



**REPORT OF MANAGEMENT BOARD
ON BUSINESS ACTIVITIES OF THE COMPANY
AND DEKPOL CAPITAL GROUP
for 2020
(corrected)**

Pinczyn, 28th of May 2021



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SELECTED FINANCIAL DATA

Selected financial data of Dekpol Capital Group

Selected consolidated financial data	Thousands of PLN		Thousands of EUR	
	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
I. Net revenue from sales of products, goods, and materials	1 054 978	772 119	235 791	179 487
II. Profit (loss) on operating activity	81 044	70 960	18 114	16 495
III. Profit (loss) before tax	67 073	62 729	14 991	14 582
IV. Net profit (loss)	52 771	50 788	11 795	11 806
V. Earnings (loss) per ordinary share (in PLN / EUR)	6,31	6,07	1,41	1,41
VI. Net cash flows from operating activity	126 747	82 825	28 328	19 254
VII. Net cash flows from investment activity	(8 845)	(18 275)	(1 977)	(4 248)
VIII. Net cash flows from financial activity	(76 673)	(14 234)	(17 137)	(3 309)
IX. Total net cash flows	41 230	50 316	9 215	11 696
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
X. Total assets	953 497	954 981	206 617	224 253
XI. Liabilities and provisions for liabilities	660 017	712 667	143 022	167 352
XII. Long-term liabilities	128 920	197 100	27 936	46 284
XIII. Short-term liabilities	531 097	515 567	115 086	121 068
XIV. Equity	293 479	242 314	63 595	56 901
XV. Share capital	8 363	8 363	1 812	1 964
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)	35	29	8	7



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Selected financial data of Dekpol S.A.

Selected separate financial data	Thousands of PLN		Thousands of EUR	
	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019	01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
I. Net revenue from sales of products, goods, and materials	801 586	823.783	179 157	191 497
II. Profit (loss) on operating activity	41 634	43 654	9 305	10 148
III. Profit (loss) before tax	28 276	28 649	6 320	6 660
IV. Net profit (loss)	22 672	23 105	5 067	5 371
V. Earnings (loss) per ordinary share (in PLN / EUR)	2,74	2,76	0,61	0,64
VI. Net cash flows from operating activity	58 140	93 737	12 995	21 790
VII. Net cash flows from investment activity	11 461	(36 075)	2 562	(8 386)
VIII. Net cash flows from financial activity	(37 226)	(32 669)	(8 320)	(7 594)
IX. Total net cash flows	32 375	24 992	7 236	5 810
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
X. Total assets	792 996	775 316	171 838	182 063
XI. Liabilities and provisions for liabilities	535 372	536 745	116 012	126 041
XII. Long-term liabilities	108 691	164 692	23 553	38 674
XIII. Short-term liabilities	426 681	372 053	92 459	87 367
XIV. Equity	257 624	238 570	55 826	56 022
XV. Share capital	8 363	8 363	1 812	1 964
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)	31	29	7	7

Selected balance sheet items presented in EUR have been converted according to the average EUR exchange rate announced by Narodowy Bank Polski (National Bank of Poland) on 31st of December 2020 and 31st of December 2019. Selected items of the profit and loss account and the cash flow statement were converted into EUR at the exchange rate announced by Narodowy Bank Polski (National Bank of Poland), being the arithmetic average of exchange rates for EUR applicable on the last day of each completed month in the period of 12 months ended 31st of December 2020 and 12 months ended 31st of December 2019.

	01.01.-31.12.2020	01.01.-31.12.2019
Exchange rate valid at the last day of the period (EUR/PLN)	4,6148	4,2585
Average exchange rate on the period (EUR/PLN)	4,4742	4,3018



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 2020, Dekpol S.A. carried out its major operations in the field of general contracting services for the following objects:

- industrial for storage, logistics and production purposes,
- residential - residential buildings constructed on behalf of SPV companies,
- public utility facilities - hotels, shopping centers.

As a part of ongoing reorganization of the Dekpol Capital Group in recent years, individual areas of business activities were gradually transferred from the parent company Dekpol S.A. to newly created subsidiaries, and Dekpol S.A. took over the function of holding company managing the Capital Group. By implementation of a new organizational structure, it was possible to individualize development strategies created for each of the dedicated companies. Currently, each of management boards has a package of options to select their own solutions, depending on specifics of their business activities.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

From the beginning of 2021, in connection with completion of reorganization process, the Issuer acts only as the holding company managing the Capital Group and provides services on behalf of entities from the Dekpol Capital Group.

1.2 BRANCHES

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

1.3 COMPOSITION OF MANAGEMENT BOARD OF 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
Katarzyna Szymczak- Dampc	Vice-President 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 2020 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 of A-series ordinary bearer shares,
- b) 1.952.549 of B-series ordinary bearer shares,

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

1.4.2 SHAREHOLDING STRUCTURE

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as of 31.12.2020 and as of the day of publishing of this report:



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Major Shareholders	Number of shares / Number of votes	Participation in share capital / general number of votes
Mariusz Tuchlin	6 466 845	77,33%
Familiar S.A. SICAV-SIF*	679 583	8,13%
Other shareholders	1 216 121	14,54%
Total:	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 MAY OCCUR CHANGES IN SHAREHOLDING STRUCTURE

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 BOARD AND SUPERVISORY BOARD

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 – President of Management Board	6 466 845	6 466 845

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 EMPLOYEES 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 2020 and did not take any actions to acquire own shares during this period.

1.5 CHANGES IN COMPANY'S MANAGEMENT PRINCIPLES

In financial year 2020, the Company and the Capital Group continued 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 real-estate development segment and transferred it in a form of an organized part of the enterprise (ZCP) to a subsidiary called Dekpol Deweloper Sp. z o.o..



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On 1st of January 2020, there was a transfer from the Company to the subsidiary Dekpol Steel Sp. z o.o. an organized part of the enterprise (ZCP) operating under the name of "Bucket Production Department" and covering in particular production and sales of buckets and accessories for construction machines. The organized part of the enterprise was a separate department within the Issuer's structures and an independent enterprise individually carrying out the above tasks.

On 31st of December 2020, Dekpol S.A. concluded with the subsidiary Dekpol Budownictwo Sp. z o.o. an agreement for the transfer by the Company to Dekpol Budownictwo Sp. o.o. of an organized part of the enterprise (ZCP), including a set of tangible and intangible assets of the Issuer, separated in terms of organization, functionality and finance, intended for business activities in accordance with Art. 55 (1) of the Civil Code, covering in particular comprehensive implementation of investments in the field of construction and assembly works commissioned by investors, which the organized part of the enterprise was a separate department within the Issuer's structures operating under the name of "General Contracting Department" and an independent enterprise individually carrying out the above tasks. Pursuant to the concluded agreement, the ZCP was issued on 1st of January 2021 (an event after balance sheet date).

In connection with the above, as of 1st of January 2021, the Issuer acts mainly as a holding company that manages the Capital Group and provides services to entities from the Dekpol Capital Group, while the current operating activities carried out by the Issuer are carried out by individual dedicated subsidiaries of the Issuer. Due to the fact that operating activities in the field of general contracting are conducted until 31st of December 2020, the Issuer remains responsible for liabilities under concluded contracts, to the extent where the consent of the contractors was not obtained for taking over of these liabilities by the subsidiary Dekpol Budownictwo Sp. z o.o..

Information about reorganization activities of the Company and the Dekpol Group is available in point 2.5 of this report.

In 2020, there were no other changes to the basic management principles of the Company than those indicated above.

1.6 ORGANISATIONAL AND CAPITAL TIES

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

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



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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, 2 % of shares and votes belong to City Apart Management Sol Marina Sp. Z o.o.	The company operates in the hotel industry
Dekpol Serwis Sp. z o.o. (do 29.01.2021 komplementariusz Dekpol Serwis Sp. z o.o. Sp. k., aktualnie OMT Serwis Mariusz Tuchlin Sp. j.)	0000629533	- 90% of shares belong to Mariusz Tuchlin (President of Management Board in the Company)	The company does not conduct operating activities. The company operated as central companies and holding companies with the exception of financial holdings
OMT Serwis Mariusz Tuchlin Sp. j.(do 07.04.2021 OMT Serwis Mariusz Tuchlin Sp. K.)	0000893460	- Mariusz Tuchlin holds 99% of share in profits and losses of the Company, Mariusz Tuchlin is also a partner entitled to its representation	The company operates in the field of passenger and delivery vehicle rental, as well as construction machinery and equipment
City Apart Management Sol Marina Sp. z o.o.	0000711010	- 90% of shares belong to Mariusz Tuchlin (procurent in the Company), 90% of votes	The Company will operate in the hotel industry
City Hotel Management Sp. z o.o.	0000589930	- 100 % of shares belong to OMT Holding Sp. z o.o. in which Mariusz Tuchlin holds 98% of shares	The company operates in the hotel industry
OMT Holding Sp. z o.o.	0000852695	- 98% of shares belong to Mariusz Tuchlin (President of Management Board in the Company)	The company operates as central companies and holding companies, excluding financial holdings
OMT Nieruchomości Sp. z o.o.	0000849933	- 90% of shares belong to Mariusz Tuchlin (President of Management Board in the Company)	The company operates as central companies and holding companies, excluding financial holdings
City Apart Management Pszenna Sp. z o.o.	0000710859	- 90% of shares belong to Mariusz Tuchlin (procurent in the Company), 90% of votes	The company operates as central companies and holding companies, excluding financial holdings
City Apart Management Pszenna Sp. z o.o. Sp. K.	0000711812	- Mariusz Tuchlin holds 99% of share in profits and losses of the Company (procurent 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 as central companies and holding companies, excluding financial holdings



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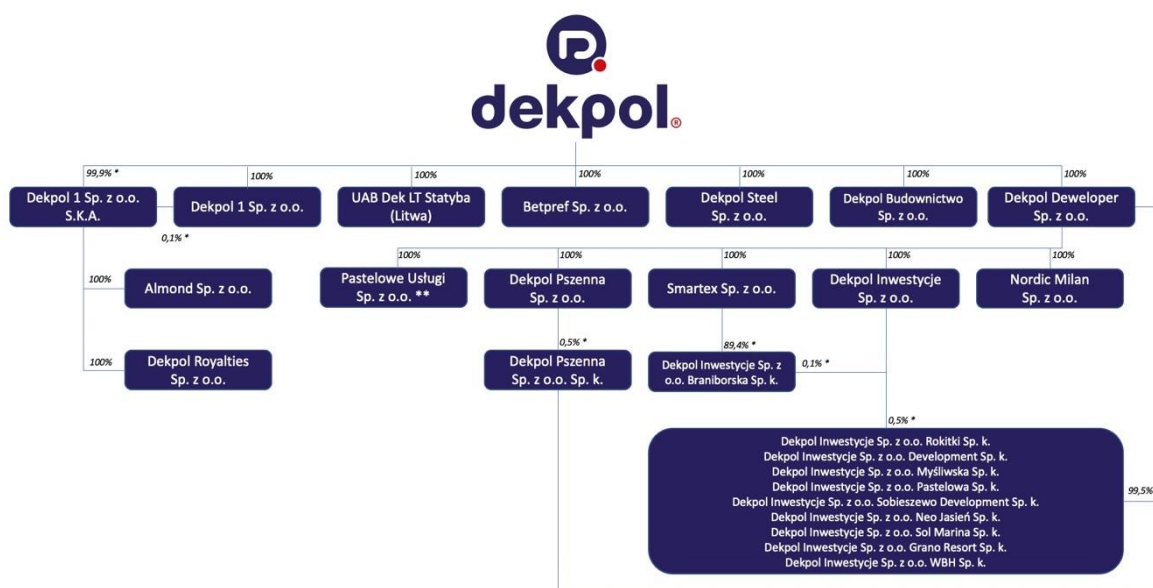
Company's name	KRS	Nature of connection	Information about the company
Flats For Rent Sp. z o.o. Sp. K.	0000751229	- Mariusz Tuchlin holds 99% of share in profits and losses of the Company	The company operates in the field of real-estate management and real-estate rental

2. GENERAL INFORMATION ABOUT THE CAPITAL GROUP

2.1 STRUCTURE OF THE CAPITAL GROUP

As at 31st of December 2020, Dekpol Capital Group was composed of Dekpol S.A. as the parent company and direct or indirect subsidiaries of Dekpol S.A.

The organizational structure of the Issuer's Capital Group is presented in the diagram below:



* Amount of share in the company's profits and losses

** The company was established in 2021 - as at publication date of this Report, the company was not entered into the National Court Register and remains a limited liability company in organization

Operating activities of the Capital Group are conducted by subsidiaries.

2.1.1. Business activities of Dekpol S.A.



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Dekpol S.A. acts as the holding company managing the Capital Group and provides services to entities from the Dekpol Group. Due to the fact of conducting operational activities in the field of general contracting until 31st of December 2020, Dekpol S.A. remains responsible for liabilities under concluded contracts, to the extent where the consent of contractors was not obtained for taking over of these liabilities by the subsidiary Dekpol Budownictwo Sp. z o.o.

2.1.2. General contracting activities

Business activities in the field of general contracting, starting from 1st of January 2021, are carried out by Dekpol Budownictwo Spółka z ograniczoną odpowiedzialnością (the Issuer owns 100% of the subsidiary's shares).

Previously, this business activity was carried out by Dekpol S.A., with effect on 1st of January 2021 it was transferred to a subsidiary by means of an in-kind contribution of an organized part of the enterprise, covering business activities of General Contracting Department. The organized part of the enterprise was organizationally, functionally and financially separated in internal structure of Dekpol S.A. a set of intangible and tangible assets intended for business activities, including, in particular, comprehensive implementation of investments in the field of construction and assembly works on behalf of investors.

2.1.3. Real-estate development activities

Real-estate development activities are carried out by Dekpol Deweloper Spółka z ograniczoną odpowiedzialnością (the Issuer owns 100% of the company's shares) and its subsidiary special purpose vehicles - limited liability companies or limited partnerships.

This business activity, previously carried out by Dekpol S.A., was transferred in the form of an in-kind contribution of an organized part of the enterprise to the indicated subsidiary with effect as of 1st of January 2019. The organized part of the enterprise was organisationally, financially and functionally separated in the organizational structure of Dekpol S.A. a set of tangible and intangible components used to conduct and service the real-estate development activities of the Company and entities from the Capital Group. Indicated part of the enterprise functioned as Real-estate Development Department and performed tasks including preparation and execution of property development projects, sales of properties, design and implementation of finishing works as well as after-sales service.

Individual projects are implemented by subsidiaries - special purpose vehicles:

- 1) Dekpol Pszena Sp. z o.o. Sp.k. – a special purpose company established to carry out the property development investment under the name Grano Hotel and Grano Residence in Gdańsk at ul. Pszena;



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- 2) Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k. – a special purpose company established to carry out the property development investment under the name Pastelowa in Gdańsk;
- 3) Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k. – a special purpose company established to carry out the property developments in Rokitki and Śliwiny near Tczew;
- 4) Dekpol Inwestycje Sp. z o.o. Development Sp. k. – a special purpose vehicle established to implement smaller property development investments, including in Jurata, Hel and Gdańsk;
- 5) Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. – a special purpose company established to carry out the property development investment in Wrocław;
- 6) Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k. – a special purpose company established to carry out the property development investment under the name Foresta in Gdańsk;
- 7) Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k. - a special purpose company established to carry out the property development investment in Gdańsk on Sobieszewska Island;
- 8) Dekpol Inwestycje Sp. z o.o. WBH Sp. k. - a special purpose company established to carry out the investment in Warszawa, on the property at ul. Prądzińskiego 21;
- 9) Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k. (formerly Dekpol Inwestycje Sp. z o.o. Osiedle Zielone Sp. k.) - a special purpose company established to carry out the property development investment under the name Neo Jasień in Gdańsk;
- 10) Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. - a special purpose company established to carry out the property development investment in Wiślinka;
- 11) Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k. - a special purpose company established to carry out smaller property development investments in Gdańsk on Sobieszewska Island (e.g. Villa Neptun);
- 12) Nordic Milan Sp. z o.o. - the company has completed the property development investment Eco Milan in Milanówek;
- 13) Pastelowe Usługi Sp. z o.o. – a company established for the purpose of implementation of an investment with a service profile in Gdańsk (the company established on 8th of April 2021, as at the date of publication of the report, the company remains in organization and has not yet been entered into the Register of Entrepreneurs of the KRS)

Dekpol Developer Sp. z o.o. is the only limited partner of the special purpose vehicles specified in items 1) - 4) and 6) - 11) above, as well as the sole partner of the companies specified in items 12) and 13).

Partners for Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. (point 5) above) are:

- Dekpol Inwestycje Sp. z o.o. (general partner with a profit and loss share of 0.1%),



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- Smartex Sp. z o.o. (limited partner with profit and loss share of 89.4%),
- a natural person not related to the Issuer in any other way (limited partner with a profit and loss share of 10.5%).

Subsidiaries of Dekpol Deweloper Spółka z ograniczoną odpowiedzialnością (Dekpol Deweloper holds 100% of the shares of these companies) are also:

- 14) Smartex Sp. z o.o. – limited partner of a special purpose vehicle established to carry out a property development investment in Wrocław at ul. Braniborska - Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k;
- 15) Dekpol Pszenna Sp. z o.o. – general partner of a special purpose vehicle established to carry out a property development investment at ul. Pszenna in Gdańsk;
- 16) Dekpol Inwestycje Sp. z o.o. – general partner of limited partnerships indicated in items 2) -11) above.

2.1.4. Production activity

Production activity is carried out by Dekpol Steel Spółka z ograniczoną odpowiedzialnością and Betpref Spółka z ograniczoną odpowiedzialnością. Dekpol S.A. holds 100% of the shares of the above indicated companies.

Dekpol Steel Spółka z ograniczoną odpowiedzialnością acquired through in-kind contribution with effect as of 1st of January 2020, an organized part of existing enterprise of Dekpol S.A., including a set of tangible and intangible assets of Dekpol S.A., separated in terms of organization, functionality and finance, including in particular production and sales of buckets and accessories for construction machines, which an organized part of the enterprise constituted a separate department within structures of Dekpol S.A. operating under the name "Buckets Production Department".

Betpref Spółka z ograniczoną odpowiedzialnością, starting from 2018, runs a factory for production of precast concrete elements in Toruń. In 2020, Betpref Sp z o.o. expanded its activity on production of steel structures in production plant located in Pinczyn.

2.1.5. Remaining entities from Dekpol Capital Group

Dekpol S.A. is also a partner of the Group's Entities performing functions other than operating activities:

- 1) Almond Spółka z ograniczoną odpowiedzialnością - a company owning real-estate property in Gdańsk at ul. Toruńska 12 (Hotel Almond),
- 2) Dekpol Royalties Spółka z ograniczoną odpowiedzialnością,
- 3) Dekpol 1 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna – the entity owning 100% of shares of the companies indicated in items 1) and 2) above and other property rights,



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- 4) Dekpol 1 Spółka z ograniczoną odpowiedzialnością – general partner of the company indicated in point 3) above (100% of the company's shares are held by Dekpol S.A.),
- 5) UAB DEK LT Statyba – the entity established for supporting of construction activities of Dekpol S.A. in Lithuania and for managing of future contracts in general contracting activities performed in Lithuania (100% of the company's shares are held by Dekpol S.A.).

2.1.6. Other entities participating in other entities from the Dekpol Group

Entities from the Dekpol Group also participate as partners of the following entities, not belonging to the Group (associated companies):

- 1) Mineral Group Spółka z ograniczoną odpowiedzialnością – the entity established to conduct activities related to exploration and mining of mineral resources. The entity from the Group - Dekpol Developer Sp. z o.o. holds 50 out of 101 shares in share capital of this company (amounting to PLN 5,000).
- 2) Dekpol 1 SPV Spółka z ograniczoną odpowiedzialnością – the entity established by Dekpol S.A. for implementation of investment projects together with a subsidiary of the President of the Management Board, OMT Holding Spółka z ograniczoną odpowiedzialnością. Dekpol S.A. holds 49 out of 100 shares in share capital of this company (amounting to PLN 5,000).

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. Associated companies are valued by use of the equity method.

2.3 OWN SHARES

The companies from the Issuer's Capital Group did not own or buy own shares in 2020.

2.4 CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP

Capital Group's reorganization process

On 1st of January 2020 took place the transfer to Dekpol Steel Sp. z o.o. an organized part of the enterprise (ZCP) of Dekpol S.A., worth PLN 100.2 million, operating under the name "Bucket Production Department" and covering in particular production and sales of buckets and accessories for construction machines. The organized part of the enterprise was a separate department within the Issuer's structures and an independent enterprise performing the above tasks individually.

ZCP included, among others built-up properties, rights and obligations under employment contracts and all employee files regarding transferred employees, related to ZCP, receivables and payables, stocks of materials, fixed assets and



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movable property and items of equipment, rights from bank accounts, rights arising from contracts with customers, subcontractors, suppliers, customers, intellectual property rights, administrative decisions obtained, concessions, licenses, permits, permits, certificates and others.

The transfer of ZCP 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.

On 31st of December 2020, Dekpol S.A. concluded with the subsidiary Dekpol Budownictwo Sp. z o.o. a transfer agreement for Dekpol Budownictwo Sp. z o.o. of an organized part of the enterprise (ZCP) of Dekpol S.A., worth PLN 137.2 million, operating under the name of "General Contracting Department" and covering, in particular, comprehensive implementation of investments in the field of construction and assembly works on behalf of investors. The organized part of the enterprise comprised a separate department within the Issuer's structures and an independent enterprise performing the above tasks individually.

Pursuant to the concluded agreement, the ZCP was issued on 1st of January 2021 (event after the balance sheet date). The ZCP included, inter alia, rights and obligations under employment contracts and all employee files relating to transferred employees, stocks of materials, fixed and movable assets and elements of equipment, intangible assets, receivables from contractors, cash, rights resulting from contracts with investors, subcontractors, service providers, suppliers, customers, rights and obligations resulting from contracts concluded with financial institutions as well as rental contracts, lease of movable property, intellectual property rights, administrative decisions, concessions, licenses, permits, allowances, certificates and others.

Transfer of ZCP was due to an in-kind contribution for covering of share capital in connection with acquisition by the Company on 31st of December 2020 of 1,399,900 new shares in Dekpol Budownictwo Sp. z o.o. with a total nominal value of PLN 69.995 million. After increase, share capital of Dekpol Budownictwo Sp. z o.o. amounts to PLN 70 million.

On 31st of March 2021, management boards of Dekpol 1 sp.z o.o., Dekpol 1 sp.z o.o. s.k.a., Dekpol Royalties sp.z o.o. (jointly as Acquired Companies) and Dekpol Deweloper sp.z o.o. (Acquiring Company) agreed on a merger plan for these companies pursuant to Art. 492 § 1 point 1 of the Commercial Companies Code, ie by transferring of all assets of Acquired Companies to Acquiring Company and increasing of share capital of Acquiring Company. As a result of the merger, Acquired Companies will be dissolved without liquidation, and all their rights and obligations will be taken over by Acquiring Company by way of universal succession.

The merger is a continuation of the Group's reorganization processes. The merger plan was published on the website at



https://dekpole.pl/wp-content/uploads/2021/03/Dekpol_Deweloper_plan_polaczenia_31.03.2021.pdf

The above events are the result of actions taken in previous years related to reorganization of the Company and the Dekpol Capital Group. One of their main goals is to develop and maintain the high growth dynamics of individual segments of Group's operations, as well as to introduce a management system adapted to increasing scale of Company's operations, expanded structure, as well as further development plans.

Information about reorganization of the Company and the Dekpol Group can be found in point 2.5. of this report.

Increasing of shareholding in the company Smartex Sp. z o.o.

On 22nd of December 2020, Dekpol Deweloper Sp. z o.o. concluded with a natural person an annex to the investment agreement dated November 2017 regarding purchase of over 60% of shares in Smartex Sp. z o.o. Under concluded annex, Dekpol Deweloper Sp. z o.o. acquired remaining 37.7% of shares in Smartex Sp. z o.o. for a gross price of PLN 10.5 million. As a result of acquisition of the above-mentioned shares, Dekpol Deweloper Sp. z o.o. owns 100% in share capital of Smartex Sp. z o.o.

At the same time, as a part of execution of investment agreement's provisions, the ownership title to land located in Wrocław at ul. Braniborska was brought by Smartex Sp. z o.o. as an in-kind contribution to a special purpose vehicle - Dekpol Inwestycje Sp. z o.o. Braniborska Sp.k., and Smartex Sp. z o.o., as a limited partner, in accordance with provisions of company's agreement is entitled to 89.4% of its profits and losses.

2.5 CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP

In financial year 2020, Company and the Capital Group continued 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 change of management principles of the Company was made in February 2017 and implemented gradually in the following years.

In November 2018, after prior consent of Supervisory Board, Management Board of the Company decided to separate the first segment of Company's business activity, i.e. real-estate development activity. This activity was transferred in form of an organized part of the enterprise (ZCP) to a subsidiary, Dekpol Deweloper Sp. z o.o., by way of an in-kind contribution in connection with acquisition by Dekpol S.A. of new shares in Dekpol Deweloper Sp. z o.o. In accordance with agreement concluded on 31st of December 2018, the transfer and release of ZCP took place on 1st of January 2019, subject to ownership of properties, which - pursuant to Art. 157 KC - were transferred on 2nd of January 2019. The transfer of real-estate development activities to a



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subsidiary increased organizational and financial transparency within Capital Group, at reduction of business and legal risks.

Then, in November 2019, Management Board of Dekpol S.A. made a decision about starting of the next stage of reorganization, consisting in transferring from the Company of the organized parts of the enterprise covering the other two segments of the Company's business activities, i.e. business activity of Buckets Production Department and the business activity of General Contracting Department, and making them as non-cash contributions to the special purpose vehicles established by the Issuer. Supervisory Board gave its consent and authorized Management Board of the Company to take all actions necessary to achieve the above goals. Implementation of the above activities required, among others, obtaining by the Issuer the relevant bank approvals, amendment of Terms and Conditions of G-Series and H-Series Bonds, as well as obtaining consent of General Meeting of Shareholders of the Company. All these conditions were met in 2019. On 30th of December 2019, Extraordinary General Meeting of Shareholders of the Company agreed about sales of organized parts of the Company's enterprise by making a contribution in kind to subsidiaries of Dekpol Steel Sp. z o.o. and Dekpol Budownictwo Sp. z o.o.

On 31st of December 2019, Dekpol S.A. concluded with Dekpol Steel Sp. z o.o. (Dekpol Steel), a transfer agreement by Dekpol S.A. for Dekpol Steel of an organized part of the enterprise with a value of PLN 100.2 million, including a set of tangible and intangible assets of the Issuer, separated in terms of organization, functionality and finance, intended for business activities in accordance with Art. 551 of the Civil Code, covering in particular production and sales of buckets and accessories for construction machines, which, the organized part of the enterprise was a separate department within Issuer's structures, operating under the name "Bucket Production Department" and is an independent enterprise that individually performs these tasks.

ZCP included, inter alia, developed properties, rights and obligations under employment contracts and all employee files related to transferred employees, receivables and liabilities related to ZCP, stocks of materials, fixed and movable assets and equipment, rights from bank accounts, rights resulting from contracts with recipients and subcontractors, suppliers, customers, intellectual property rights, obtained administrative decisions, concessions, licenses, permits, allowances, certificates and others.

The transfer of ZCP took place as an in-kind contribution to cover the 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, share capital of Dekpol Steel amounts to PLN 50.005.000.

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

On 31st of December 2020, Dekpol S.A. concluded with Dekpol Budownictwo Sp. z o.o. (Dekpol Budownictwo) a contract for the transfer by Company to Dekpol



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Budownictwo of an organized part of the enterprise worth PLN 137.2 million, including a set of tangible and intangible assets of the Issuer, separated in terms of organization, functionality and finance, intended for business activities in accordance with Art. 55 (1) of the Civil Code, covering in particular comprehensive implementation of investments in the field of construction and assembly works ordered by investors, which organized part of the enterprise was a separate department within the Issuer's structures operating under the name of "General Contracting Department" and an independent enterprise individually carrying out these tasks (ZCP).

ZCP included, inter alia, rights and obligations under employment contracts and all employee files relating to transferred employees, stocks of materials, fixed and movable assets and elements of equipment, intangible assets, receivables from contractors, cash, rights resulting from contracts with investors, subcontractors, service providers, suppliers, customers, rights and obligations resulting from contracts concluded with financial institutions and lease agreements, lease of movable property, intellectual property rights, administrative decisions, concessions, licenses, permits, allowances, certificates and others.

Transfer of ZCP took place as an in-kind contribution to cover the share capital in connection with acquisition by the Company on 31st of December 2020 of 1,399,900 of new shares in Dekpol Budownictwo with a total nominal value of PLN 69.995 million. After increase, share capital of Dekpol Budownictwo amounts to PLN 70 million.

Pursuant to the concluded agreement, the ZCP was issued on 1st of January 2021.

About the above 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, No. 50/2019 dated 31st of December, 2019 and No. 41/2020 dated 31st of December 2020.

In addition, in 2020, further steps and actions were taken to organize the structure through a process under which a merger by acquisition was foreseen, pursuant to Art. 492 § 1 point 1 of the Commercial Companies Code Dekpol Royalties Sp. z o.o., Dekpol 1 Sp. z o.o. S.K.A. and Dekpol 1 Sp. z o.o. (acquired companies) with Dekpol Deweloper Sp. z o.o. as the acquiring company. As a result of the merger, Dekpol Deweloper Sp. z o.o. will enter, on the basis of general succession in all rights and obligations of acquired companies, and the acquired companies will be dissolved without liquidation proceedings on the day the merger will be registered in Register of entrepreneurs of the National Court Register.

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 accessories for construction machines.

3.1 KEY PRODUCTS, GOODS AND SERVICES

Operating segments in the reporting period 01.01.2020–31.12.2020 (consolidated data):

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	654 451	286 580	80 261	33 326	1 054 978
Other operating income	0	0	0	20 393	20 393
Other operating expenses	0	0	0	20 692	20 692
Total operating expenses	609 146	245 047	74 865	44 576	973 635
Operating result	45 305	41 532	5 755	-11 548	81 044
Financial income	0	0	0	1 825	1 825
Financial expenses	0	0	0	15 796	15 796
Income tax	0	0	0	14 302	14 302
Net result	45 305	41 532	5 755	-39 822	52 771

Operating segments in previous 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
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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	142 339	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 the reporting period 01.01.2020–31.12.2020 (separate data):

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	743 617	13 604	0	44 365	801 586
Other operating income	0	0	0	12 923	12 923
Other operating expenses	0	0	0	10 270	10 270
Total operating expenses	698 719	12 597	0	51 289	762 605
Operating result	44 898	1 007	0	-4 271	41 634
Financial income	0	0	0	2 773	2 773
Financial expenses	0	0	0	16 131	16 131
Income tax	0	0	0	5 604	5 604
Net result	44 898	1 007	0	-23 234	22 672

Operating segments in previous 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



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Other operating expenses	0	0	0	8 466	8 466
Total operating expenses	574 633	78 326	79 322	52 541	784 822
Operating result	29 970	8 302	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	29 970	8 302	11 377	-26 544	23 105

General Contracting Services

As part of the general contracting segment, the Capital Group at the end of 2020 implemented contracts for external entities with a total contractual value of over net PLN 900 million. For implementation after the reporting period, projects with a total value of over PLN 338 million net remained, while as a part of internal business activities for real-estate development segment, we had contracts worth over PLN 130 million net, of which approximately PLN 70 million net remained to be performed, of which the vast majority of works will be completed this year. The vast majority of projects were ordered by private investors. In addition, the Issuer, as a part of the General Contracting segment, carries out intra-group development projects with a total value to be implemented after 2020 of over PLN 70 million net. The main area of activity remains the Pomeranian Voivodeship, where about half of the projects are executed. As part of general contracting services, the Company performs industrial, logistic, commercial, service and residential facilities are implemented along with full external infrastructure (roads, squares, parking lots).

The list of selected contracts implemented by Dekpol Group as at 31st of December 2020 in the field of general contracting services is presented in the table below:

Ordering party	Description of a project
7R GROUP	Warehouse in Swaróżyn in Municipality Tczew
IGLOTEX	Storage-Service hall with office building in Skórcz
PANATTONI GROUP	Warehouse in Rumia
PANATTONI GROUP	Warehouse in Pruszcz Gdański
PANATTONI GROUP	Warehouse in Jawczyce in Municipality Ożarów Mazowiecki
7R GROUP	Warehouse in Kowale in district of Gdańsk



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7R GROUP	Warehouse in Warszawa
INTER METAL	Production- Warehouse in Inowrocław
PANATTONI GROUP	Warehouse in Świdnik
DELTA INVEST	Car salon in Warszawa
KARUZELA KOŁOBRZEG	Shopping Mall in Kołobrzeg
RTE POLAND	Construction on bike factory in Machnacz
PANATTONI GROUP	Construction of a warehouse and production building with office and social rooms and accompanying infrastructure in Grodzisk Mazowiecki

Majority of contracts carried out by the Company are worth PLN 10 to 40 million. The company also implements single larger contracts with a value of approx. PLN 70-140 million (as at 31st of December 2020, the Group implemented 4 such a contracts).

The dominant share in the portfolio of orders are industrial and logistics projects - in recent years, approx. 70% -90%. As at 31st of December 2020, share of industrial and logistics projects in the entire order portfolio was approx. 80%.

Due to the focus of the Issuer on implementation of contracts lasting several months, relation of the order portfolio value to achieved annual revenues is relatively low compared to relation observed in other entities from the general contracting sector, specializing in long-term contracts.

Real-estate development activity

In 2020, the Dekpol Group carried out residential and commercial development projects in Gdańsk, Rokitki near Tczew. Performed investments included construction of housing estates, luxury apartment buildings as well as a condo hotel. Participation in sales of projects with a higher prestige and standard addressed to more demanding customers, reached 39%. The average value of premises increased y / y. by over 5%.

In financial result of 2020, from business activities of real-estate development segment, Dekpol Group recognized 622 premises in revenues, while in the previous year, 490 premises were recognized in sales revenues of real-estate development segment. Revenues recognized in 2020 were marked by handed-over for use of prestigious investments on Granary Island in Gdańsk i.e. Grano Residence, Grano Hotel Residence and popular housing estates Nowe Rokitki V, Nowe Rokitki VI, Osiedle Zielone III building no. IV, Młoda Morena Park II and Foresta estates. In turn, in 2020 contractation within the meaning of preliminary, property development and reservation agreements amounted to 148 units compared to 382 units in 2019 and mainly concerned prestigious sailing estate Sol Marina and Osiedle Pastelowe.



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Sales results (signed preliminary, property development and reservation agreements) achieved in 2020 were lower than assumed in plans from the beginning of 2020. COVID-19 pandemic and related restrictions influenced unquestionably this situation.

Lower than in 2019 contracting was mainly due to limited work of sales office, and limited possibility of meeting customers, withholding new customers from purchasing the premises, due to the uncertainty related to the maintenance of current employment, in particular in the second quarter of 2020. . Also, growing requirements of banks, and thus difficulties in obtaining a mortgage, for many people became a barrier that prevented them from purchasing a flat or influenced the postponement of purchase decision. At the same time, temporary closing of hotels during financial year translated into reduced interest in condo hotels. The pace of sales improved in the second half of financial year.

The pace of sales and handover of premises in 2020 was also influenced by restrictions in work of public administration offices, and remote work of officials caused delays in issuing administrative decisions, both building permits and occupancy permits. This resulted in delays in starting new construction projects and introducing new investments to sales offer, which is important for pace of sales, as well as delays in handing over residential premises to final buyers in completed investments. In this case, situation also slightly improved in the second half of 2020.

As at 31st of December 2020, there were 238 apartments in sales offer:

- ECOMILAN in Milanówek – 1 flat,
- GRANO RESIDENCE in Gdańsk – 1 flat,
- SOL MARINA in Wiślanka, near Gdańsk – 53 flats,
- NOWE ROKITKI V, VI in Rokitki near Tczew – 18 flats,
- OSIEDLE PASTELOWE in Gdańsk – 13 flats,
- OSIEDLE KOCIEWSKIE – 93 flats,
- LAZUR PARK in Sobieszewo – 25 flats,
- VILLA NEPTUN in Sobieszewo – 34 flats.

Production of equipment for construction machines

From 1st of January 2020, existing segment of production of accessories for construction machines began to operate as a separated subsidiary - Dekpol Steel Sp. z o.o. Business activities of Dekpol Steel last year were the most affected by pandemic situation among the three segments of the Group. Especially in the second and third quarters, a slowdown in production of construction machines was observed - most OEM customers closed their factories during this time, reducing production to a minimum. This fact caused a decrease in sales revenues of Dekpol Steel by about 11% compared to 2019. Thanks to good organization of work as well as an extensive sales department,



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the segment of production of accessories for construction machines in 2020 maintained the continuity of production. In the second quarter, taking advantage of the demanding market conditions, the Company conducted a large-scale campaign of recruiting new employees who had lost part of their salary or employment in other workplaces. The period of temporary production limitation was used to train new staff as well as to further improve technological processes, also in terms of implementing the IFS management system. In the third quarter, Dekpol Steel began talks with one of the largest manufacturers of construction machines in the world. The talks concern the transfer to the Company of a part of production of buckets and accessories for construction machines. The result of these talks is a further expansion of production halls in the coming years. In 2020, Dekpol Steel also acquired a new OEM customer, the CNH Group. This Group includes CASE and NEW HOLLAND. The company is to supply this group of buckets designed and manufactured by Dekpol Steel.

In 2020, Dekpol Steel continued investments related to production automation. One of the most important investments in this area was installation of a new robotic bucket welding station for an OEM recipient as well as an order for a continuous shot-blasting plant, the assembly of which is to take place in the second quarter of 2021.

Fourth quarter last year was a period of increased orders, reflecting return to pre-pandemic construction machines production trend. This allows us to expect an increase in production and further expansion of existing production capacity in coming years, which will translate into an increase in revenues and financial results of Dekpol Steel.

3.2 SALES MARKETS AND SOURCES OF SUPPLY

Sales of the Dekpol Capital Group in the period from 1st of January 2020 to 31st of December 2020 shows a similar sales structure as in 2019. In connection with the Issuer's plans for development of construction machines 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 01.01.2020-31.12.2020 and comparably in the period 01.01.2019-31.12.2019

Item	31.12.2020	31.12.2019
Poland	1 001 460	716 507
European Union	42 678	42 922
Other countries	10 840	12 691
Sales revenues	1 054 978	772 119



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Poland	1 589 056	226 829
European Union	13 033	0
Other countries	2 958	0
Assets	1 605 047	226 829

The structure of sales revenues of Dekpol S.A. in the period 01.01.2020-31.12.2020 and comparably in the period 01.01.2019-31.12.2019

Item	31.12.2020	31.12.2019
Poland	801 586	768 171
European Union	1	42 922
Other countries	0	12 691
Sales revenues	801 586	823 783
Poland	792 737	0
European Union	259	0
Other countries	0	0
Assets	792 996	0

In 2020, the company Dekpol S.A. achieved the largest turnover due to the implementation of general contracting agreements with the company Iglotex - approx. 10% of the 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	31.12.2020	31.12.2019
Land	6 211	7 898
Buildings and structures	33 609	28 858
Machines and technical devices	23 873	24 501
Vehicles	9 924	7 020
Other fixed assets	2 005	1 834
Fixed assets under construction	6 011	9 028
Advances in respect of fixed assets	163	2 748
Net value of property, plant and equipment	81 796	81 888

Main Investments of Dekpol S.A.:

Item	31.12.2020	31.12.2019
Land	4 835	5 836
Buildings and structures	190	19 907
Machines and technical devices	8 059	24 248
Vehicles	8 561	7 020
Other fixed assets	1 467	1 829
Fixed assets under construction	5 438	9 028
Advances in respect of fixed assets	145	2 748
Net value of property, plant and equipment	28 694	70 616

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

Agreement with Karuzela Kołobrzeg Sp. z o.o.

The subject of Agreement is performance by the Issuer, as a general contractor, of comprehensive earthworks, roundabouts, parking spaces for cars and a platform along with works dedicated to one of the tenants ("Work 1") and, subject to the following paragraph, works involving construction of a shopping mall - a single-level building with all connections and land development in Kołobrzeg ("Work 2").

Execution of Work 1 is to take place in the first half of 2021, while the date of execution of Work 2 will depend on the date of delivery of the above notification.

The flat-rate net remuneration for Work 1 amounts about 2% of Issuer Group's sales revenues, and for Work 2 - 9% of sales revenues of the Dekpol Capital Group for the year 2019.

Execution of Work 2 may only take place, provided that the Contractor receives a written notification about commencement of the execution of Work 2 by the Ordering Party. The Ordering Party is not obliged to submit the above notification. If the notification will not be delivered, the scope of works covered by Agreement as well as Contractor's remuneration will be limited to Work 1 only. Deadline for delivery of notification has already been postponed twice (current reports no. 13/2020 and 23/2020). The last delivery date has been agreed for November 2020. Notification was not delivered within this period, however, in the opinion of Management Board of the Issuer, in view of cooperation and discussions, perspective for performance of Work 2 is not closed.

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



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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.

The agreement was the subject of the Issuer's current reports no. 37/2019 dated 28th of November 2019, 3/2020 dated 21st of January 2020, 10/2020 dated 9th of April 2020, 13/2020 dated 20th of May 2020 and 23/2020 dated 25th of September 2020.

In connection with the transfer of an organized part of the enterprise (item 6.1.2), the rights and obligations of the Issuer resulting from agreement were taken over by the entity from the Issuer's Group - Dekpol Budownictwo Sp. z o.o.

Annex to the letter of intent and conclusion of a general contracting agreement with Iglotex S.A.

On 31st of January 2020, Dekpol S.A. concluded with Iglotex S.A. an annex to the letter of intent regarding selection of the Issuer as a general contractor for the implementation of works consisting in designing, arrangement and construction of a production and warehouse plant in Skórcz, extending the deadline for conclusion of a general contracting agreement until 14th of February 2020 (originally 31st of January 2020).

General contracting agreement of the investment in "design and build" formula (the Agreement) was concluded on 18th of February 2020. In accordance with provisions of the Agreement, Iglotex ordered, and the Issuer accepted as a general contractor of the investment construction of a production and warehouse building in Skórcz of a net area of 24 thousand sq with internal installations, land use and an external car park. Completion of performance of the subject of the Agreement by the Issuer and obtaining use permit was to take place in August 2020, while the Agreement provided for possibility of extending the date of completion of Agreement in cases specified therein. For the proper performance of the subject of the contract, the Company was to receive a lump sum net remuneration in the amount of approx. 10% of sales revenues of the Issuer's Capital Group for 2019.

On 6th of May 2020, the Company concluded with Iglotex S.A. an annex to the Agreement introducing additional works to be performed, consisting in construction of the office part of the above-mentioned investment, as a result of which the deadline for completion of the works covered by Agreement was set at the end of September 2020. In connection with this change, the total value of the Issuer's net remuneration for performance of the Agreement increased, which amounted to approx. 11% of sales revenues of the Dekpol Capital Group for 2019. The agreement was completed on time.

About the above mentioned events the Company announced in current reports no. 4/2020 dated 31st of January 2020 and no. 7/2020 dated 18th of February 2020.



Conclusion of agreement on construction works: production-storage center in Ożarów Mazowiecki commune

On 11th of February 2020 the Company 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 guardhouse and pump-room ("Object"), as well as execution of all other additional works and project works in Jawczyce, Ożarów Mazowiecki Commune ("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.). Agreement was completed on time.

About the above mentioned event the Company announced in current report no. 6/2020 dated 11th of February 2020.

Annex to the agreement concerning construction of a storage-production centre in Rumia at Działkowców Street

On 14th of April 2020, the Company received from Tricity North Sp. z o.o. a mutually signed annex to the agreement for construction works covering construction and handover of a warehouse and production center with social and office facilities, a guardhouse and a pumping station, in Rumia at Działkowców street, with a total area of approx. 45 thousand sq m. (Agreement) introducing additional works to be performed, as a result of which the deadline for completion of the last stage of works covered by the Agreement was set at the end of October 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). For reasons beyond the control of the Issuer and in a manner agreed with the Ordering party, the investment was completed in the first quarter of 2021.

About the above mentioned event the Company announced in current report no. 11/2020 dated 14th of April 2020.

Agreement with Pruszcz Logistics Sp. z o.o.

The subject of the Agreement is execution by the Issuer of storage-office building of the space approximately 26,4 thousands of m² along with belonging infrastructure and accompanying site improvement in Wojanowo.

The Object is implemented in two stages: stage no. I covering a building with an area of approximately 13,2 thousands of m², along with adjacent roads, parking lots and the necessary infrastructure, with completion date scheduled for August 2020



(completed on time) as well as stage no. II covering a building with an area of approximately 13,2 thousands of m², along with adjacent roads, parking lots and the necessary infrastructure, whereby implementation of the second stage is optional. In case of the implementation of stage no. II, the deadline for its implementation has been set at 4 months from the date of release to implementation, i.e. confirmation by the Ordering Party and forwarding of final guidelines to the abovementioned stage. The contract also contains provisions regarding implementation of the second building as stage no. III of the investment, while its implementation is optional and must be confirmed in advance by the Ordering Party. The scope of works and implementation schedule of the 3rd stage will be agreed by Contracting Parties after confirmation of its implementation.

As a part of the Agreement, the Issuer has been obliged for drawing up of an executive design project, all technical documentation, for conclusion of agreements with architects, design consultants and appraisers for the purposes of implementation of the Agreement as well as for obtaining of a final occupancy permit for the Object.

General Contractor's flat-rate net remuneration for the implementation of the Agreement amounts to over 12% of sales revenues of the Dekpol Capital Group for the year 2019, converted according to the euro exchange rate from 3rd of July 2020, whereby remuneration for stage no. I will represent over 25% of the total amount of remuneration quote.

The Agreement contains provisions regarding contractual penalties, inter alia in case of delays in implementation of a given stage of the Object. The total amount of contractual penalties may not exceed 10% of the remuneration for a given stage of works. The Ordering Party is entitled to claim damages exceeding the amount of reserved contractual penalties.

The agreement was the subject of the Issuer's current report no. 15/2020 dated 3rd of July 2020.

Agreement on sales of the property in Swaróżyn and the general contracting agreement with Kallisto 14 Sp. z o.o.

On 17th of July 2020, the Company concluded with Kallisto 14 Sp. z o.o. (Buyer, Ordering party) annexes to preliminary property sales agreement and the general contracting agreement for the investment (GW Agreement), concluded on 23rd of December 2019. Under the preliminary agreement, the parties undertook to conclude, under certain conditions, a promised agreement for sales of a land property developed with a building in Swaróżyn with a total area of approx. 14.6 ha (property) and the right to design documentation (promised agreement). As at the date of conclusion of agreements, the property included a land property with a total area of 12.7 ha, owned by the Issuer (property 1) and an adjacent land property with an area of 1.9 ha, which the Issuer intended to purchase from a natural person (property 2).



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In order to conclude the promised agreement, the Issuer undertook, inter alia, to built on the property 1 a warehouse and office facility (Building 1) as a part of the 1st stage of investment on the property and to obtain a decision authorizing the use of Building 1 by 1st of August 2020 and to purchase the property by 15th of May 2020. Property 2 was purchased by the Issuer in May 2020, thus one of the above-mentioned conditions was fulfilled. The Issuer also started construction of Building 1, thus implementing provisions of the preliminary agreement.

Pursuant to preliminary agreement, sales price of the property developed with Building 1 and the rights to design documentation was to be the equivalent of approx. 9% of revenues of the Company's Capital Group for 2019. The price was to be increased by the value of expenditure resulting from implementation of another warehouse, production and office facility along with accompanying infrastructure (Building 2) incurred before conclusion of the final agreement, which was to be concluded after meeting certain conditions, but not later than by 17th of August 2020. Along with conclusion of preliminary agreement, the Issuer concluded the GW Agreement, which stipulates, that it will enter into force upon the joint fulfillment of conditions in the form of acquisition of the ownership right to property 1 (i.e. concluding the promised agreement) and calling for construction of Building 2 or Building 3 (defined below). On the basis of this agreement, the Issuer undertook to perform, in the general contracting system, in "design and build" mode, comprehensive construction and construction works as well as construction and installation works, including supply of materials and equipment related to completion of Building 2 and construction of another warehouse-production-office facilities with accompanying infrastructure (Building 3).

Pursuant to annexes concluded in July 2020, the parties changed the structure of investment being implemented, in such a way that it was agreed that instead of implementation of Building 1 as a part of the 1st stage of investment, Building 2 will be implemented and completed, which will be one of conditions required for conclusion of the promised agreement, while Building 1 will be completed as a part of stage II of investment. In connection with the above, in accordance with introduced changes, in order to conclude the promised agreement, the Issuer was mainly obliged to build Building 2 on the property and obtain by 31st of August 2020 a decision authorizing the use of Building 2 on the property. In accordance with concluded annexes, the promised agreement was to be concluded by 25th of September 2020, provided that a public administration authority has issued at least a conditional use permit for Building 2 and a local road. If, within this period, the above-mentioned condition would not be met, each party was entitled to demand conclusion of the promised agreement after meeting of the above-mentioned condition, but no later than until 31st of March 2021.

In the third quarter of 2020, construction of Building 2 and the local road was completed, and the Issuer received use permit for Building 2. Due to the protracted procedures for obtaining a use permit for road due to the pandemic, in November



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2020 the buyer finally waived this condition (the condition was reserved in favor of the buyer).

In connection with the above, on 16th of November 2020, in performance of the preliminary agreement, the Issuer concluded with the buyer a promised agreement for sales of property ownership and the right to design documentation. The property which is the subject of the promised agreement includes property 1 and property 2 (as indicated above) together with Building 2 (warehouse and office building) erected on them, implemented as a part of the 1st stage of investment and expenditure incurred by the Issuer for implementation of Building 1 (construction in progress). The net sales price of the property developed with Building 2 together with expenditure incurred for construction of Building 1 (construction in progress) and the rights to design documentation amounted to over 9% of revenues from sales of the Issuer's Capital Group for 2019, of which more than a half is the value of works related to implementation of Building 1 on the property.

Conclusion of the promised agreement has completed implementation of the first stage of the investment. Currently, the parties continue to cooperate in the second stage of investment on the basis of the GW Agreement. The GW agreement entered into force in connection with conclusion of the promised agreement. In accordance with changes made in July 2020, the subject of the GW Agreement is continuation of construction of Building 1 and construction of Building 3. The value of works related to further construction of Building 1 and construction of Building 3, settled on the basis of the GW Agreement, will total approximately 4% of the Issuer's Group revenues for 2019.

In accordance with the annex to GW Agreement concluded on 16th of November 2020, completion date of Building 1 was postponed to February 2021 (current deadline was set on November 2020), however, as at the date of publication of the report, it is indicated that completion of this investment will take place in months later than originally assumed, in the first half of 2021. At the same time, Parties are conducting advanced talks on the date of completion of Building 3.

The agreement was the subject of the Issuer's current reports no. 46/2019 dated 23rd of December 2019, 18/2020 dated 17th of July 2020 and 34/2020 dated 16th of November 2020.

In connection with the transfer of an organized part of the enterprise (item 6.1.2), the rights and obligations of the Issuer resulting from agreement were taken over by the entity from the Issuer's Group - Dekpol Budownictwo Sp. z o.o.

Agreement with Panattoni Development Company Sp. z o.o. Sp. k..

The subject of the agreement is performance by the Issuer, as the general contractor, of of the investment called "Expansion of production plant of Danfoss Poland in Grodzisk Mazowiecki – construction of a storage-production building along with office-



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social facilities and accompanying infrastructure". Panattoni Development Company Spółka z ograniczoną odpowiedzialnością Spółką komandytowa acts as a Developer, with the intention of implementing the investment for the benefit of a third party - the investor indicated above.

Investment will be carried out in three stages: Stage 1 covering construction of car parks for approximately 600 passenger cars, with completion date falling in January 2021, Stage 2 covering construction of production building with office and social spaces along with the car park, utilities connections, internal roads, exit and other accompanying infrastructure (Investment Phase 1) together with demolition of the existing car park, excluding Phase 1, with completion date in March or April 2021 (depending on possibility of obtaining the so-called early access) and Phase 3 covering expansion of production plant with office and social facilities from Investment Phase 1 along with remaining accompanying infrastructure and four docks (Investment Phase 2), subject to obtaining a final construction permit for Investment Phase 2 by 30th of June 2021 with completion date in November 2021. If by 31st of July 2021 the investor for whom the investment will be carried out, will not obtain and the Property Developer will not provide General Contractor with construction permit under Phase 3, General Contractor and Property Developer have the right to withdraw from Agreement with regards to Phase 3 within dates falling on August and September 2021, respectively. The Issuer's flat-rate net remuneration for execution of Stages 1-3 specified in Agreement was set at approximately 7% of revenues of the Issuer's Capital Group for 2019 (converted according to the EUR exchange rate at 31st of December 2020), while remuneration for execution of Stages 1-2 specified in Agreement amounts less than 90% of the value of the Agreement.

Agreement contains provisions regarding contractual penalties, among others in the event of delays in execution of a given Stage and the Property Developer has right to withdraw from Agreement for reasons specified in the Agreement. In the event of withdrawal from Agreement, Property Developer will be entitled to contractual penalty in the amount of 6% of net remuneration, while Property Developer is not entitled to charge a penalty for withdrawing from the Agreement and penalty for delay for reasons attributable to General Contractor. It is possible to charge only one type of penalty, at the discretion of the Property Developer. Contractual penalties relating to delays may not exceed 12% of net remuneration for a given construction Stage.

The agreement was the subject of the Issuer's current report no. 29/2020 dated 22nd of October 2020.

Annex to the investment agreement and purchasing of remaining shares in Smartex sp. z o.o.



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On 22nd of December 2020, Dekpol Deweloper Sp. z o.o. concluded with the natural person the annex to the agreement in terms of purchasing of remaining 37,7% of shares in the company Smartex Sp. z o.o. execution of a real-estate development project on this ground property located in Wrocław at ul. Braniborska. Annex to the agreement concerned purchasing by Dekpol Deweloper Sp. z o.o. of remaining 37,7% of shares in the company Smartex Sp. z o.o. for gross price PLN 10,5 million.

In the Annex, the parties agreed on changes to the rules of implementation of the real-estate development investment, deciding in particular that: Dekpol Deweloper will conclude with a subsidiary of the above mentioned natural person, a cooperation agreement, and that the above mentioned natural person will remain committed to supporting Dekpol Deweloper in the implementation of this investment.

At the same time, as a part of the implementation of provisions of the investment agreement, the ownership right to the above mentioned ground property located in Wrocław at Braniborska Street was contributed by Smartex as an in-kind contribution to the special purpose vehicle established to implement the investment in question - Dekpol Inwestycje Sp. z o.o. Braniborska Sp.k., and Smartex, as a limited partner, is entitled, in accordance with agreement of this company, 89.4% of share in its profits and losses.

About the above mentioned event the Company announced in current report no. 39/2020 dated 22nd of December 2020.

Agreement of Dekpol Budownictwo Sp. z o.o. with PDC Industrial Center 134 Sp. z o.o. Sp. k.

The subject of the agreement is performance by an entity from the Issuer's Group - Dekpol Budownictwo Sp. z o.o. of construction works for the warehouse and production hall, including all accompanying works and design works in Gdańsk. The investment will be carried out in four stages. The deadline for implementation of the first stage was in March and has been completed, while the second stage will be carried out in the second half of 2021, and the deadlines for implementation of the next stages are set in months from the possible receipt by Dekpol Budownictwo of confirmation regarding order for their implementation. Net remuneration for performance of agreement was set at approx. 10% of the Issuer's Group revenues for 2019, including approx. 7% for stages I and II (converted at EUR exchange rate on 28th of January 2021).

Agreement contains provisions regarding contractual penalties due in the case of delays in performance of each stage of agreement. The parties have right to demand the payment of a contractual penalty in the amount of 10% of remuneration in the event of withdrawal from agreement. Total amount of contractual penalties cannot exceed 10% of remuneration. Moreover, Ordering party is entitled to claim supplementary compensation on general terms.



The agreement was the subject of the Issuer's current report no. 36/2020 dated 20th of November 2020 and 5/2021 dated 28th of January 2021.

Agreement of Dekpol Budownictwo Sp. z o.o. with 7R S.A.

On the basis of agreement, the Issuer's subsidiary - Dekpol Budownictwo sp. z o.o. is obliged for the performance of investment in Szczecin, in the general contracting system, in the "design and build" formula. The subject of agreement is performance of comprehensive construction works and a full range of construction and installation works including the delivery of materials and equipment, the result of which will be "turnkey" construction of two production and warehouse facilities with office and social facilities along with the necessary technical infrastructure and reconstruction of the road system.

Under the Agreement, the Contractor undertook to develop designs - replacement construction and executive designs, and to obtain all required approvals and permits for the Investment, including the decision to amend the building permit and obtain the final use permit for the Investment.

The deadline for the implementation of I stage of the Investment expires in May 2021, and in case of the implementation of II stage of the Investment, it was set for 6 months from the date of selecting and making the site available by the Ordering Party, while the Ordering Party is entitled to make the above-mentioned selection within 12 months from the conclusion of the Agreement. If the Ordering Party fails to select in the above-mentioned period, this scope is considered excluded from the Agreement.

The flat-rate net remuneration of the Contractor for the implementation of the Investment amounts to a total of approx. 10% of sales revenues of the Dekpol Capital Group for 2019, including approx. 6% for stage I of the Investment. The remuneration may change in cases specified in the Agreement, including, inter alia, as a result of the Ordering Party's exclusion of some works constituting no more than 10% of the remuneration or an order for additional or replacement works.

Agreement contains provisions regarding contractual penalties due in the case of, inter alia, failure to meet the deadlines resulting from the Agreement, but not more than 12% of the remuneration. In addition, the parties to the Agreement have the right to demand the payment of a contractual penalty in the amount of 10% of the remuneration in the event of withdrawal or partial withdrawal from the Agreement due to the fault of the other party. The total amount of contractual penalties may not exceed 30% of the remuneration. The parties have the right to claim supplementary compensation for damages on general principles up to the full amount of the damage suffered. The Agreement contains provisions regarding the Ordering Party's right to withdraw from the Agreement in cases specified in the Agreement, without legal and financial consequences, subject to settlement with the Contractor of documented costs reasonably incurred in order to perform the Agreement.



The agreement was the subject of the Issuer's current report no. 8/2021 dated 16th of February 2021.

Agreement of Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. with institutional investor

The entity from the Issuer's Group - Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. (Seller) concluded a preliminary sales agreement with an institutional investor (Buyer), pursuant to which:

- the entity from the Issuer's Group undertook to implement a residential investment on a property located in Wrocław at ul. Braniborska, which is a multi-story residential building with a total area of approx. 18 thousands of m² with accompanying infrastructure,
- the parties undertook to conclude an agreement on the transfer of rights to the property together with completed investment (Promised Agreement) for the total price being equivalent of approx. 20% of consolidated revenues of the Issuer's Capital Group for 2019.

Condition for conclusion of the Final Agreement is, in particular, signing of the final investment acceptance protocol. Financing of individual stages of investment will be carried out by Buyer in the form of down payment (10% of price), and then advance funding. Completion of investment and signing of the Final Agreement is scheduled for the second half of 2023.

Preliminary Agreement contains provisions on contractual penalties due in the case of, inter alia, delays in investment implementation. The maximum total amount of contractual penalties was set at a few percent of the price. Each party has the right to withdraw from preliminary agreement in the event of a material breach of obligations by the other party. If the Buyer withdraws from the contract for reasons attributable to the Seller, the Seller shall reimburse the Buyer for all amounts paid by the Buyer towards the price, and the down payment will be refunded in double amount. A formal condition was included in preliminary agreement, which was met on 26th of March 2021.

The agreement was the subject of the Issuer's current report no. 11/2021 dated 9th of March 2021. In addition, the Issuer announced about signing of a letter of intent (current report no. 26/2020) and about changes in deadlines for conclusion of preliminary agreement (Current reports. No. 26/2020, 33/2020, 37/2020, 3/2021 and 6/2021).

In the past, the Issuer also announced about an investment concerning property in Wrocław at ul. Braniborska - in current reports No. 62/2017 dated 15th of November 2017 and 39/2020 dated 22nd of December 2020.



Obtaining a building permit for the second stage of a multi-family housing estate as part of the "Osiedle Pastelowe" project

On 12th of March 2021, Dekpol S.A. has obtained an information that the Issuer's subsidiary - Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k. ("Subsidiary") received a permit issued by the President of the City of Gdańsk for the construction of the 2nd stage of an estate of multi-family residential buildings as part of the "Osiedle Pastelowe" project, along with underground garage halls, internal installations and other necessary infrastructure, in Gdańsk at Pastelowa street

As part of the above-mentioned investment stage, the construction of 5 residential buildings is planned, which will include 350 apartments with storage rooms with a total usable area of approx. 16 thousand m² and 401 parking and garage spaces. The estimated value of revenues obtained from the implementation of the above-mentioned stage is approximately PLN 108 million net. The second stage of the "Osiedle Pastelowa" investment will be implemented and put into use in the fourth quarter of 2022, and the first premises will be handed over to customers in the first quarter of 2023. The project will be implemented by the Subsidiary and the capital expenditure will be financed from own resources, with the possibility of partial financing with external capital.

About the above mentioned event the Company announced in current report no. 13/2021 dated 12th of March 2021.

Arrangements concerning basic content of a contract on construction of a warehouse

On 12th of April 2021, Management Board of Dekpol S.A. received a bilaterally signed protocol of takeover by Issuer's subsidiary - Dekpol Budownictwo Sp. z o.o. ("Dekpol Budownictwo") of construction site from Panattoni Development Europe Sp. z o.o. ("PDE"), which confirms the basic agreement on content of the planned contract, the subject of which is execution by Dekpol Budownictwo of works as a general contractor in construction of a warehouse with an area of approx. 28 000 of square meters as well as other buildings, structures, parking spaces, internal roads, loading areas or other facilities in Ujrzanów near Siedlce.

Finalization of construction works has been scheduled for September 2021, while net remuneration for execution of works is counted at over 5% of revenues of the Dekpol Capital Group for 2019 (converted according to euro exchange rate from 12th of April 2021). It does not include remuneration for any works to be performed in addition. The contract, which is foreseen to be concluded between Dekpol Budownictwo and the entity indicated by PDE will also cover works performed until its conclusion, executed on the basis of current arrangements.

About the above mentioned event the Company announced in current report no. 16/2021 dated 12th of April 2021.



3.5 OTHER EVENTS AND AGREEMENTS WITHIN OPERATING BUSINESS ACTIVITIES OF THE GROUP

Arrangements to Agreement regarding construction works in Oława

On 20th of July 2020, the Company signed an agreement with ERGO Elżbieta Jeżewska on termination of the contract for construction works regarding reconstruction, extension and partial superstructure of a commercial and service building in Oława, about which the Company announced, among others in current report No. 7/2019 dated 29th of March 2019. After resolving of discrepancies regarding performance and termination of the agreement, which arose when the agreement was largely executed and in context of revenues generated by the Group, they became issues of less importance, the parties agreed on terms of termination of cooperation and mutual settlement, and waived and undertook not to pursue any existing or future claims against the other party under agreement.

Letter of Intent with 01Cyberaton S.A. in implementation of projects on photovoltaic market

In September 2020, Dekpol S.A. signed a Letter of Intent with 01Cyberaton S.A., a company listed on NewConnect market, regarding cooperation in implementation of projects on photovoltaic market. The parties expressed their will to cooperate in preparation and development of projects on this market, including land leasing, purchase of ready-made projects and creation of a consortium for construction of photovoltaic power plants. The parties anticipate that, as a part of cooperation, some tasks would be carried out by the special purpose vehicle T&T Inwestycje 01 Sp. z o.o., currently a 100% subsidiary of 01Cyberaton S.A., to which the Issuer would join. On the one hand, experience on the renewable energy market and the know-how of T&T Proenergy Sp. z o.o., which is currently being taken over by 01Cyberaton S.A., and on the other - competences of Dekpol S.A. in the field of comprehensive project management and construction activities. The possible cooperation will allow to start creation of competences and references of Dekpol S.A. on the photovoltaic market. Appreciating perspectives of the RES market, at the time of publication of this report, Management Board of Dekpol S.A. does not anticipate, that in the near future implementation of such projects could be treated as another segment in Dekpol Group's operations.



3.6 BORROWINGS AND LOANS

Below Dekpol S.A. presents a summary of loan agreements to which it was a party in 2020:

Bank name	Transaction type	Amount granted (in thousands of PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2020 (in thousands of PLN)	Date of repayment
Bank BGŻ BNP Paribas S.A.	Bank overdraft	3 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	31.03.2020*
Bank BGŻ BNP Paribas S.A.	working capital credit	14 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	31.07.2020*
ING Bank Śląski S.A.	working capital credit	2 500	Discount agreement	WIBOR 1M + bank's margin	PLN	0	06.05.2021*
Santander Bank Polska S.A.	Bank overdraft	6 000	loan for current operations	WIBOR 1M + bank's margin	PLN	2 805	22.12.2021
SGB-Bank S.A.	revolving credit	30 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	31.12.2020*
SGB-Bank S.A.	revolving credit	30 000	loan for current operations	WIBOR 3M + bank's margin	PLN	6 034	14.07.2022
SGB-Bank S.A.	Bank overdraft	15 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	14.07.2022
mBank S.A.	Bank overdraft	10 000	loan for current operations	WIBOR O/N + bank's margin	PLN	9 662	30.06.2021
mBank S.A.	working capital credit	15 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	28.05.2020*
mBank S.A.	working capital credit	25 000	loan for current operations	WIBOR 1M + bank's margin	PLN	0	30.06.2021
BOŚ Bank S.A.	Investment credit	8 000	refinancing of expenditures	WIBOR 3M + bank's margin	PLN	0	31.12.2028*
BOŚ Bank S.A.	working capital credit	13 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	16.10.2020*
Bank Spółdzielczy we Wschowie	working capital credit	10 146	loan for current operations	WIBOR 1M + bank's margin	PLN	4 796	19.08.2021
Bank Spółdzielczy Skórcz/Puck/Malbork	working capital credit	9 000	loan for current operations	WIBOR 3M + bank's margin	PLN	0	31.03.2021*



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Bank name	Transaction type	Amount granted (in thousands of PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2020 (in thousands of PLN)	Date of repayment
PKO BP	working capital credit	3 000	loan for current operations	WIBOR 1M + bank's margin	PLN	2 962	15.07.2022
PKO BP	working capital credit	22 000	loan for current operations	WIBOR 1M + bank's margin	PLN	12 338	15.07.2022
PKO BP	Investment credit	7 000	Refinansowanie nakładów	WIBOR 1M + bank's margin	PLN	6 606	16.07.2026
Santander Bank Polska S.A.	working capital credit	4 800	loan for current operations	WIBOR 1M + bank's margin	PLN	0	30.06.2020*
Santander Bank Polska S.A.	revolving credit	1 100	loan for current operations	EURIBOR 1M + bank's margin	EUR	0	31.01.2021
Alior Bank	working capital credit	10 000	loan for current operations	WIBOR 1M + bank's margin	PLN	10 000	16.07.2021
Santander Factoring Sp. z o.o.	factoring	2 200	Financing of current business activities	EURIBOR 1M + bank's margin	EUR	0	28.02.2021
BPS Factor S.A.	factoring	15 000	Financing of current business activities	WIBOR 1M + bank's margin	PLN	0	30.06.2021

* loan repaid and closed in 2020 ** loan repaid and closed in 2021

Below is a list of loan agreements concluded by the companies from the Dekpol Capital Group, of which the Companies were a party in 2020:

Company name	Bank name/ name of the lender	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2020 (in thousands of PLN)	Date of repayment
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	8 286	Borrowing agreement	fixed contractual interest	PLN	0	31.05.2020*



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Company name	Bank name/ name of the lender	Transaction type	Amount granted (in thousand PLN)	Destiny	Interest	Currency	Total debt as at 31/12/2020 (in thousands of PLN)	Date of repayment
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	0	31.05.2020*
Nordic Milan Sp. z o.o.	Eco Milan Sp. z o.o.	borrowing	20	Borrowing agreement	fixed contractual interest	PLN	0	31.05.2020*
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	2	Borrowing agreement	fixed contractual interest	PLN	0	31.05.2020*
Nordic Milan Sp. z o.o.	Nordic Development S.A.	borrowing	13	Borrowing agreement	fixed contractual interest	PLN	0	31.05.2020*
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	mBank S.A.	credit	45 700	working capital credit	WIBOR 1M + bank's margin	PLN	0	30.11.2020*
Dekpol Inwestycje Sp. z o.o. Development Sp. k.	Bank Spółdzielczy we Wschowie	credit	5 556	working capital credit	WIBOR 1M + marża banku	PLN	0	21.07.2020*
Dekpol Inwestycje Sp. z o.o. Rokitki Sp. k.	SGB-Bank S.A.	credit	12 000	working capital credit	WIBOR 1M + bank's margin	PLN	0	31.07.2020*
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Alior Bank S.A.	credit	59 162	loan for current operations	WIBOR 3M + bank's margin	PLN	0	31.07.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Alior Bank S.A.	credit	4 800	Loan for VAT	WIBOR 3M + bank's margin	PLN	0	31.07.2022
Dekpol Steel Sp. z o.o.	Alior Bank S.A.	credit	20 000	loan for current operations	WIBOR 3M + bank's margin	PLN	2 763	02.07.2022
Dekpol Steel Sp. z o.o.	Santander Factoring Sp. z o.o.	factoring	24 000	Financing of current business activities	WIBOR 1M + bank's margin	PLN	10 872	31.10.2021

* loan repaid and closed in 2020 ** loan repaid and closed in 2021

Remaining companies from the Dekpol Capital Group did not take out loans and borrowings in 2020, with the exception of intercompany loans described below. As at 31st of December 2020, the total balance of intercompany loans granted by the Group amounted PLN 37,837 thousands, including loans granted by Dekpol S.A. in the total amount of PLN 5,259 thousands and Dekpol Developer Sp. z o.o. in the total amount of PLN 32,578 thousands. Detailed information is presented in the table below.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2020 (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 1 Sp. z o.o.	Dekpol S.A.	Borrowing	60	WIBOR 6M + margin	PLN	60	31.12.2022
Dekpol SPV 1 Sp. z o.o.	Dekpol S.A.	Borrowing	7 800	WIBOR 6M + margin	PLN	1 756	31.12.2022
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	Dekpol S.A.	Borrowing	3 600	WIBOR 6M + margin	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Myśliwska Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	100	WIBOR 6M + margin	PLN	0	31.12.2021*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	500	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 500	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	700	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	6 000	fixed contractual interest	PLN	0	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 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 Deweloper Sp. z o.o.	Borrowing	500	WIBOR 6M + margin	PLN	500	31.12.2022
Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	500	WIBOR 6M + margin	PLN	500	31.12.2022
Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	42	fixed contractual interest	PLN	42	31.12.2022**
Dekpol Budownictwo Sp. z o.o.	Dekpol S.A.	Borrowing	200	fixed contractual interest	PLN	200	31.12.2022



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2020 (in thousands of PLN)	Repayment date
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	1 200	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Dekpol S.A.	Borrowing	400	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. WBH Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	1 000	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	1 140	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k.	Dekpol S.A.	Borrowing	700	fixed contractual interest	PLN	0	31.12.2021*
Dekpol Inwestycje Sp. z o.o. Rokitki Sp. k.	Dekpol S.A.	Borrowing	7 500	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Rokitki Sp. k.	Dekpol Deweloper sp. z o.o.	Borrowing	2 500	WIBOR 6M + margin	PLN	2 500	31.12.2022
Dekpol Pszenna Sp. z o.o. Sp. k.	Dekpol S.A.	Borrowing	500	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Dekpol S.A.	Borrowing	5	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Dekpol S.A.	Borrowing	200	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Dekpol S.A.	Borrowing	400	fixed contractual interest	PLN	0	31.12.2021*
Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	19	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Pszenna Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	5	fixed contractual interest	PLN	0	31.12.2022*
Dekpol Pszenna Sp. z o.o.	Dekpol S.A.	Borrowing	10	fixed contractual interest	PLN	0	31.12.2022*
Smartex Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	1 045	fixed contractual interest	PLN	1 045	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	6	fixed contractual interest	PLN	6	31.12.2022



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Company name	Name of the lender	Transaction type	Amount granted (thousands of PLN)	Interest	Currency	Total debt as at 31.12.2020 (in thousands of PLN)	Repayment date
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. Sol Marina Sp. k.	Dekpol Deweloper Sp. z o.o.	Borrowing	27 980	WIBOR 6M + margin	PLN	27 980	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Dekpol S.A.	Borrowing	700	fixed contractual interest	PLN	700	31.12.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Dekpol S.A.	Borrowing	2 000	fixed contractual interest	PLN	2 000	31.12.2022
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	240	fixed contractual interest	PLN	0	31.03.2020*
Nordic Milan Sp. z o.o.	Dekpol S.A.	Borrowing	230	fixed contractual interest	PLN	0	31.03.2020*
Dekpol S.A.	Dekpol Inwestycje Sp. z o.o. Grano Resort Sp. k.	Borrowing	400	WIBOR 6M + margin	PLN	0	31.12.2021*
Dekpol S.A.	Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k.	Borrowing	900	WIBOR 6M + margin	PLN	0	31.12.2021*
Dekpol Royalties Sp. z o.o.	Dekpol S.A.	Borrowing	70	WIBOR 6M + margin	PLN	70	31.12.2022

* borrowing repaid in 2020 ** borrowing repaid in 2021

As at 31st of December 32020, there was also a loan granted to a related entity by Mr. Mariusz Tuchlin. 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 31.12.2020 (in thousands of PLN)	Repayment date
City Hotel Management Sp. z o.o.	Dekpol S.A.	Borrowing	900	fixed contractual interest	PLN	900	31.12.2022

* borrowing repaid in 2020. ** borrowing repaid in 2021



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

In 2020, 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

Prolongation of terms of the loan agreement with BGŻ BNP Paribas S.A.

On 2nd of January 2020, Dekpol S.A. received the consent of Bank BGŻ BNP Paribas S.A. (The Bank) to extend the loan availability period in connection with multi-purpose credit line agreement binding parties of 11th of December 2015 (as amended). The end of current loan availability period was February 2020. On 21st of February 2020, the Company signed an annex to the above-mentioned agreement. Pursuant to the annex, the end of availability period for the bank overdraft, revolving credit and a guarantee line was set at the end of March and July 2020 and at the end of January 2021, respectively, and the total credit limit was set at PLN 17 million (previously PLN 34 million PLN). The annex to the Agreement was concluded at the request of the Company in connection with reorganization of the Company and the Dekpol Capital Group.

About the above mentioned events the Company announced in current reports no. 1/2020 dated 2nd of January 2020 and no. 8/2020 dated 21st of February 2020.

Conclusion by subsidiary of agreements regarding loan with the bank Alior Bank S.A.

On 19th of March 2020, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. ("Borrower") concluded with Alior Bank S.A. two agreements (Agreements) on revolving loan in the amount of PLN 59,2 million ("Loan 1") and the other revolving loan in the amount of PLN 4,8 million ("Loan 2"). Funds from Loan 1 will be used on financing/refinancing of costs connected with execution of real-estate development project called "Sol Marina" in Wiślinka near Gdańsk ("Investment"), while the funds from Loan 2 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 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.



Conclusion of loan agreements with SGB-Bank S.A.

On 15th of July 2020 the Company concluded with SGB-Bank S.A. (Bank) agreement regarding bank overdraft in the amount of PLN 15 million (Credit 1), as well as agreement regarding revolving credit in the amount of PLN 30 million (Credit 2). The purpose of Credit 1 granted in the form of a revolving credit line is to finance Issuer's current business operations. The purpose of Credit 2 is to finance the Issuer's current business related to contracts on construction works, whereby Credit 2 replaces the previous revolving credit granted to the Company by the Bank in the year 2017. The Company is entitled: to use Credit 1 by 14th of July 2022 and is obliged to make repayment by 14th of July 2022, as well as: to use Credit 2 by 14th of October 2021 and is obliged to make repayment by 14th of July 2022. Interest rates on Credit 1 and Credit 2 are variable based on WIBOR 3M rate plus Bank's margin. Credit 1 collateral consist, among other things: blank promissory note with promissory note declaration, contractual mortgage up to PLN 22,5 million on the right of perpetual usufruct and separate ownership of a building located in Gdańsk, guarantee PLG-FGP of the Bank Gospodarstwa Krajowego (BGK). In turn, Credit 2 is secured by, among other things: blank promissory note with promissory note declaration, PLG-FGP guarantee from the Bank Gospodarstwa Krajowego (BGK), as well as by transfer of receivables from contracts on construction works. Credit agreements contain formal and legal conditions, fulfillment of which is necessary for starting of financing, as well as obligations, among other things to maintaining the Group's debt ratios at specific levels.

About the above mentioned event the Company announced in current report no. 17/2020 dated 15th July 2020.

3.7 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.

In 2020, there were mutual sureties and guarantees between the Issuer and related entities. They are listed in the table below.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Beneficiary	Product	Amount of surety in thousands of PLN	Debt as at 31.12.2020 in thousands of PLN	Type of collateral	Contractual repayment date
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Working capital loan in Alior Bank, agreement no. U0003400195815A	118 324	0	Surety by Dekpol S.A.	31.07.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Working capital loan in Alior Bank, agreement no. U0003400195815B	9 600	0	Surety by Dekpol S.A.	31.07.2022
Dekpol Steel Sp. z o.o.	factoring Santander, agreement no. 3673/54472019	24 000	10 614	Surety by Dekpol S.A.	31.10.2021
Dekpol Deweloper Sp. z o.o.	A-series Bonds	45 000	21 500	Mutual surety of poręczenie Dekpol S.A., Dekpol Budownictwo Sp. z o.o., Dekpol Steel Sp. z o.o.	19.06.2022
Dekpol Budownictwo Sp. z o.o.	factoring BPS, agreement no. 377/377/2020	15 000	0	Surety by Dekpol S.A.	29.06.2021
Dekpol S.A.	faktoring BPS, agreement no. 377/377/2020	15 000	0	Surety by Dekpol Budownictwo Sp. z o.o.	29.06.2021
Dekpol S.A., Dekpol Budownictwo Sp. z o.o., Dekpol Steel Sp. z o.o.	BNP – guarantee line	52 500	9	Co-borrowers	11.12.2025
Dekpol Deweloper Sp. z o.o.	Working capital loan mBank agreement no. 10/001/19/Z/OB	45 700	0	Surety by Dekpol S.A.	30.11.2020
Dekpol Deweloper Sp. z o.o.	Working capital loan SGB Bank agreement no. PO/2/ORK/U/2019	12 000	0	Surety by Dekpol S.A.	31.07.2020



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

As at 31st of December 2020, the total balance of guarantees and sureties granted and received by the Dekpol Capital Group is presented in the table below:

Item	31.12.2020	31.12.2019
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	66 246	28 180
Granted guarantees of satisfactory performance of contracts - banking	20 738	35 581
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	86 983	63 762
Conditional liabilities	86 983	63 762
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	4 083	2 396
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	3 280	2 414
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



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Conditional assets from non-affiliates	7 362	4 810
Conditional assets	7 362	4 810

As at 31st of December 2020, the total balance granted and received by the Issuer guarantees and sureties are presented in the table below:

Item	31.12.2020	31.12.2019
Conditional liabilities towards affiliates – guarantees and sureties of repayment of financial liabilities	286 224	0
Conditional liabilities towards affiliates - guarantees of satisfactory performance of contracts	0	0
Other conditional liabilities	0	0
Conditional liabilities towards affiliates	286 224	0
Granted guarantees and sureties of repayment of financial liabilities	0	0
Granted guarantees of satisfactory performance of contracts - insurance	66 246	28 180
Granted guarantees of satisfactory performance of contracts - banking	20 738	35 581
Court litigations	0	0
Other conditional liabilities	0	0
Conditional liabilities towards non-affiliates	86 983	63 762
Conditional liabilities	373 207	63 762
Received guarantees and sureties of repayment of liabilities from non-affiliates	0	0
Received guarantees of satisfactory performance of contracts from non-affiliates - insurance	4 083	2 396
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	3 280	2 414
Conditional receivables - Court litigations	0	0
Other conditional assets from non-affiliates	0	0
Conditional assets from non-affiliates	7 362	4 810
Received guarantees and sureties of repayment of financial liabilities from affiliates	67 500	0
Received guarantees of satisfactory performance of contracts from affiliates	0	0
Other conditional assets	0	0
Conditional assets from affiliates	67 500	0
Conditional assets	74 862	4 810



3.8 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.

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

In 2020, 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 and the Group and on the separate or consolidated financial statements e.g. in points 6.4.

4. ECONOMIC AND FINANCIAL RESULTS OF THE COMPANY

4.1 PREPARATION PRINCIPLES OF A SEPARATE FINANCIAL STATEMENT

Financial statement of Dekpol S.A. for 2020 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 2020 and 31st of December 2019, the results achieved on the operations of the Company and cash flow for the 12 months ended 31st of December 2020 and 31st of December 2019.

Report of Management Board of Dekpol S.A. regarding business activities for 2020 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	Note	01.01.-31.12.2020	01.01.-31.12.2019
Sales revenues	16.1.	801 586	823 783



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Own selling costs	16.2.	739 251	754 040
Gross profit (loss) from sales		62 335	69 743
Selling costs	16.2.	13 669	17 726
General administrative expenses	16.2.	9 685	13 057
Other operating income	16.4.	12 923	13 159
Other operating expenses	16.5.	10 270	8 466
Operating profit (loss)		41 634	43 654
Share In profit (loss) of entities accounted using the equity method		0	0
Financial revenues	17.1.	2 773	756
Financial expenses	17.2.	16 131	15 761
Profit (loss) before tax		28 276	28 649
Income tax	18. 19.	5 604	5 544
Profit (loss) from continuing operations		22 672	23 105
Net profit (loss)		22 672	23 105
exchange differences arising on the translation of the financial statements of a foreign operation		0	0
Other net comprehensive income		0	0
Comprehensive income		22 672	23 105

Sales revenues of the Company in 2020 were lower than in 2019 by 2.7% due to separation at the beginning of 2019 of segment of production of accessories for construction machines to Dekpol Steel. The key segment generating revenues in the company, i.e. the general contracting segment, recorded a significant increase in sales, reaching revenues of PLN 743.6 million, which is 23% more than in 2019. On operating activities the company generated a profit of PLN 41.63 million compared to PLN 43.65 million in 2019. Result achieved in 2020 does not contain material items of a one-off nature.

4.2.2 ANALYSIS OF MATERIAL SITUATION



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2020

Item	Note	31.12.2020	31.12.2019
Fixed assets	1.	365 627	363 263
Property, plant and equipment		28 694	70 616
Investment properties	2.	29 034	22 300
Intangible assets	3.	232	425
Stocks and shares		273 101	229 368
Receivables	7.	11 622	2 769
Other long-term financial assets		9 240	30 883
Long-term deferred charges		0	0
Deferred income tax assets		13 704	6 902
Aktywa obrotowe		427 370	412 053
Current assets	6.	25 493	75 388
Inventory		39 517	86 518
Receivables due to contracts with clients	7.	252 171	172 222
Trade receivables and other receivables	5.	0	503
Short-term deferred charges	9.	1 359	968
Cash and cash equivalents	8.	108 828	76 454
including cash on escrow accounts		0	550
Assets classified as held for sale		0	0
Assets in total		792 996	775 316

Item	Note	31.12.2020	31.12.2019
Equity	10	257 624	238 570
Share capital		8 363	8 363
Equity from sales of shares over its nominal value		26 309	26 309
Other equities		200 280	180 793
Own shares (-)		0	0



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Reserve capital		0	0
Profit (loss) from previous years		0	0
Current year's profit		22 672	23 105
Long-term liabilities	13.	108 691	159 006
Deferred income tax provision		20 637	26 465
Liabilities and provisions on employee benefits		69	124
Other long-term provisions		0	0
Long-term credits, borrowings and debt instruments	12.	65 007	115 393
Other long-term financial liabilities	12.	2 816	3 310
Other long-term liabilities		20 162	13 714
Short-term liabilities	13.	426 681	377 739
Liabilities and provisions on employee benefits		10	6
Other short-term provisions		57 076	19 824
Short-term credits, borrowings and debt instruments		148 181	126 650
Other short-term financial liabilities	12.	10 650	7 281
Liabilities due to contracts with clients		0	0
Trade liabilities and other liabilities	12.	210 765	217 786
Receivables from future terms	14.	0	6 192
Liabilities connected to assets intended for sale		0	0
Liabilities in total		792 996	775 316

Value of Company's assets at the end of 2020 amounted to PLN 793 million and was higher than at the end of 2019 by PLN 17.68 million, i.e. by 2.28%. The value of Company's fixed assets at the end of 2020 amounted to PLN 365.63 million and was higher than the year before by PLN 2.36 million (i.e. 0.65%) compared to the end of 2019. Their share in balance sheet total was 46.11% compared to 46.85% at the end of 2019.

Current assets at the end of 2020 amounted to PLN 427.37 million, which means that they increased by PLN 15.32 million (i.e. 3.72%) compared to the end of 2019. The most important part of current assets are short-term receivables (PLN 291.69 million, which accounts for 68.25% of current assets). In nominal terms, the value of short-term



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receivables increased by PLN 32.95 million, i.e. by 12.73% compared to the end of 2019. This increase resulted from significant increase in sales in general contracting segment in the last months of the year as compared to the annual average and payment terms agreed with contractors. In 2020, the company recorded a significant increase in cash - compared to the end of 2019 – their balance at the end of 2020 increased by PLN 32.37 million and reached the level of PLN 108.83 million.

4.2.3 CASH FLOW ANALYSIS

Item	01.01.-31.12.2020	01.01.-31.12.2019
Profit (loss) before tax	28 276	28 649
Adjustments:	15 686	22 117
Depreciation	6 033	9 454
Change of fair value of investment properties	0	0
Write-offs updating financial assets	0	8 653
Profit (loss) from sales of non-financial tangible assets	-1 079	-714
Profit (loss) from sales of financial assets (other than derivatives)	0	0
Profits (losses) from foreign exchange differences	2 958	-75
Interests and shares in profits	7 774	4 799
Change in working capital	20 396	46 256
Income tax on profit before tax	5 372	-5 544
Income tax paid	-11 591	2 259
Net cash from operating activities	58 140	93 737
Expenses related to acquisition of intangible assets	-113	-403
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-4 873	-7 689
Inflows from sales of property, plant and equipment	106	316
Expenses related to acquisition of investment properties	-1 116	-5
Inflows from sales of investment properties	0	0
Net inflows from sales of subsidiaries	0	0



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Net expenses for the acquisition of subsidiaries	-7 152	-90
Repayments received from loans granted	28 840	0
Expenses for the purchase of other financial assets	0	-322
Inflows from sales of other financial assets	55	0
Loans granted	-5 547	-28 515
Interest received	1 260	633
Dividends received	0	0
Net cash from investment activities	11 461	-36 075
Net inflows from issue of shares	0	0
Inflows from issue of debt securities	61 000	0
Other inflows (expenses) from investment activities	0	0
Inflows from received grants	0	0
Redemption of debt securities	-38 144	-24 587
Inflows from loans and borrowings taken out	104 810	125 049
Repayment of loans and borrowings	-145 907	-108 980
Repayment of liabilities under finance lease	-5 933	-9 091
Interest paid	-13 052	-15 060
Dividends paid	0	0
Net cash from financial activities	-37 226	-32 669
Net change in cash and cash equivalents	32 375	24 993
Cash and cash equivalents at the beginning of the period	76 454	51 461
Cash and cash equivalents at the end of the period	108 828	76 454
Including cash of limited disposal right	0	550

Cash flows from operating activities in 2020 amounted to PLN 58.14 million, which is mainly the effect of the profit achieved in 2020 and the positive change in working capital.



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Cash flows from investing activities in 2020, different than in 2019, were positive and amounted to PLN 11.46 million (in 2019 they amounted to - PLN 36 million), which was mainly due to inflows from repayment of loans granted.

Cash flow from financial activities in 2020 amounted to PLN -37.23 million, mainly as a result of repayment of financial liabilities (loans and bonds).

The generated positive cash flows from operating and investment activities ensured an increase in cash balance and reduction in debt at the end of 2020 compared to 2019.

4.2.4 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2020	2019	Change
Profitability of sales Profit on sales/sales revenues	max	4,86%	4,73%	+0,13p.p.
Gross profitability of sales Gross profit/ sales revenues	max	3,53%	3,48%	+0,05p.p.
Net profitability of sales Net profit / sales revenues	max	2,83%	2,80%	+0,02p.p.
Profitability of net assets Net profit/assets	max	2,86%	2,98%	-0,12p.p.
Return on equity net Net profit/share capital	max	8,80%	9,69%	-0,88p.p.
Current liquidity Current assets/short-term liabilities	1,4-2,0	1,00	1,09	-0,09
Quick liquidity Assets – Inventories / short-term liabilities	0,8-1,0	0,94	0,89	+0,05

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.

When describing financial situation in this section, the Company used alternative measurement of results providing additional information on financial situation of the Company, presenting appropriate explanations and reasons for their application, so that they could understand their usefulness and reliability (guidelines of ESMA „ Alternative Performance Measurements (APM)” – 05/10/2015 ESMA/2015/1415pl). To those include presented in this section:

- Return on sales - profit on sales ratio (gross profit on sales - selling costs - general administrative costs) to sales revenues,
- Gross profitability of sales - the ratio of gross profit to sales revenues,
- Net profitability of sales - the ratio of net profit to sales revenues,



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- Net return on assets - the ratio of net profit to assets,
- Net return on equity - the ratio of net profit to equity,
- Current liquidity - ratio of current assets to short-term liabilities,
- Quick ratio (liquidity) - ratio of current assets less inventories to short-term liabilities.

These ratios were calculated by the Company on the basis of data from Financial Statements and were not audited by a statutory auditor.

The company presents selected APM measures because they provide useful information for potential bond buyers, which will allow comprehensive assessment of financial situation of the Issuer.

In addition, the Company points out that alternative performance measurements presented above should not be given more importance or influence than direct measurements resulting from Financial Statements.

Financial ratios are at safe levels, confirming that Company's operations are conducted while maintaining good profitability, liquidity and solvency.

4.2.5 FORECASTS OF FINANCIAL RESULTS

Dekpol S.A. did not publish forecasts of the Company's financial results for 2020.

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 2020 the Company did not paid any dividend.

4.4 ISSUE OF SECURITIES

Bonds issue programme

On 29th of September 2020, Management Board of Dekpol S.A. adopted resolution concerning establishment of bonds issue programme of a total nominal value of no higher than PLN 200 million. Bonds will be issued by 30th of June 2022 in the manner specified in Art. 33 point 1 or article 33 point 2 of the Act of January 15, 2015 on Bonds, whereby the Company will be able to issue one or more series of bonds



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Resolution of Management Board of the Company on the establishment of the issue program provides, that the bonds may be issued as both unsecured and secured bonds. The interest rate will be variable or fixed. The benefits from the bonds will be in cash only. The issuance of subsequent series of bonds will be made each time pursuant to resolution of Management Board of the Company, which will specify the terms and conditions of the issue of a given series, including, in particular, the bond issue procedure, the bond currency of a given series, issue price, unit and total price, the nominal value of the bonds of a given series, maturity, interest, interest periods for the bonds of a given series, as well as it will be determined whether the Issuer will apply for introduction of bonds of a given series to trading on the regulated market or alternative trading system selected for this series.

About the above mentioned event the Company announced in current report no. 24/2020 dated 29th of September 2020.

Issue of I-Series bonds

On 15th of October 15, 2020, Management Board of the Company, under the bond issue program adopted on 29th of September 2020, adopted resolution about the issue of no more than 50,000 three-year I-series bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of up to PLN 50,000,000 (Bonds). Pursuant to the adopted resolution, the Bonds were issued in accordance with Art. 33 point 1 of the Act of 15 January 2015 on bonds, in a way, that did not require the Issuer to prepare a prospectus or information memorandum. The purpose of issue of Bonds was to finance the current operations of Issuer's Capital Group and to repay debt from G-series and H-series bonds.

On 30th of October 2020, Management Board of the Company adopted a resolution on the initial allocation of 50,000 I-series bonds with a total nominal value of PLN 50,000,000.00. The bonds were allotted subject to suspensive condition of final settlement of Bond purchase transaction as a part of issue by the Krajowy Depozyt Papierów Wartościowych S.A. (KDPW).

On 4th of November 2020, Management Board of the Giełda Papierów Wartościowych w Warszawie S.A. (GPW) adopted resolution concerning introduction of Bonds to the alternative trading system on the Catalyst market as of the date of registration of Bonds by KDPW.

on 5th of November 2020 the Central Securities Depository of Poland S.A. (KDPW S.A.) performed final settlement of Bonds and as at this day the I-series bonds issuance was completed. I-series bonds issue was carried out in the form of a public offering in the meaning of Prospectus Regulation, and pursuant to Art. 1 clause 4 lit. b of this regulation did not require preparation of a prospectus or information memorandum. Bonds were issued at an issue price equal to their nominal value. The



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interest rate is variable and is based on WIBOR 6M base rate increased by margin of 4.9%. Interests on Bonds are payable in 6-month periods. Redemption of Bonds will take place on 28th of October 2023 and the Bondholder may request early redemption of the owned Bonds in standard cases specified in Bond Issue Terms, including if the Company's Capital Group exceeds certain debt ratios. The Company may request early redemption of Bonds on each of interest payment days, paying a premium of 0-1% of the nominal value of Bonds subject to redemption, depending on the date of the request. Collateral of repayment of Bonds will be contractual mortgage, which will be established on the developed property located in Warsaw, owned by Issuer's subsidiary - Dekpol Developer Sp. z o.o., with the highest priority in favor of the mortgage administrator up to the amount corresponding to 150% of the nominal value of Bonds allocated, on principles and within the time limits specified in I-series Bond Issue Terms. The funds from Bonds issue will be used to finance current operations of the Issuer's Capital Group and to repay debt from G and H-series bonds. The bonds were issued pursuant to Art. 33 point 1 of the Bonds Act.

About the above mentioned events the Company announced in current reports no. 27/2020 dated 15th of October 2020, no. 30/2020 dated 30th of October 2020 and no. 31/2020 dated 6th of November 2020.

Partial redemption of G and H-series bonds

On 9th of November 2020 the Company made redemption of 19,220 of G-series bonds of a nominal value of PLN 1,000 each and of a total nominal value of PLN 19,22 million as well as 3,750 of H-series bonds of a nominal value of PLN 1,000 each and of a total nominal value of PLN 3,75 million. Redemption of the above mentioned bonds was made in fulfillment of Company's obligation to perform obligatory depreciation of 25% of G-series bonds on the date of interests payment for the 6th interest period and the obligatory depreciation of 25% of H-series bonds on the date of interests payment for the 5th interest period. On 8th of March 2021, the Issuer redeemed entirely G- and H-series bonds in accordance with bonds maturity date.

About the above mentioned event the Company announced in current report no. 32/2020 dated 9th of November 2020 roku.

Issue of J-series bonds

On 22nd of December 2020, the Issuer issued J-series bonds with a value of PLN 11 million. J-series bonds were issued in accordance with procedure specified in Art. 33 point 1 of the Act on Bonds, pursuant to Art. 37b paragraph. 1 of the Offering Act, without preparation of prospectus, on the basis of information memorandum. On 22nd of December 2020, the issuer allotted bonds in accordance with all subscriptions submitted by investors. As a result of public offering carried out between 7th of December 2020 – 18th of December 2020, 11,000 bonds were allotted due to



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subscriptions for 14,354 bonds, the average reduction rate was 23.36%. J-Series bonds bear interest at WIBOR 6M + 5.40%. Interests on Bonds are payable in 6-month periods, and redemption of Bonds will take place within 42 months from the date of issue (22/06/2024).

Issue of K-series bonds

On 28th of January 2021 (event after the balance sheet date), Management Board of Dekpol S.A. adopted resolution concerning issue of no more than 50,000 of 3.5-year K-series bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of up to PLN 50,000,000 (Bonds). The bonds were issued in accordance with Art. 33 point 1 of the Act of 15 January 2015 on bonds, in a way that did not require the Issuer to prepare a prospectus or information memorandum. The purpose of Bonds issue was financing of current operations of the Issuer's Capital Group and repayment of debt from series G- and H-series bonds.

On 18th of February 2021 (event after the balance sheet date), Management Board of Dekpol S.A. adopted resolution to make an initial allotment of 21,500 K-series bearer bonds, in non-document form, with a nominal value of PLN 1,000 each bond and a total nominal value of PLN 21.5 million. The bonds were allotted subject to suspensive condition of final settlement of Bond purchase transaction as a part of issue by Krajowy Depozyt Papierów Wartościowych S.A. (KDPW).

On 22nd of February 2021 (event after the balance sheet date), Management Board of the Giełda Papierów Wartościowych w Warszawie S.A. adopted resolution concerning introduction of Bonds to the alternative trading system on the Catalyst market as of the date of registration of Bonds by the KDPW.

On 24th of February 2021 (event after the balance sheet date), KDPW performed final settlement of Bonds and thus the issue of K-series bonds was completed.

Bonds were issued at an issue price equal to their nominal value. The interest on Bonds is based on the WIBOR 6M base rate increased by margin. Interest on Bonds is payable in 6-month periods. The bonds are not secured. Redemption of Bonds will take place on 23rd of August 2024. Bondholder may request early redemption of Bonds held by him in standard cases specified in Terms and Conditions of Bonds Issue, including, inter alia, in the event that the Company's Capital Group exceeds certain debt ratios, and also in the event that, before the date of meeting of all obligations under Bonds, the Issuer makes payments for participation in Issuer's company to any of shareholders (including payment of dividends) with a value exceeding in a given year 30% of the Issuer's Group's net profit shown in the last annual consolidated financial statement. The Issuer is entitled to early redemption of a specified number of Bonds on each of the interest payment days, on terms specified in Terms and Conditions of Bonds Issue.



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About the above mentioned events the Company announced in current reports no. 4/2021 dated 28th of January 2021, no. 9/2021 dated 18th of February 2021 and no. 10/2021 dated 24th of February 2021.

Issue of B-series bonds

On 1st of February 2021, Dekpol Deweloper issued 3.5-year B-series bonds worth PLN 10 million. The bonds were issued pursuant to Art. 33 point 1 of the Act of January 15, 2015 on bonds. The bonds are secured by a surety granted by Dekpol S.A. The bonds were issued at the issue price equal to the nominal value of PLN 1,000. The interest on Bonds is based on the WIBOR 3M base rate increased by a margin. Interest on the Bonds is payable in 3-month periods. The bonds will be redeemed on 1st of August 2024.

Issue of L-series bonds

On 9th of March 2021 (event after the balance sheet date), Management Board of Dekpol S.A. adopted resolution concerning issue of no more than 30,000 of 3.5-year L-series bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of up to PLN 30,000,000 (Bonds). The bonds were issued in accordance with Art. 33 point 1 of the Act of 15 January 2015 on bonds, in a way that did not require the Issuer to prepare a prospectus or information memorandum, referred to in art. 38b of the Act of 29th of July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies with such a stipulation, that on the basis of article 31zb of The Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and emergencies caused by them, requirement to approve the above-mentioned memorandum by the Komisja Nadzoru Finansowego is not required. Bonds are not secured. The purpose of Bonds issue was financing of current operations of the Issuer's Capital Group.

On 25th of March 2021 (event after balance sheet date), the Issuer adopted resolution to make an initial allotment of 17,650 of L-series L bearer bonds of non-document form, with a nominal value of PLN 1,000 each bond and a total nominal value of PLN 17.65 million. The bonds were allotted subject to suspensive condition to the final settlement of Bond purchase transaction as a part of issue by Krajowy Depozyt Papierów Wartościowych S.A. (KDPW).

On 29th of March 2021 (event after balance sheet date), Management Board of Giełda Papierów Wartościowych w Warszawie S.A. adopted resolution concerning introduction of Bonds to the alternative trading system on the Catalyst market as of the date of registration of Bonds by KDPW.

On 31st of March 2021 (event after the balance sheet date), KDPW performed final settlement of Bonds and thus the issue of L-series bonds was completed.

Bonds were issued at an issue price equal to their nominal value. The interest on Bonds is based on the WIBOR 6M base rate increased by margin. Interest on Bonds is payable



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in 6-month periods. The bonds are not secured. Redemption of Bonds will take place on 23rd of August 2024. Bondholder may request early redemption of Bonds held by him in standard cases specified in Terms and Conditions of Bonds Issue, including, inter alia, in the event that the Company's Capital Group exceeds certain debt ratios, and also in the event that, before the date of meeting of all obligations under Bonds, the Issuer makes payments for participation in Issuer's company to any of shareholders (including payment of dividends) with a value exceeding in a given year 30% of the Issuer's Group's net profit shown in the last annual consolidated financial statement. The Issuer is entitled to early redemption of a specified number of Bonds on each of the interest payment days, on terms specified in Terms and Conditions of Bonds Issue

About the above mentioned events the Company announced in current reports no. 12/2021 dated 9th of March 2021, no. 14/2021 dated 25th of March 2021 and no. 15/2021 dated 31st of March 2021.

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 2020, 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.

The Company is a party to forward / swap currency transactions. The purpose of conclusion of forward transactions is to secure the forward rate of future operational transactions resulting from concluded or probable contracts for construction services, the revenues of which are denominated in a currency other than the functional currency of the Company. Hedging allows to reduce the impact of currency fluctuations on expected revenues expressed in functional currency and, consequently, to limit the risk related to expected margin on the contract.

The Company applies hedge accounting, when expects, that a future transaction meets high-probability criteria and that the hedging relationship will be effective.

When applying hedge accounting, the company establishes hedging relationships between hedging instruments and future, highly probable transactions. Hedging relationship may cover only part of flows from the hedged and hedging instruments.



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At least as at the balance sheet date, it measures effectiveness of relationship. The main factors of linkage ineffectiveness are:

1. Mismatch of dates of cash flows from the hedged and hedging instruments,
2. Non-linearity of swap points due to rollover of derivatives.

Results of valuation of instruments hedging future cash flows resulting from planned transactions in the part constituting an effective hedge are referred, until transaction is completed, to other comprehensive income (and presented in revaluation reserve item), and in the part constituting an ineffective hedge, in result for the period (as profits or losses in financial activities). On the transaction date, the effective part of the established collateral adjusts the result on transaction.

If the hedging relationship is canceled as a result of, for example, losses by planned hedged flow of high probability criterion or the Company's decision resulting from change in appetite for foreign exchange risk, the effects of hedging instrument valuation are fully recognized in result for the period on cancellation date.

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 2020 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 2020 and 31st of December 2019, the results achieved on the operations of the Group and cash flow for the 12 months ended 31st of December 2020 and 31st of December 2019.

Report of Management Board of Dekpol S.A. regarding business activities of the Company and the Dekpol Capital Group for 2020 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.).



5.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF THE DEKPOL CAPITAL GROUP

5.2.1 ANALYSIS OF FINANCIAL SITUATION

Item	Note	01.01.-31.12.2020	01.01.-31.12.2019
Revenue from sales	16.1	1 054 978	772 119
Costs of goods sold	16.3.	917 617	688 799
Gross profit (loss) from sales		137 361	83 321
Selling costs	16.2.	34 930	22 757
General administrative expenses	16.2.	21 088	17 228
Other operating income	16.4.	20 393	37 749
Other operating expenses	16.5.	20 692	10 125
Operating profit (loss)		81 044	70 960
Financial revenues	17.1.	1 825	157
Valuation of financial instruments to fair value		0	0
Financial expenses	17.2.	15 796	8 388
Valuation of financial instruments to fair value		3 541	0
Share In profit (loss) of entities accounted using the equity method		0	0
Profit (loss) before tax		67 073	62 729
Income tax		14 302	11 941
Profit (loss) from continuing operations		52 771	50 788
Net profit (loss)		52 771	50 788
Other net comprehensive income		0	0
Total income attributable to non-controlling shareholders		0	0
Total income attributable to shareholders of the parent entity		52 771	50 788

Despite difficult market situation caused by pandemic, in 2020 the Group achieved the highest sales level in its history. Sales revenues amounted to PLN 1.055 million, which means an increase by PLN 282.86 million, i.e. by 36.6% compared to 2019. Increase in



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revenues was mainly generated by general contracting services and real-estate development activities. Segment of production of accessories for construction machines recorded a decrease in revenues. General administrative expenses and selling costs amounted to PLN 56 million compared to PLN 40 million in 2019. On operating activities, the Group generated a profit of PLN 81 million compared to PLN 71 million in 2019. Result achieved in 2020 does not contain significant one-off items. The main reason for increase in operating profit was significant increase in results of real-estate development activities.

5.2.2 ANALYSIS OF MATERIAL SITUATION

Item	Note	31.12.2020	31.12.2019
Fixed assets		252 569	239 195
Property, plant and equipment	1.	81 796	81 888
Intangible assets		216	428
Goodwill	3.	0	0
Investment properties	2.	147 155	145 346
Stocks and shares		26	10
Receivables		1 737	782
Other long-term financial assets		5 530	2 822
Long-term deferred charges		0	0
Deferred income tax assets		16 108	7 920
Current assets		700 928	715 786
Inventory	6.	228 781	369 681
Receivables due to contracts with clients		35 404	66 457
Trade receivables and other receivables	7.	275 628	157 345
Other short-term financial assets		0	0
Other short-term financial assets		0	0
Short-term deferred charges	9.	3 622	6 039
Cash and cash equivalents		157 493	116 264
including cash on escrow accounts		19 016	28 185
Assets classified as intended for sale		0	0



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Assets in total		953 497	954 981
Item	Note	31.12.2020	31.12.2019
Equity		293 479	242 314
Share capital		8 363	8 363
Equity from sales of shares over its nominal value		26 309	26 309
Other equities		228 422	188 479
Own shares (-)		0	0
Exchange rate differences resulting from translation		-3	1
Reserve capital		0	0
Profits retained:		28 387	19 160
Equity attributable to shareholders of the parent entity		291 478	242 312
Non-controlling shares		2 002	2
Long-term liabilities	13.	128 920	197 100
Deferred income tax provision		19 726	24 985
Liabilities and provisions on employee benefits		175	124
Other long-term provisions		0	0
Long-term credits, borrowings and debt instruments		86 063	145 041
Other long-term financial liabilities		3 865	3 310
Other long-term liabilities		19 092	23 640
Short-term liabilities	13.2.	531 097	515 567
Liabilities and provisions on employee benefits		21	6
Other short-term provisions		64 247	19 866
Short-term credits, borrowings and debt instruments		161 844	142 445
Other short-term financial liabilities		11 919	7 287
Liabilities due to contracts with clients		0	0
Trade liabilities and other liabilities		287 361	339 747
including income tax liability		7 566	1 464



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Receivables from future terms	5 706	6 216
Liabilities connected to assets intended for sale	0	0
Liabilities in total	953 497	954 981

At the end of 2020, the value of Group's assets was almost at the same level as at the end of 2019, which, combined with significant increase in revenues, indicates significant improvement in asset productivity. The structure of assets shows considerable flexibility - fixed assets account for 26.5% of total assets of the Group, while current assets for 73.51%.

At the end of 2020, the value of Group's fixed assets amounted to PLN 252.6 million and was higher than one year before by PLN 13.37 million (5.6%) compared to the end of 2019. Their participation in balance sheet total was at 26.5% compared to 25% at the end of 2019.

At the end of 2020, current assets amounted to PLN 700.93 million, which means decrease by PLN 14.86 million (-2%) compared to the end of 2019. The structure of current assets has changed significantly - inventories accounted for 32.64% of current assets compared to 51.65% one year earlier, receivables for 44.37% compared to 31.27% a year earlier and cash for 22.47% compared to 16.24%. Nominal value of inventories amounted to PLN 228.78 million as at December 31, 2020, which means decrease by PLN 140.9 million, i.e. by 38.11% compared to the end of 2019. This decrease is related to the handover of premises to buyers in completed investments in 2020. Compared to 2019, receivables increased by PLN 87.23 million (38.97%), of which the largest increase was recorded in trade receivables, the balance of which amounted to PLN 275.63 million as at 31st of December 2020, an increase of PLN 118 million (+ 75.17%) compared to 2019. This increase resulted from increase in operation's scale, including a significant increase in sales in general contracting segment in the last months of the year compared to the annual average and payment terms agreed with contractors. In 2020, the Group recorded significant increase in cash - compared to the end of 2019. their balance at the end of 2020, their balance increased by PLN 41.23 million and reached the level of PLN 157.49 million.

5.2.3 CASH-FLOW ANALYSIS

Item	01.01.-31.12.2020	01.01.-31.12.2019
Profit (loss) before tax	67 073	62 729
Adjustments:	21 246	15 215
Depreciation	10 967	10 219



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Change of fair value of investment properties	-1 797	0
Change of fair value of financial assets (liabilities) valued by result	0	0
Write-offs of financial assets	0	0
Profit (loss) from sales of non-financial tangible assets	-1 079	-714
Profit (loss) from sales of financial assets (other than derivatives)	4	0
Profits (losses) from foreign exchange differences	3 240	-75
Interests and shares in profits	9 911	5 784
Other adjustments	0	0
Change in working capital	34 763	13 079
Change in inventories	140 900	-20 280
Change in receivables	-88 185	59 545
Change in liabilities	-46 297	-33 673
Change in provisions and accruals	28 337	7 486
Other adjustments	8	0
Income tax on profit before taxation	14 302	-10 455
Income tax paid	-10 638	2 259
Net cash from operating activities	126 747	82 825
Expenses related to acquisition of intangible assets	-145	-403
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-6 143	-7 707
Inflows from sales of property, plant and equipment	106	316
Expenses related to acquisition of investment properties	0	-7 400
Inflows from sales of investment properties	0	-2 800
Net expenses for the acquisition of subsidiaries	0	-10
Repayments received from loans granted	0	0
Loans granted	-2 747	0
Expenses related to acquisition of other financial assets	-24	-322



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Inflows from the sales of other financial assets	55	0
Interests received	53	51
Net cash from investment activities	-8 845	-18 275
Net inflows from issue of shares	0	0
Purchase of own shares	0	0
Inflows from issue of debt securities	61 000	29 550
Redemption of debt securities	-47 823	-24 587
Inflows from loans and borrowings taken out	108 350	138 831
Repayment of loans and borrowings	-160 588	-132 354
Repayment of liabilities under finance lease	-8 053	-9 091
Interest paid	-20 680	-16 583
Dividends paid	0	0
Inflows from received grants	0	0
Other inflows (expenses) from investment activities	-8 879	0
Net cash from financial activities	-76 673	-14 234
Net change in cash and cash equivalents, net of foreign exchange differences	41 230	50 316
Change in cash and cash equivalents due to exchange differences	0	0
Change in net cash and cash equivalents	41 230	50 316
Cash and cash equivalents at the beginning of the period	116 264	65 947
Cash and cash equivalents at the end of the period	157 493	116 264
Including cash of limited disposal right	19 016	28 237

In 2020, cash flow from operating activities amounted to PLN 126.75 million, which is a result higher by PLN 43.92 million (53.0% y / y) compared to 2019, which is the effect of the profit achieved in 2020 and the positive changes in working capital.

In 2020, cash flow from investing activities amounted to PLN -8.85 million compared to PLN -18.27 million in 2019 and were mainly related to expenditure on acquisition of property, plant and equipment.



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Cash flows from financial activities amounted to PLN -76.67 million in 2020, mainly as a result of repayment of financial liabilities (loans and bonds).

The generated positive cash flow from operating activities ensured an increase in cash balance and reduction in debt at the end of 2020 compared to 2019.

5.2.4 SIGNIFICANT OFF-BALANCE SHEET ITEMS

Type of guarantee	Granted (in thousands of PLN)	Received (in thousands of PLN)
Insurance guarantee	66 246	4 083
Bank guarantee	20 738	3 280
Total:	86 983	7 362

5.2.5 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Indicator	Recommended	2020	2019	Change
Profitability of sales Profit on sales/sales revenues	max	7,71%	5,61%	+2,1p.p.
Gross profitability of sales Gross profit/ sales revenues	max	6,36%	8,12%	-1,77p.p.
Net profitability of sales Net profit / sales revenues	max	5,00%	6,58%	-1,58p.p.
Profitability of net assets Net profit/assets	max	5,53%	5,32%	+0,22p.p.
Return on equity net Net profit/share capital	max	17,98%	20,96%	-2,98p.p.
Current liquidity Current assets/short-term liabilities	1,4-2,0	1,32	1,39	-0,07
Quick liquidity Assets – Inventories / short-term liabilities	0,8-1,0	0,89	0,67	+0,22
Debr to EBITDA ratio Net debt/EBITDA	Max 4,5	1,15	2,24	-1,09
Debt to share capital Net debt/ Share capital	Max 1,1	0,36	0,75	-0,39

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

When describing financial situation in this section, the Group used alternative measurement of results providing additional information on financial situation of the Group, presenting appropriate explanations and reasons for their application, so that



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they could understand their usefulness and reliability (guidelines of ESMA „ Alternative Performance Measurements (APM)” – 05/10/2015 ESMA/2015/1415pl). To those include presented in this section:

- Return on sales - profit on sales ratio (gross profit on sales - selling costs - general administrative costs) to sales revenues,
- Gross profitability of sales - the ratio of gross profit to sales revenues,
- Net profitability of sales - the ratio of net profit to sales revenues,
- Net return on assets - the ratio of net profit to assets,
- Net return on equity - the ratio of net profit to equity,
- Current liquidity - ratio of current assets to short-term liabilities,
- Quick ratio (liquidity) - ratio of current assets less inventories to short-term liabilities,
- Debt / EBITDA – relations of net debt (financial liabilities with interests (loans, borrowings, debt securities, financial lease) minus cash and cash equivalents) to EBITDA (operating profit decreased by depreciation) in the last 12 months (LTM),
- Debt / share capital – relations of net debt (financial liabilities with interests (loans, borrowings, debt securities, financial lease) minus cash and cash equivalents) to share capital,

Financial ratios are at safe levels, confirming that dynamic development of the Group is conducted while maintaining good profitability, liquidity and solvency.

Historically, the Dekpol Group was characterized by increased level of indebtedness, which was related to the rapid development of the Group carried out basically in every segment of its business activity. It was connected with high investment expenditures and increased demand for working capital. In the last two years, positive effects of these investments can be observed, visible in high positive cash flows from operating activities (PLN 82.8 million in 2019, PLN 135.7 million in 2020) and falling debt. In the last two years, the Dekpol Group has significantly reduced level of net debt, both in absolute terms (from PLN 225 million as at 31/12/2018 to PLN 182 million as at 31/12/2019 and to PLN 106 million as at 31/12/2021) and in terms of indicators:

- Net debt indicator / Share capital decreased from 1,17 as at 31.12.2018 to 0,75 as at 31.12.2019 and to 0,36 as at 31.12.2020.
- Net debt indicator / EBITDA LTM decreased from 3,73 as at 31.12.2018 to 2,24 as at 31.12.2019 and to 1,15 as at 31.12.2020.

Decrease in the value of the net debt / equity ratio since the end of 2018 is related to increase in equity by PLN 50.8 million in 2019 and by PLN 51.16 million in 2020. The Group did not pay dividends in this period, which helped maintain a high value of equity. At the same time, the Group reduced its net debt from the end of 2018, of which decrease in 2019 amounted to PLN 42.8 million and was mainly related to increase in the cash balance as a result of inflow of receivables from performance



of contracts in general contracting segment. In 2020, decrease in net debt balance was related to both: decrease in balance of loans and bonds and an increase in cash balance.

The above also affects the value of net debt / EBITDA ratio, where the second component creates EBITDA result. As a result of systematic development, the Group achieves better and better operating results: in 2018 EBITDA amounted to PLN 60.2 million, in 2019 PLN 81.2 million, and in 2020 PLN 92 million. The above has an impact on decrease in the value of net debt / EBITDA ratio from the end of 2018.

5.2.6 FINANCIAL RESULTS FORECAST

Dekpol S.A. did not publish financial results forecast of the Dekpol Capital Group for the year 2020.

5.3 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT

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 2020, 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 strategy of the Dekpol Capital Group 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, separated as of 1st of January 2021 to the subsidiary Dekpol Budownictwo, 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. **sales**, 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 development on the markets of: Europe, Africa, USA and Poland. From 2021, special emphasis will be placed on building its own sales network and warehouses on American market. In the second quarter of 2021, it is planned to start talks about construction of a distribution network in the above-mentioned area. To ensure proper distribution, the Company will create technical facilities to carry out warranty repairs as well as post-warranty repairs of the offered accessories. The planned activities are aimed at increasing recognition and strengthening of Dekpol Steel brand on American market. In order to fulfill increased number of orders, including those from the American market, in the third quarter of 2021, the Company plans to start expansion, and thus increase of production spaces. Observing current dynamic increase in orders, the current production capacity, i.e. space, equipment facilities



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and human potential, will be able to fulfill orders by the end of 2022, achieving annual revenues of up to PLN 150 million. It is a limit amount of income that does not require new investments. Hence, in order to meet plans of increased acquisition of new customers, it is necessary to expand and train new staff in advance. Already in 2021, the Company plans to increase the value of turnover compared to 2020 by about 40%

In 2020, Dekpol Steel, together with the largest manufacturer of hydraulic systems in Poland, began design and research works on hydraulic motors replacing traditional actuators. In the first quarter of 2020, initial design phase for the ROTOTILT device has also started, thanks to which it will be possible to take full advantage of capabilities of excavator-mounted buckets. In the first half of 2021, it is planned to carry out technical tests on a previously selected group of construction machines, which will allow for possible improvements to the prototype equipment before entering serial production. The market premiere of both devices is planned during the next edition of the largest construction machinery fair BAUMA 2022.

In January 2021, Dekpol Steel completed integration process of a robotic welding station dedicated to welding buckets for compact machines. At the moment, the station is working at its full capacity, reducing welding time compared to manual operations by 25%. The company aims to robotize most of its production processes. The applied solutions described above with use of two synchronous robots are to be implemented on other welding stations. In 2021, the Company also plans to complete implementation of the ERP system, which will significantly improve production management and planning.

Regardless of sales of its own products, the Company decided to expand portfolio of offered accessories with specialized demolition equipments from a reputable manufacturer. Thanks to this procedure, sales department can choose a full range of accessories for Dekpol Steel customers, thus increasing level of revenues.

Real-estate development segment

W Grupie Dekpol prowadzone były cały czas działania dostosowujące funkcjonowanie spółek do zmieniających się warunków, tak aby w sposób bezpieczny zapewnić kontynuację działalności. Emitent podejmował również niezbędne działania zapobiegawcze w zakresie realizowanych przez Emitenta projektów, jak i działania edukacyjne w stosunku do pracowników.

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.



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In subsequent years, the Company plans to acquire attractive grounds for construction of residential premises throughout the country. 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 land bank owned by the Company will allow systematic introduction of new investments for sale, up to 2025. IN 2021 it is planned to start the 8 new projects. The company also plans to develop cooperation with financial institutions on PRS market, thus ensuring access to capital enabling the implementation of development plans in optimal way. Most of investments will be implemented in the Pomeranian Voivodeship, where Dekpol Developer maintains a leading position on the market. On the owned land bank, the Company may introduce approx. 5 thousands of premises with about 220 thousand m² of PUM (usable floor area).

In 2021, 350 new apartments are planned to be sold. Sales of premises recognized in financial result of the Group (on the basis of concluded notarial agreements transferring the ownership of premises) is planned at the level of 300 premises and the level of revenues from real-estate development activities is to amount PLN 210 million. The company also expects an increase in gross margin on sales.

Operating strategy of Dekpol Developer also includes implementation of real-estate development projects for institutional clients (PRS). In 2020, the Company signed a letter of intent for the implementation of a real-estate development project in Wrocław in this formula.

In the above plans, the Company took into account current situation related to the possible negative effects of the COVID-19 pandemic and adopted a precautionary scenario.

Decrease in the number of customers visible in 2020 was caused by restrictions introduced by state authorities and uncertainty of society related to the slowdown of the global economy. If the epidemic persists, its permanent impact on the economy and introduction of bigger amount of restrictions, decrease in the number of buyers for property development products offered by Company should be taken into account. The COVID-19 vaccination program launched at the end of 2020 may have a positive effect in the form of lifting restrictions and frostbite the economy.

In addition, Management Board of the Company ensures that it monitors further developing situation related to continuing effects of the spread of the COVID-19 virus and its impact on Company's operations on an ongoing basis.

6.2 IMPLEMENTATION OF THE STRATEGY OF THE COMPANY AND THE DEKPOL CAPITAL GROUP IN 2020



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In the financial year 2020, as part of the implementation of the adopted development strategy, the following actions were taken:

General contracting segment

Short-term strategy of GW segment assumed organic development of the enterprise, with assumption that it would be reflected in increase in financial results in general contracting segment, which became a fact in 2020. One of the priorities was to base development of the core business on acquiring new sales markets, optimal selection of ordering portfolio and keeping cost discipline.

In December 2020, Dekpol S.A. concluded with its subsidiary - Dekpol Budownictwo - agreement concerning transfer of an organized part of the enterprise worth PLN 137.2 million, covering general contracting department. Reorganization is related to the implementation of the development strategy of entire Dekpol Capital Group and its main focus is to maintain the high growth dynamics of individual segments of company's business activities.

Through implementation of the new organizational structure, it was possible to individualize development strategies created for general contracting segment. This segment - as a part of its short- and medium-term strategy - focuses its business activities on industrial and logistics construction projects, which account for approximately 80% of expected turnover for 2020.

Over the last three years, the Issuer has achieved a leading position among general contracting companies implementing large-scale construction projects based on construction of industrial facilities, logistics parks, commercial parks and public utility facilities for various purposes. The order portfolio for the first half of 2021 was also kept at a satisfactory level.

The company has developed new market areas in terms of territories and acquired several new projects for implementation going beyond the current core-business of the company, such as: Passenger Service Areas (MOP) at express routes. In addition, under implementation remained advanced engineering facilities. An example is the project of a bicycle factory in Solec Kujawski with a high-bay warehouse with a height corresponding to a ten-story apartment block. For a regular customer, under implementation in the BTS formula remain a food production plant with cooling and freezing systems in Ostróda and a production and warehouse complex in Radom for welding activities. Also, thanks to a permanent business partner, the project of an innovative factory in Grodzisk Mazowiecki is being implemented for a leading European manufacturer in the field of cooling and heating. Current order portfolio of Dekpol Budownictwo also includes a modern car showroom for the prestigious brand of passenger cars in Janki near Warszawa, construction of a technically advanced galvanizing plant in Inowrocław, as well as construction of another meat industry production plant in Osie. " At the same time, the company remained a strategic contractor of orders from Dekpol Developer.



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Although the COVID-19 epidemic and the related lockdown had a negative impact on many branches of the economy, in the case of the number of valued projects and orders for construction of industrial and logistics facilities, the impact was almost imperceptible.

In case of the Issuer's construction activities, acceleration is noticeable due to development of the e-commerce industry, which translates into an increased demand for modern warehouse spaces. The producer sector is also investing in a new facilities to secure logistics of deliveries to its contractors. Moreover, constantly growing market of housing construction allows to generate additional revenues the general contracting segment.

While conducting operating activities, the Company adjusts its offer to the current market situation on an ongoing basis. Dekpol Budownictwo has experience in implementation of a wide range of diverse facilities, ranging from logistics and industrial facilities, through car showrooms, shopping malls, retail parks, passenger service areas at road facilities, hotels, residential buildings, office buildings, and ending with hydrotechnical, dock and railway facilities and roads.

The company pays a lot of attention to company's internal processes in order to adjust them as closely as possible to economic environments.

Dekpol Budownictwo consistently and efficiently controls internal processes and constantly strives for ensuring of intra-organizational perfection. One of the tasks in this area is implementation of modern IT solutions. An example is an innovative way of adapting the ERP system for needs of construction sites, which in its advanced form is to be implemented in Dekpol Budownictwo projects in the second half of 2021.

Segment of manufacture of accessories for construction machines

Separation of the subsidiary Dekpol Steel on 1st of January 2020 allowed for an individualized and more independent operation of the entity within Capital Group. Thanks to introduction of new financial solutions, the Company meets its obligations towards its contractors in a timely and reliable manner, at the same time building its own policy of trade limits at its suppliers. This gives the opportunity to get better prices. The second important point in Dekpol Steel's strategy is continuous optimization of production processes as well as increasing profitability. The year 2020, despite the COVID-19 pandemic, has clearly shown that the actions taken earlier allowed for flexible decision-making in order to reduce the risk of reduced orders, especially in the second and third quarters.

Dekpol Steel focuses on acquisition of new employees and their appropriate training in order to implement properly more and more complex orders of a higher added value.

Expansion of sales department by increasing of employment stand and specialized training are the main factors determining increase in revenues.



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Sales department is created both in the country and abroad. Building of DEKPOL STEEL brand is the overriding goal of Management Board of the Company. In order to fulfill the growing number of orders, in plans remain: further expansion and automation of production processes as well as purchase of specialized machines. In order to improve efficiency, the Company introduced product standardization, allowing manufacture of equipment which increases work efficiency.

In addition to increasing share of Dekpol Steel accessories in the aftermarket, further certifications are carried out for OEM customers.

Real-estate development segment

Since January 2019, the Group's real-estate development segment operates within newly established company Dekpol Developer Sp. z o.o.. Regulation of an organized part of the enterprise allowed separation of the property development activities from remaining areas of Group's operations, and consequent reduction of business and legal risks, while increasing organizational and financial independence of Dekpol Developer within Dekpol Capital Group.

The owned and constantly expanded land bank, including grounds in Gdańsk, Warsaw or Wrocław, will allow for an increase in the number of real-estate development investments offered by the Company in subsequent periods.

Taking into account schedule of premises handover in 2020, already possessed building permits for further development investments and - with regard to sales of apartments recognized in financial result - already signed reservation, real-estate development and preliminary agreements, in February 2020 were adopted sales targets for 2020, according to which the intention of the Group in real-estate development segment was to achieve sales based on reservation, real-estate development and preliminary agreements at the level of 400 units with a value of PLN 200 million and sales of units recognized in Group's financial result (based on concluded notary agreements transferring the ownership of apartments) at the level of 650 premises with a value of PLN 320 million, with a simultaneous increase in gross margin on sales to a level of above 20%. Moreover, the change in sales structure was planned, consisting in increasing of share of high-standard holiday apartments from 14% to 31% in Group's sales, while reducing the share of the popular segment to 44%, which in 2019 accounted for 61% of the Group's sales.

In October 2020, taking into account the situation related to COVID-19 pandemic and related sales results achieved in three quarters of 2020, as well as schedule of premises handover in 2020, construction permits held and - in relation to sales of premises recognized as a result of financial - already signed reservation, real-estate development and preliminary agreements, the Group updated its sales targets for 2020 to the following:

- sales based on reservation, real-estate development and preliminary agreements: 150 units with a value of PLN 75 million,



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- sales of premises recognized in Group's financial result: 630 premises with a value of PLN 290 million,

At gross sales margin on the level of over 20%.

Information on sales targets for 2020 was provided by the Company in current reports no. 5/2020 dated 10th of February 2020 and no. 28/2020 dated 19th of October 2020.

Finally, the Group in real-estate development segment in 2020 achieved the following sales results:

- the number of premises sold: 148 premises with a total value of PLN 78 million, compared to 382 premises sold in 2019 (based on the concluded reservation, real-estate development and preliminary agreements),

- the number of premises that were recognized in financial result: 622 premises with a total value of PLN 282 million, compared to 490 premises recognized in 2019.

6.3 DEVELOPMENT PERSPECTIVES FOR THE UPCOMING FINANCIAL 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 report.

In accordance with sales targets for 2021 adopted in January 2021, the Group's intention in real-estate development segment is to achieve in 2021 revenues of PLN 210 million, which will include, in particular, sales of 300 apartments recognized in financial result and revenues from implementation of investment from an institutional client implemented in Wrocław at ul. Braniborska, which is discussed in more detail in point 3.4. of this report. On the other hand, the target for 2021 with regard to sales of apartments under reservation, real-estate development and preliminary agreements is set at 350 units.

In addition, on 20th of April 2021 (event after balance sheet date), the Company provided information about business activities of the Dekpol Capital Group in real-estate development segment in the first quarter of 2021:

- the number of premises sold: 79 premises compared to 27 premises sold in Q1 2020 (based on concluded reservation, real-estate development and preliminary agreements),

- number of premises that will be recognized in Group's financial result: 148 premises compared to 178 premises recognized in the first quarter of 2020.

As at 31st of March 2021, the total number of apartments offered by the Group for sale reached 289 units.

In the first quarter of 2021, three new investments were put for sale:



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- Grano Marina Hotel – building with a total number of 130 commercial spaces located in Wiślinka near Sobieszewska Island,
- Lazur Park – residential building with a total number of 36 residential premises, located on Sobieszewska Island,
- Villa Neptun – apartment building with a total of 40 commercial premises, located on Sobieszewska Island.

In the first quarter of 2021 was issued the final decision on use permit for 3 multi-family residential buildings (180 units) included in "Osiedle Pastelowe" investment, stage no. I in Gdańsk, and sales result in this investment as at 31st of March 2021 reached 95%.

Perspectives for the other two segments, i.e. General Contracting and Production of accessories for construction machines are presented in section 6.2 (strategy implementation) of this report.

Sales targets for 2021 were provided by the Company in current report no. 2/2021 dated 15th of January 2020, with provision, that none of the above statements relating to future may be understood or interpreted as granting any guarantee or assurance by the Company or entities belonging to the Capital Group, that such events will occur and that the above-mentioned sales targets will be achieved. In turn, information about sales of premises in the first quarter of 2021 was provided in current report no. 17/2021 dated 20th of April 2021.

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

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:

- acquisition of new construction contracts and their timely implementation,
- further extension of production plant for manufacture of accessories for construction machines,
- on-time delivery of products and maintaining their high quality,
- smooth obtaining of construction permits for real-estate development investments,
- 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),



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- developing cooperation with financial institutions, which is to provide the Company with access to capital enabling the implementation of its objectives,
- implementation of current projects.

The factors that appeared in 2020 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.

Spreading COVID-19 pandemic is a factor exerting an increasing impact on the global and Polish economy. The Dekpol Group identifies potential risks that may affect individual areas of Group's operations resulting directly or indirectly from current situation.

In relation to the industry of production of accessories for construction machines, these are primarily: limited availability of administrative and production employees as well as limitation or suspension of production in plants supplying materials or components for production. It cannot be excluded, that in this situation there may be delays in project implementations due to force majeure. Some of the above risk categories may also apply to General Contracting segment, which, however, as at the date of publication of this report, successfully resists pandemic threats, maintaining compliance with planned construction production schedules on all projects, despite the occurrence of individual disease cases. A certain difficulty is limitations in work of offices conducting building acceptance checks and offices supporting the activities of network administrators. However, related risks are controlled by the Company through advance contacts with the above-mentioned entities, and implemented procedures of procedural simplification at the national level systematically improve the situation.

The year 2020, and in particular the second quarter, was the biggest test of management systems implemented, as well as activities undertaken earlier related to expansion of sales network of Dekpol Steel. The collapse of construction machinery market related to Covid-19 pandemic has had a negative impact on orders from OEM customers. In May and June, the Group recorded relatively smaller orders from the above-mentioned customers. Thanks to intensive work of newly established sales department, it was possible to obtain orders from the aftermarket, which minimized losses resulting from closure of many OEM factories in Europe. The second quarter of



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2020 Dekpol Steel Sp. z o.o. ended with a 20% decrease in orders compared to the same period last year. Through decisive actions of Management Board of Dekpol Steel, the continuity of factory's operation was maintained, without reduction of employment or suspension of production process. In June 2020, a large-scale recruitment campaign was carried out to recruit new production employees. This action allowed recruitment of new employees, laid off from other companies at a critical moment in the second quarter. In the same period, a decision was made to purchase a fully robotic stand for production of loader buckets. By automation of welding process, the efficiency of this area will increase. The period of reduced production was used for further optimization of production processes as well as tightening of inventory reporting. The Covid-19 pandemic has prompted more inquiries from OEMs regarding production of accessories currently manufactured in China and other countries outside of Europe.

In the real-estate development industry, there is a risk of temporary reduction in demand for residential properties, which may result in smaller number of agreements concluded in connection with sales of these properties, including reservation, preliminary and real-estate development agreements. The Issuer identifies the risk of temporary hotel closings during pandemic, which may lead to reduced demand for premises in constructed apart-hotels and condo hotels. In the Group's opinion, postponement of conclusion of agreements should not affect Group's long-term results but only in coming months. A number of factors related to pandemic resulted in decrease in the number of sales transactions in 2020, compared to the same period of previous year. Difficult economic situation, restrictions introduced by state authorities, tightening bank requirements, resulting in difficulties in mortgage getting as well as customer's concerns about job insecurity had a negative impact on this demand. Delays in obtaining construction permits and other administrative decisions necessary for commencement or continuation of construction processes are also possible.

Situation related to the virus also influenced business actions taken by Dekpol S.A. and Dekpol Steel Sp. z o.o. in the scope of use of public aid pursuant to Art. 70 of the Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and emergencies caused by them. Both companies took advantage of the possibility of obtaining a loan repayment guarantee from Fundusz Gwarancji Płynnościowych (Liquidity Guarantee Fund) to secure the repayment of loans granted for the purpose of ensurance of financial liquidity:

Dekpol S.A.

Alior Bank bank overdraft, agreement no. U0003447412540	guarantee PLG-FGP BGK on the amount of PLN 8 000 000,00
SGB-Bank S.A. revolving credit, agreement no. REW/2200155/2020/2	guarantee PLG-FGP BGK on the amount of PLN 24 000 000,00



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SGB-Bank S.A. bank overdraft, agreement no. KRB/2200155/2020/1	guarantee PLG-FGP BGK on the amount of PLN 12 000 000,00
PKO BP multi-purpose credit line, agreement no. 38 1020 1462 0000 7102 0368 2028	guarantee PLG-FGP BGK on the amount of PLN 19 800 000,00

Dekpol Steel Sp. z o.o.

Alior Bank bank overdraft, agreement no. U0003444593097	guarantee PLG-FGP BGK on the amount of PLN 16 000 000,00
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Both companies - Dekpol S.A. and Betpref Sp. z o.o. also benefited from public aid pursuant to Art. 15gg above the Act of 2 March 2020. As a part of the above-mentioned aid Dekpol S.A. received co-financing for salaries in August-October 2020 for total amount of PLN 1,143,475.91, in turn, Betpref sp.z o.o. received co-financing for salaries in August-October 2020 for a total amount of PLN 546,775.05.

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 2021 based on their own financial resources, funds from bank loans, leasing and funds raised from the issue of bonds. The Issuer does not see any threats when it comes to obtaining financing for the implementation of the investments planned by the companies from the Dekpol Capital Group, and thus does not see any significant problems with the Group's implementation of the intended goals.

7. WEAKNESSES AND THREATS FACTORS

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

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

Risk related to the construction process

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



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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),
- mistakes made in managing the entire construction process,
- errors related to the applied technical and technological solutions.

The above may have an impact on extension of the entire product manufacturing process, causing an increase in costs and postponement of payments, which in turn increases the likelihood of a decrease in Issuer's result and disturbance of financial balance.

Changes in design are a common occurrence in construction process, however, these changes are often subject to additional valuation. Company's staff shifts these risks towards the investor (Ordering party) informing about future and financial threats. These changes are primarily initiated on investor's side.

Changes in costs during implementation relates mainly to long-term investments. As at date of publication of this report, short-term investments constitute the main share in ordering portfolio. In case of long-term investments, which are carried out primarily for Dekpol Developer, increase in costs is also reflected in increase in sales per 1 m² of apartments space, which gives the way to partial recovery of costs.

Offers prepared by the Group are updated when the client extends decision time regarding choice of offering party and commencement to construction works. In the event of drastic increases during construction phase, the Group attempts to talk to investors on participation in increase of costs. Such discussions often have a positive effect on construction result.

Mistakes made in management of construction process are mainly related to entering into new segments of construction market and entering into new locations. This risk is minimized with increase in the experience of our staff, appropriate arrangement of construction organigram and unification of construction implementation processes in terms of management and technical aspects.

Mistakes related to applied technical and technological solutions mainly result from poorly designed and adopted solutions by designers. In order to compensate the costs incurred, the Group launches instruments in accordance with contractual provisions aimed at project authors and suppliers.



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In the event of the above-mentioned factors, the scale of negative impact on business activities and financial situation of the Issuer could be significant. The Issuer assesses the probability of this risk as high.

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.

Risk related to underestimation of 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



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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 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 business activities on the local market

The majority of investments carried out by the Issuer in the scope of property development activities are located in the area of the Pomeranian Voivodship. Within general contracting segment, this concentration does not occur permanently over a long period of time, but there are periods when concentration on a local market is visible. Such concentration causes dependence on economic situation on the local market, as a result of which the Issuer's Group has to compete with large number of domestic and foreign business entities servicing real-estate development market. Such local limitations cause that Issuer's revenues largely depend on the level of investors' activity on residential market in the region. The multiplicity of competitive housing investments may have an impact on reduction of Issuer's Group revenues. This may directly translate into financial result and development perspectives of the Issuer's Group in the future.

For mitigation of this risk, the Issuer actively looks for new investment opportunities throughout the country, which will increase independence from the situation on a local market and contribute to Issuer's development. In the structure of the Group, the Issuer owns company UAB DEK LT Statyba, which has historically been established to



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support business activities of the Issuer's Group in Lithuania in implementation of general contracting projects, as well as for management of future contracts in Lithuania. A company from the Group (Dekpol Deweloper sp.z o.o.) owns ground properties outside the Pomeranian Voivodeship (Warszawa, Wrocław), on which it intends to implement hotel / residential projects. The Issuer's Group also focuses on strengthening its market position and increasing its competitive advantage by providing high-quality and timely services as well as offering comprehensive solutions for private investors, including investors representing international concerns developing their operations in Poland.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be significant. The Issuer assesses the probability of this risk as medium.

Risk related to concentration of general contracting projects on warehouse market

For several years, participation of warehouse projects in the Issuer's order portfolio has significantly increased (as warehouse projects the Issuer qualifies: warehouse halls, production and warehouse halls, production and warehouse halls with an office building, warehouse and service halls with an office building). The Issuer notices significant concentration on this type of projects in its order portfolio. In the event of a collapse / decrease in this market segment, the Company may record a smaller number of contracts, which may have a significant negative impact on the level of generated revenues and profits as well as further development of the Issuer.

The focus on warehouse projects is due to the fact that Dekpol has been a leading contractor of this type of contracts in Poland for many years, moreover, it is now possible to observe a dynamic development of the warehouse market in Poland and it fits well with the strategy of Issuer's Group in general contracting segment (focus on short-term contracts, whose completion date does not exceed 8 months).

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as low.

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 prospects. To mitigate this risk,



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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 of falling apartments prices

Decisions made by Issuer's Group must take into account relatively long-time horizon for each investment, as well as significant fluctuations in selling prices of premises during projects implemented, over which the Issuer has no exclusive control. These factors may have a significant impact on Group's profitability and its financial needs. The price level is influenced by supply-demand relationship, which is influenced by e.g. purchasing power of potential customers and available amount of financing costs for the purchase of premises. A drop in apartment prices may have a significant negative impact on business operations, financial situation, results and development perspectives of the Issuer's Group.

Real-estate development market is usually reacting with delay compared to other asset classes, and possible falls in apartments prices may only be seen in longer term. At the present time, the Issuer does not aim to lower the prices of its investments, although in the event of potentially sustained downward trend in prices on the housing estate market, it will be forced to adjust its price lists so that its offer remains competitive on the market.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as medium.

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



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The 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 Dekpol 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 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. In line with adopted strategy, Dekpol Developer buys ground properties for multi-stage projects (e.g. Osiedle Zielone, Osiedle Pastelowe, Nowe Rokitki, Sol Marina, Grano Resort in Sobieszewo). The next stages of projects are usually launched at intervals of 6 to 12 months. The issuer usually has to pay for the ground property in full, and the complete development of the ground may take place even up to several years after its acquisition date. A long delay in sales may, in particular in the event of an unfavorable macroeconomic situation, result in non-recovery of some or all of the invested funds. Therefore, the moment of obtaining revenues may be significantly distant in relation to expenditure incurred for implementation of a given project.

Costs related to implementation of a property development project and, consequently, financial results of the Group may be significantly affected by such factors as:

- necessity to incur additional costs (also as a result of their incorrect estimation) or occurrence of circumstances causing a significant change in costs;
- changes in the scope of the project and changes in architectural design project;
- failure in performance of works by contractors within agreed deadlines and to the agreed standard;
- delay in obtaining an occupancy permit;
- delays in completing of documentation necessary for signing of notarial deeds transferring ownership, issued by administrative bodies.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as medium.

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

The Dekpol Group operates, among others in the property development industry, selling premises largely to consumers. In relations with consumers, the Dekpol Group



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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 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 Group regarding recognition of the provisions of the template as prohibited.

Risk of accidents at construction site

The Dekpol 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 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 factors having a significant impact on proper course of contract implementation is cooperation with subcontractors. In the process of contract execution, the Issuer's Group, apart from its own human resources, takes advantage of services of subcontractors, at the same time taking over from the ordering parties (investors) the risk related to improper performance of terms of contract or untimely performance of the subject of contract by subcontractors. This may result in Group's breach of the contract with the ordering party and lead to claims against the Group and expose it to loss of the reputation of a reliable contractor, which will adversely affect the Group's financial result.

The Group tries to reduce this risk by increasing executive resources, appropriate selection of subcontractors and taking steps to build a database of reliable, proven and regularly cooperating subcontractors with appropriate certificates and experience. In addition, the Group, when constructing contracts with subcontractors, specifies terms and conditions, trying to protect them against non-performance or improper performance of contract terms by these entities, mitigating this risk to the subcontractor or supplier.

Limited availability of external subcontractors may also result in an increase in costs incurred on behalf of subcontractors, and thus adversely affect results and financial situation of the Group.



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It should also be noted that if the Group takes advantage of services of subcontractors without obtaining the consent of the investor or contractor, it is exposed to contractual risk provided for in some contracts. Moreover, in such cases, provision of Art. 6471 of the Civil Code providing for joint and several liability of the entity concluding contract with subcontractor (contractor) and the investor for payment of remuneration for services provided by subcontractor. Being aware of this risk, the Group always strives to obtain appropriate approvals from ordering entities.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as low.

Risk associated with acquisition of new contracts

The nature of the business activity conducted by the Dekpol Group means that a significant number of contracts is obtained through a tender. The 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 Dekpol 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 Dekpol Group is currently executing contracts at assumed profitability and achieving good financial results. The 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 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

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 Dekpol 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 Group implements industrial construction facilities in the general contracting system. The Dekpol 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



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risk associated with competition, the Group carries out his work with the utmost diligence, building the best possible relations with clients. In addition, the 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).

Risk of small availability of mortgages / housing loans

Financial crisis and economic slowdown may adversely affect liquidity and financial situation of apartment buyers, which in turn may result in weakening of demand for apartments offered by the Issuer's Group. Demand on housing-estate market is largely dependent on availability of mortgages/housing loans and the ability of their repayment. Due to economic crisis caused by Covid-19 pandemic, banks significantly changed their policy related to granting mortgage loans by tightening criteria for assessing creditworthiness. In particular, a noticeable trend in a mortgage market is the temporary exclusion of income from certain types of economic activity (industries) when assessing creditworthiness, or a significant limitation by banks of access or amount of credit in relation to people employed under civil law contracts. In this regard, it should also be mentioned that many banks have introduced a requirement to make a higher own contribution (lowering the LTV ratio), as well as increasing margins and commissions.

Possible decrease in availability of mortgages/housing loans, as well as deterioration in the creditworthiness of potential buyers of residential estates may adversely affect Issuer's Group's revenues. Changes in regulatory policy affecting banks' creditworthiness assessment and banks' policies in this regard may cause a decrease in demand for new apartments, and thus may have a negative impact on Group's operations, development perspectives, financial situation or results.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be significant. The Issuer estimates the probability of this risk as high.

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

Risk related to virus pandemic (COVID-19)

Spreading COVID-19 pandemic is a risk that has an increasing impact on the global and Polish economy. 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



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implementation of projects commissioned to the Issuer or entities from the Issuer's Group due to force majeure. Possible delays may result in disputes over payment of remuneration for works performed by the Issuer or entities from the Issuer's Group, related in particular to charging of contractual penalties or damages by contractors for failure to perform contracts on time.

In a real-estate development industry, the Issuer also notices the risk of temporary hotel closings during pandemic, which may translate into reduced demand for premises in aparthotels and condo hotels constructed. The risk of a temporary reduction in demand for residential real-estates also be indicated, which may result in smaller number of agreements concluded in connection with sales of these properties, including reservation, preliminary and real-estate development agreements. In the opinion of the Issuer, postponement of the moment of their conclusion should not affect Group's results in long term period, but only in coming months.

In addition, reduction of work of public administration offices or remote work of officials may cause in delays in issuing administrative decisions, both construction permits and occupancy permits. This may result in delays in starting new construction projects as well as delays in handing-over of residential premises to final buyers on completed investments. At the same time, potential risk of suspension or slowdown of construction works and occurrence of logistical difficulties may cause delays in implementation of construction projects, resulting in inability to complete investments on time. The above, in turn, may increase the risk of potential withdrawal by buyers from already concluded contracts or charging contractual penalties.

The Issuer also notes that economic crisis caused by Covid-19 pandemic may have an impact on financial situation of Issuer's contractors or entities from the Issuer's Group, which may result in delays in payment of receivables due to the Issuer or entities from the Issuer's Group, or even complete insolvency of these contractors. In the event of a significant increase in this phenomenon, the Issuer's financial liquidity may deteriorate, despite existing financial provisions as at the date of this report, intended to cover operating losses.

The Issuer notes however, that due to unprecedented scale of phenomenon and dynamics of events, it is difficult to predict further development of situation and estimate an impact of potential effects of pandemic, as well as to assess possible scenarios of behavior of major investors, customers, suppliers and subcontractors. In the Issuer's Group, business activities are carried out to adapt functioning of companies to the changing conditions, so as to safely ensure continuation of business operations. The Issuer also takes the necessary preventive measures in the scope of projects implemented by the Issuer, as well as educational activities in relation to employees. At the same time, management boards of individual companies from the Issuer's Group will react to the changing market conditions on an ongoing basis.



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The above conditions may have significant negative impact on development perspectives, achieved results and financial situation of the Issuer's Group. In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be significant. The Issuer estimates the probability of this risk as high.

The risk related to the macroeconomic situation

The results obtained by the Dekpol 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 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 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 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 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 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 Dekpol 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



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be repealed as incompatible with European law. Implemented legal changes can potentially create a risk related to interpretation problems, lack of case-law practice, unfavorable interpretations adopted by courts or public 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 Group'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 Dekpol Group's. In order to minimize the above-described risk, the Dekpol 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 Dekpol 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 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 Dekpol Group was or is a party, contain provisions in accordance with the provisions of the Civil Code.

Risk related to initiatives of public authorities regarding condo hotels and apart-hotels



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As a part of real-estate development activities, entities from the Issuer's Group have offered and intend to offer in the future sales of premises also in condo hotel and aparthotel model. The subject of the offer is the ownership of a non-residential premises, and conclusion of a lease agreement for this premises with an entity that will conduct operating activities in a given hotel facility (an entity not belonging to the Issuer's Group). In 2019, the Polish Office of Competition and Consumer Protection (UOKiK), the Polish Financial Supervision Authority (KNF) and the Ministry of Investment and Development (MliR) launched an information campaign in which they warned about risks associated with investing in rooms in aparthotels and condo hotels. Although the Issuer agrees with the theses presented in the campaign and sees the need to conduct it, the content of the announcements raised concerns among consumers and the Issuer's clients and, as a consequence, may lead to a decline in interest in this type of offer. It cannot be ruled out that in the future further information campaigns or legislative initiatives will be undertaken, which will result in lack of interest in premises in condo hotels and aparthotels by customers or, as a result of the introduced security measures and restrictions, will make such investments unprofitable.

In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as low.

Risks related to financial instruments

Currency risk

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

Interest rate risk

The Dekpol 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 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 Group's financial results.

Risks related to bonds issued

Due to bonds issued, the 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 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



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bankruptcy. As at the date of publication of this document, the Group has no problem with timely debt bond service. The 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 Group does not rule out that in the future there may be problems in the timely repayment of liabilities.

Risk related to financing the current business activities

The Dekpol Group finances its activities also with the use of funds from bank loans. As at the date of this report, there are no indications of possible difficulties of Dekpol Group companies with repayment of their obligations under loan agreements. However, the risk of such problems arising in the future cannot be completely eliminated. In extreme cases, in order to meet its liabilities, the Group may be forced to sell some of its assets, which could adversely affect Group's financial position and the possibility of further development.

Risk of breach of obligations provided for in loan agreements and in terms and conditions of bonds issue

Loan agreements concluded by entities from the Group, as well as terms and conditions of bonds issue, provide for obligations to maintain certain financial ratios. The issue of bonds may result in potential breach of these ratios, which in turn may lead to termination of loan agreements by banks or an earlier redemption of issued bonds by bondholders. In addition, some loan agreements of the Group's entities contain provisions providing for the so-called cross-default, which means that the breach of one loan agreement automatically results in the breach of other loan agreements concluded with the same bank. In the event of default under one financing agreement, the existence of cross-infringement provisions may automatically result in default in other agreements. If such default provisions in other contracts are triggered, this could lead to significant losses for the Group and a significant reduction in its access to capital.

Any failures in meeting of obligations under loan agreements or bond issue terms and conditions may result in maturity of debts before originally scheduled repayment date and a significant deterioration in financial liquidity of entities from the Issuer's Group. The above may result in use by bank or bondholders of a security specified in loan agreements, including enforcement against properties encumbered with a mortgage. Thus, there is a risk that properties or other assets belonging to the Group may be seized, which may result in the Group losing some of its significant assets. Events indicated above may have a negative effect on Group's operations, financial condition and results of business operations. In order to prevent the occurrence of indicated circumstances, the Issuer performs on an ongoing basis assessment of debt status and controls the compliance with covenants contained in the loan agreements and terms and conditions of bond issue.



In the event of the above risk factor, the scale of negative impact on business activity and financial situation of the Issuer could be quite significant. The Issuer assesses the probability of this risk as medium.

8. CORPORATE GOVERNANCE STATEMENT

8.1 INDICATION OF A SET OF CORPORATE GOVERNANCE PRINCIPLES APPLICABLE AT THE ISSUER

In 2020, 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 INDICATION OF A SET OF CORPORATE GOVERNANCE PRINCIPLES, FROM WHICH THE COMPANY WAIVED

In financial year 2020, 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.



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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.

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.



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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.

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



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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.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 long-term 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.

On 31st of August 2020, Ordinary General Meeting of Shareholders of Dekpol S.A. adopted resolution concerning adoption of "Remuneration policy for members of Management Board and Supervisory Board of Dekpol S.A.". Therefore, the Company has adopted recommendation VI.R.1. ("The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.") and 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.").



8.3 SHAREHOLDERS HOLDING 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 2020 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	6 466 845	77,33%
Familiar S.A. SICAV-SIF*	679 583	8,13%
Other shareholders	1 216 121	14,54%
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 HOLDERS OF ANY SECURITIES, WHICH PROVIDE SPECIAL CONTROL RIGHTS, TOGETHER WITH DESCRIPTIONS OF 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 VOTING RIGHTS

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 TRANSFERRING OF 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 2020:



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Name and surname	Function
Mariusz Tuchlin	President of Management Board
Michał Skowron	Vice-President of Management Board
Katarzyna Szymczak-Dampc	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
Katarzyna Szymczak-Dampc	Vice-President 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 Mrs. Katarzyna Szymczak-Dampc will expire on 31st of December 2025.

Changes in the composition of the Management Board of Dekpol S.A. in 2020 and until the date of publication of the report

Mrs. Katarzyna Szymczak-Dampc was appointed to Management Board of the Company as of 1st of January 2020 by resolution of Supervisory Board of 30th of December 2019 regarding appointment to Management Board and entrusting the function of a Management Board Member. On 25th of August 2020, Supervisory Board of Dekpol S.A. adopted resolution on the change of the function of the Member of Management Board of Mrs. Katarzyna Szymczak-Dampc by entrusting her with the function of Vice-President of Management Board.

On 31st of December 2020, the Company received resignation of Mr. Michał Skowron from performing a function in Management Board of the Company and, at the same time, from the position of Vice-President of Management Board of the Company. Resignation was submitted with effect on 31st of December 2020. Resignation was due to reorganization of the Dekpol Capital Group and the Company and planned ordinance of an organized part of Company's enterprise, including the transfer of business activities in the field of general contracting of construction works to Dekpol Budownictwo Sp. z o.o., in which Mr. Michał Skowron was appointed to Management Board and currently holds the position of the President of Management Board.

Until publication date of this report, no other changes in composition of Company's Management Board took place.

DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS



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Management Board manages and represents the Issuer. The provisions of Company's Articles of Association 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. Purchase of real estate property, perpetual usufruct or interest in real estate property as well as a share in perpetual usufruct for a price higher than PLN 25,000,000 require the consent of the Supervisory Board expressed in the form of a resolution (§15 paragraph. 4 of the Statute). Internal organization and manner of operations performed by Management Board determines the Regulations of the Management Board, adopted by the Supervisory Board (available on <http://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.

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.

Management staff 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

Articles of Association of 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



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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 2020 and as at the date of publication of this report:

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

In 2020 and until the publication of this report, there were no changes in the composition of Company's Supervisory Board.

DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS

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

1. assessment of the financial statement and of the Management Board' report of the Issuer's activities for the previous year, in terms of their compliance with books and documents, as well as with the reality and the assessment of the Management Board concerning distribution of profit or covering of loss and the submission of annual written report on the results of this assessment for the General Meeting of Shareholders,
2. suspending in action, for important reasons, individual or all members of the Management Board and delegating members of the Supervisory Board, for a period not longer than three months, to temporarily perform the duties of members of the Management Board, who have been dismissed, have resigned or for other reasons cannot perform their duties;
3. passage and amendments of Management Board Regulations;
4. setting the remuneration of members of the Management Board;
5. issue of consent for the acquisition, purchase, disposal and encumbrance by the Issuer of stocks or shares in other companies, accession to or resigning from other



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- 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. appointment of statutory auditor to audit the financial statements of the Issuer (consolidated and separate), as well as approval of the terms and conditions of agreement with statutory 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 financial year 2020 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 the group of auditory company of non-audit services,
9. Setting of procedure of election of auditory firm,
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 have qualifications in accounting or auditing and majority of members of Audit Committee, including its President, shall meet the independence criteria in the meaning of the Act of 11 May 2017 on Statutory Auditors (...). 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 2020 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 2020, 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

Jacek Kędzierski graduated from the University of Gdańsk with a master's degree in Economic Cybernetics and Computer Science with a specialization in Data Processing and Accounting. Moreover, a member of the Supervisory Board is a graduate of postgraduate studies at the Institute of Legal Sciences of the Polish Academy of Sciences in Warsaw in the field of Information Security Administrator. Jacek Kędzierski has been running a business since 1992; as part of it, he has provided financial and accounting advisory services to entrepreneurs (until 2018), and since 2016 he has been focusing on services in the field of personal data protection as a part of a civil partnership run together with the Member of the Supervisory Board - Grzegorz Wąsacz. Jacek Kędzierski acts as a data protection officer in various entities.

Jacek Grzywacz

Jacek Grzywacz graduated from the Silesian University of Technology in Katowice, at the Faculty of Organization and Management, specializing in Economics, Finance and Marketing in Enterprises, with a Master's degree in organization and management engineering. In addition, the Vice-Chairman of Supervisory Board completed the Study for Financial Directors "Financial Management of Companies" organized by the Privatization Center Foundation - Business Development Institute, under which he obtained, among others knowledge in the field of accounting and finance. As a part of his over twenty years of professional career, he has performed and continues to perform activities in the field of economic and financial consulting, related to



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restructurisation, valuation and due diligence of enterprises, financial liquidity management, corporate credit policy management, financial controlling, financial analysis of investment projects. The main scope of Jacek Grzywacz's activity was and is the assessment of financial statements of various entities as well as acquisition and analysis of financial and accounting data and, on this basis, presenting applications / recommendations to Management Boards / Supervisory Boards / Owners. In the years 1999-2010, the Vice-Chairman of Supervisory Board acted as a staff member of other organizations, and from December 2009, as part of JKG Finanse Spółka z ograniczoną odpowiedzialnością, of which he is a partner and president of management board.

Jacek Grzywacz is also the chairman of Supervisory Board of S&A S.A. and Member of Supervisory Board: MC COMP S.A. and PTWP S.A. He was also a member of Supervisory Boards in the following entities: Sento S.A., Agito S.A., APN Promise Sp. z o.o. (in the years 2009 - 2010) and Esotiq & Henderson S.A. (in the years 2013 - 2020). As a member of supervisory boards, Jacek Grzywacz also gained additional experience and skills in the field of verification of accounting data.

Roman Suszek

Roman Suszek graduated in law from the University of Gdańsk, Faculty of Law and Administration. Since 2004, Roman Suszek has been practicing as a counsel at law in the Roman Suszek Legal Advisory Office in Gdańsk, where he provides services to entrepreneurs and public entities. In the years 2012-2020, Roman Suszek also served as a representative in Pannonia Bio Zártkörűen Működő Részvénytársaság (Joint Stock Company, formerly Pannonia Ethanol Zártkörűen Működő Részvénytársaság) with its headquarter in Budapest, Hungary - Branch in Poland with its office 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:



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- a. knowledge, professional competences and reputation of the auditing company and the statutory auditor;
 - b. experience of the auditing company and the statutory auditor, in particular in conducting the audit of public interest entities;
 - c. knowledge by the auditing company and the statutory auditor of the industry in which the Company operates.
4. The control and monitoring of the independence of the statutory auditor and the audit firm are carried out at every stage of the auditor's selection procedure.
 5. The first contract for the audit of the financial statements is concluded with the auditing company for a period of not less than two years.

In financial year 2020, 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. Moreover, a shareholder or shareholders representing at least half of share capital or at least half of total votes are entitled to convene the General Meeting of Shareholders. Pursuant to Art. 400 of the Commercial Companies Code, a shareholder or shareholders of the Company representing at least one twentieth of the share capital may request that an Extraordinary General Meeting of Shareholders be convened, as well as that certain matters be placed on the agenda of the next General Meeting of Shareholders. Pursuant to § 23 of the Articles of Association, General Meeting of Shareholders may be ordinary or extraordinary. General Meeting of Shareholders is held at the Company's registered office or in Starogard Gdański, Gdańsk, Gdynia, Sopot or Warsaw. There are no provisions in the Issuer's internal regulations that would change the principles of generally applicable laws.

General Meeting of Shareholders is convened by an announcement, that should be made at least three weeks before the General Meeting of Shareholders. The



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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://dekpol.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.

General Meeting of Shareholders is opened by the Chairman or Vice-Chairman of the Supervisory Board, and then, from the persons entitled to participation in the General Meeting of Shareholders, is being elected the President. Each share carries one vote at the General Meeting of Shareholders. Resolutions are passed by the absolute majority of votes of shareholders present at the General Meeting of Shareholders, unless the provisions of the Commercial Companies Code or other applicable laws constitute it otherwise. Resolutions, on which base follows the increase of benefits of Shareholders or depleting their rights, require the consent of all shareholders concerned.

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



General Meeting of Shareholders also allows broadcasting of the proceedings of the General Meeting of Shareholders via Internet and sharing to the public on the Company's website. The General Meeting of Shareholders, in a resolution adopted by an absolute majority of votes, decides on the possible presence at the meeting of media representatives, the recording of their meeting or taking pictures or filming.

General Meeting of Shareholders Authority

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

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

SHAREHOLDER'S RIGHTS AND THE WAY OF THEIR EXERCISE

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

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

Financial rights:

1. The right to participate in profits. Shares of series A and series B carry equal dividend rights. Adoption of resolutions on determining the dividend record date and the dividend payment date is the prerogative of the General Meeting of



Shareholders. 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 body responsible for financial reporting process of the Issuer and Issuer's Group is Management Board, which also performs internal control tasks in this area with participation of the Audit Committee, Supervisory Board and an audit company selected to audit financial statements.

Currently, there are no formal procedures or internal control units at the Issuer. Issuer's Financial Department, reporting to Finance Director, is involved in financial reporting activities. Within Financial Department were separated, among others, Accounting Department, responsible for e.g. accounting, bookkeeping and reporting.



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Financial statements and reports are prepared on the basis of data obtained from IT systems. The data is processed appropriately.

The key financial reporting processes include activities in the field of obtaining data from individual entities from the Group, their consolidation, data verification, including their compliance with accounting policy, preparation of financial statements and consolidated financial statements, clarification of doubts raised during audit process. An important process is also the control of tax reserves.

The course of financial reporting processes was specified in management rules of Financial Division, which indicated e.g. tasks, deadlines for their implementation and persons responsible for them. The ordinance is aimed at simplification of reporting processes and increasing of their efficiency by systematizing and taking into account the need to obtain data on individual entities from the Group and their consolidation. By appointing responsible persons, it is possible to facilitate communication in the process and maintain its discipline, as well as to verify completeness and timeliness of tasks.

The course of financial reporting processes is controlled by Management Board, as well as Audit Committee and Supervisory Board, which monitor functioning of an internal control system in the field of financial reporting based on constant contacts with Management Board and statutory auditors.

Supervising body analyzes information obtained from Issuer's staff and auditing company, reporting its reservations and presenting its own observations as to the course of processes, including in particular their timeliness. Supervisory Board also performs an annual assessment whether there is a need to separate an organizational function of internal audit.

Considering the size and subject of the Issuer's business, Management Board considers current control system to be sufficient. However, Management Board takes into account the necessity to distinguish appropriate units in the future, in particular when the assessment made by Audit Committee / Supervisory Board indicates the need to establish them, or when it results from recommendations made by the audit firm.

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

On 31st of August 2020, Ordinary General Meeting of Shareholders of the Company adopted resolution concerning adoption of the "Policy of remuneration of members of Management Board and Supervisory Board of Dekpol S.A.".

Principles of remuneration of Members of Management Board and Supervisory Board are related to implementation of a business strategy, long-term interests and stability of the Company. The basis for determination of a total amount of remuneration of members of Management Board and Supervisory Board is the scope of their duties, individual assessment of effects of their work, as well as special achievements. In addition, remuneration systems for members of governing bodies are determined while taking into account remuneration conditions of Company's employees, other than Members of Management Board and Supervisory Board Members, by referring to the levels of remuneration of Company's employees and principles of awarding bonuses to employees of the Company employed in key positions in the Company, however, taking into account special scope of responsibility members of Company's bodies and specificity of tasks entrusted to them. The rules and the amount of remuneration of members of Company's bodies are determined by Supervisory Board - for remuneration of Management Board Members and respectively - General Meeting for remuneration of Supervisory Board Members.

Adopted remuneration model for Management Board Members includes:

1) fixed remuneration - monthly cash remuneration paid for performing a function in the Company and for assigned scope of duties, as well as remuneration received by members of Company's bodies under contracts for provision of services concluded with the Company or its subsidiaries, provided that these services do not coincide or do not interfere with tasks performed as a part of appointing a member of Company's governing body. Fixed remuneration is determined without taking into account criteria related to Company's financial results, while taking into account market conditions;

2) variable remuneration - remuneration complementary to the fixed remuneration, awarded for achievement by members of Company's bodies of the goals set out in Company's strategy. When determining the amount of variable remuneration, in particular financial results of the Company and other criteria indicated below are taken into account. Variable remuneration may take form of a bonus, award or other supplementary benefit;

3) additional benefits - other components, including non-cash components referred to in point 9.3 of this report. The company also provides for the possibility of awarding remuneration to members of its bodies in the form of financial instruments.



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Relation of variable remuneration components to fixed components referred to in items 1 and 2 above may not exceed 200% for each member of Management Board. Higher maximum ratio of these remuneration components may be applied by consent of General Meeting of Shareholders.

Fixed remuneration of Management Board members is determined taking into account the following items: level of professional experience, profile of the function performed, size of area under management and scope and nature of tasks performed in this area, scope of responsibility in a given position, quantity and quality of work performed, as well as number of organizational units subject to management. The amount of fixed remuneration is determined individually for each member of Management Board based on the above items, in such a way that the level of remuneration reflects prestige of the position held and responsibility assigned to the position.

Payment of variable remuneration for members of Company's bodies depends on:

- a) financial condition of the Company measured with the use of business performance indicators EBIT and EBITDA;
- b) results achieved by individual members of Management Board;
- c) achievements of assumed management goals for a given financial year and in long-term perspective.

Variable remuneration in the form of an annual bonus may be paid to Members of Management Board after approval of Management Board's report on Company's business operations and financial statements for previous financial year and acknowledgment of General Meeting about fulfillment of duties by the Member, provided that Supervisory Board confirms that a Member of Management Board achieved management objectives and the above-mentioned criteria and determination of due amount of payment and implementation of short-term plans and tasks entrusted to the Member of Management Board. The amount of variable remuneration components may be increased or decreased, and their payment suspended, when the Company indicates a (permanent) balance sheet loss.

Members of the Management Board receive remuneration under an employment contract, managerial contract, cooperation contract, contract for provision of services, appointment or other civil law contract. These contracts may be concluded for a definite or an indefinite period. Members of Management Board may receive remuneration for concluded employment contracts related to their performance as a member of Management Board of a subsidiary. This remuneration may be fixed, variable or include an additional benefit. Members of Management Board may be entitled to severance pay in the event of dismissal from the function of a Management Board Member or termination of the contract by the Company. The amount of any severance pay is determined individually for individual Management Board members.



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Fixed remuneration of Supervisory Board Members is determined as monthly remuneration, paid after the end of the month in which they perform their duties. Remuneration of members of Supervisory Board should vary depending on performance of their function (e.g. due to participation in Supervisory Board committees). Members of Supervisory Board receive remuneration for corporate relationship resulting from their appointment with appropriate resolutions for the period of their mandate. Remuneration granted to members of Supervisory Board is divided into:

- a) remuneration of the Chairman of Supervisory Board,
- b) remuneration of Supervisory Board Members who also perform the function of a Member in the Audit Committee of Supervisory Board,
- c) remuneration of each of other members of Supervisory Board.

Members of Supervisory Board are entitled to reimbursement of costs related to participation in works of Supervisory Board.

During the last financial year, there were no significant changes in functioning of Remuneration Policy in the current Remuneration Policy.

The company positively assesses functioning of Remuneration Policy. Remuneration of members of Management Board and members of Supervisory Board is paid in a transparent manner and ensures effective implementation of the above policy. Adopted solutions contribute to and facilitate implementation of the business strategy, long-term interests and the stability of functioning and development of the Company and the Capital Group.

9.2 PRINCIPLES AND THE AMOUNT OF REMUNERATION OF MANAGEMENT BOARD MEMBERS

Principles and the amount of remuneration for individual Members of Management Board is determined by negotiation by Supervisory Board in accordance with "Policy of remuneration of members of Management Board and Supervisory Board of Dekpol S.A.".

The value of salaries, bonuses or benefits paid, due or potentially due to Members of Management Board for the year 2020 shows the below table:

Gross remuneration of management staff of the Issuer in thousands of PLN in 2020

Item	Term of office	Fixed remuneration under an employment contract	Fixed remuneration for performing a function in Issuer's Management Board	Other revenues *	Fixed remuneration for holding functions in governing bodies of subsidiaries
Mariusz Tuchlin	Entire year	174 420,00	186 539,00	8 698,00	0
Michał Skowron	Entire year	115 798,00	80 965,00	5 682,00	15 000,00



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Item	Term of office	Fixed remuneration under an employment contract	Fixed remuneration for performing a function in Issuer's Management Board	Other revenues *	Fixed remuneration for holding functions in governing bodies of subsidiaries
Katarzyna Szymczak-Dampc	Entire year	351 000,00	87 974,00	10 767,00	0
TOTAL		641 218,00	355 478,00	25 147,00	15 000,00

* other revenues is employee capital plans, medical care, company car for private use, as well as allowances and other benefits for business travels paid on the basis of lump sums

In addition, members of Management Board provide services as a part of their business activities, on market terms, to Group's companies. Transactions were presented in Consolidated Financial Statement of the DEKPOL Capital Group.

In 2020, management staff did not receive any awards, other benefits or financial benefits (including conditional or deferred ones). In 2020, members of Issuer's Management Board were not granted with any additional benefits in kind for services provided.

9.3 NON-FINANCIAL REMUNERATION COMPONENTS FOR MEMBERS OF MANAGEMENT BOARD AND KEY MANAGERS

Members of Management Board and key managers may receive non-financial components of remuneration, including in particular: putting a company car for use, co-financed health care, possibility of using Company's assets (computer, telephone), covering costs related to accommodation or renting a flat in the event of moving away from registered office of the Company by more than 100 km, payment and fuel cards to cover business expenses, allocation of participation units in retirement and disability programs, co-financing for sports packages, granting other benefits functionally related to the performance of a mandate in the Company. The company also provides for the possibility of awarding remuneration to members of its bodies in the form of financial instruments.

Non-financial remuneration components due to individual Members of Management Board in 2020 are presented in the tables in point 9.2 in the column "other revenues".

9.4 AGREEMENTS CONCLUDED WITH MANAGEMENT STAFF, PROVIDING COMPENSATIONS IN CASE 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 and „Policy of remuneration of members of Management Board and Supervisory Board of Dekpol S.A.“, due to performed function, 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 2020, shows the below table:

Wynagrodzenie brutto osób nadzorujących Emitenta w tys. zł za rok 2020

Item	Term of office	Fixed remuneration for serving a function in Supervisory Board	Fixed remuneration for Audit Committee meetings	Other revenues*
Roman Suszek	Entire year	23 176,00	5 689,00	433,00
Wojciech Sobczak	Entire year	19 607,00	-	294,00
Jacek Grzywacz	Entire year	19 763,00	5 689,00	382,00
Jacek Kędzierski	Entire year	19 140,00	5 518,00	-
Grzegorz Wąsacz	Entire year	19 763,00	-	296,00
RAZEM		101 449,00	16 895,00	1 405,00

* other revenues are employee capital plans and reimbursement of travel expenses to meetings paid on the basis of lump sums

Additionally, Members of Supervisory Board provide services as part of their business activities, on market conditions, to the Issuer. Transactions were presented in Consolidated Financial Statement of DEKPOL Capital Group.

In 2020, supervising staff did not receive any awards, other benefits or additional financial benefits for performing their functions (including conditional or deferred ones). In 2020, members of Issuer's Supervisory Board were not granted by Issuer benefits in kind for services they provide. Members of Issuer's Supervisory Board do not perform functions in authorities of other companies of the Dekpol Capital Group and thus do not receive additional remuneration for this.



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

In 2020, 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 LITIGATIONS, PROCEEDINGS IN ARBITRATION BODIES OR IN PUBLIC ADMINISTRATION BODIES

In 2020, 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.

At the same time, it should be noted that the specificity of business activities carried out by Dekpol Capital Group is multitude of proceedings related to pursuit of claims for completed projects. There are also cases when companies from the Dekpol Capital Group act as the defendant - this is usually related to investments carried out as part of real-estate development activities or general contracting of construction works.

In this group, proceedings in which the subject of dispute has the greatest value are proceedings against Soletanche Polska sp. z o.o. and Powszechny Zakład Ubezpieczeń S.A. (insurer Soletanche Polska Sp.z o.o.) brought by the Issuer for payment of PLN 6.8 million, including claims for damages for improper performance of obligations by Soletanche Polska Sp. z o.o. (acting as a subcontractor) and proceedings against Expert sp.z o.o. brought by the Issuer for payment of PLN 1.5 million as a contractual penalty for delay in performance of construction works (agreement) and for costs of substitute performance incurred by the Issuer in place of Expert Sp. z o.o. The latter proceedings ended with issuance of a legally binding default judgment awarding entire claims covered by Issuer's lawsuit (the judgment was final in March 2021).

companies from Dekpol Capital Group did not create a provisions for receivables, awaiting results of proceedings. The Group's further decisions in this regard will depend on these results.



10.2 INFORMATION ON EMPLOYMENT

The size of the average employment in the structures of the Issuer in the period 2020-2019, broken down into white-collar and physical employees, shows the following table:

Employment in the structures of the Issuer in the period 2020 - 20190 (average annual employment in period, in persons)

Item	31.12.2020	31.12.2019
White-collar employees	169	292
Blue-collar employees	41	131
Average employment	210	423

Source: Issuer

The employment in the structures of the Issuer in the period 2020-2019, at the end of each period, shows the following table:

Employment in the structures of the Issuer in the period 2020– 2019 (employment at the end of the period, in persons)

Item	31.12.2020	31.12.2019
Employments (persons)	224	408

Source: Issuer

Moreover, the Issuer informs that as of 31.12.2020, in direct or indirect subsidiaries of the Issuer, employment status amounted:

- Betpref sp. z o.o. – 92 persons.
- Dekpol Deweloper Sp. z o.o. – 18 persons.
- Dekpol Steel Sp. z o.o. - 210 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 2020 is the company Moore Rewit Audyt sp. z o.o. with its registered office 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 KRS 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. Agreement was concluded on 16th of July



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2019 for a period of 2 years and covers review of Company's interim separate financial statement and consolidated interim financial statement of the Dekpol Capital Group as well as audit of the separate financial statement of the Company and consolidated financial statement of the Dekpol Capital Group for 2019 and 2020.

Apart from the services specified in the above mentioned agreement, the Company has not used any other services previously of the above mentioned audit firm.

Item	2020	2019
Remuneration paid outstanding for the financial year:		
Audit of financial statement (separate)	67,0	32,0
Audit of financial statement (consolidated)	15,0	15,0
Audit of condensed financial statement	28,0	28,0
Other attestation services	-	-
tax consultancy services	-	-
Other services	-	-
TOTAL	110,0	75,0

10.4 MAJOR ACHIEVEMENTS ON R&D FIELD

As a result of establishing a research and development department, the issuer is able to conduct independently research operations aimed at development of innovative solutions in the field of heavy industry and on their basis to implement modern technological solutions for production. These are experimental and innovative research and the effect of these works is to be implemented into serial production.

The Company carried out works on development of new solutions in the field of construction equipment. Currently, the main work is focused on design of the ROTDEK device, which will increase efficiency and functionality of installed equipment. This device is a combination of a quick coupler and a 360-degree rotating head. Full rotation allows bucket to be used in both the back and forth position. The second accessory is POWERDEK, which replaces traditional hydraulic cylinders in ditch buckets. Thanks to use of a sealed hydraulic motor, it will be possible to work with this accessory also in specialist hydrological works. Field tests of both solutions are to take place in the first half of 2021. In addition to this project, work is carried out in parallel on profile of backhoe buckets, thanks to which loading and unloading cycles shall 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 utility, resulting in improved activities.

New technological solutions planned to be developed in the scope of research and development department concerned an increase of a number of functions in manufactured construction accessories. The Issuer strives to design new products



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taking into account new functions. The new technological solutions planned for development are also focused on development of construction accessories with lower weight. The issuer works closely with the SSAB steelworks in Sweden in terms of the proper selection of wear-resistant steels. The use of thinner steel with increased abrasion resistance has a significant impact on the weight of buckets and accessories. Another research area is development of new products with increased strength. Research work also includes research areas such as:

- research on the possibility of deepening the bucket profile;
- research on the change of the bucket structure, leading to an easier way of carrying out technical activities;
- research on hydraulic motors to replace traditional hydraulic cylinders;
- research on increasing working range of the bucket.

From the fourth quarter, the Issuer also started work on optimization of production of buckets for mini and midi machines. The main technological element is a hydraulic press for profiling the shape of bucket coats, thanks to the use of this solution production time will be significantly reduced. The next step is to design a fully robotic assembly and welding line for aforementioned group of products. The planned completion of the project and its implementation is scheduled for the third quarter of 2021.

Research areas were designated on the basis of the Issuer's experience, which allowed for a precise diagnosis of needs and preferences of recipients from international market. Development of another, completely new technological solutions with measurable utility benefits confirmed by research, will allow the Issuer to significantly increase the group of recipients.

Research and development department aims to discover new regularities and methodological principles in order to achieve the progress of knowledge in the field of accessories for construction machines through the discovery of new truths, theorems, generalizations and laws of science. As a result, directions of conducted research also result from internal logic of development of science and interests of Issuer's company itself. The department conducts research and development activities in the field of:

- analyzes of the future needs of market users;
- research on the current state and forecasting future development in machinery industry;
- gaining of new knowledge about the basis of phenomena and observed facts;
- gaining of new knowledge in order to develop solutions representing scientific progress in the field of construction equipment;
- theoretical and experimental research on development of innovative solutions;
- analysis of new ideas on applicability on the market;



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- industrial research and development work on development of new prototypes;
- development of construction and technological documentation of new products.

The Issuer, striving for being an innovative company, took action and created its own, permanent and independent research and development department in its plant. Through research and development works, the Company intends to offer customers products tailored to their needs and requirements, and to introduce them faster and more effectively than competitors. Thanks to this, the Company has the opportunity to strengthen its competitive advantage. The competitive advantage depends to a large extent on knowledge and technological abilities as well as 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
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Mariusz Tuchlin

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