through our own sales network.

In subsequent periods our strategy assumes the stable development of all three business segments and focus on performance of high-margin projects. We hope that this will lead to systematic improvement of financial results.

In general contracting segment, we will continue the adopted strategy of sustainable development.

In 2020-2021 Dekpol Steel aims further dynamic development on the markets of: Europe, Africa, USA and Poland. Creation of its own sales networks and service facilities will increase a number of potential customers, thanks to which, the Dekpol brand should strengthen its position. In 2020, we plan to extend our production hall for construction of the largest buckets exceeding a curb weight of over 30 tons. At the turn of 2020 and 2021, we also intend to launch a fully automated and robotic bucket production line for compact machines.

The strategy of Dekpol Developer assumes a stable development of real-estate development activities, both in the popular and premium segment, as well as in investment construction projects including apartments for rent or hotels. The company focuses on implementation of high-margin projects and systematic improvement of its financial results. In the upcoming years, the Company intends gradually to expand its operations in Warszawa and Wrocław by execution of new commercial and residential investment projects in attractive locations. In 2020, it is planned to start construction of 8 new projects, and in the next year - 7 new projects. On the owned land bank, we can offer over 5,000 apartments with over 230 000 m² of PUM (Usable Floor Area).

Despite the negative impact of the epidemic on the business environment, we do not see significant uncertainty regarding continuation of our business. Due to the good financial situation of Dekpol Group, we also do not identify a significant threat related to the impact of the development of the virus epidemic on the liquidity of the Group companies. However, we constantly monitor the development of the situation related to the persistent effects of the COVID-19 virus spread and their potential impact on the operations of the Company and the Capital Group.



I would like to express my regards and thanks to our business partners for good cooperation so far, as well as to Employees for their involvement in further development of the Dekpol Capital Group.

I encourage you to read the full Report of the Group for the year 2019.

Sincerely

Mariusz Tuchlin

CEO of

Dekpol S.A.