

***Report of the Supervisory Board  
of Dekpol S.A.***

*The Report includes:*

- I. Report on activities of the Supervisory Board of Dekpol S.A. the financial year 2020;*
- II. Report on assessment of the manner in which Dekpol S.A. performs information obligations regarding application of corporate governance;*
- III. Report on evaluation results of Report of Management Board on business activities of the Company and the DEKPOL S.A. Capital Group for the year 2020;*
- IV. Results of assessment of the separate financial statement of the Company for financial year 2020;*
- V. Results of assessment of the consolidated financial statement of the Company's Capital Group for financial year 2020;*
- VI. Opinion of the Supervisory Board of DEKPOL S.A. on allocation of the profit for financial year 2020;*
- VII. Assessment on situation of the Company and the Company's Capital Group in financial year 2020.*

***Legal basis:***

- 1) Art. 382 §3 of the Act of 15<sup>th</sup> of September 2000 Commercial Companies Code i.e. binding as at 22<sup>nd</sup> of July 2020 (Journal of Laws of 2020, item 1526 as amended) and §19 of Articles of Association of DEKPOL S.A.
- 2) Best Practices of Companies Listed on the Stock Exchange 2016.

## **I. Report on activities of the Supervisory Board of Dekpol S.A. the financial year 2020;**

### **Report includes information about:**

1. Composition of the Supervisory Board of Dekpol S.A. and its committees.
2. Meeting by members of the Supervisory Board of Dekpol S.A. of independence criteria.
3. Number of meetings of the Supervisory Board of Dekpol S.A. and its committees during reporting period.
4. Assessment on rationality of Company's sponsorship activities, charity or other actions of a similar nature.
5. Self-evaluation of work of the Supervisory Board of Dekpol S.A.

### **1. Composition of the Supervisory Board of Dekpol S.A. and its committees.**

#### **1.A.**

Pursuant to provisions of § 18 of the Articles of Association, the Supervisory Board shall be composed of between three and five Members, and in the event of the Company becoming a public company, between five and seven Members. Members of the Supervisory Board are appointed and dismissed by a resolution of the General Meeting of Shareholders. The General Meeting of Shareholders entrusts one member with the function of the Chairman, and another member with the function of the Vice-Chairman of Supervisory Board.

In the entire financial year 2020, covering the period from 01/01/2020 to 31/12/2020, the Supervisory Board was composed of the following persons:

- 1) Roman Suszek – Chairman of the Supervisory Board,
- 2) Jacek Grzywacz - ~Vice-Chairman of the Supervisory Board,
- 3) Wojciech Sobczak – Member of the Supervisory Board,
- 4) Grzegorz Wąsacz - Member of the Supervisory Board,
- 5) Jacek Kędzierski - Member of the Supervisory Board.

#### **1.B.**

Pursuant to the provisions of § 4 section 4 of the Regulations of the Supervisory Board, internal committees (including the Audit Committee) may be established within the Supervisory Board, the main function of which is to advise and express opinions as well as formulate recommendations and assessments on selected matters falling within the competence of Supervisory Board. Committees are created and sustained by way of resolution of the Board. In the resolution establishing, the Board in particular:

- 1) indicates the name of the committee,
- 2) sets the minimum number of members,
- 3) appoints members of the committee, including the chairman of the committee,
- 4) specifies the scope of matters and tasks of the committee, which may also occur by indicating specific provisions of the Regulations.

In the financial year 2020, the Audit Committee operated as a part of the Supervisory Board, which was composed of 3 members of the Supervisory Board:

- 1) Jacek Kędzierski - Chairman of the Audit Committee,
- 2) Jacek Grzywacz – Member of the Audit Committee,
- 3) Roman Suszek – Member of the Audit Committee.

The Audit Committee performed regular internal audit in the Company. The Committee dealt with analysis of financial data, including consolidated data, on an ongoing basis. The Audit Committee provided the Supervisory Board of the Company with current recommendations, including selection of a statutory auditor, financial statements, approval of annual reports of the Company and the Capital Group.

## **2. Meeting by members of the Supervisory Board of Dekpol S.A. of independence criteria.**

In accordance with statements submitted by members of the Supervisory Board and their assessment within Supervisory Board, the independence criterion was met in 2020 by 4 members of the Company's Supervisory Board:

- 1) Roman Suszek
- 2) Grzegorz Wąsacz
- 3) Jacek Kędzierski
- 4) Wojciech Sobczak

## **3. Information on the number of meetings of the Supervisory Board of Dekpol S.A. and its committees during reporting period**

In the financial year 2020, the Supervisory Board of Dekpol S.A. met 5 times at meetings that took place on:

- 1) 22.01.2020,
- 2) 30.04.2020,
- 3) 07.08.2020,
- 4) 15.09.2020,
- 5) 30.12.2020.

In addition, in 2020 the Supervisory Board adopted the following resolutions in the mode of direct remote communication:

- 1) Resolution of 31<sup>st</sup> of March 2020 regarding consent on conclusion of agreements amending employment contracts of members of Management Board of Mr. M. Tuchlin and Mrs. K. Szymczak-Dampc and authorizing a member of the Supervisory Board to conclude agreements on behalf of the Company,
- 2) Resolution of 23<sup>rd</sup> of April 2020 regarding consent on conclusion of agreement for sales of the property with an area of 14,275 m<sup>2</sup> with the President of Management Board and authorizing of a Supervisory Board member to conclude the agreement on behalf of the Company,
- 3) Resolution of 23<sup>rd</sup> of April 2020 regarding on conclusion of agreement for sales of the property with an area of 6,986 m<sup>2</sup> with the President of Management Board and authorization of a Supervisory Board member to conclude the agreement on behalf of the Company,
- 4) Resolution of 29<sup>th</sup> of April 2020 on adoption of regulations for participation in the meeting of Supervisory Board of Dekpol S.A. by use of electronic means of communication,
- 5) Resolution of 16<sup>th</sup> of May 2020 on adoption of the Report of Supervisory Board of Dekpol S.A. concerning appointment, composition and functioning of the Audit Committee,

- 6) Resolution of 16<sup>th</sup> of May 2020 on adoption of the Report of Supervisory Board of Dekpol S.A. regarding selection of an audit firm in accordance with applicable regulations,
- 7) Uchwała z dnia 16.05.2020 roku w sprawie w przyjęcia oceny Rady Nadzorczej Dekpol S.A. dotyczącej sprawozdania Zarządu z działalności Dekpol S.A. oraz Grupy Kapitałowej w roku obrotowym 2019, jednostkowego sprawozdania z finansowego Dekpol S.A. oraz skonsolidowanego sprawozdania finansowego Grupy Kapitałowej za rok obrotowy 2019 w zakresie ich zgodności z księgami, dokumentami oraz ze stanem faktycznym,
- 8) Resolution of 17<sup>th</sup> of July 2020 regarding consent on conclusion of loan agreements with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna and establishment of collateral,
- 9) Resolution of 17<sup>th</sup> of August 2020 regarding consent to change the property lease agreement with the President of Management Board and authorizing a Supervisory Board member to conclude the agreement on behalf of the Company,
- 10) Resolution of 17<sup>th</sup> of August 2020 concerning consent on conclusion of a lease agreement for a property with an area of 2.8621 ha with the President of the Board and authorizing a Supervisory Board member to conclude the agreement on behalf of the Company,
- 11) Resolution of 25<sup>th</sup> of August 2020 on the amendment to the Supervisory Board Resolution No. 14 dated 7<sup>th</sup> of August 2020 by changing designation of the function name to Vice-President of Management Board of Mrs. Katarzyna Szymczak-Dampc
- 12) Resolution of 19<sup>th</sup> of October 2020 regarding consent to perform legal actions with Mariusz Tuchlin, President of Management Board, authorization of a Supervisory Board Member to conclude an agreement on behalf of the Company and amendment of resolutions of the Supervisory Board,
- 13) Resolution of 19<sup>th</sup> of October 2020 on conclusion of an agreement on remuneration for the function performed by Vice-President of Management Board, Mrs. Katarzyna Szymczak-Dampc,
- 14) Resolution of 19<sup>th</sup> of October 2020 on changing rules for remunerating members of Management Board for their function,
- 15) Resolution of 30<sup>th</sup> of October 2020 on approval of the bonds issue programme and consent for the issue of I-series bonds,
- 16) Resolution of 2<sup>nd</sup> of November 2020 concerning the consent to establish a limited liability company with affiliate entity,

In financial year 2020, the Audit Committee met eight times.

#### **4. Assessment on rationality of Company's sponsorship activities, charity or other actions of a similar nature.**

In financial year 2020, the Company did not conduct any significant sponsorship activities, charity actions or other activities of a similar nature, therefore the Company did not pursue a policy in the above scope.

#### **5. Self-evaluation of work of the Supervisory Board of Dekpol S.A.**

Supervisory Board of Dekpol S.A. evaluates its work performed in 2020 as effective. The meetings were held with the quorum required by appropriate regulations.

In financial year 2020, all Members of the Supervisory Board of the Company were duly involved in the work of the Supervisory Board.

All members of the Supervisory Board were in constant contact with Management Board, carrying out consultations on matters related to Company's business operations. Members of the Supervisory Board were also in constant contact with each other in matters related to current business operations of the Company, regardless of the dates of meetings of the Supervisory Board.

Functioning of the Supervisory Board of the Company meets requirements of all rules of Best Practice for GPW Listed Companies.

## **II. Report on assessment of the manner in which Dekpol S.A. performs information obligations regarding application of corporate governance**

Information obligations regarding application of corporate governance rules are specified in the GPW Rules and provisions of the Regulation of the Minister of Finance dated March 29, 2018, on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

Rules for submission of current reports concerning application of detailed corporate governance rules are set out in the Resolution No. 1309/2015 of the Warsaw Stock Exchange Management Board dated 17 December 2015.

In accordance with § 1 of the above Resolution, Issuers obliged to report on the application of the detailed rules of corporate governance, as referred to in § 29.3 of the Exchange Rules in the wording effective as of 1 January 2016, shall provide such reports to the Exchange via the Electronic Information Database (EBI) in accordance with the provisions of Resolution No. 646/2011 of the Exchange Management Board dated 20 May 2011 (as amended).

In accordance with § 29 section 3 of the Warsaw Stock Exchange Rules, when a specific corporate governance principle is not applied permanently or is breached incidentally, the issuer is required to publish a report containing information on which rule is not applied or has not been applied, what were the circumstances and reasons for the non-application of the rule, and how the issuer intends to remove the possible consequences of non-application of the rule or what steps it intends to take to reduce the risk of non-compliance with the rule. rules in the future. The report should be published on the issuer's official website and in a manner analogous to that used for the publication of current reports. The obligation to publish the report should be performed immediately after the issuer becomes reasonably convinced that a given rule will not be applied or that it will not be applied, and in any case immediately after the occurrence of an event constituting a breach of a detailed corporate governance rule.

Provisions of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities specify what information should be included in the corporate governance statement constituting a separate part of the report on the issuer's business activities in the annual report of the Company.

In the statement on application of the corporate governance, which is a separate part of the Report of Management Board on Business Activities of the Company and the Dekpol Capital Group for 2020 (corrected), Pinczyn, 28<sup>th</sup> of May 2021, the sets of corporate governance rules to which the Company is subject and from which it has departed are indicated in detail.

During financial year, the Supervisory Board monitored fulfillment of information obligations by the Company on an ongoing basis, finding that the Company fulfilled on an ongoing and proper basis both the obligations in the scope of providing current and periodic information, as well as in the scope of reporting on application of detailed corporate governance principles.

### **III. Report on evaluation results of Report of Management Board on business activities of the Company and the DEKPOL S.A. Capital Group for the year 2020**

After acquainted with the Report of Management Board of the Company and the Report of Management Board of Company's Capital Group on business activities in 2020 and considering its content, the Supervisory Board states that they contain all necessary information and are consistent with the data concerning individual items of financial statements of the Company and the Capital Group of the Company, and that they have been prepared reliably, clearly presenting business activities of the Company and the Company's Capital Group in 2020.

Based on its own observations of the course of the past year, the Supervisory Board states that 2020 was a good period for the Company and its Capital Group in terms generation of financial results and it should be noted that improvement in effectiveness of assets (assets versus ability to generate sales revenues) and decrease in interest-bearing debt compared to 31<sup>st</sup> of December 2019.

**From the operational point of view, the following business activities / events were of significant importance for functioning of the Company and its Capital Group in 2020 and until the date of publication of this report (the following events will also be important for functioning of the Company and its Capital Group in upcoming years):**

#### **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 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 28<sup>th</sup> of November 2019, 3/2020 dated 21<sup>st</sup> of January 2020, 10/2020 dated 9<sup>th</sup> of April 2020, 13/2020 dated 20<sup>th</sup> of May 2020 and 23/2020 dated 25<sup>th</sup> 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 31<sup>st</sup> 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 14<sup>th</sup> of February 2020 (originally 31<sup>st</sup> of January 2020). General contracting agreement of the investment in "design and build" formula (the Agreement) was concluded on 18<sup>th</sup> 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 6<sup>th</sup> 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 31<sup>st</sup> of January 2020 and no. 7/2020 dated 18<sup>th</sup> of February 2020.

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

On 11<sup>th</sup> 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 11<sup>th</sup> of February 2020.). Agreement was completed on time. About the above mentioned event the Company announced in current report no. 6/2020 dated 11<sup>th</sup> of February 2020.

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

On 14<sup>th</sup> 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 14<sup>th</sup> 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 14<sup>th</sup> 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 m<sup>2</sup> 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 m<sup>2</sup>, 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 m<sup>2</sup>, 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> of July 2020.

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

On 17<sup>th</sup> 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 23<sup>rd</sup> 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 Swarzędyn 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). In order to conclude the promised agreement, the Issuer undertook, inter alia, to build on the property 1 a warehouse and office facility (Building 1) as a part of the 1<sup>st</sup> stage of investment on the property and to obtain a decision authorizing the use of Building 1 by 1<sup>st</sup> of August 2020 and to purchase the property by 15<sup>th</sup> 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 17<sup>th</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 25<sup>th</sup> 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 31<sup>st</sup> 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 2020 the buyer finally waived this condition (the condition was reserved in favor of the buyer). In connection with the above, on 16<sup>th</sup> 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 1<sup>st</sup> 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 16<sup>th</sup> 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 23<sup>rd</sup> of December 2019, 18/2020 dated 17<sup>th</sup> of July 2020 and 34/2020 dated 16<sup>th</sup> 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 the investment called "Expansion of production plant of Danfoss Poland in Grodzisk Mazowiecki – construction of a storage-production building along with office-social facilities and accompanying infrastructure". Panattoni Development Company Spółka z ograniczoną odpowiedzialnością Spółka 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 30<sup>th</sup> of June 2021 with completion date in November 2021. If by

31<sup>st</sup> 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 31<sup>st</sup> 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 22<sup>nd</sup> of October 2020.

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

On 22<sup>nd</sup> 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 22<sup>nd</sup> 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 28<sup>th</sup> 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 20<sup>th</sup> of November 2020 and 5/2021 dated 28<sup>th</sup> 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 16<sup>th</sup> 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 m<sup>2</sup> with accompanying infrastructure, and 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 26<sup>th</sup> of March 2021. The agreement was the subject of the Issuer's current report no. 11/2021 dated 9<sup>th</sup> 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 15<sup>th</sup> of November 2017 and 39/2020 dated 22<sup>nd</sup> 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 12<sup>th</sup> 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 2<sup>nd</sup> 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 m<sup>2</sup> 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 12<sup>th</sup> of March 2021.

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

On 12<sup>th</sup> 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 12<sup>th</sup> 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 12<sup>th</sup> of April 2021.

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

On 12<sup>th</sup> 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 12<sup>th</sup> 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 12<sup>th</sup> of April 2021.

In accordance with the prepared consolidated financial statement of the Dekpol Capital Group for 2020, the Group achieved sales revenues as below:

- revenues from all types of business activities: PLN 1.055 million;
- revenues in General Contracting segment: PLN 654 million;
- revenues in real-estate development segment: PLN 287 million;
- revenues in the segment of Production of accessories for construction machines: PLN 80 million;
- other revenues: PLN 33 million.

#### **Supervisory Board indicates the following events which will have a significant impact on business operations of the Company and its Capital Group in the short and medium term:**

##### **Reorganization of the Company and the Dekpol 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 31<sup>st</sup> of December 2018, the transfer and release of ZCP took place on 1<sup>st</sup> of January 2019, subject to ownership of properties, which - pursuant to Art. 157 KC - were transferred on 2<sup>nd</sup> of January 2019. The transfer of real-estate development activities to a 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 30<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> of January 2020.

On 31<sup>st</sup> 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 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 31<sup>st</sup> 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 1<sup>st</sup> of January 2021.

About the above events the Company announced in current reports No. 89/2018 dated 31<sup>st</sup> of December 2018, No. 35/2019 dated 22<sup>nd</sup> of November 2019, No. 42/2019 dated 16<sup>th</sup> of December 2019, No. 47/2019 dated 30<sup>th</sup> of December 2019, No. 50/2019 dated 31<sup>st</sup> of December, 2019 and No. 41/2020 dated 31<sup>st</sup> 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.

### **Influence of COVID-19 on Group's financial results**

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 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 apart-hotels 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.

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.

#### **IV. Results of assessment of the separate financial statement of the Company for financial year 2020**

The audit of the Company's financial statement for financial year 2020 was carried out by: Moore Rewit Audyt sp. z o.o. with headquarter in Gdańsk at ul. Starodworska 1. The audit firm is entered on the list of entities authorized to audit financial statements under number 101.

Supervisory Board, after acquitting with the opinion and report of the statutory auditor from the audit of financial statement, states that financial statement of DEKPOL S.A. consisting of: statement of financial position as at 31<sup>st</sup> of December 2020, statement of comprehensive income, statement of changes in equity, statement of cash flows for financial year from 1<sup>st</sup> of January 2020 to 31<sup>st</sup> of December 2020, as well as additional information including introduction to financial statement and a description of significant accounting principles (policy) and also additional information and explanations (hereinafter referred to as "financial statement"):

- presents a true and fair view of the financial position of the Company as at 31<sup>st</sup> of December 2020 and its financial result and cash flows for financial year ended on that date in accordance with applicable International Financial Reporting Standards approved by European Union and adopted accounting principles (policy),
- complies in terms of form and content with applicable laws and Company's Articles of Association,
- has been prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Act of September 29, 1994 on accounting ("Accounting Act" - Journal of Laws of 2020, item 351).

After getting acquainted with the opinion of the statutory auditor, the Supervisory Board does not raise any comments or reservations as to the content of Company's financial statements and to financial data presented therein.

Bearing in mind the above, Supervisory Board gives a positive opinion on Company's financial statement for financial year 2020 and recommends to the General Meeting of Shareholders of DEKPOL S.A. its approval.

#### **V. Results of assessment of the consolidated financial statement of the Company's Capital Group for financial year 2020**

The audit of the consolidated financial statement for financial year 2020 was carried out by: Moore Rewit Audyt sp. z o.o. with headquarter in Gdańsk at ul. Starodworska 1. The audit firm is entered on the list of entities authorized to audit financial statements under number 101.

Supervisory Board, after acquitting with the opinion and report of the statutory auditor from the audit of consolidated financial statement, states that consolidated financial statement of DEKPOL Capital Group consisting of: consolidated statement of financial position as at 31<sup>st</sup> of December 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for financial year from 1<sup>st</sup> of January 2020 to 31<sup>st</sup> of December 2020, as well as additional information including introduction to consolidated financial statement and a description of significant accounting principles (policy) and also additional information and explanations (hereinafter referred to as "financial statement"):

- presents a true and fair view of the consolidated financial position of the Group as at 31<sup>st</sup> of December 2020 and its consolidated financial result and consolidated cash flows for financial year ended on that date in accordance with applicable International Financial Reporting Standards approved by European Union and adopted accounting principles (policy)
- complies in terms of form and content with applicable for the Group laws and Parent Entity's Articles of Association.

Bearing in mind the above, Supervisory Board gives a positive opinion on consolidated financial statement of the Capital Group for financial year 2020 and recommends to the General Meeting of Shareholders of DEKPOL S.A. its approval.

## **VI. Opinion of the Supervisory Board of DEKPOL S.A. on allocation of the profit for financial year 2020**

Taking into account Company's result for 2020, the Supervisory Board agrees with Management Board's request to allocate the entire net profit generated by the Company in the amount of PLN 22 671 727 to increase the Company's share capital.

Supervisory Board positively assesses activities of Management Board of Dekpol S.A. and recommends to the General Meeting of Shareholders of DEKPOL S.A. granting discharge to all members of Company's Management Board for performance of their duties in 2020.

## **VII. Assessment on situation of the Company and the Company's Capital Group in financial year 2020**

Company's profit and loss account for financial year from 1<sup>st</sup> of January 2020 to 31<sup>st</sup> of December 2020 showed net profit in the amount of: PLN 22 672 thousands (PLN 23 105 thousands in financial year 2019). Cash flow statement for this financial year showed an increase in Company's cash position by the amount of PLN 32 375 thousands. The profit and loss account for financial year from 1<sup>st</sup> of January 2020 to 31<sup>st</sup> of December 2020 showed net profit of the Capital Group in the amount of: PLN 52 771 thousands (PLN 50 788 thousands in financial year 2019). Capital Group's cash flow statement showed an increase in cash by the amount of PLN 41 230 000.

The company and its Capital Group regulate its obligations towards suppliers and public law obligations. Currently, there are no difficulties in meeting obligations arising from concluded loan agreements by the Company and its Capital Group. The company and its Capital Group also have no problems with timely servicing of debt obligations. As at the date of financial statements, the Company and its Capital Group did not identify any real risk related to bonds issued.

The company developed an effective system of contract valuation, which, combined with strict cost control, enables performance of contracts with assumed profitability and to achieve good financial results.

There are a number of risks associated with business activities of the Company and the Capital Group, the most important of which, in the opinion of the Supervisory Board, are: risk related to changes in market trends (risk of an increase in employee costs, risk of an increase in prices of construction materials, etc.), risk related to financing of current business operations, related to financing of working capital and the risk related to environment in which the Company operates. The slowdown in economic growth may potentially adversely affect the level of investment outlays in the economy, lead to a deterioration in economic situation on construction market, including through a smaller supply of projects for general contracting, and thus slowdown of economic development and, consequently, to deteriorate profitability of the Company and the Capital Group.

After analyzing financial results of the Company and financial results of the Capital Group, as well as after assessing risk factors related to business activities of the Company and its Capital Group, the Supervisory Board assesses position of the Company and its Capital Group as stable, but requiring constant control.

For internal control system at Dekpol S.A. as well as for risk management in relation to the process of preparation of financial statements which are published in accordance with principles set out in the Accounting Act of September 29, 1994 and in the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers securities [...] takes responsibility the Company's Management Board.

The basic external control in the process of preparation of Company's financial statements is verification of financial statements by an independent audit firm. The tasks of the statutory auditor include the audit of the annual



statements and review of the semi-annual reports. Pursuant to § 21 sec. 2 point 11 of the Articles of Association, selection of a statutory auditor (audit firm) to audit Company's financial statements, as well as approval of terms and conditions of an agreement with a statutory auditor and approval of the termination of such an agreement by the Company, fall within competence of the Supervisory Board.

Financial statements are also presented to the Supervisory Board of the Company, which is responsible for assessing financial statements, Report of Management Board on the Company's business operations for previous financial year, in terms of their compliance with books and documents, as well as with actual state as well as assessment of conclusions of Management Board regarding allocation of profit or coverage of losses and submitting to the General Meeting of Shareholders of an annual written report on results of this assessment.

In accordance with provisions of the Accounting Act, members of Management Board and members of Supervisory Board are required to ensure that financial statements and the report on business activities meet requirements provided for in this Act and are jointly and severally liable to the Company for damage caused by an act or omission constituting a breach of this obligation. Within Supervisory Board, the body designated to supervise financial reporting process in the Company is the Audit Committee - the Audit Committee monitors the financial reporting process, performance of financial audit activities and independence of the statutory auditor and the audit firm.

Financial statements are prepared by Company's accounting department under supervision of the chief accounting officer. Substantive supervision over the process of preparation of financial statements belongs to the Member of Management Board - financial director. Prior to submission of financial statements to the statutory auditor, they are subject to verification by Management Board. Financial data underlying financial statements and report of Management Board as well as management and operational reporting come from Company's financial and accounting system.

An element of data quality and correctness control is the application of management reporting system as well as analysis of financial results and basic indicators conducted by Management Board. Analysis of results is conducted in comparison to both: financial and operational plan and results of previous periods, and identified deviations are explained. The Company carries out periodic reviews of economic and financial plans. Middle and senior management staff is involved in planning and budgeting process, which covers all business areas of Company's operations.

At the present stage of Company's development, taking into account the nature of Company's and Capital Group's operations, the size of employment, the size of Company's infrastructure, Supervisory Board assesses the above-mentioned internal control and risk management system (including risk mitigation mechanisms described in Report of Management Board on Company's business operations), internal and compliance supervision of business activities as optimal.

Gdańsk, 8<sup>th</sup> of June 2021

Roman Suszek - Chairman of Supervisory Board

Jacek Grzywacz – Vice-Chairman of Supervisory Board

Wojciech Sobczak – Member of Supervisory Board

Grzegorz Wąsacz - Member of Supervisory Board

Jacek Kędzierski - Member of Supervisory Board