



**MANAGEMENT BOARD'S REPORT
ON ACTIVITY OF THE COMPANY AND DEKPOL CAPITAL
GROUP**
for the year 2019

Pinczyn, 15th of May 2020



Management Board's Report on business activities of the DEKPOL Capital Group for the year 2019

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SELECTED FINANCIAL DATA

Selected financial data of Dekpol Capital Group

Selected consolidated financial data	Thousands of PLN		Thousands of EUR	
	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
I. Net revenue from sales of products, goods, and materials	772 119	837 034	179 487	196 169
II. Profit (loss) on operating activity	70 960	52 253	16 495	12 246
III. Profit (loss) before tax	62 729	45 217	14 582	10 597
IV. Net profit (loss)	50 788	33 932	11 806	7 952
V. Earnings (loss) per ordinary share (in PLN / EUR)	6,07	4,06	1,41	0,95
VI. Net cash flows from operating activity	82 825	(67 577)	19 254	(15 837)
VII. Net cash flows from investment activity	(18 275)	(18 439)	(4 248)	(4 321)
VIII. Net cash flows from financial activity	(14 234)	90 450	(3 309)	21 198
IX. Total net cash flows	50 316	4 434	11 696	1 039
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
X. Total assets	954 981	900 817	224 253	209 492
XI. Liabilities and provisions for liabilities	712 667	709 292	167 352	164 952
XII. Long-term liabilities	197 100	258 515	46 284	60 120
XIII. Short-term liabilities	515 567	450 777	121 068	104 832
XIV. Equity	242 314	191 525	56 901	44 541
XV. Share capital	8 363	8 363	1 964	1 945
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)	29	23	7	5



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Selected financial data of Dekpol S.A.

Selected separate financial data	Thousands of PLN		Thousands of EUR	
	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
I. Net revenue from sales of products, goods, and materials	823 783	929 987	191 497	217 954
II. Profit (loss) on operating activity	43 654	44 540	10 148	10 204
III. Profit (loss) before tax	28 649	37 392	6 660	8 763
IV. Net profit (loss)	23 105	30 383	5 371	7 121
V. Earnings (loss) per ordinary share (in PLN / EUR)	2,76	3,63	0,64	0,85
VI. Net cash flows from operating activity	93737	(58 700)	21790	(13 757)
VII. Net cash flows from investment activity	(36075)	(36 476)	(8 386)	(8 549)
VIII. Net cash flows from financial activity	(32 669)	86 293	(7 594)	20 224
IX. Total net cash flows	24 992	(8 883)	5 810	(2 082)
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
X. Total assets	775 316	895 917	182 063	208 353
XI. Liabilities and provisions for liabilities	536 745	680 452	126 041	158 245
XII. Long-term liabilities	164692	240 393	38674	55 905
XIII. Short-term liabilities	372053	440 059	87367	102 339
XIV. Equity	238 570	215 465	56 022	50 108
XV. Share capital	8 363	8 363	1 964	1 945
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)	29	26	7	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 Company Dekpol S.A. („Company”, „Dekpol”, 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 Company has been created as a permanent entity.

1.1 BUSINESS ACTIVITIES OF DEKPOL S.A.

In 2019, the Issuer carried 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.

From the beginning of 2019, as part of the ongoing reorganization of the Dekpol Capital Group, individual areas of activity are gradually transferred to newly created subsidiaries, and the Issuer will ultimately act as a holding company managing the Capital Group.



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
Katarzyna Szymczak- Dampc	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	Member 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 2019 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.

On 28th of June 2019, the Ordinary General Meeting of Shareholders of Dekpol S.A. adopted resolution concerning an increase of the Company's share capital from PLN 8,362,549.00 by an amount not lower than PLN 1 but not higher than PLN 1,672,550.00, i.e. not lower than PLN 8,362,550.00 and not higher than PLN 10,035,058.00 through the issue of not less than 1 and not more than 1,672,505 C-series ordinary bearer shares with a nominal value of PLN 1 each. Pursuant to the adopted resolution, the issue of C-series shares was to be carried out by private subscription within the meaning of Art. 431 § 2 point 1 of the Code of Commercial Companies (KSH) and be offered to no more than 149 investors selected on the



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principles set out in detail in the abovementioned resolution. The issuing price of C-series shares was to be determined by the Company's Management Board under conditions specified in the resolution. In the interest of the Company, the existing shareholders have been completely deprived of the pre-emptive right to C-series shares.

On 23rd of December 2019, due to market conditions, the Company's Management Board decided to withdraw from the implementation of the above resolution of the Ordinary General Meeting of Shareholders regarding an increase in share capital by issuing C-series ordinary bearer shares.

About the above mentioned events, the Company announced in current reports no. 22/2019 dated 28th of June 2019 as well as in current report no. 44/2019 dated 23rd of December 2019.

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 31.12.2019 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%
Familiar S.A. SICAV-SIF*	679 583	679 583	679 583	8,13%
Other shareholders	1 233 106	1 233 106	1 233 106	14,75%
Total:	8 362 549	8 362 549	8 362 549	100%

* based on the number of registered shares for the Ordinary General Meeting of Shareholders convened for 28th of June 2019

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 – CEO	6 449 860	6 449 860



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Other members of Management and Supervisory Board of Dekpol S.A. do not hold Issuer's shares. Members of Management and Supervisory Board of Dekpol S.A. do not hold stocks or shares in related entities of the Issuer, except for members referred to in point 1.6 of this Report.

1.4.5 EMPLOYEE SHARES SCHEME

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 2019 and did not take any actions to acquire own shares during this period.

1.5 CHANGES IN COMPANY'S MANAGEMENT PRINCIPLES

In financial year 2019, the Company and the Capital Group performed reorganization activities aimed at introduction of a management system tailored to the increasing scale of the Company's operations and its individual segments, the expanded structure, as well as further development plans.

At the beginning of January 2019 the Company separated the first business segment i.e. real-estate development activities and transferred it in a form of an organized part of the enterprise (ZCP) to a subsidiary called Dekpol Deweloper Sp. z o.o..

In November 2019 the Company made decision to separate two further business segments, i.e. the Department of Buckets Production and Department of General Contracting Services, and to transfer them in form of organized parts of the enterprise to subsidiaries, respectively Dekpol Steel Sp. z o.o. and Dekpol Budownictwo Sp. z o.o..

Transfer of an organized part of the enterprise of the Company operating under the name Department of Buckets Production to Dekpol Steel Sp. z o.o. took place on 1st of January 2020 (event after the balance sheet date).

As at publication date of this report, the Company undertakes activities related to separation of an organized part of the enterprise of the Company operating under the name Department of General Contracting Services to Dekpol Budownictwo Sp. z o.o..

Information regarding reorganization of operations of the Company and the Dekpol Capital Group is provided in point 2.5 of this Report.

In 2019, there were no other changes than the above-mentioned in basic management principles the Company.

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.



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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	KRS	Nature of connection	Information about the company
City Apart Management Sp. z o.o.	0000300191	- 98% of shares belong to Mariusz Tuchlin, 98% of votes	The company operates in the hotel industry
Dekpol Serwis Sp. z o.o. (general partner in Dekpol Serwis Sp. z o.o. Sp. k.)	0000629533	- 90% of shares belong to Mariusz Tuchlin (CEO in the Company)	The company operates in the rental of passenger and delivery cars
Dekpol Serwis Sp. z o.o. Sp. k.	0000630076	- Mariusz Tuchlin owns 98% of shares in profit and loss of the Company	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	- 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. Sp. K.	0000711812	- Mariusz Tuchlin owns 99% of shares in profit and loss of the Company (proxy in the Company)	The company operates in the hotel industry
Flats For Rent Sp. z o.o.	0000750704	- 100% of shares belong to Mariusz Tuchlin, 100% of votes	The company operates in the field of property management
Flats For Rent Sp. z o.o. Sp. K.	0000751229	- Mariusz Tuchlin owns 99% of shares in profit and loss of the Company	The company operates in the field of property management



2. GENERAL INFORMATION ABOUT THE CAPITAL GROUP

2.1 STRUCTURE OF THE CAPITAL GROUP

As at 31st of December 2019, the Dekpol Capital Group was composed of Dekpol S.A. as the parent entity and twenty-four subsidiaries.

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. zo.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.
Dekpol Steel Sp. z o.o.	direct	Smartex Sp. z o. o	indirect via Dekpol Deweloper Sp. z o.o.
Dekpol Budownictwo Sp. z o.o.	direct	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.
		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 Dekpol 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. Neo Jasień Sp. k. (dawniej Dekpol Inwestycje Sp. z o.o. Osiedle Zielone	indirect via Dekpol Deweloper Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.



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Sp. k.)		
	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.

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) 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;
- 4) 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, which took place on 1st of January 2019;
- 5) 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;
- 6) Dekpol Steel Sp. z o.o. – the purpose of the creation was to separate an organized part of the enterprise of Dekpol S.A. covering the production of accessories for construction machinery and transferring it in kind to this company, which took place on 1st of January 2020;
- 7) Dekpol Budownictwo 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.):

- 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 Company plans to liquidate the Company);
- 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 Deweloper Sp. z o.o.):

- 1) 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. Neo Jasień Sp. k. (formerly 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.;
- 2) Dekpol Pszenna Sp. z o.o. – the general partner of the special purpose entity for the implementation of the development investment on Pszenna street in Gdańsk;
- 3) Nordic Milan Sp. z o.o. - the company operates in the real-estate development industry; owns a land property in Milanówek, where the property development project is has already been implemented;
- 4) 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.;

Indirect subsidiaries of Dekpol S.A. (via Dekpol Deweloper Sp. z o.o. and 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.

Indirect subsidiaries of Dekpol S.A. (via Dekpol Deweloper Sp. z o.o. and 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, Hel and Gdańsk;
- 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;



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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. Neo Jasień Sp. k. (formerly Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k.) - spółka a special purpose entity for the implementation of a development investment called Neo Jasień 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.

Dekpol S.A. owns 100% of shares in: Dekpol 1 Sp. z o.o., UAB DEK LT Statyba, Betpref Sp. z o.o., Dekpol Deweloper Sp. z o.o., Dekpol Steel Sp. z o.o., Dekpol Budownictwo Sp. z o.o. and 100% of shares in Dekpol 1 Sp. z o.o. S.K.A.

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

Dekpol Deweloper Sp. z o.o. owns 100% of shares in Companies Nordic Milan Sp. z o.o., Dekpol Pszenna Sp. z o.o. and Dekpol Inwestycje Sp. z o.o.

Dekpol Deweloper Sp. z o.o. owns 62,3% of shares in Smartex Sp. z o.o. and the right for acquisition of 37,7% of shares of Smartex Sp. z o.o.

Dekpol Deweloper Sp. z o.o. is the limited partner of the 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. Neo Jasień Sp. k. (formerly 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., owning in those companies 99,5% of shares in profits, while 0,5% of shares in profits owns Dekpol Inwestycje Sp. z o.o. acting as the general partner of those companies.

Dekpol Deweloper Sp. z o.o. is the limited partner of the Company Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k., owning in this company 49,9% of shares in profits, while 0,1% of shares in profits owns Dekpol Inwestycje Sp. z o.o. acting as the general partner of this company.

Dekpol Deweloper Sp. z o.o. is the limited partner of the Company Dekpol Pszenna Sp. z o.o. Sp.k. owning in this company 99,5% of shares in profits, while Dekpol Pszenna Sp. z o.o. acting as the general partner of this company owns 0,5% of shares in profits, providing, that the profit to be divided among the companies from the



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Dekpol Group is reduced by PLN 500, attributable to the other limited partner of the company.

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 2019.

2.4 CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP

On 25th of November 2019, Dekpol S.A. established two subsidiaries: Dekpol Budownictwo Sp. z o.o. and Dekpol Steel Sp. z o.o. acquiring 100% shares in share capital of PLN 5,000 in each company. The establishment of subsidiaries was associated with the decision to start the next - after separating real-estate development activities - stage of reorganization and changes in management principles of Dekpol S.A.

The company Dekpol Steel Sp. z o.o. was entered into the National Court Register on 3rd of December 2019 and the purpose of its creation was separation of an organized part of the enterprise of Dekpol S.A. including the Bucket Production Department and its transfer in kind to this company.

The company Dekpol Budownictwo Sp. z o.o. was entered into the National Court Register on 4th of December 2019 and the purpose of its creation was to separate an organized part of the enterprise of Dekpol S.A. involving Department of General Contracting Services and transferring it in kind to this company.

Information about reorganization of the Company and the Dekpol Capital Group is provided in point 2.5 of this Report.

2.5 CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP

In financial year 2019, the Company and the Capital Group performed reorganization activities aimed at introduction of a management system tailored to the increasing scale of the Company's operations and its individual segments, the expanded structure, as well as further development plans.

Decision about the change in Company's management principles was made in February 2017. The new management structure 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



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the Management Board considered various options and further development of the Company in the future.

In November 2018, after prior approval of the Supervisory Board, Management Board of the Company decided to separate the first segment of the Company's operations, i.e. real-estate development activities. This activity was transferred in the form of an organized part of the enterprise (ZCP) to the subsidiary, Dekpol Deweloper sp. z o.o., with effect from 1st of January 2019.

ZCP was a group of tangible and intangible components, organizationally, financially and functionally separated in the organizational structure of the company, constituting Real-Estate Development Department used for conducting and servicing real-estate development activities of the Company and entities from the Dekpol Capital Group, including preparation and implementation of development projects, sale of implemented real estates, designing and implementation of finishing works and after-sales service. The ZCP included, among others fixed assets, equipment, inventory, real estate, receivables and liabilities, rights and obligations arising from contracts, 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 rights and obligations of the 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 transfer of ZCP was made by way of an in-kind contribution to cover the share capital in connection with acquisition by the Company on 31st of December 2018 of 2,700,000 new shares in Dekpol Deweloper with a total nominal value of PLN 135 million. Pursuant to the agreement concluded on 31st of December 2018, the transfer and the issue of ZCP took place on 1st of January 2019, subject to the ownership of the property, which - in relation to art. 157 of Civil Code - was transferred on 2nd of January 2019.

The transfer of real-estate development activity to a subsidiary increased organizational and financial transparency within the Capital Group, while limiting business and legal risk.

Then, on 22nd of November 2019, Management Board of Dekpol S.A. decided to start the next stage of the reorganization consisting in the transfer from the Company of organized parts of the enterprise covering the other two segments of the Company's operations, i.e. the operation of the Bucket Production Department (ZCP1) and the activity of the General Contracting Services Department (ZCP2) and making them as



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in-kind contributions to special purpose vehicles established by the Issuer as limited liability companies, in which the Issuer holds all shares in the share capital.

The Supervisory Board agreed and authorized the Company's Management Board to take all actions necessary to achieve the above mentioned goals.

Implementation of the above mentioned actions required, among others, obtaining by the Issuer of appropriate approvals of banks that granted the Company's financing, changes to the Terms of Issue of G and H Series Bonds issued by the Company, as well as obtaining the consent of the General Meeting of Shareholders of the Company.

On 25th of November 2019, Dekpol S.A. established two subsidiaries: Dekpol Steel Sp. z o.o. and Dekpol Budownictwo Sp. z o.o. acquiring 100% shares in share capital of PLN 5,000 in each company. The company Dekpol Steel Sp. z o.o. was entered into the National Court Register on 3rd of December 2019, and the purpose of its creation was to separate and transfer it to ZCP1. The company Dekpol Budownictwo Sp. z o.o. was entered into the National Court Register on 4th of December 2019, and the purpose of its creation was to separate and transfer it to ZCP2.

On 16th of December 2019, Meetings of Bondholders of G and H series bonds decided to amend the Terms and Conditions for the Issue of Bonds, which was one of the conditions necessary to reorganize the Company. On the same day, the Company agreed the above mentioned amendment of Terms and Conditions for the issue of G and H Series Bonds.

On 30th of December 2019, the Extraordinary General Meeting of Shareholders of the Company by resolutions No. 4 and 5 approved sales of organized parts of the Company's enterprise (ZCP1 and ZCP2) by making a non-cash contribution to subsidiaries, respectively Dekpol Steel Sp. z o.o. and Dekpol Budownictwo Sp. z o.o.

On 31st of December 2019, Dekpol S.A. concluded with a subsidiary (owning 100% of shares), Dekpol Steel Sp. z o.o. (Dekpol Steel) agreement about the transfer by Dekpol S.A. for Dekpol Steel of an organized part of the enterprise - ZCP1, worth PLN 100.2 million, covering a set of tangible and intangible assets of the Issuer, separated in organizational, functional and financial terms, intended to conduct business in accordance with art. 551 of the Civil Code, covering in particular the production and sale of buckets and accessories for construction machines. The organized part of the enterprise was a separate department within the Issuer's structures operating under the name "Bucket Production Department" and is an independent enterprise performing these tasks independently.

ZCP1 included, among others built-up properties, rights and obligations under employment contracts and all employee files regarding transferred employees, related to ZCP1, receivables and payables, stocks of materials, fixed assets and movable property and items of equipment, rights from bank accounts, rights arising



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from contracts with customers, subcontractors, suppliers, customers, intellectual property rights, administrative decisions obtained, concessions, licenses, permits, permits, certificates and others.

The transfer of ZCP1 took place by way of an in-kind contribution to cover share capital in connection with acquisition by Dekpol S.A. on 31st of December 2019 of 1,000,000 new shares in Dekpol Steel with a total nominal value of PLN 50 million. After increase, the share capital of Dekpol Steel amounts to PLN 50.005,000.

Pursuant to the concluded agreement, ZCP1 was issued on 1st of January 2020.

As at publication date of this report, the Company performs activities related to separation from the Company and the future transfer of an organized part of the enterprise - ZCP2, covering business activities of General Contracting Services Department to the subsidiary Dekpol Budownictwo Sp. z o.o. ZCP2 includes organizationally, functionally and financially separated in the Company's internal structure a set of intangible and tangible components for business operations in the field of construction works. ZCP2 includes, among others rights and obligations arising from employment contracts and civil law contracts regarding staff, related to ZCP2 receivables and liabilities, inventories, fixed assets and equipment, cash, rights and obligations arising from contracts with investors, subcontractors, lease contracts, other civil law contracts, law intellectual property, administrative decisions, concessions, IT licenses and more.

About the above mentioned events the Company announced in current reports no. 89/2018 dated 31st of December 2018, no. 35/2019 dated 22nd of November 2019, no. 42/2019 dated 16th of December 2019, no. 47/2019 dated 30th of December 2019 and no. 50/2019 dated 31st of December 2019.

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. BUSINESS ACTIVITIES OF THE COMPANY AND THE CAPITAL GROUP

Dekpol Capital Group 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.

3.1 KEY PRODUCTS, GOODS AND SERVICES

Operating segments in the reporting period 01.01.2019 – 31.12.2019 (consolidated data):

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	487 134	155 092	90 699	39 194	772 119
Other operating income	0	0	0	37 749	37 749
Other operating expenses	0	0	0	10 125	10 125
Total operating expenses	457 226	142 399	79 322	49 836	728 783
Operating result	29 908	12 693	11 377	16 981	70 960
Financial income	0	0	0	157	157
Financial expenses	0	0	0	8 388	8 388
Income tax	0	0	0	11 941	11 941
Net result	29 908	12 693	11 377	-3 191	50 788

Operating segments in previous reporting period 01.01.2018 – 31.12.2018 (consolidated data):

Item	General contracting services	Real-estate 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



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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 the reporting period 01.01.2019 – 31.12.2019 (separate data):

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	604 603	86 628	90 699	41 853	823 783
Other operating income	0	0	0	13 159	13 159
Other operating expenses	0	0	0	8 466	8 466
Total operating expenses	572 616	80 343	79 322	52 541	784 822
Operating result	31 987	6 285	11 377	-5 995	43 654
Financial income	0	0	0	756	756
Financial expenses	0	0	0	15 761	15 761
Income tax	0	0	0	5 544	5 544
Net result	31 987	6 285	11 377	-26 544	23 105

Operating segments in previous reporting period 01.01.2018 – 31.12.2018 (separate data):

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Exclusions	Total
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



General Contracting Services

As part of the general contracting segment, the Capital Group at the end of 2019 implemented contracts for external entities with a total contractual value of over PLN 432 million net. For implementation after the reporting period, projects with a total value of over PLN 270 million net remained, of which the vast majority of works will be carried out in 2020. At the end of 2019, the Group also had letters of intent for the implementation of investments in the general contracting segment with a total value of over PLN 220 million net. Agreements for these letters of intent were concluded in the first quarter of 2020. 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 2019 amounting to nearly PLN 130 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 31.12.2019:

- construction of a storage and production center with social and office facilities in Rumia for Tricity North Sp. z o.o
- comprehensive implementation of construction- as well as installation works together with supply of materials and equipment including construction of a storage, production and office object with social and office facilities in Gdańsk for 7R Projekt 22 Sp. z o.o.

Real-estate development activity

In 2019, Dekpol Capital Group continued the implementation of residential and service projects in Gdańsk, Rokitki near Tczew and Milanówek near Warszawa. Currently implemented projects include construction of housing estates, single-family housing estates, luxury apartment buildings, as well as condo and aparthotels. Characteristic for 2019 was the increase in share of sales of projects with a higher prestige and standard addressed to more demanding customers. The average value of apartment increased y / y by over 20%.

In financial result for the previous year, Dekpol Developer recognized 490 apartments, the ownership of which was transferred to customers, while in 2018 the Company recognized 561 apartments in revenue of the real-estate development segment. In turn, contracting within the meaning of preliminary, development and reservation agreements amounted 382 apartments compared to 569 apartments in 2018.



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Sales results achieved in 2019 were satisfactory. Lower sales compared to the previous year resulted from the postponement of the date of introducing some projects to the offer, which will be demonstrated in subsequent periods.

In 2019, the Company put into operation four investments: Młoda Morena, Młoda Morena Park II, Nowe Rokitki Park II and Eco Milan.

As at 31.12.2019 there were 189 apartments in sales:

- ECOMILAN in Milanówek – 2 apartments,
- FORESTA in Gdańsk – 18 apartments,
- GRANO RESIDENCE in Gdańsk – 19 apartments,
- MŁODA MORENA PARK II in Gdańsk – 9 apartments,
- OSIEDLE ZIELONE BUD. 4 in Gdańsk – 13 apartments,
- NOWE ROKITKI IV in Rokitki – 1 apartment,
- NOWE ROKITKI V, VI in Rokitki near Tczew – 31 apartments,
- OSIEDLE PASTELOWE in Gdańsk – 29 apartments,
- VERANO RESIDENCE in Jurata – 5 apartments,
- SOL MARINA in Wiślinka, near Gdańsk – 62 apartments.

Production of equipment for construction machines

Department of production of accessories for construction machines ended 2019 with a 25% increase in revenues compared to the previous year, also significantly increasing the generated net profit. These results clearly confirm adopted development policy and increasing production efficiency. The second half of 2019 was mainly dominated by activities preparing to separate the bucket and equipment production department for construction machinery Dekpol S.A. as an organized part of the enterprise and the transfer of the newly created subsidiary Dekpol Steel Sp. z o.o., which took place from 1st of January 2020. The Group was focused in this period on building a strong sales base both on the domestic and foreign market. The main focus was on creating our own sales network in France and Germany aimed at strengthening the Dekpol brand and increasing its share in these markets. The bucket production department, thanks to many years of experience in western markets, also implements the best solutions on the domestic market and through its own, extensive sales network offers products to domestic customers. Creation of our own sales network is the most effective way of reaching a new audience and building the right brand image. These activities are based on two forms: educational and consulting. The educational element is addressed to sales representatives - construction machinery dealers in Poland and abroad.

Thanks to these activities, people selling construction machines are able to choose the right equipment, so that the machine sold by them can fully meet customer's expectations. Many years of experience caused, that at the right time it was possible to fill the educational gap, which translates into increased sales of Dekpol brand



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equipment to the machinery dealers mentioned above. This mutual cooperation meets with the growing recognition and interest of companies selling construction machinery. Also the active participation of management staff of the department in conferences and seminars led to establishing of fruitful contacts with the largest mining companies in Poland. The effect of these meetings is Dekpol's participation in creating optimization of mining and loading processes in the most important open-cast mines in country. Our goal is to increase revenues through own sales network what should be continued in 2020 by department of production of accessories for construction machinery as the brand Dekpol Steel Sp. z o.o.

3.2 SALES MARKETS AND SOURCES OF SUPPLY

Sales of the Dekpol Capital Group in the period from 1st of January 2019 to 31st of December 2019 shows a similar sales structure as in 2018. 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 01.01.2019-31.12.2019 and comparably in the period 01.01.2018-31.12.2018

Item	2019	2018
Poland	716 507	759 509
European Union	42 922	71 487
Other countries	12 691	6 037
Sales revenues	772119	837 034

The structure of sales revenues of the Dekpol Capital Group in the period 01.01.2019-31.12.2019 and comparably in the period 01.01.2018-31.12.2018

Item	2019	2018
Poland	768 171	853 783
European Union	42 922	70 167
Other countries	12 691	6 037
Sales revenues	823 783	929 987

In 2019, the company Dekpol S.A. achieved the largest turnover due to the implementation of general contracting agreements with 7R S.A. - approx. 13% of the



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Issuer's sales revenues. Apart from cooperation resulting from implemented projects, there is between the Issuer and the abovementioned recipient no formal relationship. Apart from the above mentioned recipient, in 2019, the Company's turnover with any of the Company's recipients or suppliers did not exceed 10% of sales revenues. The issuer is not dependent on any of its customers or suppliers.

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.

In the field of ensuring supply of materials and goods for the purposes of ongoing contracts, the Issuer and the companies of the Capital Group use the services of long-term business partners (suppliers and subcontractors), what also ensures continuity, timeliness and flexibility of the supply chain.

3.3 MAIN DOMESTIC AND FOREIGN INVESTMENTS AND CAPITAL INVESTMENTS

Main Investments of the Dekpol Capital Group:

Item	31.12.2019	31.12.2018
Land	7 898	8 056
Buildings and structures	28 858	27 646
Machines and technical devices	24 501	27 089
Vehicles	7 020	7 736
Other fixed assets	1 834	1 382
Fixed assets under construction	9 028	8 026
Advances in respect of fixed assets	2 748	23
Net value of property, plant and equipment	81 888	79 957

Main Investments of Dekpol S.A.:

Item	31.12.2019	31.12.2018
Land	5 836	5 994
Buildings and structures	19 907	18 695
Machines and technical devices	24 248	27 057
Vehicles	7 020	7 736
Other fixed assets	1 829	1 376
Fixed assets under construction	9 028	7 986
Advances in respect of fixed assets	2 748	23
Net value of property, plant and equipment	70 616	68 868



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All purchased, improved and constructed fixed assets are used for current operations. Funds for the above mentioned investments come from own funds, bonds, credits and borrowings as well as from leasing.

3.4 MAJOR EVENTS AND AGREEMENTS FROM OPERATIONAL ACTIVITIES OF THE GROUP IN FINANCIAL YEAR 2019 AND AFTER ITS END

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

On 8th of February 2019, Dekpol S.A. (Contractor) concluded with Panattoni Development Europe sp. z o. o. (Developer) agreement on construction works (Contract) 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"). Construction works were completed and the use permit was obtained by 2nd of September 2019. The contract was completed on time. Remuneration due to the Contractor for the implementation of the subject of the Agreement amounted to the net equivalent of approx. 3% of the revenue of the Dekpol Capital Group for 2018 (at the EUR / PLN exchange rate as at the date of conclusion of the Agreement).

About the above mentioned event the Company announced in current report no. 4/2019 dated 8th of February 2019.

Decision about implementation of the second stage of works under the Contract

On 5th of March 2019 the Company received from Panattoni Development Europe sp. z o. o. confirmation regarding the second stage of works under the contract concluded in May 2018 for construction works related to the construction of a storage halls in Gdańsk. The second stage of work included construction of a second storage hall, with a social and office part with an area of approx. 25.1 thousands of m², accompanying facilities, internal roads, paved squares and parking lots with the necessary infrastructure. For the implementation of the second stage of works, the Company was entitled to a net remuneration of approx. 3% of the revenues of the DEKPOL Capital Group for 2018 (at the EUR / PLN exchange rate as at the date of conclusion of the Agreement). The completion date was set for 30 June 2019. The contract was completed on time.

About the above mentioned event the Company announced in current report no. 5/2019 dated 5th of March 2019.

Agreement regarding construction works in Oława

On 28th of March 2019, the Company received from ERGO Elżbieta Jeżewska (Ordering Party) a decision to commence works under construction works contract



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concluded on 16th of January 2018 regarding reconstruction, extension and partial extension of a commercial and service building in Oława. Thus, the above mentioned works contract entered into force. The agreed remuneration for the implementation of the subject of the Agreement amounts about 2% of revenues of the Dekpol Capital Group for 2018. The deadline for completion of works was set for 30th of June 2020. The contract provides for contractual penalties for delay in performance of the subject of the contract and removal of defects. In addition, the parties have the right to demand payment of a contractual penalty of 10% of the remuneration for withdrawing from the Contract for reasons attributable to the other party. The maximum number of contractual penalties to be paid by the contractor may not exceed 10% of the remuneration. The parties are entitled to claim compensation in full amount on general principles. As at the date of publication of this report, the parties are seeking to resolve the discrepancies that have arisen in relation to the implementation and termination of the contract, which has been largely implemented, and in the context of the Group's revenues have become less significant.

About the above mentioned event the Company announced in current report no. 7/2019 dated 29th of March 2019.

Conclusion with 7R S.A. of a contract and an annex to the contract for general contracting of buildings in Warszawa

On 29th of March 2019, the Company concluded with 7R S.A. (Ordering Party) a contract for execution of comprehensive construction and building works as well as construction and installation in the general contracting system, together with the delivery of materials and equipment (Contract), which should result in turnkey execution of 7R CityFlex Warsaw Airport warehouse, office and service facilities together with necessary technical infrastructure in Warszawa at Działkowa and Kolumba Streets (Investment). Under the Agreement, the Issuer undertook to develop projects - replacement and executive construction - necessary for the implementation of the Investment and obtaining a decision on the change of the building permit and obtaining the occupancy permit for the Investment. The deadline for the performance of the subject of the Agreement expired in November 2019. The flat-rate net remuneration of the Contractor for all works covered by the Agreement amounts to approx. 3% of the sales revenue of the Dekpol Capital Group for 2018. The remuneration may have changed if the Ordering Party ordered additional or replacement works. The Agreement also provided that in such situations there could be a change in the dates of the Agreement's implementation. In addition, the Agreement also contains provisions regarding contractual penalties due in, among others failure to meet the deadlines arising from the Agreement. The Parties to the Agreement also have the right to demand payment of a contractual penalty of 10% of the remuneration in the event of withdrawal from the Agreement through the fault of the other party. The total amount of contractual penalties may



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not exceed 12% of the remuneration. The parties have the right to seek supplementary compensation for damages on general principles up to the full amount of damage suffered.

On 19th of November 2019, the Company received a bilaterally signed annex to the contract concluded with 7R S.A. for the execution of the Investment. Pursuant to the annex, the parties, in connection with the commissioning of additional work to the Company, decided to extend the deadline for completing the subject of the Agreement until August 2020. Other terms of the Agreement have not changed.

About the above mentioned events the Company announced in current report no. 8/2019 dated 29th of March 2019 and current report no. 33/2019 dated 19th of November 2019.

Obtaining a building permit for construction of a residential building as part of III stage of the project "Osiedle Zielone" in Gdańsk

On 19th of April 2019, the Company received a valid permit issued by the Mayor of Gdańsk for 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 is building a residential building in which 42 apartments will be located, along with storage rooms with a total usable area of approx. m² and 51 parking spaces and garage.

The estimated value of revenues obtained from the Investment is about PLN 14.6 million net. The investment will be completed in the second quarter of 2020, and the first premises will be commissioned in the third quarter of 2020.

The project is implemented by the Company, and the investment outlays are financed by the Company's own funds and a working capital loan taken in a consortium of Cooperative Banks.

About the receipt of the building permit for three other residential buildings under the third stage of the project "Osiedle Zielone", the Company announced in the current report No. 10/2017 dated 8th of February 2017, while about the above mentioned event the Company announced in current report No. 10/2019 dated 19th of April 2019.

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

On 25th of April 2019 the Company received a mutually signed letter of intent concluded with Panattoni Construction Europe sp. z o. o. (Ordering Party) regarding the selection of the Issuer as the General Contractor of the production and storage facility with office and social facilities in Pruszków-Parzniew. Then, on 26th of April 2019 the Company received a signed construction contract for the construction of



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a warehouse and logistics park comprising two warehouses with accompanying infrastructure located in Parzniew and execution of all accompanying and project works (Agreement accordingly)

The completion of construction works and obtaining a usage permit will take place until 30th of September 2019. The net remuneration due to the Contractor for the performance of the Contract is equivalent to approx. 7% of revenue of the Dekpol Capital Group for 2018 (according to the EUR/PLN rate of 25th of April 2019)

About signing the letter of intent and the agreement the Company announced in current report no. 11/2019 of 25th of April 2019 and 13/2019 of 26th of April 2019.

Building permit for the 1st stage of a multi-family housing estate as part of the "Osiedle Pastelowe" project received

On 24th of June 2019 Dekpol S.A. received a permit issued by the Mayor of Gdańsk to build the first stage of a multi-family housing estate as part of the "Osiedle Pastelowe" project, including underground garage halls and the necessary technical infrastructure in Gdańsk at Pastelowa street. Under the aforementioned the construction stage is planned for 3 residential buildings, in which there will be 180 apartments with storerooms with a total usable area of approx. 8.1 thousand sq m and 217 parking and garage spaces. Estimated value of revenues obtained from the implementation of the abovementioned stage is approximately PLN 52 million net. The implementation of the above-mentioned investment stage will be completed in the fourth quarter of 2020, and the first premises will be put into use in the first quarter of 2021.

On 30th of August 2019, the transfer of the abovementioned permit has been moved from Dekpol S.A. to a subsidiary - Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. K.

Investment outlays will be financed from own resources, however, partial financing with foreign capital is not excluded.

About the above event the Company informed in current report no. 21/2019 dated 24th of June 2019 (the report mistakenly indicates the Issuer's subsidiary - Dekpol Deweloper Sp. z o.o. as an entity receiving a building permit).

Acquisition of land and obtaining a building permit for the first stage of the Sol Marina investment in Wiślinka

On 31st of July 2019, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k (a special purpose vehicle indirectly dependent on the Issuer, established to implement the Sol Marina development project in Wiślinka) has entered into a final contract for the purchase of land property with a total area of approx. 9.3 ha located in Wiślinka. The gross purchase price of real estate was approximately 15% of the equity of Dekpol S.A. at



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the end of 2018. A real estate development project is planned to be built, covering the construction of approximately 350 premises.

On 30th of September 2019, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. received a final decision issued by the Starosty office in Gdańsk to transfer the building permit to the company regarding the abovementioned land property. The decision received is legally final.

The building permit covers implementation of the first stage of the Sol Marina investment, including a yacht pool with a marina, canals, bridges and apartment buildings along with the road system and parking lots as well as the necessary technical infrastructure at Łąkowa Street in Wiślinka. As part of the first stage of the Sol Marina investment, 16 apartment and service buildings are planned to be built, with 99 apartments with a total usable area of approx. m², 7 commercial premises with a total area of approx. 780 m², 176 external car parking spaces and 51 mooring berths. The estimated value of revenues obtained from the implementation of the first stage of the investment is approx. PLN 120 million net. The implementation of the first stage of the investment will be completed in the second quarter of 2022, and the first premises will be commissioned in the first quarter of 2021.

The project is implemented by the above mentioned special purpose vehicle, and investment outlays will be financed from own funds and a working capital loan taken at Alior Bank S.A.

About the above mentioned events, the Company announced in current reports no. 25/2019 dated 31st of July 2019 and no. 27/2019 dated 30th of September 2019.

Conclusion with 7R S.A. of a contract on implementation of the second stage of investment in Kokotów

On 9th of August 2019, the Company signed with 7R S.A. an annex to the contract from 21st of December 2018 for execution in three stages in the general contracting "design and build" system of a warehouse and office facility with a building area of approx. 40.4 thousands of m² together with the necessary technical infrastructure in Kokotów (Investment), excluding the main scope of works for stage II and the entire III stage of Investment.

At the same time, the parties concluded a separate agreement regarding implementation of II stage of the Investment. The agreement entered into force on the day of its signing and did not contain the conditions necessary to start works. Under the contract for the implementation of II stage, the Issuer undertook to construct a multi-level shelf mezzanine with additional equipment in accordance with the project documentation prepared by the Issuer, together with the delivery of materials and equipment, and to obtain an unconditional and final use permit. The deadline for stage II was set on 1st of February 2020. The contract was completed on



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time. The net flat-rate remuneration for the implementation of the II stage contract amounted to approx. 2% of sales revenues of the Dekpol Capital Group for 2018.

In addition, the parties agreed to not complete III stage of the Investment, including reconstruction of a section of the municipal road. As a result of the changes, the total value of the Issuer's net remuneration for carrying out the Investment (stages I and II) amounted to approx. 9% of sales revenues of the Dekpol Capital Group for 2018.

About conclusion of the contract with 7R S.A. the company announced in current report no. 86/2018 dated 21st of December 2018, while about conclusion of the above mentioned annex to the contract in current report no. 26/2019 dated 9th of August 2019.

Conclusion of general contracting contract on production and storage hall with Inter Metal Sp. z o.o.

On 2nd October 2019, Dekpol S.A. concluded with Inter Metal sp. z o.o. (Investor) contract for general contracting of a production and storage hall (hot-dip galvanizing plant with internal installations) along with external technical infrastructure and associated works in Inowrocław (Contract and Investment).

Completion of the construction and obtaining the occupancy permit is to take place by August 2020, with the proviso that the deadline may be extended by 1 month. The net remuneration due to the Company for the implementation of the subject of the Agreement amounts to approx. 3.5% of revenues from sales of the Dekpol Capital Group for 2018, however, it may change in case of changes in the scope of ongoing works.

The agreement contains provisions regarding contractual penalties, i.e. in case of delays in the implementation of the Investment and its stages and delay in removing defects or non-compliance. The Parties to the Agreement have the right to demand payment of a contractual penalty of 10% of net remuneration in the event of withdrawal from the Agreement, in whole or in part, for reasons attributable only to the other party to the Agreement. The total amount of contractual penalties may not exceed 10% of the net remuneration. The parties have the right to claim compensation exceeding the value of the reserved contractual penalty on general principles, with the proviso that they are liable only within the limits of actual damage. The parties are entitled to withdraw from the Agreement in whole or in the scope of the non-performed part of the Agreement within 60 days of becoming aware of the circumstances specified in the Agreement justifying the exercise of this right (including suspension or delay in the implementation of works, breach of the terms of the Agreement), but not later than 31st of December 2021. In addition, if the Company reports the need for changes to the executive design in terms of the price or deadline for carrying out the Investment, and the parties do not reach an agreement, the



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Investor will have the right to withdraw from the Contract in the unrealized part for payment of a remuneration, however this right can be exercised until 31st of December 2025.

investment will be carried out with the innovative technology of overhead suspension cranes under the roof structure, thanks to which the overhead cranes will work collision-free in all directions. The project assumes that the hall will have the deepest galvanizing bath built in Poland.

About the above mentioned event the Company announced in current report no. 28/2019 dated 3rd of October 2019.

Conclusion of a letter of intent and agreement on construction works with Tricity North Sp. z o.o.

On 3rd of October 2019 the Company concluded with Tricity North Sp. z o.o. a letter of intent regarding the selection of the Issuer as the General Contractor to carry out construction works regarding the construction of the warehouse with the necessary infrastructure in Rumia at Działkowców Street ("Investment").

Then, the Company received a bilaterally signed contract for construction works ("Agreement") covering the execution and commissioning of a warehouse and production center with office and employee facilities and with a guardhouse and pumping station, in Rumia at Działkowców Street, with a total area of approx. 45,000 sq m. completion of the Investment and obtaining the occupancy permit is expected to take place by March 2020. The value of the Issuer's net remuneration for carrying out the Investment has been set at around 8% of the Issuer's Capital Group sales revenue for 2018 (converted at the Euro exchange rate from 9th of December 2019).

On 14th of April 2020 the Company received bilaterally signed annex to the Agreement introducing additional works for implementation, as a result of which, the deadline for completion of the last stage of works covered by Agreement has been set on the end of October 2020 (previously: March 2020). In connection with this change, the total value of Issuer's net remuneration for execution of works set in Agreement increased and will amount to approximately 9% of sales revenues of the Dekpol Capital Group for 2018 (converted at Euro exchange rate for 14th of April 2020).

The agreement provides for a number of contractual penalties, including in case of a delay for reasons attributable to the Contractor resulting in a delay in meeting the deadlines for completion of works, a delay of the so-called early access, deadlines indicated in the schedule and deadlines for removing defects, with the limit of the listed penalties being 10% of the contract price. In addition, the parties to the Agreement have the right to demand payment of a contractual penalty of 10% of the contract price for withdrawal from the Agreement for reasons attributable to



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the other party to the Agreement. The parties have the right to claim supplementary compensation for damages up to the full amount of the damage. The issuer may entrust subcontractors with some construction works, however he is responsible for their actions and omissions as for his own. The Agreement contains provisions regarding the right to withdraw from the Agreement by Tricity, including if the Contractor fails to perform any of his significant duties in accordance with the schedule, the Contractor will carry out work in a manner that violates the provisions or if due to force majeure or third party actions the project implementation becomes impossible or the schedule will be shifted by at least 3 months.

About the above mentioned events the Company announced in current report no. 29/2019 dated 3rd of October 2019, no. 41/2019 dated 9th of December 2019 and no. 11/2020 dated 14th of April 2020.

Obtaining a building permit for a hotel building in Warszawa

On 9th of October 2019 the Company received, issued by the Mayor of the Capital City of Warsaw, a valid permit for the construction of a hotel building on a plot of land located in Warsaw at Prądzyńskiego street. About the acquisition of the right of perpetual usufruct of the above mentioned real estate the Issuer announced in current report No. 16/2018 of 20th of March 2018.

The permit obtained includes the construction of a hotel building with services on the ground floor and an office part with a total usable area of approx. 14 thousand m² and land use. The mentioned property is the first investment property acquired by Dekpol S.A. in Warsaw. Currently, the Issuer is considering various possibilities of using the owned property and the obtained building permit.

About the above mentioned event the Company announced in current report no. 30/2019 dated 9th of October 2019.

Obtaining a building permit for two buildings as part of the "Villa Neptun" project in Gdańsk

On 18th of November 2019 Dekpol S.A. received, issued by the Mayor of the City of Gdańsk, a valid building permit for the construction of two guesthouse buildings as part of the "Villa Neptun" project together with the necessary accompanying infrastructure in Gdansk, at Nadwiślańska street ("Investment"). As part of the Investment, the Company plans to build two guesthouses, which will contain 40 holiday apartments with a total usable area of approx. 1.8 thousand square meters and 40 above-ground parking spaces.

The estimated value of revenues obtained from the Investment is approx. PLN 16 million net. The investment will be completed in the fourth quarter of 2020, and the first premises will be commissioned in the first quarter of 2021.



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The project will be implemented by a company from the Issuer's Capital Group, and investment outlays will be financed with own funds, while partial financing with external capital is not excluded.

About the above mentioned event the Company announced in current report no. 32/2019 dated 18th of November 2019.

Conclusion of a letter of intent and agreement on construction works with Iglotex S.A.

On 19th of November 2019 Dekpol S.A. concluded with Iglotex S.A. ("The Ordering Party") a letter of intent regarding the selection of the Issuer as the General Contractor for the implementation of works consisting in the design, agreement and construction of a production and storage facility in Skórcz ("Facility"). The deadline for conclusion of the general contracting agreement was originally set to 31st of January 2020, and then in accordance with the annex concluded on that day, to 14th of February 2020.

The Agreement for general contracting of investments in the "design and build" formula (Contract) was finally concluded on 18th of February 2020 (event after the balance sheet date). In accordance with Agreement, Iglotex ordered and Contractor was entrusted with execution, under conditions set in Agreement, of works consisting in projecting and execution –a as general contractor of the project –of an investment covering construction of a production-storage hall of the Company Iglotex in Skórcz of net area of 24 thousands of m² along with internal installations, belonging land works and external car park. Completion by the Issuer of the subject of the Agreement as well as obtaining of the use permit has been scheduled on August 2020, whereby the Agreement provides for the possibility of extending of the date of Agreement's completion in the cases specified therein. For the proper execution of the subject of the Agreement, the Contractor will receive a fix-rate remuneration in the amount of approximately 9% of the revenues of the Issuer's Capital Group for 2018.

On 6th of May 2020 (event after the balance sheet date), the Issuer signed with Iglotex S.A. an annex to the Agreement introducing performance of additional works consisting in implementation of the office part of the above-mentioned of investment, as a result of which, the deadline for completing the works covered by the Agreement was set at the end of September 2020. Due to this change, the total value of the Issuer's net remuneration for the performance of the Agreement increased and will amount to approx. 10% of sales revenues of the Dekpol Capital Group for 2018.

Agreement provides contractual penalties, among other things for failure in meeting deadlines specified in the Agreement, delay in removing defects, in providing collateral for the due performance of the Agreement and providing warranties and guarantees, etc. In addition, Agreement provides, that the Party of the Agreement is obliged to pay a contractual penalty in the amount of 10% of



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net remuneration in case of withdrawal from the Agreement for reasons attributable to the other party. The maximum amount of contractual penalties set in the Agreement calculated by any of parties may not exceed 10% of the net remuneration sum. At the same time, stipulation of any contractual penalty in the Agreement does not deprive parties of the right to seek compensation exceeding this contractual penalty, in particular for all penalties and damages incurred by the parties due to the non-execution or improper execution of the Agreement by the other party. Agreement contains provisions regarding the right of withdrawal by the Ordering Party from Agreement, i.e. when the Contractor delays the commencement or completion of works to such an extent, that it is unlikely, that he will be able to meet deadlines, the execution of the works will be delayed by more than 14 days in relation to the specified deadlines, and this condition will be maintained, etc. Contractor is entitled to entrust execution of some part of works to subcontractors.

About the above mentioned events the Company announced in current report no. 34/2019 dated 20th of November 2019, no. 4/2020 dated 31st of January 2020 and no. 7/2020 dated 18th of February 2020.

Conclusion of a letter of intent and the agreement regarding general contracting of a retailpark in Kołobrzeg

On 28th of November 2019, Dekpol S.A. concluded with Karuzela Kołobrzeg Sp. z o.o. a letter of intent to confirm the parties' will to conclude a contract for the Issuer, as the general contractor, to carry out an investment involving the construction of a retail center with associated infrastructure in Kołobrzeg. On 21st of January 2020 (event after the balance sheet date), the Company received a mutually signed contract from the Ordering Party, followed by an annex to the contract for general contracting of the investment involving construction of the Karuzela Kołobrzeg shopping mall along with other facilities such as a roundabout, parking spaces, etc. (hereinafter jointly as the Agreement).

As part of Agreement, the Company was to perform comprehensive earthworks and a roundabout (Works 1) and, subject to the conditions set out below, works involving construction of a shopping gallery - a one-level building facility with all connections and land development (Works 2). The deadline for completion of Works 1 and Works 2 was set on June 2020 and May 2021, respectively. The flat-rate net remuneration was to be about 2% for Works 1, and about 10% for the sales of Dekpol Capital Group for the year 2018. Implementation of Works 2 was to take place only if the contracting authority delivers the contractor a written notification of the commencement of Works 2, but no later than by 30th of April 2020, while the Ordering Party was not obliged to submit the above notification. In the absence of notification, the scope of work covered by the contract and the contractor's remuneration were to be limited to Works 1 only.



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On 9th of April 2020 (event after the balance sheet date) Company received information, that because of the current situation, which is appearance of SARS-CoV-2 epidemic and its negative consequences for the Ordering party, the Ordering party was forced to suspend immediately the execution of the investment. In the meaning of the Ordering party, current situation of epidemic constitutes a force majeure, which causes the extraordinary change of relations referred to in art. 357 (1) of the Civil Code.

Agreement contains provisions regarding contractual penalties due in the case of, among other things, delay in keeping deadline for the final completion of the Agreement, in execution of individual stages of works arising from Agreement, as well as removal of defects, however the limit of listed penalties has been set on 10% of remuneration value. In addition, Parties of the Agreement dispose the right to demand payment of a contractual penalty in the amount of 10% of the remuneration value in case of withdrawal from the Agreement through the fault of the contractual party. Ordering Party has the right to claim compensation exceeding the amount of reserved contractual penalties up to the full amount including loss of profit. The Issuer may entrust the execution of a part of works and supplies to subcontractors, however, it is responsible for their actions as if it were carrying out these works and deliveries by itself. Agreement includes provisions concerning the right of withdrawal from the Agreement to be issued by Ordering Party. The Agreement contains provisions regarding the right of withdrawal by the Ordering Party from the Agreement in whole range or in some part, among other things, when Contractor fails to meet work deadlines set in the schedule or fails to deliver the subject of the Agreement in the required quality and in accordance with the agreed conditions

About the above mentioned events the Company announced in current report no. 37/2019 dated 28th of November 2019, no. 3/2020 dated 21st of January 2020 and no. 10/2020 dated 9th of April 2020.

Conclusion of a letter of intent and the agreement on construction works: production-storage center in Ożarów Mazowiecki commune.

On 3rd of December 2019 Dekpol S.A. concluded with Panattoni Development Europe Sp. z o.o. ("Ordering Party") a letter of intent confirming the Issuer's choice as general contractor for an investment including the construction of two warehouse buildings with associated infrastructure in Jawczyce, commune Ożarów Mazowiecki ("Investment").

Then, on 11th of February 2020 (event after the balance sheet date) Dekpol S.A. received concluded with PDC Industrial Center 126 Sp. z o.o. (entity picked out by Panattoni Development Europe Sp. z o.o., further "Ordering Party") mutually signed agreement on construction works covering execution and hand-over for use production-storage center along with office-social backrooms, a



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guardhouse and pump-room ("Object"), as well as execution of all other additional works and project works ("Agreement"). Completion by the Issuer of all works on Object, as well as obtaining the use permit is expected to take place in June 2020. The Issuer's flat-rate net remuneration for the Object's execution has been set at around 5% of the Issuer's Capital Group revenues for 2018 (converted at the euro exchange rate from 11th of February 2020.)

The Agreement provides for a number of contractual penalties, including in the event of a delay for reasons attributable to the Contractor resulting in a delay in meeting the deadlines for completion of works, a delay of the so-called early access, deadlines indicated in the schedule and deadlines for removing defects, where the limit of the penalties mentioned cannot exceed 10% of the contract price. In addition, the Issuer is obliged to pay a contractual penalty in the amount of 10% in the event of withdrawal from the Contract by the Ordering Party for reasons attributable to the Contractor. The issuer may entrust subcontractors with construction works, however it is responsible for their actions and omissions as for their own. The Agreement contains provisions regarding the right of withdrawal by the Ordering Party from the Agreement, including when the Contractor fails to perform any of his essential duties in accordance with the schedule, when the Contractor will carry out work in a manner that violates the provisions or when due to force majeure or actions of third parties the project implementation becomes impossible or the schedule will be shifted by at least 3 months.

About the above mentioned events the Company announced in current report no. 39/2019 dated 3rd of December 2019 and no. 6/2020 dated 11th of February 2020.

Conclusion with 7R Projekt 22 Sp. z o.o. the contracts for the general contracting of three stages of investment in Kowale

On 19th of December 2019 the Company concluded with 7R Projekt 22 Sp. z o.o. ("Ordering Party") contracts for execution in the general contracting system and in a rule "design and build" of three stages of comprehensive construction and building as well as construction and installation works together with the supply of materials and equipment ("Agreements"), the result of which is to be turnkey execution of a warehouse, production and office facility with social and office facilities at 7R Park Gdańsk II in Kowale, together with accompanying infrastructure ("Investment"). Under the Agreements in relation to individual stages of the Investment, the Issuer undertook to develop projects -replacement and executive construction, and to obtain all required approvals and permits to carry out works, including the decision to change the building permit and obtain the final use permit for the Investment.

The deadline for the implementation of stage I expires in September 2020, provided that the Ordering Party will provide the Contractor with the information on



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calling the start of works no later than by the end of March 2020, and in case of sending information after this date, the deadline for carrying out the works has been set at 6 months from call. Deadlines for the implementation of stage II and stage III have been set at 8 months from the date of calling the given stage by the Ordering Party. The deadlines for completion of works may be changed by mutual agreement of the parties in cases specified in the Agreements. The Contractor's flat-rate net remuneration for the implementation of three stages of the Investment amounts to over 10% of the sales revenues of the Dekpol Capital Group for 2018 (including for stage I about 5%, stage II about 3%, stage III about 3%). The remuneration may change in cases specified in the Agreements, including, among others, as a result of excluding by the Ordering Party part of the works or ordering additional or replacement works.

Each of the Agreements enters into force as soon as the conditions are met in the form of the investor acquiring the Investment for the benefit of which the Investment is being carried out, ownership rights to the property on which it is implemented and the Purchaser acquiring ownership of 100% of the investor's shares. Each Agreement contains provisions regarding contractual penalties due to the Ordering Party in case of, inter alia, failure to meet the deadlines for the implementation of works under the Investment. In addition, the Issuer is obliged to pay to the Ordering Party a contractual penalty of 12% of remuneration for a given stage of work in the event of withdrawal from a given Contract through the fault of the Contractor. The total amount of contractual penalties specified in each of the Agreements may not exceed 15% of the remuneration for a given stage. The parties have the right to demand supplementary compensation in general exceeding the amount of reserved contractual penalties to the full amount of damage suffered. The Agreements contain provisions regarding the right of withdrawal by the Ordering Party from each of the Agreements, including if the Contractor fails to meet the deadlines for the works indicated in the schedules or for important reasons specified in the Agreements. The contractor is entitled to entrust the implementation of part of the scope of the subject of the Contract to subcontractors.

About the above mentioned event the Company announced in current report no. 43/2019 dated 19th of December 2019.

Conclusion of a preliminary property sale agreement and general contracting agreement with Kallisto 14 Sp. z o.o.

On 23rd of December 2019 Dekpol S.A. concluded with Kallisto 14 Sp. z o.o. ("Buyer", "Ordering Party") a conditional preliminary sales agreement ("Preliminary Agreement"), under which the parties undertook to conclude, under certain conditions, a promised agreement for the sale of land property built-up with a building in Swaróżyn with a total area of approx. 14.6 hectares ("Real Estate") and



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rights to project documentation ("Final Agreement"). The Real Estate includes land property with a total area of 12.7 hectares, owned by the Issuer ("Property 1") and adjacent land property with an area of 1.9 hectares, which the Issuer intends to purchase from a natural person ("Property 2"). Dekpol S.A.

In order to conclude the Final Agreement, the Seller undertook, among others to built on Real Estate 1, a warehouse and office building ("Building 1") as part of the implementation of the first stage of the Real Estate investment and to obtain by 1st of August 2020 a decision authorizing the use of Building 1 and to be purchased by 15th of May 2020 Real Estate 2, with the proviso that the purchase will be possible after the Purchaser has obtained the final building permit for Building 1 by 31st of January 2020 and the authorized entity has not exercised its pre-emptive right to Real Estate 2.

As at the date of publication of this report, the Issuer is in the process of implementing the provisions of the Preliminary Agreement, in particular the Issuer continues the construction of Building 1. In addition, in March 2020 the Issuer concluded a conditional sale agreement of Real Estate 2, on the basis of which a natural person sold the property right to Real Estate 2 to the Issuer, provided that that the Tczew Commune will not exercise its right of pre-emption. In May 2020, the Issuer received a statement from the Tczew Commune in which the entity announced that it would not exercise its pre-emption right, thus the condition of purchasing Real Estate 2 was met.

In accordance with preliminary Agreement, the selling price of the Real Estate built with Building 1 and rights to project documentation is approx. 8% of the Company's Capital Group revenues for 2018. The price will be increased by the value of outlays arising from the implementation of the second stage of the Real Estate investment, referred to in the remainder of this report, incurred before conclusion Final Agreement. The promised agreement will be concluded after fulfillment of conditions referred to below, but not later than until 17th of August 2020.

The Final Agreement will be concluded after fulfilling the conditions referred to below, no later than by 17th of August 2020. The conclusion of the Final Agreement will take place subject to the prior issue by the public administration body of an unconditional decision to permit the use of Building 1 and the constructed public road and the purchase by the Seller of Real Estate 2 and disclosure as an owner in the relevant land and mortgage register. If as at 17th of August 2020 the conditions are not met, each party is entitled to request the conclusion of the Final Agreement after the abovementioned conditions no later than 31st of December 2020. If the above conditions are not met by 31st of December 2020, the parties will not be obliged to conclude the Final Agreement. The Preliminary Agreement contains provisions regarding the Buyer's



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withdrawal from the Preliminary Agreement by 30th of June 2021, including cases of delays or breaches of the Seller in the performance of its obligations

At the same time, in order to implement the second stage of the investment in Real Estate, the Issuer concluded today with the Ordering Party a conditional agreement on performance in the general contracting system of "design and build" construction works as well as construction and installation works together with the supply of materials and equipment ("GC Agreement"), the result of which is to be turnkey execution of two warehouse, production and office facilities with social and office facilities at 7R Park Tczew in Swaróżyn together with accompanying infrastructure ("Building 2" and "Building 3"). Under the GC Agreement, the Issuer undertook to develop designs -replacement and executive construction, and to obtain all required approvals and permits to carry out the works, including the decision to change the building permit and obtain the final occupancy permit for Building 2 and Building 3. The completion date for each of the buildings was set at 7,5 months from the time when the Ordering Party informs the Contractor of the start of works related to the building. The deadline may be changed by mutual agreement of the parties in the cases specified in the GC Agreement. The Contractor's flat-rate net remuneration for the construction of both buildings is approximately 4% of the sales revenue of the Dekpol Capital Group for 2018. The remuneration may change in the cases specified in the GC Agreement, including, among others, as a result of excluding by the Ordering Party part of the works or ordering additional or replacement works.

The GC Agreement enters into force as soon as the conditions are met in the form of the Purchaser acquiring the Contractor's title to Real Estate 1 from the Contractor in performance of the provisions of the Preliminary Agreement and the execution of either Building 2 or Building 3 by the Ordering Party. The above conditions are reserved in favor of the Ordering Party. The GC Agreement contains provisions regarding contractual penalties due to the Ordering Party in the case of, among others the Contractor's failure to meet the deadlines for carrying out the works or delay in completing the removal of defects or faults. In addition, the Issuer is obliged to pay to the Ordering Party a contractual penalty of 12% of remuneration in case of withdrawal from the GC Agreement through the fault of the Contractor. The total amount of contractual penalties may not exceed 15% of the remuneration. The parties have the right to demand supplementary damages in excess of the amount of reserved contractual penalties to the full amount of damage suffered. The GC Agreement contains provisions regarding the right of withdrawal by the Ordering Party from the GC Agreement, including no later than 30th of May 2021 when the Contractor fails to meet the deadlines for the works indicated in the schedules or until 31st of January 2021 for important reasons specified in the GC Agreement. The Contractor is entitled to entrust the



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performance of part of the scope of the subject matter of the GC Contract to subcontractors.

About the above mentioned event the Company announced in current report no. 46/2019 dated 23rd of December 2019.



3.5 BORROWINGS AND LOANS

Below Dekpol S.A. presents a summary of loan agreements to which it was a party in 2019:

Bank name	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2019 (in thousands of zlotys)	Date of repayment
Bank BGŻ BNP Paribas S.A.	Bank overdraft	3 000	loan for current operations	WIBOR 3M + bank's margin	PLN	2 970	31.03.2020**
Bank BGŻ BNP Paribas S.A.	working capital credit	14 000	loan for current operations	WIBOR 3M + bank's margin	PLN	6 677	31.07.2020
ING Bank Śląski S.A.	working capital credit	2 500	Discount agreement	WIBOR 1M + bank's margin	PLN	2 123	15.07.2020
Santander Bank Polska S.A.	Bank overdraft	6 000	loan for current operations	WIBOR 1M + bank's margin	PLN	5 295	22.12.2020
SGB-Bank S.A.	revolving credit	30 000	loan for current operations	WIBOR 3M + bank's margin	PLN	29 999	31.12.2020
mBank S.A.	Bank overdraft	10 000	loan for current operations	WIBOR O/N + bank's margin	PLN	9 426	28.05.2020
mBank S.A.	working capital credit	15 000	loan for current operations	WIBOR 3M + bank's margin	PLN	6 026	28.05.2020
BOŚ Bank S.A.	Investment credit	8 000	refinancing of expenditures	WIBOR 3M + bank's margin	PLN	7 385	31.12.2028
BOŚ Bank S.A.	working capital credit	13 000	loan for current operations	WIBOR 3M + bank's margin	PLN	10 199	16.10.2020
Bank Spółdzielczy we Wschowie	working capital credit	18 000	loan for current operations	WIBOR 1M + bank's margin	PLN	12 296	19.08.2020
Bank Spółdzielczy Skórcz/Puck/Malbork	working capital credit	9 000	loan for current operations	WIBOR 3M + bank's margin	PLN	4 002	31.03.2021
Santander Bank Polska S.A.	working capital credit	4 800	loan for current operations	EURIBOR 1M + bank's margin	EUR	0	30.06.2020
Santander Bank Polska S.A.	working capital credit	26 300	Credit on execution of the object 7R	WIBOR 1M + bank's margin	PLN	0	31.05.2019*
Santander Bank Polska S.A.	working capital credit	40 000	Credit on execution of the object 7R	WIBOR 1M + bank's margin	PLN	0	30.09.2019*



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Bank name	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2019 (in thousands of zlotys)	Date of repayment
mBank S.A.	working capital credit	10 682	credit on real-estate development activities	WIBOR 1M + bank's margin	PLN	0	29.11.2019*
SGB-Bank S.A.	working capital credit	20 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	07.06.2019*
mBank S.A.	Bank overdraft	14 000	loan for current operations	WIBOR O/N + bank's margin	PLN	0	30.05.2019*

* loan repaid and closed in 2019

** loan repaid and closed in 2020

Below is a list of loan agreements concluded by the companies from the Dekpol Capital Group, of which the Companies were a party in 2019:

Company name	Bank name/ name of the lender	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2019 (in thousands of zlotys)	Date of repayment
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	8 286	Borrowing agreement	fixed contractual interest	PLN	1 231	31.05.2020
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	13	31.05.2020
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	20	Borrowing agreement	fixed contractual interest	PLN	20	31.05.2020
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	2	Borrowing agreement	fixed contractual interest ne	PLN	2	31.05.2020
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	13	31.05.2020
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	mBank S.A.	credit	45 700	loan for current operations	WIBOR 1M + margin	PLN	1 341	30.11.2020**
Dekpol Inwestycje Sp. z o.o. Development Sp. k.	Bank Spółdzielczy we Wschowie	credit	5 556	loan for current operations	WIBOR 1M + margin	PLN	3 516	21.07.2020



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Company name	Bank name/ name of the lender	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2019 (in thousands of zlotys)	Date of repayment
Dekpol Inwestycje Sp. z o.o. Rokitki Sp. k.	SGB-Bank S.A.	credit	12 000	loan for current operations	WIBOR 3M + margin	PLN	8 916	31.07.2020**
Nordic Milan Sp. z o.o.	Bank Ochrony Środowiska S.A.	working capital credit	27 975	credit on real-estate development activities	WIBOR 3M + bank's margin	PLN	0	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	0	30.11.2019*

* loan repaid and closed in 2019

** loan repaid and closed in 2020

The remaining companies from the Dekpol Capital Group did not take out loans and borrowings in 2019, with the exception of intercompany loans described below. As at 31st of December 2019, the total balance of intercompany loans granted by the Group amounted PLN 57,203 thousands, including loans granted by Dekpol S.A. in the total amount of PLN 28,113 thousands and Dekpol Deweloper Sp. z o.o. in the total amount of PLN 29,090 thousands. Detailed information is presented in the table below.

Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2019 (in thousands of PLN)	Repayment date
Dekpol 1 Sp. z o.o.	Dekpol S.A.	Borrowing	30	fixed contractual interest	PLN	18	31.12.2022
Dekpol 1 Sp. z o.o.	Dekpol S.A.	Borrowing	35	fixed contractual interest	PLN	35	31.12.2022
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	Dekpol S.A.	Borrowing	3 600	WIBOR 6M + margin	PLN	3 600	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	500	fixed contractual interest	PLN	500	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	1 000	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 500	fixed contractual interest	PLN	1 500	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	700	fixed contractual interest	PLN	700	31.12.2022**



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Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2019 (in thousands of PLN)	Repayment date
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	1 000	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	1 000	31.12.2022**
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	6 000	fixed contractual interest	PLN	6 000	31.12.2022**
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	240	fixed contractual interest	PLN	240	31.03.2020**
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	230	fixed contractual interest	PLN	230	31.03.2020**
Dekpol Inwestycje Sp. z o.o.	Dekpol S.A.	Borrowing	20	fixed contractual interest	PLN	20	31.12.2022
Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.	Dekpol S.A.	Borrowing	100	fixed contractual interest	PLN	100	31.12.2022
Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.	Dekpol S.A.	Borrowing	200	fixed contractual interest	PLN	200	31.12.2022
Dekpol Pszenna Sp. z o.o.	Dekpol S.A.	Borrowing	10	fixed contractual interest	PLN	10	31.12.2022
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	1 200	fixed contractual interest	PLN	1 200	31.12.2022
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	400	fixed contractual interest	PLN	400	31.12.2022
Dekpol Inwestycje Sp. z o.o. WBH Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	1 000	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	1 140	fixed contractual interest	PLN	1 140	31.12.2022
Dekpol Inwestycje Sp. z o.o. Rokitki Sp. k.	Dekpol S.A.	Borrowing	7 500	fixed contractual interest	PLN	7 500	31.12.2022
Dekpol Pszenna Sp. z o.o. Sp. k.	Dekpol S.A.	Borrowing	500	fixed contractual interest	PLN	500	31.12.2022**
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Dekpol S.A.	Borrowing	200	fixed contractual interest	PLN	200	31.12.2022



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Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2019 (in thousands of PLN)	Repayment date
Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	18	fixed contractual interest	PLN	18	31.12.2022
Dekpol Pszenna Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	40	fixed contractual interest	PLN	40	31.12.2022
Smartex Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	1 037	fixed contractual interest	PLN	1 037	31.12.2022
Dekpol Inwestycje Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	5	fixed contractual interest	PLN	5	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	27 980	WIBOR 6M + margin	PLN	27 980	31.12.2022
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	100	fixed contractual interest	PLN	0	31.12.2019*
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	320	fixed contractual interest	PLN	0	31.12.2019*

* borrowing repaid and closed in 2019 ** borrowing repaid in 2020

In 2019, neither Dekpol S.A. nor the companies from the Dekpol Capital Group did not terminate credit and borrowings agreements. Neither Dekpol S.A. nor the companies from the Dekpol Capital Group did not grant loans other than those indicated above.



Significant loan agreements

On 4th of January 2019, Dekpol Inwestycje Spółka z ograniczoną odpowiedzialnością Myśliwska Spółka komandytowa ("Borrower") 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 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 mentioned event the Company announced in current report no. 1/2019 dated 4th of January 2019.

On 5th of December 2019 Dekpol S.A. received the consent of Bank BGŻ BNP Paribas S.A. to extend the loan availability period in connection with the parties' binding multi-purpose credit line agreement of 11th of December 2015 (acceptable lending forms and usage limits were at that time: revolving credit - PLN 14 million, bank guarantee line - PLN 17 million, overdraft - PLN 3 million). Then, on 2nd of January 2020 (event after balance sheet date) the Company received from the Bank BGŻ BNP Paribas S.A. the next consent to prolongation of the term of credit availability until February 2020. On 21st of February 2020 the Company signed an annex to the above mentioned agreement. In accordance with the Annex, the end of current credit availability date on current account, revolving credit and the guarantee line has been set accordingly on the end of March and the end of July 2020 as well as the end of January 2021, and the joint credit limit has been set on PLN 17 million (up to now PLN 34 million). The Annex to the agreement has been concluded upon request of the Company, which is related to the Company's and Capital Group's reorganization. About the above mentioned events the Company announced in current reports no: 40/2019 dated 5th of December 2019, 1/2020 dated 2nd of January 2020 and 8/2020 dated 21st of February 2020.

On 19th of March 2020, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. ("Borrower") concluded with Alior Bank S.A. ("Bank") two agreements on revolving loan in the amount of PLN 59,2 million ("Loan1") and the other revolving loan in the amount of PLN 4,8 million ("Loan2"). Funds from Loan1 will be used on financing/refinancing of costs connected with execution of real-estate development project called "Sol Marina" in Wiślinka near Gdańsk, about which the Issuer announced in current report no. 27/2019 dated 30th of September 2019 ("Investment"), while the funds from Loan2 will be used for financing of VAT (Value Added Tax) tax connected with investment execution costs. Both loans have been granted for the period until 31st of



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July 2020. The interest rates are equal to WIBOR 3M rate plus the Bank's margin. The loans will be released after meeting the formal and legal conditions. Collateral for the Bank's claims under Agreements are, inter alia., contractual mortgage up to PLN 95.9 million on the Borrower's right of ownership of the property on which the Investment is being carried out, pledge on the Borrower's accounts maintained at the Bank, transfer of receivables from the general contracting agreement concluded with the general contractor of the Investment - Dekpol S.A., surety granted by Dekpol S.A., a statement of the Borrower, limited partner of the Borrower and the Issuer on voluntary submission to enforcement pursuant to art. 777 of the Code of Civil Procedure, as well as a support agreement concluded with the Borrower's limited partner and the Borrower, including commitment to cover the costs of Investment execution exceeding the investment budget approved by the Bank. About the above mentioned event the Company announced in current report no 9/2020 dated 19th of March 2020.

3.6 SURETIES AND GUARANTEES

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.

Mutual sureties and guarantees were granted between the Issuer and related entities in 2019, including surety for obligations of Dekpol S.A. related to financing obtained through the issue of F-series bonds for the implementation of the investment Grano Residence in Gdańsk, whose investor is Dekpol Pszenna Sp. z o.o. Sp. k. and the following sureties for financial liabilities of the companies from the Dekpol Capital Group granted by the Issuer.

Beneficiary	Financial product	Amount in thousands of PLN	Debt as at 31.12.2019 in thousands of PLN	Type of collateral	Repayment date
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	Working capital loan in mBank, agreement no. 10/001/19/Z/OB	45 700	1 341	Surety by Dekpol SA	2020-11-30
Dekpol Inwestycje Sp. z o.o. Rokietki Sp. k.	Working capital loan in SGB Bank, agreement no. PO/2/ORK/U/2019	12 000	8 916	Surety by Dekpol SA	2020-07-31
Dekpol Developer Sp. z o.o.	A-series bonds	30 000	30 000	Surety by Dekpol SA	2022-06-19



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As at 31st of December 2019, the total balance of guarantees and sureties granted and received by the Dekpol Capital Group is presented in the table below:

Item	31.12.2019	31.12.2018
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	28 180	28 854
Granted guarantees of satisfactory performance of contracts - banking	35 581	38 484
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	63 762	67 338
Conditional liabilities	63 762	67 338
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	2 396	2 076
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	2 414	3 275
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
Conditional assets from non-affiliates	4 810	5 352
Conditional assets	4 810	5 352



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As at 31st of December 2019, the total balance granted and received by Dekpol S.A. guarantees and sureties are presented in the table below:

Item	31.12.2019	31.12.2018
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	28 180	28 854
Granted guarantees of satisfactory performance of contracts - banking	35 581	38 484
Court litigations	0	0
Other conditional liabilities	0	0
Conditional liabilities towards non-affiliates	63 762	67 338
Conditional liabilities	63 762	67 338
Received guarantees and sureties of repayment of liabilities from non-affiliates	0	0
Received guarantees of satisfactory performance of contracts from non-affiliates - insurance	2 396	2 076
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	2 414	3 275
Conditional receivables - Court litigations	0	0
Other conditional assets from non-affiliates	0	0
Conditional assets from non-affiliates	4 810	5 352
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	4 810	5 352

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 2019, 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 PREPARATION PRINCIPLES OF A SEPARATE FINANCIAL STATEMENT

Financial statement of Dekpol S.A. for 2019 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).

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 2019 and 31st of December 2018, the results achieved on the operations of the Company and cash flow for the 12 months ended 31st of December 2019 and 31st of December 2018.

Report of Management Board of Dekpol S.A. regarding business activities for 2019 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).

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

4.2.1 ANALYSIS OF FINANCIAL SITUATION

Item	31.12.2019	31.12.2018
Fixed assets	363 263	298 028
Property, plant and equipment	70 616	68 868
Investment properties	22 300	36 129
Intangible assets	425	307
Stocks and shares	229 368	179 689
Receivables	2 769	1 875
Other long-term financial assets	30 883	3 643
Long-term deferred charges	0	0
Deferred income tax assets	6 902	7 517



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Current assets	412 053	597 889
Inventory	75 388	180 707
Receivables due to contracts with clients	86 518	72 119
Trade receivables and other receivables	172 222	291 627
Other short-term financial assets	503	0
Units of participation in Open Investment Funds	0	0
Short-term deferred charges	968	1 974
Cash and cash equivalents	76 454	51 461
including cash on escrow accounts	550	21 790
Assets classified as held for sale	0	0
Assets in total	775 316	895 917

Item	31.12.2019	31.12.2018
Equity	238 570	215 465
Share capital	8 363	8 363
Equity from sales of shares over its nominal value	26 309	26 309
Other equities	180 793	150 410
Own shares (-)	0	0
Profit (loss) from previous years	0	0
Current year's profit	23 105	30 383
Long-term liabilities	159 006	240 393
Deferred income tax provision	26 465	24 602
Liabilities and provisions on employee benefits	124	107
Other long-term provisions	0	0
Long-term credits, borrowings and debt instruments	115 393	188 169
Other long-term financial liabilities	3 310	7 662
Other long-term liabilities	13 714	19 854
Short-term liabilities	377 739	440 059
Liabilities and provisions on employee benefits	6	15
Other short-term provisions	19 824	14 116
Short-term credits, borrowings and debt instruments	126 650	60 338
Other short-term financial liabilities	7 281	8 456
Liabilities due to contracts with clients	0	0



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Trade liabilities and other liabilities	217 786	350 436
Receivables from future terms	6 192	6 697
Liabilities connected to assets intended for sale	0	0
Liabilities in total	775 316	895 917

4.2.2 ANALYSIS OF MATERIAL SITUATION

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Revenue from sales	823 783	929 987
Costs of goods sold	754 040	838 698
Gross profit (loss) from sales	69 743	91 289
Selling costs	17 726	36 210
General administrative expenses	13 057	16 938
Other operating income	13 159	25 005
Other operating expenses	8 466	19 607
Operating profit (loss)	43 654	43 540
Share In profit (loss) of entities accounted using the equity method	0	0
Financial revenues	756	13 174
Financial expenses	15 761	19 322
Profit (loss) before tax	28 649	37 392
Income tax	5 544	7 009
Profit (loss) from continuing operations	23 105	30 383
Net profit (loss)	23 105	30 383
exchange differences arising on the translation of the financial statements of a foreign operation	0	0
Other net comprehensive income	0	0
Comprehensive income	23 105	30 383

4.2.3 CASH FLOW ANALYSIS

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Profit (loss) before tax	28 649	37 392
Adjustments:	22 117	-2831
Depreciation	9 454	7 833
Change of fair value of investment properties	0	-6 521
Profit (loss) from sales of non-financial tangible assets	-714	-138



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Profit (loss) from sales of financial assets (other than derivatives)	0	389
Profits (losses) from foreign exchange differences	-75	0
Interests and shares in profits	4 799	-4394
Change in working capital	46 256	-92 867
Income tax on profit before tax	-5 544	-7 009
Income tax paid	2 259	6 616
Net cash from operating activities	93 737	-58700
Expenses related to acquisition of intangible assets	-403	-669
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-7 689	-4 354
Inflows from sales of property, plant and equipment	316	277
Expenses related to acquisition of investment properties	-5	-12 408
Inflows from sales of investment properties	0	0
Net inflows from sales of subsidiaries	0	0
Net expenses for the acquisition of subsidiaries	-90	-28 793
Repayments received from loans granted	0	0
Expenses for the purchase of other financial assets	-322	-2 387
Inflows from sales of other financial assets	0	0
Loans granted	-28 515	-1 105
Interest received	633	40
Dividends received	0	12 923
Net cash from investment activities	-36 075	-36 476
Net inflows from issue of shares	0	0
Inflows from issue of debt securities	0	132 038
Other inflows (expenses) from investment activities	0	-30 495
Inflows from received grants	0	0
Redemption of debt securities	-24 587	0
Inflows from loans and borrowings taken out	125 049	73 419
Repayment of loans and borrowings	-108 980	-58 137
Repayment of liabilities under finance lease	-9 091	-7 121
Interest paid	-15 060	-13543
Dividends paid	0	-9 868
Net cash from financial activities	-32 669	86293
Net change in cash and cash equivalents	24 993	-8 883
Cash and cash equivalents at the beginning of the period	51 461	60 344
Cash and cash equivalents at the end of the period	76 454	51 461



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Including cash of limited disposal right	550	21 987
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4.2.4 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2019	2018
Profitability of sales	max	4,73%	4,10 %
Gross profitability of sales	max	3,48%	4,00 %
Net profitability of sales	max	2,80%	3,30 %
Profitability of net assets	max	2,77%	4,00 %
Return on equity net	max	10,72%	16,00 %
Current liquidity	1,4-2,0	1,09	1,36
Quick liquidity	0,8-1,0	0,89	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 2019.

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.

In financial year 2019 the Company did not paid any dividend.

On 28th of June 2019, the Ordinary General Meeting of Shareholders of Dekpol S.A. adopted a resolution on the allocation of net profit for the financial year 2018 in the amount of PLN 30,388,708.83 in total to the Company's equity capital. Resolution of the Ordinary General Meeting of Shareholders of Dekpol S.A. was consistent with the resolution adopted by the Company's Management Board on 31st of May 2019, in which it decided to recommend to the Annual General Meeting of Shareholders the allocation of entire net profit for financial year 2018 to the Company's equity capital, i.e. differently than in the last two years, when the Management Board recommended allocation of a significant portion of the profit to dividend. At present, however, in the opinion of the Management Board, the allocation of the entire net profit for 2018 to share capital was beneficial both for the Company and indirectly



for its shareholders, enabling ongoing expansion of the Company's operational capabilities.

About the above mentioned events the Company announced in current reports no. 15/2019 dated 31st of May 2019 and no. 22/2019 dated 28th of June 2019.

4.4 ISSUE OF SECURITIES

Zawarcie aneksu w sprawie programu emisji obligacji serii F

On 6th of March 2019, the Company concluded an annex to the agreement regarding F-series bonds issue program concluded in 2017 with investment funds Pekao Fundusz Inwestycyjny Otwarty and Pekao Obligacji -Dynamiczna Alokacja Fundusz Inwestycyjny ("Agreement" and "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 mentioned event the Company announced in current report no. 6/2019 dated 6th of March 2019.

As a part of the above the bond issue program in financial year 2019, the Company has not issued any F-series bonds.

In 2019, the Company redeemed 24,587 F1 - F4 series bonds with a total nominal value of PLN 24,587 thousands.

On 28th of February 2020 (event after balance sheet date), the Company made a full early redemption of F-series bonds.

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 2019, 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 PREPARATION PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENT

Financial statement of Dekpol S.A. for 2019 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).

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 2019 and 31st of December 2018, the results achieved on the operations of the Group and cash flow for the 12 months ended 31st of December 2019 and 31st of December 2018.

Report of Management Board of Dekpol S.A. regarding business activities of the Company and the Dekpol Capital Group for 2019 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).

5.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF THE DEKPOL CAPITAL GROUP

5.2.1 ANALYSIS OF FINANCIAL SITUATION

Item	Note	31.12.2019	31.12.2018
Fixed assets		239 195	207 758
Property, plant and equipment	1.	81 888	79 957
Intangible assets		428	307
Goodwill	3.	0	0
Investment properties	2.	145 346	116 872
Stocks and shares		10	0
Receivables		782	599
Other long-term financial assets		2 822	2 499
Long-term deferred charges		0	0
Deferred income tax assets		7 920	7 523
Current assets		715 786	693 059
Inventory	6.	369 681	340 586



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Receivables due to contracts with clients		66 457	48 493
Trade receivables and other receivables	7.	157 345	233 464
Other short-term financial assets		0	0
Short-term deferred charges	9.	6 039	4 559
Cash and cash equivalents		116 264	65 957
including cash on escrow accounts		28 185	24 372
Assets classified as intended for sale		0	0
Assets in total		954 981	900 817

Item	Note	31.12.2019	31.12.2018
Equity		242 314	191 525
Share capital		8 363	8 363
Equity from sales of shares over its nominal value		26 309	26 309
Other equities		188 479	154 590
Own shares (-)		0	0
Exchange rate differences resulting from translation		1	0
Profits retained:		19 160	2 263
Equity attributable to shareholders of the parent entity		242 312	191 524
Non-controlling shares		2	1
Long-term liabilities	13.	197 100	258 515
Deferred income tax provision		24 985	16 821
Liabilities and provisions on employee benefits		124	107
Other long-term provisions		0	3
Long-term credits, borrowings and debt instruments		145 041	214 069
Other long-term financial liabilities		3 310	7 662
Other long-term liabilities		23 640	19 854
Short-term liabilities	13.2.	515 567	450 777
Liabilities and provisions on employee benefits		6	15
Other short-term provisions		19 866	14 222
Short-term credits, borrowings and debt instruments		142 445	60 338
Other short-term financial liabilities		7 287	8 462



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Liabilities due to contracts with clients	0	0
Trade liabilities and other liabilities	339 747	361 018
Receivables from future terms	6 216	6 721
Liabilities connected to assets intended for sale	0	0
Liabilities in total	954 981	900 817

5.2.2 ANALYSIS OF MATERIAL SITUATION

Item	Note	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Revenue from sales	16.1	772 119	837 034
Costs of goods sold	16.3.	688 799	743 708
Gross profit (loss) from sales		83 321	93 326
Selling costs	16.2.	22 757	27 889
General administrative expenses	16.2.	17 228	19 038
Other operating income	16.4.	37 749	26 987
Other operating expenses	16.5.	10 125	21 133
Operating profit (loss)		70 960	52 253
Financial revenues	17.1.	157	287
Financial expenses	17.2.	8 388	7 323
Share In profit (loss) of entities accounted using the equity method		0	0
Profit (loss) before tax		62 729	45 217
Income tax		11 941	11 285
Profit (loss) from continuing operations		50 788	33 932
Net profit (loss)		50 788	33 932
Other net comprehensive income		0	17
Total income attributable to non-controlling shareholders		0	0
Total income attributable to shareholders of the parent entity		50 788	33 949



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5.2.3 ANALYSIS OF CASH FLOWS

Item	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Profit (loss) before tax	62 729	45 217
Adjustments:	15 215	-6 360
Depreciation	10 219	7 897
Change of fair value of investment properties	0	-20 107
Profit (loss) from sales of non-financial tangible assets	-714	0
Profit (loss) from sales of financial assets (other than derivatives)	0	0
Profits (losses) from foreign exchange differences	-75	0
Interests and shares in profits	5 784	5 849
Other adjustments	0	0
Change in working capital	13 079	-103 250
Change in inventories	-20 280	-88 078
Change in receivables	59 545	-164 589
Change in liabilities	-33 673	138 305
Change in provisions and accruals	7 486	11 113
Other adjustments	0	0
Income tax on profit before taxation	-10 455	-11 285
Income tax paid	2 259	8 101
Net cash from operating activities	82 825	-65 079
Expenses related to acquisition of intangible assets	-403	-669
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-7 707	-4 499
Inflows from sales of property, plant and equipment	316	277
Expenses related to acquisition of investment properties	-7 400	-12 308
Inflows from sales of investment properties	-2 800	0
Net expenses for the acquisition of subsidiaries	-10	0
Repayments received from loans granted	0	0
Loans granted	0	0
Expenses related to acquisition of other financial assets	-322	-1 240
Inflows from the sales of other financial assets	51	0
Net cash from operating activities	0	0
Net cash from investment activities	-18 275	-18 439
Net inflows from issue of shares	0	0
Purchase of own shares	0	0



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Inflows from issue of debt securities	29 550	132 045
Redemption of debt securities	-24 587	-46 033
Inflows from loans and borrowings taken out	138 831	90 411
Repayment of loans and borrowings	-132 354	-58 138
Repayment of liabilities under finance lease	-9 091	-7 121
Interest paid	-16 583	-10 846
Dividends paid	0	-9 868
Inflows from received grants	0	0
Other inflows (expenses) from investment activities	0	0
Net cash from financial activities	-14 234	90450
Change in net cash and cash equivalents without exchange differences	50 316	4 434
Change in cash and cash equivalents due to exchange differences	0	0
Net change in cash and cash equivalents	50 316	4 434
Cash and cash equivalents at the beginning of the period	65 947	61 524
Cash and cash equivalents at the end of the period	116 264	65 957
Including cash of limited disposal right	28 237	27 608

5.2.4 SIGNIFICANT OFF-BALANCE SHEET ITEMS

Type of guarantee	Granted (in thousands of PLN)	Received (in thousands of PLN)
Insurance guarantee	28 180	2396
Bank guarantee	35 581	2 414
Total:	63762	4 810

5.2.5 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2019	2018
Profitability of sales	max	5,61 %	5,54 %
Gross profitability of sales	max	8,12 %	5,40 %
Net profitability of sales	max	6,58 %	4,10 %
Profitability of net assets	max	5,47 %	4,57 %
Return on equity net	max	26,52 %	20,88 %
Current liquidity	1,4-2,0	1,39	1,54
Quick liquidity	0,8-1,0	0,67	0,77
Debt to EBITDA	<4,5	2,24	3,73
Debt to equity	<1,3	0,75	1,17



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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

Dekpol S.A. did not publish financial results forecast of the Dekpol Capital Group for the year 2019.

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 2019, 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 general contracting segment, the Group will continue its adopted strategy of sustainable development. Subject to the unpredictable at the time of this report, the social and economic impact of the COVID-19 pandemic, this strategy will invariably focus on the company's internal processes in three main areas:

1. **acquisition**, through the creation of an appropriate level of sales of subjectively and territorially diversified building construction services, while maintaining a moderate pricing policy. Obtaining short- and medium-term contracts for implementation, which are characterized by significantly lower risk from the external environment, remains a priority. Focus of the Group's interest and competences on cubature building supports creation of the effect of scale in implementation of supplies and contracting subcontractors;
2. **organisation**, by constantly striving to improve the quality of enterprise processes, in particular in terms of their effectiveness, broadly understood security and flexibility. Monitoring and measuring processes introduced by general contracting segment is of particular importance in management of construction projects. Events related to the COVID-19 virus pandemic have strengthened the validity of the development of IT tools supporting business processes in the Dekpol Capital Group, hence the development works in this field will be continued;
3. **human resources**, by developing competences of the human resources capital of the general contracting segment, setting individual goals and assessing their implementation, obtaining high morale and motivation of employees, the general contracting segment creates opportunities for further development of the company, and on the other hand, allows for a relative reduction in the costs of the organization and retention of highly qualified personnel.

Department of manufacture of accessories for construction machines

Separated in years 2020 – 2021 department of production of accessories for construction machines as a subsidiary of Dekpol Steel Sp. z o.o. plans further dynamic



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development on the markets of: Europe, Africa, USA and Poland. Creating own sales networks and service facilities will increase the number of potential customers, thanks to which the Dekpol brand will strengthen its position. In 2020, the company, together with the largest manufacturer of hydraulic systems in Poland, will start design and research work on hydraulic motors replacing traditional cylinders. In the first quarter of 2020, began the initial design phase of the ROTOTILT device, thanks to which, it will be possible to fully exploit the possibilities of buckets mounted on excavators. The premiere of both devices is to take place during the next edition of the largest construction machinery fair BAUMA 2022. In 2020, Dekpol Steel Sp. z o.o. plans to start the expansion of the production hall for the construction of the largest buckets exceeding a curb weight of over 30 tons. The new hall will be equipped with 50 ton cranes as well as a robotic welding system. At the turn of 2020/2021, it is also planned to create a fully automated and robotic bucket production line for compact machines. This line will be separated on the current production area. In the fourth quarter of 2020, it is also planned to complete the implementation of the ERP system, which will significantly improve production management and planning.

Real-estate development segment

The strategy of the Dekpol Developer assumes a stable development of development activity both in the popular construction segment as well as in the premium segment, or in investment construction segment, i.e. apartments for rent or hotels. The company focuses on the implementation of high-margin projects and systematic improvement of its financial results

In subsequent years, the Company plans gradually expand its activities 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 further dynamic development and increase its recognition. Both adapting the offer to the financial possibilities and expectations of customers, as well as intensified marketing activities will allow maintaining a satisfactory level of sales. Thanks to the extensive land bank, the Company will be able to systematically introduce new investments for sale. In 2020, it is planned to start the construction of 8 new projects, and next 7 new projects. The company also plans to develop cooperation with financial institutions, thus ensuring access to capital enabling the implementation of development plans.

In 2020, 400 new apartments are planned to be sold. The sale of apartments identified in the Group's financial result (based on concluded notary agreements transferring ownership of the premises) is planned at the level of 650 apartments worth PLN 320 million, with a simultaneous increase in the gross margin on sales to a level above 20%. A modification of the structure is also assumed further increase in the share of high-standard holiday apartments from 14% to 31% in 2020. In turn, the



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share of the popular segment will decrease to 44%, which in 2019 accounted for 61% of sales.

As part of new projects, Dekpol Deweloper plans to include entry to the Wrocław market. The first investment is being prepared there, which will provide nearly 350 apartments. The start of construction works is planned for the fourth quarter this year. Other projects will be implemented in the Pomeranian Voivodeship, where the developer maintains a leading position on the market. On the owned land bank, the Company may introduce over 5,000 apartments to its offer with over 230 thousands m² PUM (Usable Floor Area).

In the above mentioned plans, the Company took into account current situation related to the possibility of negative effects of a virus pandemic and adopted a pessimistic scenario.

A decrease in the number of customers in March and April is visible, caused by restrictions introduced by national authorities, as well as the uncertainty of the society related to the slowdown of the global economy. If the epidemic persists and has a lasting impact on the economy, a decline in customers can be expected in the coming months.

Due to the good liquidity situation of the Dekpol Capital Group, the Company does not identify a significant threat associated with the impact of the development of the virus epidemic on the liquidity of the Group companies, and due to the short data observation horizon, it is not able to estimate the impact of the epidemic on development activities in the long term.

The Company's Management Board provides regular monitoring of development of the situation related to the continuing effects of the COVID-19 virus spread and their impact on the operations of the Company and the Capital Group.

6.2 IMPLEMENTATION OF THE STRATEGY OF THE COMPANY AND THE DEKPOL CAPITAL GROUP IN YEAR 2019

In the financial year 2019, 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 in 2019 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.

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.



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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

production plant was also enriched with modern machines, which increased the production potential in this segment. Once again the company increased its revenues and acquired new customers, which in perspective gives the opportunity for further development of the segment. In 2019, activities were also carried out related to the separation of the segment and the transfer as an organized part of the enterprise to the newly created company Dekpol Steel Sp. z o.o. on 1st of January 2020.

Real-estate development segment

From January 2019, in order to increase the segment's transparency, an organized part of the enterprise covering real-estate development segment of the Company was transferred to the newly established Company Dekpol Deweloper Sp. z o.o. The ordinance of an organized part of the enterprise allowed for the separation of real-estate development activities from other areas of the Company's operations, and consequently for limiting business and legal risk, while increasing organizational and financial transparency within the Dekpol Capital Group.

A land bank including plots in Gdańsk, Warszawa or Wrocław will allow for increasing the number of development investments offered by the Group in subsequent periods.

6.3 DEVELOPMENT PERSPECTIVES FOR THE UPCOMING YEAR

The Capital Group'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 reportia.

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 2019 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.

It should also be pointed out, that the results achieved, in the perspective of at least the next year, will have the COVID-19 virus, which spread throughout the world in the first months of 2020, and its negative impact affected many countries. Although this situation is still changing at the time of publication of this report, it appears that the negative impact on global trade and the Group may be more serious than originally expected. Exchange rates have changed, the value of shares on the markets has fallen and commodity prices are fluctuating. Despite the negative impact of the epidemic on the business environment of the entity, Management Board does not see significant uncertainty related to the continuation of the business of the Company and the Dekpol 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 2020 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 Capital Group 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 Capital Group's result and disruption of the financial balance.

Risk related to weather conditions

Conducting activity on the wider construction market, the Capital Group 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 Capital Group, while creating a project implementation schedule, assumes typical atmospheric conditions for the given seasons. The Capital Group 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 goods

In case of the activity conducted by the Capital Group, 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 Capital Group'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 Capital Group's profitability.

The risk related to underestimating contracts

The Capital Group'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 Capital Group itself, 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 Capital Group 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 Capital Group. Despite cooperation with renowned and proven contractors and suppliers, as well as ongoing supervision over the performance of works, the Capital Group 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 Capital Group's financial situation, due to the need to pay potential contractual penalties to clients with



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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 Capital Group 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 Capital Group 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 Capital Group'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 Capital Group's revenues. This translates directly into the financial result and prospects of the Capital Group'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 Capital Group. The Capital Group 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 Capital Group. 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 Capital Group. In addition, the Capital Group'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



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prospects. To mitigate this risk, the Capital Group 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 Capital Group to the changing market realities, e.g. through actions aimed at reducing costs.

Risk related to non-payment of receivables by ordering parties

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 Capital Group'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 Capital Group 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 Capital Group'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 Capital Group's financial situation and opportunities for further development.

Risk related to the implementation of real-estate 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 of apartments price as a part of the real-estate development activity

Profitability of property development activity depends on the prices of sold premises, for which the Capital Group 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 Capital Group 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 Capital Group's financial result.

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

The Capital Group operates, among others in the property development industry, selling premises largely to consumers. In relations with consumers, the Capital Group 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 Capital Group'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 Capital Group regarding recognition of the provisions of the template as prohibited.

Risk of accidents at the construction site

Capital Group, 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 Capital Group. 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 Capital Group 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 Capital Group's violation of the contract with the investor and lead to claims against the Capital Group and expose him to the loss of the status of a



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reliable contractor, which adversely affects the financial result of the Capital Group. The Capital Group tries to limit this risk by intensifying activities aimed at building its own base of qualified employees. In addition, the Capital Group, 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 Capital Group's financial results and 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 Capital Group 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 Capital Group, being aware of this risk, each time seeks to obtain appropriate approvals from investors or contractors.

Risk associated with acquiring new contracts

The nature of the business activity conducted by the Capital Group means that a significant number of contracts is obtained through a tender. The Capital Group'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 Capital Group is the consistent implementation of the development strategy focused on acquiring contracts with the highest profitability. The Capital Group has developed an effective contract valuation system, which, combined with strict cost control, means that the Capital Group is currently executing contracts at assumed profitability and achieving good financial results. The Capital Group 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 Capital Group 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 Capital Group 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 Capital Group implements industrial construction facilities in the general contracting system. The Capital Group 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 Capital Group carries out his work with the utmost diligence, building the best possible relations with clients. In addition, the Capital Group 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

Risk related to virus pandemic (COVID-19)

The risk that has an increasing impact on the global and Polish economy is the Covid-19 pandemic spreading as at the date of publication of this report. The Dekpol Capital Group identifies potential risk that may affect particular areas of the Group's operations arising directly or indirectly from the current situation. In relation to the general contracting segment and the production of accessories to construction machines these are primarily: limited availability of administrative and production employees, subcontractors' employees as well as limiting or suspending production at plants supplying materials or elements for the investment. It cannot be excluded that in the current situation there may be delays in implementation of projects due to force majeure. In real-estate development segment, we can indicate the risk of temporary reduction in the number of physically signed legal acts transferring ownership of premises to new buyers. The postponement of their conclusion in the Group's assessment should in long-term period to affect the Group's results, but only in the next few months. Delays in obtaining construction permits and other administrative decisions necessary to start or continue construction process are also possible.

The Group reserves, however, that due to the unprecedented scale of the phenomenon and the dynamics of events, it is difficult as at the date of publication of this report to predict further development of situation and to assess the impact of potential effects of a pandemic, as well as to assess possible scenarios of behavior of major investors, customers, suppliers and subcontractors. Dekpol conducts activities adapting functioning of companies to changing conditions, so as to securely ensure



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continuity of operations. The Group also undertakes necessary preventive actions in the scope of projects implemented by the Group as well as educational actions in relation to employees. At the same time, management boards of individual Group's companies will react to changing market conditions on an ongoing basis.

The risk related to the macroeconomic situation

The results obtained by the Capital Group 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 Capital Group 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 Capital Group'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 Capital Group 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 Capital Group. 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 Capital Group'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 Capital Group'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



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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. 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 Capital Group's. In order to minimize the above-described risk, the Capital Group 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 Capital Group, 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 Capital Group 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 Capital Group 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 Capital Group. However, according to best knowledge, contracts for construction works, to which the Capital Group was or is a party, contain provisions in accordance with the provisions of the Civil Code.



Risks related to financial instruments

Currency risk

The Capital Group operates mainly in Poland. In the field of export activity, the Capital Group 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 Capital Group'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 Capital Group.

Interest rate risk

The Capital Group finances its activities, among others with variable rate debt (including working capital loans and bonds). Therefore, it is exposed to interest rate risk. In case of a significant increase in interest rates, the Capital Group'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 Capital Group's financial results.

Risks related to bonds issued

Due to bonds issued, the Capital Group'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 Capital Group'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 Capital Group has no problem with timely debt bond service. The Capital Group, 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 Capital Group 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 Capital Group'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 2019, 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 2019, 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



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.

Recommendation III.R.1 The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

This recommendation is not applied. Due to the size of the business, no special units are responsible for the implementation of tasks in specific systems or functions, i.e. internal control units, risk management, compliance and internal audit functions in the Company's structure. According to the principle III.Z.1. The Company's Management Board is responsible for the implementation of these systems.

Principle 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. W the Company did not separate persons responsible for risk management, internal audit and compliance. Currently, Management Board is responsible for controlling the Company's operating activities, including controlling its internal business processes and managing risk. There are no formal procedures or internal control, risk management or compliance units in the Company. Currently, Management Board does not see any need to separate such units, unless the assessment made by the Supervisory Board indicates the need to separate them. The company indicates that due to its size and scope of activity, it considers the current control and audit system as well as risk management to be sufficient.

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.2 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.2. 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.2, 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.

Rekomendacja IV.R.3 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 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 of Shareholders. 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. The company is obliged to present the amount of remuneration of the members of the bodies in the annual reports. As at publication date of this report, there is no document in the Company specifying the rules for determining the remuneration policy. Pursuant to the amendment to the Act on public offering (...), in 2020 the Company will start to develop a remuneration policy that meets the statutory requirements, after which it will be presented to the General Meeting of Shareholders of the Company for its adoption.

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. Pursuant to the amendment to the Act on public offering (...), in 2020 the Company will start to develop a remuneration policy that meets the statutory requirements, after which it will be presented to the General Meeting of Shareholders of the Company for its adoption.

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.

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 2019 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%
Familiar S.A. SICAV-SIF*	679 583	8,13%
Other shareholders	1 233 106	14,75%
Total:	8 362 549	100%

* based on the number of registered shares for the Ordinary General Meeting of the Company convened for 28th of June 2019

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.



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 1st of January 2019:

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

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
Katarzyna Szymczak-Dampc	Member of Management Board

The term of office of the President of the Management Board Mr. Mariusz Tuchlin will expire on 4th of June 2024, term of office of Vice-President of the Management Board Mr. Michał Skowron will expire on 1st of January 2023, while term of office of a Members of the Management Board Mrs. Katarzyna Szymczak-Dampc will expire on 31st of December 2025.

Changes in the composition of the Management Board of Dekpol S.A. in 2019 and until the date of publication of the report

On 4th of June 2019, the Company's Supervisory Board adopted resolution concerning appointment to the Management Board of the Company on the next term of office:

- Mr. Mariusz Tuchlin who was entrusted with the function of the President of Management Board,



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- Mr. Andrzej Kuchtyk who was entrusted with the function of a Member of Management Board,
- Mr. Rafał Dietrich who was entrusted with the function of a Member of Management Board.

Resolutions of the Company's Supervisory Board were adopted in connection with the expiry of the current term of office of the abovementioned persons. The company announced about the event in current report no. 17/2019 dated 4th of June 2019.

On 23rd of December 2019, the Company received the resignations of Mr. Rafał Dietrich and Mr. Andrzej Kuchtyk from the function of a Member of the Company's Management Board. The resignations were submitted with effect as at 31st of December 2019, the Company announced about the event in current report No. 45/2019 dated 23rd of December 2019.

The resignation of Mr. Rafał Dietrich took place, among others in connection with the ongoing reorganization process of the Dekpol Capital Group, under which Mr. Rafał Dietrich was entrusted with the function of financial director of Dekpol Deweloper Sp. z o.o., in which Mr. Rafał Dietrich is also a Member of the Company's Management Board.

Resignation of Mr. Andrzej Kuchtyk occurred in connection with the reorganization of the Dekpol Capital Group and the planned separation of an organized part of the Company's enterprise, including transfer of activities in the field of manufacturing accessories for construction machines to a subsidiary, i.e. Dekpol Steel Sp. z o.o., in which Mr. Andrzej Kuchtyk was appointed to the Management Board and acts as the President of the Management Board.

On 30th of December 2019, the Company's Supervisory Board adopted a resolution appointing Mrs. Katarzyna Szymczak-Dampc to the Company's Management Board as of 1st of January 2020 and entrusted with the function of a Member of the Management Board. The Company announced about the event in current report no. 49/2019 dated 30th of December 2019.

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



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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://dekpole.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.

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.

Composition of the Supervisory Board of Dekpol S.A. in financial year 2019 and as at the date of publication of this report:



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

Terms of office of Mr. Grzegorz Wąsacz will end on 7th of March 2022. Terms of office of Mr. Wojciech Sobczak will end on 28th of May 2023. Terms of office of Mr. Roman Suszek and Mr. Jacek Grzywacz will end on 1st of April 2024. Terms of office of Mr. Jacek Kędzierski will end on 30th of June 2024.

Changes in the composition of the Supervisory Board of Dekpol S.A. in 2019 and until the date of publication of the report

On 2nd of April 2019, resolutions from 17th of December 2018 of the Company's Extraordinary General Meeting of Shareholders regarding appointment of existing Members of Supervisory Board for the next term of office: Mr. Roman Suszek as Chairman of the Company's Supervisory Board and Mr. Jacek Grzywacz as the Vice-Chairman of the Company's Supervisory Board came into force.

On 1st of July 2019, resolution from 17th of December 2018 of the Company's Extraordinary General Meeting of Shareholders regarding appointment of existing Member of Supervisory Board for the next term of office: Mr. Jacek Kędzierski came into force.

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;



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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;
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.

8.7.3 AUDIT COMMITTEE

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 2019 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.

Competences of the Audit Committee

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,
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.

Composition of the Audit Committee

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



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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 2019 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 2019, the Audit Committee held six meetings.

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:



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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 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.

Cooperation principles with statutory auditor's company

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;



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- 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 financial year 2019, 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.

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.

8.7.4 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.



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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 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



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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:

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



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and the dividend payment date is the prerogative of the General Meeting of Shareholders. With shares are not related other rights to share in the profits of the Issuer.

2. 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 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.
3. 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.
4. The right to dispose of shares - shareholders are entitled to encumber owned shares with pledge or usufruct.

Corporate rights:

1. 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.
2. 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.
3. The rights of the shareholders, dependent on participation in the share capital or one general number of votes:
 - the right to convene the General Meeting of Shareholders,
 - the right to request the convening of the General Meeting of Shareholders,
 - the right to request certain issues on the agenda of the next General Meeting of Shareholders,
 - 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,
 - the right to request election of the Supervisory Board by voting in separate groups.
4. The right to propose during the General Meeting of Shareholders of drafts of resolutions concerning issues included in the agenda.



5. The right to view a list of shareholders entitled to participate in the General Meeting of Shareholders.
6. The right to request copies of requests on matters included in the agenda of the General Meeting of Shareholders.
7. The right to request the attendance list at the General Meeting of Shareholders.
8. The right to information concerning the Issuer - during the General Meeting of Shareholders, Management Board is obliged to provide to shareholders, on their request, information relating to the Issuer, if it is justified for the assessment of a matter on the agenda.
9. 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.
10. Right to review minutes from General Meeting of Shareholders and request the issuance of certified copies of resolutions certified by Management Board.
11. The right to registered depository certificate issued by the entity keeping the securities account.
12. The right to bring an action for overruling of the resolution.
13. 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



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datek 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 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



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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 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 2019, 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. However, in accordance with the amendment to the Act on public offering (...), in 2020 the Company will start to develop a remuneration policy that meets statutory requirements, after which it will be presented to the General Meeting of Shareholders of the Company for its adoption.

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 2019 shows the below table:

Gross remuneration of people managing the Issuer in thousands of PLN

Item	Term of office	Remuneration
Mariusz Tuchlin	Whole year	366
Michał Skowron	Whole year	457
Andrzej Kuchtyk	Whole year	345
Rafał Dietrich	Whole year	321
TOTAL		1 489

Members of Management Board receive fixed remuneration. In 2019 managing staff did not receive bonuses, other goods or financial benefits (including any contingent or deferred).

In 2019 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 foreseen 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 2019, shows the below table:

Gross remuneration of people managing the Issuer in thousands of PLN

Item	Term of office	Remuneration
Roman Suszek	Whole year	27
Wojciech Sobczak	Whole year	19
Jacek Grzywacz	Whole year	24
Jacek Kędzierski	Whole year	24
Grzegorz Wąsacz	Whole year	19
TOTAL		113

In 2019 supervisory staff did not receive bonuses, other goods or financial benefits (including any contingent or deferred).

In 2019 members of the Issuer's Supervisory Board were not granted by the Issuer with benefits in kind for the services they performed.



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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 2019, 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 2019, 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 Company or its subsidiary.

However, it should be noted, that the specific nature of the Capital Group's operations is correlated with multiplicity of proceedings related to claims in respect of completed projects. There are also cases, when the Capital Group acts as the defendant, they are usually associated with the investments being made by him in the course of real estate development activities. The Companies from Dekpol Capital Group did not create reserve for debts, awaiting the results of investigations. On these results will depend further decisions of the Group in this regard.

10.2 INFORMATION ON EMPLOYMENT

The size of the average employment in the structures of the Issuer in the period 2019-2018, broken down into white-collar and physical employees, shows the following table:

Employment in the structures of the Issuer in the period 2019 - 2018 (average annual employment in period, in persons)

Item	2019	2018
White-collar employees	292	220
Blue-collar employees	131	159
TOTAL	423	379

Source: Issuer

The employment in the structures of the Issuer in the period 2019-2018, at the end of each period, shows the following table:

Employment in the structures of the Issuer in the period 2019– 2018 (employment at the end of the period, in persons)

Item	31.12.2019	31.12.2018
Employments (persons)	408	428

Source: Issuer

Moreover, the Issuer informs that as of 31.12.2019, in direct or indirect subsidiaries of the Issuer, employment status amounted:

- Betpref sp. z o.o. – 66 persons.
- Dekpol Deweloper Sp. z o.o. – 20 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 2019 is the company REWIT Księgowi i Biegli Rewidenci Sp. z o.o. headquartered in Gdańsk at ul. Starodworska 1, registered in National Court Register, maintained by District Court for Gdańsk – North in Gdańsk, VII Commercial Division of the National Court Register entered the Issuer into Register of Companies under the following number 00003104 and entered on the list of National Chamber of Statutory Auditors under the following number 101. The auditing company was selected by the Supervisory Board, in accordance with the recommendation of the Audit Committee. 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 2019.

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 16th of July 2019 and on the period essential to performance of works being the subject of agreements.

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 2018 was the company HLB M2 Spółka z ograniczoną odpowiedzialnością Audit PIE Sp. k. headquartered in Warszawa. This company was selected by the Supervisory Board, in accordance with the recommendation of the Audit Committee. 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 2018. 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	2019	2018
Remuneration paid outstanding for the financial year:		
Audit of financial statement (separate)	32,0	28,5
Audit of financial statement (consolidated)	15,0	11,5
Audit of condensed financial statement	28,0	20,3
tax consultancy services	-	-
Other services	-	-
TOTAL	75,0	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 Company carries out works in order to develop new solutions in the field of manufacture of accessories to construction machines. At the moment, the main work is focused on the design of the ROTOTILT device, which will increase the efficiency and functionality of the installed accessories. This device is a combination of a quick coupler and a 360-degree rotary head. Full rotation allows the bucket to be used in both underside and backward position. In addition to this project, work is also carried out on the profile of backhoe buckets, thanks to which loading and unloading cycles are to be shortened. This is due to the fact that the market expects innovative products that stand out in terms of new aspects of technological, qualitative and functional usability that improve the performance of activities. 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.

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 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;



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- 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;
- 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 CONTACT FOR INVESTORS

Company name (firm):	Dekpol Spółka Akcyjna
Abbreviated name:	Dekpol S.A.
Headquarter:	ul. Gajowa 31, 83-251 Pinczyn
Phone numer:	(58) 560-10-60
Fax:	(58) 560-10-61
Website:	http://www.dekpol.pl/
E-mail:	dekpol@dekpol.pl

Mariusz Tuchlin - President of Management Board

Michał Skowron – Vice-President of Management Board

Katarzyna Szymczak- Dampc – Member of Management Board