



REPORT OF MANAGEMENT BOARD  
ON BUSINESS ACTIVITIES OF THE  
**DEKPOL CAPITAL GROUP**  
IN H1 2021

Pinczyn, 24<sup>th</sup> of September 2021



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## 1. SELECTED FINANCIAL DATA

Selected financial data of the Dekpol Capital Group for H1 2021

Item	Thousands of PLN 01.01.2021 - 30.06.2021	Thousands of PLN 01.01.2020 - 30.06.2020	Thousands of EUR 01.01.2021 - 30.06.2021	Thousands of EUR 01.01.2020 - 30.06.2020
I. Net revenue from sales of products, goods, and materials	472 772	527 475	103 970	118 766
II. Profit (loss) on operating activity	40 648	44 167	8 939	9 945
III. Profit (loss) before tax	33 476	41 399	7 362	9 321
IV. Net profit (loss)	26 912	33 350	5 918	7 509
V. Earnings (loss) per ordinary share (in PLN / EUR)	3,22	3,99	0,71	0,90
VI. Net cash flows from operating activity	(91 717)	68 999	(20 170)	15 536
VII. Net cash flows from investment activity	(5 037)	(2 944)	(1 108)	(663)
VIII. Net cash flows from financial activity	47 994	(77 071)	10 555	(17 353)
IX. Total net cash flows	(48 760)	(11 016)	(10 723)	(2 480)

Item	Thousands of PLN 30.06.2021	Thousands of PLN 31.12.2020	Thousands of EUR 30.06.2021	Thousands of EUR 31.12.2020
X. Total assets	1 010 008	953 497	223 414	206 617
XI. Liabilities and provisions for liabilities	686 141	660 017	151 774	143 022
XII. Long-term liabilities	236 268	128 920	52 262	27 936
XIII. Short-term liabilities	449 873	531 097	99 512	115 086
XIV. Equity	323 868	293 479	71 640	63 595
XV. Share capital	8 363	8 363	1 850	1 812
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)	39	35	9	8



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Selected financial data of the company Dekpol S.A. for H1 2021

Item	Thousands of PLN 01.01.2021 - 30.06.2021	Thousands of PLN 01.01.2020 - 30.06.2020	Thousands of EUR 01.01.2021 - 30.06.2021	Thousands of EUR 01.01.2020 - 30.06.2020
I. Net revenue from sales of products, goods, and materials	94 416	374 733	20 764	84 375
II. Profit (loss) on operating activity	5 402	14 366	1 188	3 235
III. Profit (loss) before tax	2 193	13 381	482	3 013
IV. Net profit (loss)	1 777	10 822	391	2 437
V. Earnings (loss) per ordinary share (in PLN / EUR)	0,21	1,29	0,05	0,29
VI. Net cash flows from operating activity	(16 560)	28 505	(3 642)	6 418
VII. Net cash flows from investment activity	(43 171)	5 135	(9 494)	1 156
VIII. Net cash flows from financial activity	(43 993)	(56 463)	(9 675)	(12 713)
IX. Total net cash flows	(103 724)	(22 822)	(22 811)	(5 139)

Item	Thousands of PLN 30.06.2021	Thousands of PLN 31.12.2020	Thousands of EUR 30.06.2021	Thousands of EUR 31.12.2020
X. Total assets	480 616	792 996	106 312	171 838
XI. Liabilities and provisions for liabilities	217 597	535 372	48 132	116 012
XII. Long-term liabilities	120 194	108 691	26 587	23 553
XIII. Short-term liabilities	97 403	426 681	21 546	92 459
XIV. Equity	263 019	257 624	58 180	55 826
XV. Share capital	8 363	8 363	1 850	1 812
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	31	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 30<sup>th</sup> of June 2021 (4,5208 PLN/EUR) and 31<sup>st</sup> of December 2020 (4,6148 PLN/EUR). 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 6 months ended



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30<sup>th</sup> of June 2021 and 6 months ended 30<sup>th</sup> of June 2020 (4,5472 PLN/EUR and 4,4413 PLN/EUR, respectively).

## 2. PREPARATION PRINCIPLES OF AN INTERIM CONDENSED SEPARATE AND CONSOLIDATED FINANCIAL STATEMENT

The interim condensed financial statement of the Dekpol Capital Group for H1 2021 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations. The interim condensed financial statement of the Dekpol Capital Group for H1 2021 have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. The statement presents financial position of the Capital Group as at 30<sup>th</sup> of June 2021 and 31<sup>st</sup> of December 2020, the results achieved on the operations of the Capital Group and cash flows for the 6 months ended 30<sup>th</sup> of June 2021 and 31<sup>st</sup> of December 2020.

The accounting principles (policies) applied to the preparation of the interim condensed consolidated financial statement are consistent with those applied to the preparation of the annual consolidated financial statement of the Group for the year ended on 31<sup>st</sup> of December 2020. In H1 2021, there were no changes in accounting principles (policies) applied. In H1 2021 there were also no significant changes to the estimated values or the rules for determination of value of assets and liabilities as well as measurement of financial result.

The consolidation was prepared by use of a full method and covered all the Issuer's direct and indirect subsidiaries. Associated companies are valued by use of the equity method.

The interim condensed financial statement of the Company Dekpol S.A. for H1 2021 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations. The interim condensed financial statement of the Company Dekpol S.A. for H1 2021 have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. The statement presents financial position of the Company Dekpol S.A. as at 30<sup>th</sup> of June 2021 and 31<sup>st</sup>



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of December 2020, the results achieved on the operations of the Company and cash flows for the 6 months ended 30<sup>th</sup> of June 2021 and 31<sup>st</sup> of December 2020.

The accounting principles (policies) applied to the preparation of the interim condensed consolidated financial statement are consistent with those applied to the preparation of the annual consolidated financial statement of the Company for the year ended on 31<sup>st</sup> of December 2020. In H1 2021, there were no changes in accounting principles (policies) applied. In H1 2021 there were also no significant changes to the estimated values or the rules for determination of value of assets and liabilities as well as measurement of financial result.

Report of Management Board regarding business activities of the Dekpol Capital Group for H1 2021 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 pos.757.).

The interim condensed separate and consolidated financial statement for the 6-month period ended on 30<sup>th</sup> of June 2021 were audited by a statutory auditor.

## 3. INFORMATION ABOUT THE DEKPOL CAPITAL GROUP

### 3.1 OPERATING ACTIVITIES OF THE CAPITAL GROUP

Dekpol Capital Group conducts operational activities in three main 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 – manufacturer of buckets and integrated accessories for machines.

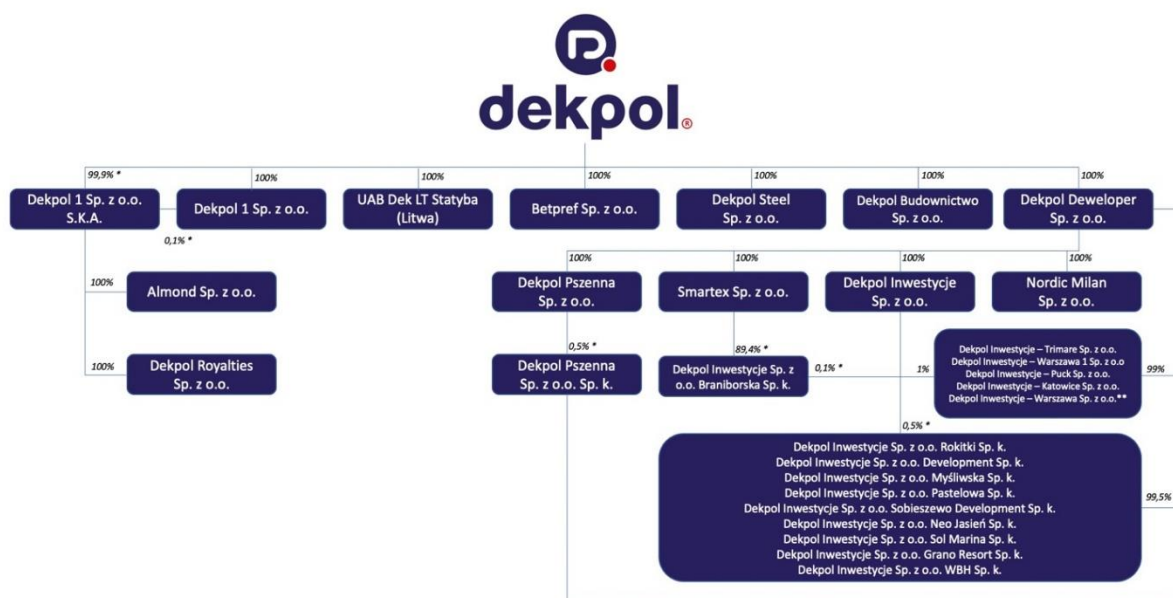


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### 3.2 STRUCTURE OF THE DEKPOL CAPITAL GROUP

As at 30<sup>th</sup> of June 2021 as well as as at publication date of this report, Dekpol Capital Group was composed of Dekpol S.A. (Issuer) 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 June 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.





### **Business activities of Dekpol S.A.**

Basically, 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 31<sup>st</sup> 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. as a part of a transfer of an organized part of the enterprise, which took place on 31<sup>st</sup> of December 2020. In addition, as of 30<sup>th</sup> of June 2021, Dekpol S.A. is a party of one agreement concluded in H1 2021 within operations conducted by general contracting segment. In general, Dekpol Budownictwo Sp. z o.o. remains the primary obliged entity under general contracting activities, also in relation to agreements concluded until 31<sup>st</sup> of December 2020.

### **General contracting activities**

Business activities in the field of general contracting, starting from the 1<sup>st</sup> 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 1<sup>st</sup> 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.

### **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.

Since 2019, Dekpol Deweloper Sp. z o.o. conducts and serves the real-estate development activities of entities from the Dekpol Capital Group, performing tasks covering preparation and implementation of a 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. Prądyńskiego 21;
- 9) Dekpol Inwestycje Sp. z o.o. Neo Jasień 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) Dekpol Inwestycje – Trimare Sp. z o.o. - a special purpose company established to carry out the property development investment in Sztutowo;
- 14) Dekpol Inwestycje – Warszawa 1 Sp. z o.o. – a special purpose company established to carry out the property development investments in Warszawa and its vicinity;
- 15) Dekpol Inwestycje – Puck Sp. z o.o. – a special purpose company established to carry out the property development investments in Puck;
- 16) Dekpol Inwestycje Warszawa Sp. z o.o. – a special purpose company established to carry out the property development investments in Warszawa and its vicinity (company established on 15<sup>th</sup> of June 2021, as at the date of



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publication of the report, the company remains in organization and has not yet been entered into the Register of Entrepreneurs of the KRS);

- 17) Dekpol Inwestycje Katowice Sp. z o. o. - a special purpose company established to carry out the property development investments in Katowice).

Dekpol Deweloper 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 company specified in item 12). Dekpol Deweloper Sp. z o.o. holds 99% of shares of companies specified in items 13) - 17), and remaining shares belong to the subsidiary Dekpol Deweloper Sp. z o.o., i.e., the company Dekpol Inwestycje Sp. z o.o.

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%),
- 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:

- 1) 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;
- 2) Dekpol Pszena Sp. z o.o. – general partner of a special purpose vehicle established to carry out a property development investment at ul. Pszena in Gdańsk;
- 3) Dekpol Inwestycje Sp. z o.o. – general partner of limited partnerships indicated in items 2) -11) above and the partner holds 1% of shares in companies indicated in items 13) – 17) above.

### **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 Sp. z o.o. (entity separated in 2020) is a producer and provides sales of buckets and accessories for construction machines. Betpref Sp. z o.o. 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.

### **Remaining entities from Dekpol Capital Group**



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

- 1) Almond Sp. z o.o. - a company owning real-estate property in Gdańsk at ul. Toruńska 12 (Hotel Almond),
- 2) Dekpol Royalties Sp. z o.o. – the company was established for managing of the Group's intangible assets; on 31<sup>st</sup> of March 2021, the company's authorities approved the merger plan of the company (acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring of all assets of acquired company to the acquiring company; by the date of publication of this report, the merger of companies has not been registered in KRS.
- 3) Dekpol 1 Sp. z o.o. s.k.a. – the entity owning 100% of shares of the companies indicated in items 1) and 2) above and other property rights; on 31<sup>st</sup> of March 2021, the company's authorities approved the merger plan of the company (acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring of all assets of acquired company to the acquiring company; by the date of publication of this report, the merger of companies has not been registered in KRS,
- 4) Dekpol 1 Sp. z o.o. – general partner of the company indicated in point 3) above (100% of the company's shares are held by Dekpol S.A.); on 31<sup>st</sup> of March 2021, the company's authorities approved the merger plan of the company (acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring of all assets of acquired company to the acquiring company; by the date of publication of this report, the merger of companies has not been registered in KRS,
- 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).

### **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 Sp. z o.o. – the entity established to conduct activities related to exploration and mining of mineral resources. The entity from the Group - Dekpol Deweloper 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 Sp. z o.o. – the entity established by Dekpol S.A. for implementation of investment projects together with a subsidiary of the



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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).

All companies directly and indirectly dependent on the Issuer are subject to full consolidation. Associated companies are valued by use of the equity method.

### 3.3 CHANGES IN THE STRUCTURE OF THE DEKPOL CAPITAL GROUP IN H1 2021 AND AFTER BALANCE SHEET DATE

On 1<sup>st</sup> of January 2021 took place the transfer to Dekpol Budownictwo Sp. z o.o. an organized part of the enterprise (ZCP) of Dekpol S.A., operating under the name "General Contracting Department" and covering in particular comprehensive execution of investments within construction and assembly works on behalf of investors. 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 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 the Company on 31<sup>st</sup> of December 2020 of 1,399,000 new shares in Dekpol Budownictwo Sp. z o.o. with a total nominal value of PLN 69,995 million. After increase, the share capital of Dekpol Steel amounts to PLN 70 million.

On 31<sup>st</sup> 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. Until the date of publication of this report, the merger of companies has not been registered with the National Court Register (KRS).

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



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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.

Management Board of Dekpol S.A. withdrew from registration in the National Court Register (KRS) of the company Pastelowe Usługi Sp. z o.o., therefore the agreement for establishment of the above-mentioned company pursuant to Art. 169 § 1 of the Commercial Companies Code will be dissolved.

On 16<sup>th</sup> of July 2021, the special purpose vehicle Dekpol Inwestycje - Trimare Sp. z o.o. The purpose of its creation is the implementation of a real-estate development investment in Sztutowo.

On 11<sup>th</sup> of August 2021, the special purpose vehicle Dekpol Inwestycje - Warszawa 1 Sp. z o.o. The purpose of the creation is the implementation of real-estate development investments in and around Warsaw.

On 16<sup>th</sup> of August 2021, the special purpose vehicle Dekpol Inwestycje - Puck Sp. z o.o. The purpose of the creation is the implementation of real-estate development investments in Puck.

On 22<sup>nd</sup> of September 2021, the special purpose vehicle Dekpol Inwestycje - Katowice Sp. z o.o. The purpose of the creation is the implementation of real-estate development investments in Katowice.

## 4. INFORMATION ABOUT THE COMPANY DEKPOL S.A.

### 4.1 BODIES OF THE COMPANY DEKPOL S.A.

#### 4.1.1 MANAGEMENT BOARD

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 30<sup>th</sup> of June 2021 and as at the date of publication of this report:



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<b>Name and surname</b>	<b>Function</b>
<b>Mariusz Tuchlin</b>	President of Management Board
<b>Katarzyna Szymczak-Dampc</b>	Vice-President of Management Board

The term of office of the President of the Management Board Mr. Mariusz Tuchlin will expire on 4<sup>th</sup> of June 2024, term of office of Vice-President of the Management Board Mrs. Katarzyna Szymczak-Dampc will expire on 31<sup>st</sup> of December 2025.

In H1 2021 and until publication date of this report, there were no changes in the composition of Company's Management Board.

### 4.1.2 SUPERVISORY BOARD

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 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. as at 30<sup>th</sup> of June 2021 and as at the date of publication of this report:

<b>Name and Surname</b>	<b>Function</b>
<b>Roman Suszek</b>	Chairman of Supervisory Board
<b>Jacek Grzywacz</b>	Vice-Chairman of Supervisory Board
<b>Wojciech Sobczak</b>	Member of Supervisory Board
<b>Grzegorz Wąsacz</b>	Member of Supervisory Board
<b>Jacek Kędzierski</b>	Member of Supervisory Board

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





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## 4.2 EQUITY STRUCTURE

As of 30<sup>th</sup> of June 2021 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.

## 4.3 SHAREHOLDING STRUCTURE

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as at the date of publication of this report, i.e., on 24<sup>th</sup> of September 2021, according to the best knowledge of Management Board of Dekpol S.A.:

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%
<b>Total:</b>	<b>8 362 549</b>	<b>100%</b>

\* based on the number of registered shares for the Ordinary General Meeting of Shareholders convened for 28<sup>th</sup> of June 2019

In the period from publication of the previous periodic report, i.e. report for 1Q 2021, published on 31<sup>st</sup> of May 2021, until publication of this report, there were no changes in shareholding structure of the Company.

## 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 Board and Supervisory Board of Dekpol S.A. as at the date of publication of this report, i.e., as at 24<sup>th</sup> of September 2021 and as at the date of publication of previous periodic report, i.e., the report for the first quarter of 2021 published on 31<sup>st</sup> of May 2021:

Specification	Number of shares as at publication date of report for 1Q 2021	Changes	Number of shares as at publication date of report for H1 2021
Mariusz Tuchlin – President of Management Board	6.466.845	-	6.466.845





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Other members of Management and Supervisory Board of Dekpol S.A. do not hold Company's shares.

To the best knowledge of the Company, Members of Management Board and Supervisory Board do not hold and did not hold, in the period from publication of report for Q1 2021 to the date of submission of this report, any rights to Issuer's shares.

#### 4.5 STANDPOINT OF MANAGEMENT BOARD REGARDING FEASIBILITY OF FULFILLMENT OF PREVIOUSLY PUBLISHED RESULTS FORECASTS

The Company did not publish financial results forecasts of the Company and the Dekpol Capital Group for 2021.

## 5. BUSINESS ACTIVITIES OF THE COMPANY AND THE DEKPOL CAPITAL GROUP IN H1 2021 AND AFTER THIS PERIOD

### 5.1 SUMMARY OF BUSINESS ACTIVITIES OF THE DEKPOL CAPITAL GROUP

Revenues of the Dekpol Capital Group in H1 2021 amounted to PLN 472.8 million, which was a result of higher revenues of the General Contracting Segment than in previous year, satisfying, although lower than in the record-breaking 2020 revenues from property development activities and the highest revenues of Dekpol Steel so far. As a result, the Group generated PLN 40.6 million of operating profit, which translated into PLN 26.9 million of net profit. Individual business segments pursued the assumed development strategy despite difficult market conditions. The year 2021 brought significant changes in the market situation, which, as a consequence, caused a sharp increase in prices of raw materials and construction materials, reaching even three times the value of prices in 2020. Regardless of economic recovery, after the period of "covid" restrictions, other factors influencing the mentioned increase in prices appeared, i.e.: increases in prices of raw materials, increases in prices of fuel, energy,



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wages, and increases in prices of sea transport. In early days of the pandemic, many companies chose to cut production, which resulted in an overall reduction in supply.

### General Contracting Services

As part of the general contracting segment, the Capital Group at the end of H1 2021 implemented contracts for external entities with a total contractual value of over net PLN 910 million. For implementation after the reporting period, projects with a total value of over PLN 388 million net remained, while as a part of internal business activities for real-estate development segment, we had contracts worth over PLN 135 million net, of which approximately PLN 46 million net remained to be performed, of which the vast majority of works will be completed this year. It should be noted that successively new projects are being implemented. The vast majority of projects were ordered by private investors. 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 30<sup>th</sup> of June 2021 in the field of general contracting services is presented in the table below:

Ordering Party	Description of a project
<b>7R GROUP</b>	Warehouse in Swarozyn in Municipality Tczew
<b>GRUPA PANATTONI</b>	Warehouse in Pruszcz Gdański
<b>7R GROUP</b>	Warehouse in Kowale in district of Gdańsk
<b>7R GROUP</b>	Warehouse in Warszawa
<b>KARUZELA KOŁOBRZEG</b>	Shopping Mall in Kołobrzeg
<b>RTE POLAND</b>	Construction on bike factory in Machnacz
<b>PANATTONI GROUP</b>	Construction of a warehouse and production building with office and social rooms and accompanying infrastructure in Grodzisk Mazowiecki
<b>PANATTONI GROUP</b>	Construction of a warehouse with a social and office building along with road and network infrastructure and auxiliary facilities in Gdańsk
<b>7R GROUP</b>	Construction of two production and warehouse facilities with office and social facilities along with the necessary technical infrastructure (hall A and hall B) in Szczecin
<b>PANATTONI GROUP</b>	Construction of a warehouse with accompanying infrastructure (internal roads, parking lots, loading areas) with an office part in Skawina.
<b>PANATTONI GROUP</b>	Construction of a warehouse with the necessary infrastructure in Ujżanów near Siedlce.



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Majority of contracts carried out by the Company are worth PLN 20 to 40 million. The company also implements single larger contracts with a value of approx. PLN 70-100 million (as at 30<sup>th</sup> of June 2021, 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% -85%. As at 30<sup>th</sup> of June 2021, share of industrial and logistics projects in the entire order portfolio was approx. 70%.

Business activities of the segment in described period was affected by significant increases in prices of construction materials. With the high demand for services, the problem was dynamics of price inflation, which made difficult correct projection of costs of construction projects and effectively construction of commercial offers. Rapid increase of prices and unavailability of construction materials, occurring in time between selection of the offer and commencement of contracting works, contributed to lower profitability of projects. Reduction of a negative impact of cost inflation on financial result was affected by decision on lower activities in the area of acquisition of new projects made in Q1 2021 and the short-term nature of projects being implemented. In addition, over the last years of carrying out of business operation, the Company has developed internal organizational procedures and processes aimed at efficiency, rapidity of business operations as well as reduction of implementation risk (i.e., an effective purchasing department cooperating with the department of valuation of new projects as well as with projects implementation department). Negotiations with suppliers in relation to larger delivery packages, as well as the import of selected materials from abroad, also turned out to be a tool to counteract the increases.

The period from February to June 2021 was characterized by the highest dynamics of growth in prices of building materials. In Q3 2021, the situation is slowly stabilizing, however, we do not forecast significant reductions in near future, but rather a flattening of the upward trend. The company expects the impact of increase in prices of construction materials on financial result for the entire year 2021, however, remedial measures taken allow this effect to be significantly limited and controlled.

In H1 2021, revenues of the General Contracting segment amounted to PLN 308.7 million, which translated into PLN 21.3 million in operating profit, compared to PLN 283.35 million in revenues in H1 2020 and PLN 19 million of operating profit.

### **Real-estate development activity**

As a part of the property development segment, the Dekpol Capital Group maintains a stable position on the market. In the first half of this year. contracting within the meaning of preliminary, development and reservation agreements finally amounted to 258 premises (initially, in current report No. 30/2021 dated 14<sup>th</sup> of July 2021 were listed 264 premises). For comparison, in the same period of previous year, contracting was at



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the level of 53 units. The significant increase in the number of apartments sold is, among others, the effect of rebuilding the Group's sales offer after a period in which, due to the high rate of sales and as a result of the COVID-19 pandemic, the offer was significantly reduced. During the summer months of 2020, sales offer included less than 150 units. As of 30<sup>th</sup> of June 2021, there were 565 units in sales offer.

In the first half of 2021, the Company was offering the following investments:

- Grano Marina Hotel – the building with a total of 130 service premises, located in Wiślinka near Sobieszewska Island,
- Lazur Park –residential building with a total of 36 residential premises, located on the Sobieszewska Island,
- Villa Neptun – apartment building with a total of 40 commercial premises, located on the Sobieszewska Island,
- Baltic Line – apartment building with a total of 60 commercial premises, located on the Sobieszewska Island,
- Baltic Porto - apartment building with a total of 72 commercial premises, located on the Sobieszewska Island,
- Osiedle Pastelowe stage no. II - 3 residential buildings with a total of 225 residential premises, located in Gdańsk.
- Neo Jasień stage no. I – 2 residential buildings with a total of 104 residential premises, located in Gdańsk,
- Osiedle Kociewskie stage no. I – 3 residential buildings with a total of 121 residential premises, located in Rokitki near Tczew.

In H1 2021, final use permits were issued for 3 multi-family residential buildings (180 units) including for investments: Osiedle Pastelowe stage no. I (sales in this investment amounted to 98% as at 30<sup>th</sup> of June 2021) and apartment buildings (222 units) included in the Sol Marina stage no. I (sales in this investment reached 44%). As a result, in sales revenues of the property development segment in the first half of this year was identified sales of 214 units (initially, according to the current report No. 30/2021 dated 14<sup>th</sup> of July 2021, was identified sales of 199 units). For comparison, in the first half of 2020, record-breaking for the property development segment in terms of identified revenues, was sales of 437 units. Revenues of the segment in the first half of this year amounted to PLN 91.4 million, which, due to high 20% operating margin, translated into PLN 18.1 million in operating profit.

In accordance with sales targets for 2021 adopted in January 2021, the Group's intention in the property development segment is to achieve revenues in the amount of PLN 210 million in 2021, which will include, in particular, sales of 300 units identified in financial result and revenues from investment implementation from an institutional entity



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located in Wrocław at ul. Braniborska, which is discussed in more detail in point 5.2 of this report. On the other hand, the target for 2021 with regard to sales of premises under reservation, development and preliminary agreements was set at 350 premises (with the proviso that none of the above statements relating to the future may be understood or interpreted as granting any guarantee or provision by the Company or entities belonging to the Capital Group that such events will occur and that sales targets set out above will be achieved).

### **Segment of production of accessories for machines**

The first half of 2021 was finalized with the highest number of revenues and operating result in the segment of production of buckets and accessories for construction machines, despite the very demanding and unstable market of raw materials and the demanding labor market. It is positive that the dynamic economic growth in the USA and China was reflected in the number of orders.

Trade talks with the largest manufacturers of construction machinery in the world are starting to turn into real projects implemented on production lines. Dekpol Steel is constantly implementing new projects dedicated by Caterpillar. It is a long-term process based on approval of individual production processes. Thanks to gradual activation of individual product groups, it is possible to set precisely production lines as well as to create devices that improve the assembly and welding process.

High production level in the first half of 2021 was achieved due to full utilization of processing capacity of the Dekpol Steel factory. It was possible thanks to introduction of significant changes in organization of production and standardization of product groups. The company systematically modernizes and supplements machines park by purchasing of new machines necessary for maintaining of the high quality of buckets produced, as well as by shortening and optimizing of production process. Precise analysis of production times in individual areas allows to react very quickly and to introduce improvements on a regular basis. Robotization of welding processes of compact buckets began to bring tangible results and is an important area in implementation of increased orders. At the turn of the first and second quarter, the Company launched a recruitment campaign on an unprecedented scale. Despite the implementation of a number of activities aimed at making Dekpol Steel more attractive as a potential employer, there is still a problem in finding of new employees. As a result, it was necessary to postpone further expansion of the production hall (mentioned in previous reports) to the second quarter of next year.

The company continues implementation of adopted in January this year of development and sales strategy. The main direction of expansion and direct sales are the markets of the USA, France and Germany. Development of the Company's strategy was entrusted to a newly acquired key person with experience from the above-mentioned concern. The main assumptions of the strategy is to select products with the



highest potential margin. These activities are aimed at organizing and specializing of individual production processes as well as developing of sale of Company's proprietary solutions.

In the first half this year were completed tests of innovative accessories, the premiere of which is planned for next year during the largest trade fair for construction machinery called BAUMA. In June took place the world premiere of the new Dekpol Steel equipment, based on a hydraulic motor, allowing full use of machine's potential. Currently in the progress remains patenting process for the above-mentioned engine. The developed "POWERDEK" engine was answered positively by potential customers, as a result of which, decision was made to appoint a dedicated team responsible for sales and marketing of this product.

The effects visible in the first half of 2021 were in fact a result of appropriate actions taken in the second half of last year. Dekpol Steel achieved the best financial results in its entire history during this period. Comparing results achieved in described period in relation to the same period of previous year, the Company achieved sales results higher by PLN 18.47 million (by 50%), while EBIT was higher by PLN 2.44 million (i.e., by 54%). Dynamic increase of orders is a very good prediction on achieving this year of one of the best financial results.

## 5.2 ESSENTIAL ACHIEVEMENTS AND FAILURES AND MAJOR EVENTS IN BUSINESS OPERATIONS OF THE DEKPOL CAPITAL GROUP IN H1 2021

### **Conclusion of a contract for the construction of warehouse and production halls in Gdańsk**

On 28<sup>th</sup> of January 2021, Dekpol Budownictwo Sp. z o. o. signed with PDC Industrial Center 134 Sp. z o.o. (Ordering Party) a contract for the construction of warehouse and production halls in Gdańsk (Agreement). 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 (initial deadline for implementation was set at April 2021). Deadlines for implementation of subsequent stages are specified in months from the possible receipt by Dekpol Budownictwo of confirmation of the order for their implementation. Net remuneration for performance of agreement was set at approx. 8% of the Issuer's Group revenues for 2020, including approx. 5% for stages I and II (converted at EUR exchange rate on 31<sup>st</sup> of March 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, the Ordering party is entitled to claim supplementary compensation on general terms.

About the event the Company announced in current report no. 5/2021 dated 28<sup>th</sup> of January 2021.

### **K-series bonds issue**

On 28<sup>th</sup> of January 2021 (an event after the balance sheet date), the Management Board of Dekpol S.A. adopted a resolution on the issue of no more than 50,000 3.5-year series K 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<sup>th</sup> of January 2015 on bonds, in a way that did not require the Issuer to prepare a prospectus or information memorandum. The purpose of the issue of the Bonds was to finance the current operations of the Issuer's Capital Group and to repay the debt due to series G and H bonds.

On 18<sup>th</sup> of February 2021 (an event after the balance sheet date), the Management Board of Dekpol S.A. adopted a resolution to make an initial allocation of 21,500 series K bearer bonds, not in the form of a document, with a nominal value of PLN 1,000 each bond and a total nominal value of PLN 21.5 million. The bonds were granted subject to the condition precedent of the final settlement of the Bond purchase transaction as part of the issue by the National Depository for Securities S.A. (KDPW).

On 22<sup>nd</sup> of February 2021 (an event after the balance sheet date), the Management Board of the Warsaw Stock Exchange S.A. adopted a resolution on the introduction of the Bonds to the alternative trading system on the Catalyst market as of the date of registration of the Bonds by the National Depository for Securities.

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

Since 2<sup>nd</sup> of March 2021, series K bonds are listed on the Catalyst market.

The bonds were issued at an issue price equal to their nominal value. The interest on the Bonds is based on the WIBOR 6M base rate increased by a margin. Interest on the Bonds is payable in 6-month periods. The bonds are not secured. The redemption of the Bonds will take place on 23<sup>rd</sup> of August 2024. The Bondholder may request early redemption of the Bonds held by him in standard cases specified in the Terms and Conditions of the Bonds Issue, including inter alia in the event that the Company's Capital Group exceeds





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certain debt ratios, and also in the event that, before the date of fulfillment of all obligations under the Bonds, the Issuer makes payments for participation in the Issuer's company to any of the 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 statements. The Issuer is entitled to early redemption of a specified number of Bonds on each of the interest payment days, on the terms specified in Terms and Conditions of Bonds Issue.

The above events were announced by the Company in current reports No. 4/2021 of 28<sup>th</sup> of January 2021, No. 9/2021 of 18<sup>th</sup> of February 2021 and No. 10/2021 of 24<sup>th</sup> of February 2021.

On 23<sup>rd</sup> of August 2021. (an event after balance sheet date) Management Board of Dekpol S.A. made decision on assimilation of K-Series Bonds with L-Series Bonds. The assimilation took place on the basis of a resolution adopted by the National Depository for Securities of 3<sup>rd</sup> of September 2021, and the assimilation date in the depository system was set at 8<sup>th</sup> of September 2021. The bonds covered by assimilation are currently registered under the only common code assigned to K-series bonds, i.e., PLDEKPL00107. The total number of bonds after assimilation under one common code amounts 39,150 pieces.

### **Conclusion with 7R S.A. an agreement for general contracting of investments in Szczecin**

On 16<sup>th</sup> of February 2021, the Company was notified that 7R S.A. had signed (Ordering Party) contracts with Dekpol Budownictwo sp.z o.o. (Contractor) for 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 implementation of stage I of the Investment expired in the first half of 2021 - all works have been completed, the acceptance procedure is currently underway by the Ordering Party and its tenants.

Then, on 8<sup>th</sup> of July 2021 (an event after balance sheet date), the Company received information that Dekpol Budownictwo sp. z o.o. received from the Ordering Party





confirmation of the call for implementation of the 2<sup>nd</sup> stage of Investment. The deadline for performance of works under the 2<sup>nd</sup> stage has been set for 6 months from the date of calling up and making the site available by the Ordering Party.

The flat-rate net remuneration of the Contractor for the implementation of the Investment amounts to a total of approx. 8% of sales revenues of the Dekpol Capital Group for 2020, including approx. 5% 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.

The contract 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.

About the event the Company announced in current report no. 8/2021 dated 16<sup>th</sup> of February 2021 and current report no. 28/2021 dated 8<sup>th</sup> of July 2021.

### **Conclusion of a preliminary contract for the implementation and sale of a residential project in Wrocław**

On 9<sup>th</sup> of March 2021 Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. (Seller) concluded a preliminary sales agreement with an institutional investor (Buyer), pursuant to which:

- the Seller undertook to implement a residential investment on a property located in Wrocław at ul. Braniborska, which is a multi-storey residential building with a total area of approx. 18 thousands of m<sup>2</sup> with accompanying infrastructure),
- Seller and buyer 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. 15% of consolidated revenues of the Issuer's Capital Group for 2020 (price).

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



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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 Preliminary Agreement was concluded in the implementation of the letter of intent of October 2020 regarding the planned sale and then annexed in November and December 2020 and in January and February 2021 in order to extend the deadline giving the buyer the exclusive right to conclude the preliminary sale agreement.

The Company informed about the above events in current reports No. 3/2021 of 18<sup>th</sup> of January 2021, No. 6/2021 of 1<sup>st</sup> of February 2021 and No. 11/2021 of 9<sup>th</sup> of March 2021.

### **Issue of L-series bonds**

On 9<sup>th</sup> 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 29<sup>th</sup> 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 25<sup>th</sup> 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).



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On 29<sup>th</sup> of March 2021, 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 31<sup>st</sup> 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.

From 8<sup>th</sup> of April 2021, series L bonds are listed on the Catalyst market.

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 23<sup>rd</sup> 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 9<sup>th</sup> of March 2021, no. 14/2021 dated 25<sup>th</sup> of March 2021 and no. 15/2021 dated 31<sup>st</sup> of March 2021.

On 23<sup>rd</sup> of August 2021. (an event after balance sheet date) Management Board of Dekpol S.A. made decision on assimilation of K-Series Bonds with L-Series Bonds. The assimilation took place on the basis of a resolution adopted by the National Depository for Securities of 3<sup>rd</sup> of September 2021, and the assimilation date in the depository system was set at 8<sup>th</sup> of September 2021. The bonds covered by assimilation are currently registered under the only common code assigned to K-series bonds, i.e., PLDEKPL00107. The total number of bonds after assimilation under one common code amounts 39,150 pieces.

### **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.



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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.

### **Information concerning agreement on construction of a warehouse in Ujrzanów**

On 12<sup>th</sup> of April 2021 the Company 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 ("Investment").

Then, on 22<sup>nd</sup> of June 2021, the Company was informed that PDE had signed an agreement with Dekpol Budownictwo for implementation of the Investment (Agreement). The investment will be carried out in three stages. The deadline for implementation of stage I of the Investment was set at September 2021, and the deadlines for implementation of subsequent stages have been set at 6 months from the date of possible receipt by Dekpol Budownictwo of a confirmation of order for their implementation. The net remuneration for performance of the Agreement was set at approx. 4% of revenues of Issuer's Capital Group for 2020, including approx. 2.3% for stages II and III (converted at the EUR exchange rate of 22<sup>nd</sup> of June 2021). The concluded Agreement also covers works performed until its conclusion, performed on the basis of current arrangements. The remuneration may change if Dekpol Budownictwo will be entrusted with additional works.

The contract contains provisions regarding contractual penalties due in the case of, inter alia, delays in the performance of works. The parties of the Agreement have the right to demand the payment of a contractual penalty in the amount of 10% of remuneration in the event of withdrawal from the Agreement. The total amount of contractual penalties may not exceed 10% of remuneration.



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About the events the Company announced in current reports no. 16/2021 dated 12<sup>th</sup> of April 2021 and no. 24/2021 dated 24<sup>th</sup> of June 2021.

### **Issue of A and B-series bonds of Dekpol Budownictwo Sp. z o.o.**

On 30<sup>th</sup> of April 2021 Dekpol Budownictwo Sp. z o.o. issued 15.000 of A-series bearer bonds and 20.000 of B-series bearer bonds of a nominal value of PLN 1.000 each and of total nominal value of PLN 15 million and PLN 20 million respectively ("Bonds"). Issue of Bonds was performed in accordance to article 33 point 2 of the Bonds Act and was allotted to SGB-Bank S.A.. The purpose of issue of Bonds is to finance current business activities carried out by Dekpol Budownictwo, including repayment of debt from issue of DB-series bonds of DEKPOL S.A., as a debt related to contribution of an organized part of the enterprise.

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. A-Series bonds will be redeemed on 30<sup>th</sup> of April 2025, while B-series bonds will be redeemed on 30<sup>th</sup> of October 2025.

A bondholder may request early redemption of Bonds held by him in the event of the occurrence and duration of the breach specified in Terms and Conditions of Bond Issue, including, inter alia, in the event that Dekpol Budownictwo exceeds certain debt ratios. Dekpol Budownictwo is entitled to early redemption of all or part of Bonds. Collateral for Bonds constitute, inter alia, a contractual mortgage up to the amount of PLN 52,5 million for mortgage administrator on the right of perpetual usufruct of land and a building constituting a separate real estate property, attributable to Almond sp. z o. o., located in Gdańsk at ul. Toruńska and the cession of receivables from insurance policy regarding the above-mentioned real estate property up to the sum insured, not lower than the market value of real estate property.

The Company informed about the event in the current report no. 20/2021 of 30<sup>th</sup> of April 2021.

## **5.3 FACTORS AND EVENTS, INCLUDING UNUSUAL CHARACTER, AFFECTING ACTIVITIES AND FINANCIAL STATEMENTS**

In the first half of 2021, there were no factors or events other than those described in other sections of this report, including those of an unusual nature, which had a significant impact on financial statements of the Issuer and the Capital Group.



## 5.4 EVENTS AFTER BALANCE SHEET DATE

### **Conclusion of the general contracting agreement on construction of a production plant in Lithuania**

On 21<sup>st</sup> of July 2021 the Company was informed that Press Glass UAB based in Lithuania ("Ordering Party") had signed a contract with the Company for the performance of as a general contractor of construction works consisting in the construction of a production plant with development, infrastructure and accompanying facilities and other elements indicated in the project, located in the Special Economic Zone in Kaunas, Lithuania ("Agreement"). Under the Agreement, the Company will also perform other agreed activities, including the preparation of executive and as-built documentation.

The deadline for the implementation of the subject of the Agreement was set for June 2022. The total net remuneration of the Company for the performance of the above-mentioned investment is approx. 8% of the revenues of the Capital Group of the Company for 2020 (converted at the EUR exchange rate of 21<sup>st</sup> of July 2021).

The agreement provides for contractual penalties, inter alia in case of delays in the performance of the Agreement and delay in removing defects and faults. In addition, the parties to the Agreement have the right to demand payment of a contractual penalty in the amount of 10% of the contract price for withdrawal from the Agreement for reasons attributable to the other party to the Agreement. The maximum number of contractual penalties may not exceed 10% of the remuneration. The parties are entitled to seek compensation for the damage in full, on general terms. Each party has the right to withdraw from the Agreement in the cases specified in the Agreement. The contractor is entitled to subcontract some of the works.

Pursuant to the Agreement, the parties agreed that the final contractor for the subject of the Agreement would be Dekpol Budownictwo Sp. z o.o. (the company selected by the Ordering Party on 9<sup>th</sup> of July 2021 as the general contractor of the project "Construction of the insulated glass production and processing plant in Lithuania in the Special Economic Zone in Kaunas") after obtaining the relevant authorizations to conduct business in the field of construction works in Lithuania.

The events were announced by the Company in current reports No. 29/2021 of 9<sup>th</sup> of July 2021 and No. 31/2021 of 21<sup>st</sup> of July 2021.

### **Receipt of a permit for construction of the 2nd and 3rd stage of Sol Marina investment in Wiślinka**

On 23<sup>rd</sup> of July 2021, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. received issued by the Starosty of Gdańsk the final decision of building permit on construction of apartments





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complex as a part of the II and III stage of the Sol Marina project along with necessary infrastructure and road layout and car parks in Wiślinka.

As a part of the above-mentioned stages of the Sol Marina investment, the Company aims to construct 31 apartment buildings with 267 apartments with a total usable floor area of approximately 12 thousand of m<sup>2</sup> as well as 293 parking lots and 129 berths. The estimated value of revenues obtained from implementation of the above-mentioned stages of the investment will amount to approximately 26% of revenues of the Dekpol Capital Group for the year 2020. Implementation of the II stage and III stage of the investment shall be completed in Q2 2023 and Q2 2024, respectively. The first apartments will be handed over in the 2Q 2023 and in 2Q 2024, respectively.

The Company informed about the event in the current report No. 32/2021 of 23<sup>rd</sup> of July 2021.

### **Issue of P2021 A series bonds as part of the bond issue program**

On 10<sup>th</sup> of August 2021 the Management Board of DEKPOL S.A. adopted a resolution to make an initial allocation of 25 000 series P2021A bearer bonds with a nominal value of PLN 1.000 each and a total nominal value of PLN 25 million, issued on the basis of the prospectus approved by the Polish Financial Supervision Authority on 21<sup>st</sup> of April 2021 as part of the bond issue program in the form of a public offering within the meaning of the provisions of the Act on Public Offering ("Bonds").

The bonds were issued pursuant to Art. 33 point 1 of the Act on Bonds.

P2021A series bonds were allocated subject to the condition precedent of the final settlement of the Bond purchase transaction as part of the issue by the National Depository for Securities S.A. (Krajowy Depozyt Papierów Wartościowych S.A.). The condition precedent referred to above was met on 13<sup>th</sup> of August 2021. Thus, the final Bonds were allocated and the Bonds were issued.

The bonds are issued at an issue price equal to their nominal value. The interest on the Bonds is variable, based on the WIBOR 3M base rate increased by a margin. Interest on the Bonds is payable in 3-month periods. The bonds are not secured. The redemption of the Bonds will take place on 13<sup>th</sup> of February 2025. The Bondholder has the right to demand early redemption of the Bonds in standard cases specified in the terms of the bond issue, including inter alia in the event that the Company's Capital Group exceeds certain debt ratios. The Company may request early redemption of the Bonds on each of the interest payment days, paying a premium of 0-1.25% of the nominal value of the Bonds subject to redemption, depending on the date of the request.

The funds from the issue of the Bonds will be used to finance the current operations of the Issuer's Capital Group.



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On 12<sup>th</sup> of August 2021 the Company it was informed about the declaration of the National Depository for Securities S.A. ("KDPW") for registration in the securities depository under the code ISIN PLDEKPL00123, up to 25.000 series P2021A bearer bonds of the Company with a nominal value of PLN 1.000 each. The Bonds were to be registered on the basis of the settlement orders referred to in § 5 of the Detailed Rules of Operation of the National Depository for Securities, submitted after the resolution on admitting the Bonds to trading on the regulated market. The condition for registration of the Bonds was their admission to trading on the regulated market.

On 11<sup>th</sup> of August 2021, the Management Board of the Warsaw Stock Exchange S.A. adopted Resolution No. 795/2021 on the admission of the Bonds to exchange trading on the Catalyst main market as of the date of registration of the Bonds by the National Depository for Securities S.A.

On 13<sup>th</sup> of August 2021, the Company was notified that the National Depository for Securities had completed the final settlement of the Bonds and thus that the issue of series P2021A bonds had been completed.

On 17<sup>th</sup> of August 2021 the Management Board of the Warsaw Stock Exchange S.A. adopted a resolution, in which it decided to introduce, as of 19<sup>th</sup> of August 2021, bonds of the Company, on the primary market, marked by The National Depository for Securities S.A. with the code "PLDEKPL00123" and note the above-mentioned bonds in the continuous trading system under the abbreviated name "DKP0225".

Moreover, the WSE Management Board decided to set the last trading day for the above-mentioned bonds as of 4<sup>th</sup> of February 2025.

The above events were announced by the Company in current reports No. 33/2021 of 10<sup>th</sup> of August 2021, No. 34/2021 of 12<sup>th</sup> of August 2021, No. 35/2021 of 13<sup>th</sup> of August 2021, No. 36/2021 of 18<sup>th</sup> of August 2021 and No. 37/2021 of 19<sup>th</sup> of August 2021. The Company announced the establishment of the bond issue program in the current report No. 24/2020 of 29<sup>th</sup> of September 2020.

### **Conclusion of another annex to the contract for general contracting of the investment - the Karuzela Kołobrzeg shopping center**

On 25<sup>th</sup> of August 2021 Dekpol Budownictwo Sp. z o.o. ("Contractor") signed with Karuzela Kołobrzeg Sp. z o.o. ("Ordering Party") the next annex to the general contracting agreement for the investment - the Karuzela Kołobrzeg shopping center, concerning the construction of a shopping mall along with other facilities such as roundabout, parking spaces for cars, etc. signed in January 2020 ("Annex no. 4").

Pursuant to Annex No. 4, the parties agreed on changes to the existing works in such a way that the Contractor is commissioned, in addition to the ongoing Works 1 specified in the report 23/2020 and the above-mentioned the annual report, implementation of works necessary for the proper functioning of the facility of Leroy Merlin Inwestycje Sp. z





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o.o., as an independent building ("Works 2"), as well as works related to the construction of a shopping center ("Works 3"). The deadline for completion of Works 1, Works 2 and Works 3 falls on the end of August 2021, November 2021 and August 2022, respectively. Therefore, the total lump sum remuneration for the performance of the Agreement was set at over 10% of the revenues of the Issuer's Capital Group for 2020, including for Works 3 approx. 7%.

The Company informed about the event in the current report No. 38/2021 of 25<sup>th</sup> of August 2021. Concluding the above-mentioned of the agreement, the Company informed in the current report No. 3/2020 of 21<sup>st</sup> of January 2021, and in subsequent current reports, the Company informed about the concluded annexes to the agreement.

### **Implementation of the TRIMARE real estate development investment in Sztutowo**

On 30<sup>th</sup> of August 2021. it was concluded between Dekpol Budownictwo Sp. z o.o. and Dekpol Inwestycje - TRIMARE Sp. z o.o. a general contracting agreement, the subject of which is the implementation by the Issuer's indirect subsidiary - Dekpol Inwestycje - TRIMARE Sp. z o.o. a new real estate development investment involving the construction of a complex of multi-family residential buildings in Sztutowo.

The investment will be implemented in two stages, including the construction of 9 and 8 residential buildings, respectively, with 189 and 128 apartments, respectively, with a total usable area of approx. 6.2 thousand sqm and 5.7 thousand sqm. The estimated value of revenues obtained from the implementation of the Investment will total over 10% of the revenues of the Dekpol Capital Group for 2020. The implementation of individual stages of the investment will be completed in the fourth quarter of 2022 and the second quarter of 2023, respectively.

The Company informed about the event in the current report No. 39/2021 of 30<sup>th</sup> of August 2021.

### **Conclusion of the letter of intent with Panattoni Development Europe Sp. z o. o.**

On 31<sup>st</sup> of August 2021 the Management Board of Dekpol S.A. received an information about signing by Panattoni Development Europe Sp. z o.o. ("Ordering Party") of the letter of intent with the Issuer's subsidiary – Dekpol Budownictwo Sp. z o.o. confirming selection of Dekpol Budownictwo as the general contractor of investment covering construction of the warehouse along with accompanying infrastructure in Błonie Wieś ("Investment"). Completion of Investment and obtaining of use permit should take place in February 2022. The value of net remuneration for implementation of the Investment has been set at approx. 5% of sales revenues of Issuer's Capital Group for 2020 (converted according to the EUR exchange rate as at 31<sup>st</sup> of August 2021). The letter of intent also includes provisions concerning construction of two more warehouse buildings for an additional remuneration of 3% and 6% of the above mentioned



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revenues respectively, where their implementation should be treated as optional and must previously be confirmed by the Ordering Party.

The Company informed about the event in the current report No. 40/2021 of 31<sup>st</sup> of August 2021.

### **Arrangement of key terms of agreement on performance of construction works on a warehouse**

On 2<sup>nd</sup> of September 2021, Dekpol Budownictwo Sp. z o. o. agreed with Pruszcz Logistics Sp. z o. o. the key terms of agreement on performance of construction works on a warehouse of an area of approximately 50 thousands of m<sup>2</sup> along with office building and external infrastructure in Będzieszyn.

The deadline for implementation of the above-mentioned investment has been set on April 2022, and the remuneration for performance of works was set at the level of approximately 9% of sales revenues of the Dekpol Capital Group for the year 2020.

The Company informed about the event in the current report No. 41/2021 of 3<sup>rd</sup> of September 2021.

### **Obtaining a building permit for the second stage of a multi-family housing estate under the project "Osiedle Kociewskie"**

On 17<sup>th</sup> of September 2021 the Management Board of the Issuer received information that Dekpol Inwestycje Sp. z o.o. Rokitki Sp. K. ("Subsidiary") obtained a permit for the construction of the 2<sup>nd</sup> stage of the estate of multi-family residential buildings "Osiedle Kociewskie", issued by the Powiat Starosty in Tczew, along with the necessary technical infrastructure in Rokitki.

As part of the above-mentioned investment stage, the construction of 3 residential buildings is planned, which will include 129 apartments with a total usable area of approx. 5 270 square meters.

The estimated value of revenues obtained from the implementation of the above-mentioned stage will amount to approx. 3% of sales volume of Dekpol S.A. for 2020. Planned completion of the second stage of the investment is to take place in November 2022. The project will be implemented by the Subsidiary, and the capital expenditure will be financed from own and external funds.

The Company informed about the event in the current report No. 43/2021 of 17<sup>th</sup> of September 2021.

### **Agreement on the key terms of the contract for the execution of construction works for the production hall**



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On 23<sup>rd</sup> of September 2021, Dekpol Budownictwo Sp. z o. o. agreed with a company from the Panattoni Group on the key terms of the contract for the performance of construction works as a general contractor, including the construction of a production hall with accompanying infrastructure in Radomsko "Investment". The completion of the Investment is to be completed in July 2022. The value of the net remuneration for the implementation of the Investment was set at approx. 8% of sales revenues of the Issuer's Capital Group for 2020, converted according to the EUR exchange rate of 23<sup>rd</sup> of September 2021. The Issuer will inform about the conclusion of the contract in an appropriate current report.

The Company informed about the event in the current report No. 44/2021 of 23<sup>rd</sup> of September 2021.

### **Agreement on the key terms of the contract for the performance of construction works for two warehouse halls**

On 23<sup>rd</sup> of September 2021, Dekpol Budownictwo Sp. z o. o. agreed with a subsidiary of the Panattoni Group the key terms of the contract for the performance of construction works as a general contractor, including the construction of two warehouse halls - a logistics center with accompanying infrastructure in Kolbudy "Investment".

The completion of the first phase of the Investment is to take place in March 2022, while the completion of the entire scope will be determined by the Parties during the implementation of the Investment. The value of the net remuneration for the performance of the entire Investment has been set at the level of approx. 14% of sales revenues of the Issuer's Capital Group for 2020, converted at the euro exchange rate of 23<sup>rd</sup> of September 2021. The Issuer will inform about the conclusion of the contract in an appropriate current report.

The Company informed about the event in the current report No. 45/2021 of 23<sup>rd</sup> of September 2021.

### **Conclusion by a subsidiary of annexes to loan agreements with Alior Bank S.A.**

On 24<sup>th</sup> of September 2021, a complete set of documentation related to the change of loan agreements concluded by the Issuer's subsidiary - Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. with Alior Bank SA, i.e. non-revolving loan agreement ("Loan 1") and revolving loan agreement ("Loan 2"), about which the Issuer informed in the current report No. 9/2020 of 19<sup>th</sup> of March 2020.

In accordance with the annexes to the above-mentioned agreements, the final repayment date for Loan 1 and Loan 2 was extended until the end of December 2023 (until 31<sup>st</sup> of July 2022). At the same time, the limit of Credit 1 has now been set at PLN 57.4 million (previously PLN 59.2 million).



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The Company informed about the event in the current report No. 46/2021 of 24<sup>th</sup> of September 2021.

## 6. FACTORS, WHICH MAY AFFECT ACHIEVED RESULTS IN THE PERSPECTIVE OF AT LEAST NEXT QUARTER

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),
- 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 the first half of 2021 and after its end that have or may have an impact on results of the Company and the Group in subsequent periods also include events listed in point 5.2 and 5.4 of this report.

Achieved results will also be influenced by external, macroeconomic factors such as general condition of the Polish economy, inflation, GDP growth dynamics, tax policy, the level of interest rates, the level of investments, the volume of demand on internal market, exchange rates, government programs supporting development of housing



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industry, shaping the level of prices of construction materials and services, availability of experienced employees, shaping the level of wages. The increase in GDP, the wealth of the society and the development of enterprises have an impact on increase in demand for construction services, both in the field of housing and industrial construction. All this has and will have an impact on financial results of the Issuer and its Capital Group.

In addition, the COVID-19 virus, which continues to spread despite vaccinations, is a factor influencing global and Polish economy. The Dekpol Group identifies potential risks that may affect individual areas of Group's business operations resulting directly or indirectly from current situation. The risks related to the pandemic are described in more detail in point 7 of this report. At the same time, it should be noted that the situation related to the virus also has a positive effect on Group's business operations. Recently, a significant change in the approach of international entities to issues related to diversification of their activities has been observed. It is an activity aimed at securing of supply chains that have been broken or paralyzed during the lock-down. The company still sees an opportunity in this respect, through the possible perspective of these entities transferring production or new investments, e.g., from the area of logistics projects, to Poland. The impact of COVID-19 may also be reflected in the approach to the e-commerce area, which is now even more important.

As a result of the collapse on the construction machinery market in 2020, which had a negative impact on orders for Dekpol Steel from OEM customers. During this period, a decision was made to purchase a fully robotic stand for production of loader buckets, which allowed for increased efficiency thanks to the automation of the welding process. The period of reduced production was also used to further optimization of production processes and tightening in reporting of inventory levels. The Covid-19 pandemic has also given rise to more inquiries from OEMs regarding production of accessories currently manufactured in China and other countries outside of Europe.

The Group notes, however, that due to unprecedented scale of the phenomenon and dynamics of events, it is difficult to predict further development of the situation and to assess the impact of potential effects of the pandemic, as well as to assess possible scenarios for the behavior of major investors, customers, suppliers and subcontractors. Actions are being taken to adapt functioning of the Dekpol Group companies to changing conditions, so as to safely ensure continuation of their business activities. Preventive measures are also taken with regard to projects implemented by the Group, as well as educational activities in relation to employees. At the same time, management boards of Group companies will also react to changing market conditions on an ongoing basis.



## 7. WEAKNESSES AND THREATS FACTORS

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

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

#### *Risk related to the construction process*

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

- current design and executive changes at almost every stage of the process,
- incorrect initial estimation of project implementation costs,
- significant change in costs during the project implementation (increase in the costs of material purchase, increase in employment costs),
- 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 m<sup>2</sup> of apartments space, which gives the way to partial recovery of costs.



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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.

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.

### *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





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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 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





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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 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 Voivodship (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 focus on warehouse projects results from the fact that Dekpol has been a leading contractor of this type of agreements in Poland for many years, moreover, the dynamic development of the warehouse market in Poland can be observed and it fits well with



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the strategy of the Issuer's Group in the general contracting segment (focus on short-term contracts, the completion date of which, as a rule, does not exceed 8 months).

The Issuer notices a 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 could potentially have a significant negative impact on the level of generated revenues and profits as well as further development of the Issuer. Hence, the Company is already taking steps to counteract this eventuality by diversifying of sources of acquisition of construction projects, primarily by expanding sales structure and pricing of general contracting services to respond to business opportunities even more broadly. In addition, the Company systematically uses non-industrial and logistic cubature projects such as car showrooms, passenger service areas or commercial facilities. In this way, the engineering competences of the general contracting team are maintained (and in some cases expanded) in the above-mentioned scope, so that in the event of reduced demand for industrial and logistic halls, a shift towards other types of contracts than those currently being performed is made.

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, 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



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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 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



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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 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.

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,



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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 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 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. On the other hand, the economic crisis caused by the Covid-19 pandemic may affect the financial situation of the Issuer's contractors or entities from the Issuer's Group, which may result in delays in the payment of receivables due to the Issuer or entities from the Issuer's Group, or even complete insolvency of these contractors.

Some of the above risk categories may also apply to the General Contracting segment, which as at the date of publication of report effectively resists pandemic threats, maintaining compliance with planned construction production schedules on all projects, despite the occurrence of cases of disease. However, potential risk of





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suspension or slowdown of construction works and the occurrence of logistic difficulties may, in the future, cause delays in implementation of construction projects, resulting in inability to complete investment on time. The above, in turn, may increase the risk of potential withdrawal by ordering parties from already concluded agreements or charging contractual penalties. Moreover, restrictions in work of public administration offices or remote work of officials, in particular those conducting construction commissioning and offices supporting activities of network administrators, are also a certain obstacle, which may cause delays in issuing administrative decisions, both construction permits and use permits. However, related risks are controlled by the Group through advance contacts with the above-mentioned entities, and implemented procedures of procedural simplification at the national level systematically improve the situation.

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

The company, however, stipulates that due to unprecedented scale of the phenomenon and the dynamics of events, it is difficult to predict further development of the situation and assess the impact of potential effects of the pandemic, as well as to assess possible scenarios for behavior of major investors, customers, suppliers and



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subcontractors. Management Board conducts activities aimed at adapting company's operations to the changing conditions, so as to safely ensure continuation of business operations. Management Board also takes the necessary preventive actions in the scope of projects it implements, as well as educational activities in relation to employees. At the same time, management board responds to 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.

### *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 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 7<sup>th</sup> 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*

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 apart-hotels 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 apart-hotels 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 apart-hotels 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 position**

#### *Currency risk*

The Dekpol Group operates mainly in Poland, however, a growing part of the GW segment contracts are concluded in the currency (EUR). In this respect and in the area of export activities, the Group is therefore 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 decrease in sales revenues, which in turn will have a negative impact on the financial results achieved by the Group.

The risk is limited by concluding of forward contracts.



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### *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 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.

#### *Risk related to overdue liabilities*

The main group of creditors are subcontractors of general contracting services provided by the Issuer. Most of liabilities repaid after maturity date arise as a result of contractor's failure to provide complete documentation. In accordance with internal procedures in force in Issuer's Group, the possibility of making payments for due and undisputed invoices takes place after delivering of a complete set of documents for the report in accordance with contractual provisions. Immediately after notification of deficiencies, contractors are informed about the situation and are obliged to supplement formal deficiencies, so that the payment date depends on fulfillment of the above-mentioned. In the balance of overdue liabilities, there is not a large focus on one subcontractor.

The occurrence of overdue liabilities may affect deterioration of relations with entities performing works for the Group, and in extreme cases, they may stop providing services to the Group and take legal actions. Such proceedings could lead to delays in execution of construction contracts carried out by the Group. The presence of high balances of overdue liabilities may also make difficult to establish cooperation with new contractors. However, it should be borne in mind that the recorded level of overdue liabilities does not differ from the average in the general contracting sector.

The significance of the above risk factor is described by the Issuer as low, because in the event of its occurrence, the scale of the negative impact on business activities and



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financial situation of the Issuer would not be significant. The Issuer assesses the probability of this risk as medium.

## 8. SURETIES AND GUARANTEES

In the first half of 2021, the Company and its subsidiaries did not grant any sureties or guarantees regarding financial liabilities of entities other than those listed in tables below. The companies from the Group granted guarantees and received guarantees concerning, inter alia, construction works performed.

In the first half of 2021, there were mutual granting of sureties and guarantees between the Issuer and related entities, as shown in tables below. Most of the intra-group sureties granted result from the separation of individual segments, in the first half of 2021 they resulted mainly from separation with effect as of 1<sup>st</sup> of January 2021 of a general contracting segment.

Intra-group sureties are granted for remuneration adequate to the type, validity and amount of the surety.





## Sureties for financial liabilities of companies from the Dekpol Capital Group

Beneficiary	Product	Amount of surety in thousands of PLN	Currency	Debt / usage of a limit as at 30.06.2021 in thousands of PLN	Type of collateral	Contractual repayment date / validity of a limit
Dekpol Budownictwo Sp. z o.o.	Loan at mBank S.A. agreement no 10/031/19/Z/PX	35 000	PLN	30 154	Surety by Dekpol S.A.	30.06.2022
Dekpol S.A.	Loan agreement at Alior Bank SA no. U0003447412540 Working capital loan dated 17.07.2020	10 000	PLN	9 981	Joining to debt by Dekpol Budownictwo Sp. z o.o.	16.07.2021 <sup>1</sup>
Dekpol S.A.	Loan agreement at BS Wschowa No. 164/IWS/2018 dated 20.08.2018	10 146	PLN	3 296	Joining to debt by Dekpol Budownictwo Sp. z o.o.	19.08.2021 <sup>2</sup>
Dekpol S.A.	SGB – loan at REW no. REW/2200155/2020/2	30 000	PLN	9 416	Joining to debt by Dekpol Budownictwo Sp. z o.o.	14.07.2022
Dekpol S.A.	SGB – loan at RB KRB/2200155/2020/1	15 000	PLN	14 967	Joining to debt by Dekpol Budownictwo Sp. z o.o.	14.07.2022
Dekpol S.A.	Agreement LKW at PKO BP S.A. No. 38 1020 1462 0000 7102 0368 2028 dated 17.07.2020	30 000	PLN	22 881	Joining to debt by Dekpol Budownictwo Sp. z o.o.	15.07.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.	Working capital loan in Alior Bank, Agreement no. U0003400195815A <sup>3</sup>	59 162	PLN	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 <sup>4</sup>	4 800	PLN	0	Surety by Dekpol S.A.	31.07.2022
Dekpol Budownictwo Sp. z o.o.	Revolving loan agreement at Santander Bank Polska S.A. no. K03957/19,	1 100	EUR	0	Surety by Dekpol S.A.	31.07.2021 <sup>5</sup>
Dekpol Budownictwo Sp. z o.o.	Loan agreement at Santander Bank Polska S.A. on current account K01263/17	6 000	PLN	0	Surety by Dekpol S.A.	22.12.2021
Dekpol Budownictwo Sp. z o.o.	ING discount agreement no. 891/2020/00001802/00	2 500	PLN	1 920	Surety by Dekpol S.A.	31.12.2021



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Dekpol Budownictwo Sp. z o.o.	Working capital loan in PKO BP S.A. agreement no. 73 1020 1462 0000 7602 0375 0023	3 000	PLN	2 557	Surety by Dekpol S.A.	19.04.2022
Betpref Sp. z o.o.	Working capital loan in PKO BP S.A. agreement no. 18 1020 1462 0000 7402 0378 6613	3 000	PLN	2 348	Surety by Dekpol S.A.	19.04.2022
Dekpol Steel Sp. z o.o.	Factoring at Santander, Agreement no. 3673/54472019	24 000	PLN	17 100	Surety by Dekpol S.A.	31.10.2021
Dekpol Budownictwo Sp. z o.o.	Factoring at BPS, agreement no. 377/377/2020	15 000	PLN	3 244	Surety by Dekpol S.A.	29.06.2022
Dekpol Deweloper Sp. z o.o.	A-series bonds	21 500	PLN	21 500	Surety by Dekpol S.A., Dekpol Budownictwo Sp. z o.o., Dekpol Steel Sp. z o.o.	19.06.2022
Dekpol Deweloper Sp. z o.o.	B-series bonds	10 000	PLN	10.000	Surety by Dekpol S.A.	01.08.2024
Dekpol Deweloper Sp. z o.o.	C-series bonds	15 650	PLN	15 650	Surety by Dekpol S.A.	24.06.2025
Dekpol Budownictwo Sp. z o.o.	Framework Agreement for financial market transactions no. N/0230/20 mbank	2 000	PLN	886	Surety by Dekpol S.A.	30.06.2022
Dekpol Budownictwo Sp. z o.o.	Framework Agreement on Treasury Transactions Santander Bank S.A.	16 000	PLN	4 877	Surety by Dekpol S.A.	31.10.2021
Dekpol Budownictwo Sp. z o.o.	Framework Agreement for transactions on the financial market PKO S.A.	12 480 <sup>6</sup>	PLN	6 431	Surety by Dekpol S.A.	09.09.2021 <sup>6</sup>
Dekpol Budownictwo Sp. z o.o.	Agreement for a guarantee limit Generali S.A no. GNL-UF/2020/2959/UG	20 000	PLN	0	Surety by Dekpol S.A.	01.10.2021
Dekpol Budownictwo Sp. z o.o.	Agreement for a guarantee limit AXA S.A. no. UL2017/57	40 000	PLN	18 727	Surety by Dekpol S.A.	31.10.2021
Dekpol S.A., Dekpol Budownictwo Sp. z o.o.	Multiline agreement with Santander Bank Polska S.A. no. K01037/18	17 500	PLN	11 235	Joint and several liability of Dekpol SA and Dekpol Budownictwo Sp. z o.o.	07.12.2021
Dekpol Budownictwo Sp. z o.o.	Guarantee limit in Santander Bank Polska S. A. agreement no. K02160/20	10 000	PLN	0	Surety by Dekpol SA	30.11.2021
Dekpol S.A., Dekpol Budownictwo Sp. z o.o.	Agreement for a limit for Warranties at Sopockie Towarzystwo Ubezpieczeń ERGO	45 000	PLN	35 420	Joint and several liability of Dekpol SA and Dekpol	undetermined



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	Hestia S.A. no. 7/2008/GD50					Budownictwo Sp. z o.o.	
Dekpol Budownictwo Sp. z o.o.	Agreement for a limit for Warranties in Santander Bank S.A. no. K02160/20	10 000	PLN	0	Surety by Dekpol S.A.		30.11.2021
Dekpol S.A., Dekpol Budownictwo Sp. z o.o., Dekpol Steel Sp. z o.o.	BNP – line for guarantees	8 700	PLN	8 738	Co-borrowers		11.12.2025
Dekpol Budownictwo Sp. z o.o.	Agreement for a guarantee limit in KUKE S.A. no. RW/GW/358/2016	50 000	PLN	19 318	Surety by Dekpol S.A.		undetermined
Dekpol Budownictwo Sp. z o.o.	Guarantee line in ZK LEV INS AD nr 00000000/00000008	10 000	PLN	6 409	Surety by Dekpol S.A.		undetermined
Dekpol Budownictwo Sp. z o.o.	Agreement for granting insurance guarantees in CREDENDO no. B/PL/00947	20 000	PLN	0	Surety by Dekpol S.A.		undetermined
Dekpol Steel Sp. z o.o.	Leasing contracts in ING Lease (Polska) Sp. z o.o.	252	PLN	121	Surety by Dekpol SA		2024.01.15
Dekpol Steel Sp. z o.o.	Leasing contracts in Millennium Leasing Sp. z o.o.	273	PLN	20	Surety by Dekpol SA		2021.10.30
Dekpol Steel Sp. z o.o.	Leasing contracts in Santander Leasing Sp. z o.o.	976	PLN	495	Surety by Dekpol SA		2022.07.02
Dekpol Budownictwo Sp. z o.o.	Leasing contracts in ING Lease (Polska) Sp. z o.o.	1 792	PLN	361	Surety by Dekpol SA		2025.01.25
Dekpol Budownictwo Sp. z o.o.	Leasing contracts in Santander Leasing Sp. z o.o.	882	PLN	351	Surety by Dekpol SA		2023.02.20

<sup>1</sup> as at the date of publication of the report, the contract was changed in terms of the repayment date (extension to 08/12/2023)

<sup>2</sup> as at the date of publication of the report, the loan was repaid

<sup>3</sup> as at the date of publication of the report, the contract was changed in terms of the loan amount (reduction to PLN 57 416.85 thousand) and the repayment date (extension to 31<sup>st</sup> of December 2023)

<sup>4</sup> as at the date of publication of the report, the contract was changed in terms of the repayment date (extension to 31<sup>st</sup> of December 2023)

<sup>5</sup> as at the date of publication of the report, the loan has been completed

<sup>6</sup> as at the publication date of the report, the limit was increased to PLN 20,180 thousand and extended until 03/01/2022.

As at 30<sup>th</sup> of June 2020, the total balance of guarantees and sureties granted and received by the Dekpol Capital Group is presented in the table below:

Item	31.06.2021	31.12.2020
Conditional liabilities towards affiliates - guarantees of satisfactory performance of contracts	0	0



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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	80 413	66 246
Granted guarantees of satisfactory performance of contracts - banking	20 344	20 738
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	100 757	86 983
<b>Conditional liabilities</b>	<b>100 757</b>	<b>86 983</b>
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	4 623	4 083
Received guarantees of satisfactory performance of contracts from non-affiliates - banking	5 241	3 280
Received guarantees and sureties of repayment of liabilities from non-affiliates	0	0
Conditional receivables - Court litigations	0	0
Other conditional assets from non-affiliates	0	0
Conditional assets from non-affiliates	9 863	7 362
<b>Conditional assets</b>	<b>9 863</b>	<b>7 362</b>

## 9. TRANSACTIONS WITH RELATED ENTITIES

In the first half of 2021, the Company and its subsidiaries did not conclude any transactions with related parties on terms other than market terms.



## 10. COURT LITIGATIONS, PROCEEDINGS IN ARBITRATION BODIES OR IN PUBLIC ADMINISTRATION BODIES

In the first half of 2021, there were no significant proceedings before a court, a body competent for arbitration proceedings or a public administration body regarding liabilities and receivables of the Company or its subsidiary. The proceedings in which the subject of the dispute has the greatest value are the following:

### **Soletanche Polska Spółka z ograniczoną odpowiedzialnością**

The Issuer brought an action against Soletanche Polska Spółka z ograniczoną odpowiedzialnością and Powszechny Zakład Ubezpieczeń Spółka Akcyjna (the insurer of Soletanche Polska Sp. z o.o.) for the payment of PLN 6,875,997.54 (six million eight hundred seventy-five thousand nine hundred ninety-seven zlotys fifty four groszy) together with statutory interest for the delay. The indicated amount consists of claims for damages due to improper performance of obligation by Soletanche Polska Sp. z o.o. (acting as a subcontractor), i.e., construction works for a third party - the investor. The proceedings were pending before the District Court in Gdańsk

The proceedings were preceded by an application by the Issuer (as the summoning party) to summon Soletanche Polska Spółka z ograniczoną odpowiedzialnością (the opponent) to a conciliatory attempt before the District Court for the capital city of Warsaw; the settlement proceedings ended on 9th of July 2020; no settlement was reached.

### **Expert Spółka z ograniczoną odpowiedzialnością**

The Issuer brought an action against Expert Spółka z ograniczoną odpowiedzialnością for the payment of the amount of PLN 1,523,722.42 (one million five hundred twenty-three thousand seven hundred and twenty-two zlotys forty-two groszy) with statutory interest for the delay. The indicated amount includes claims for a contractual penalty for delay in the performance of a construction agreement and for costs of substitute performance incurred by the Issuer in place of Expert Sp. z o.o.

The proceedings ended with the issuance of a legally binding default judgment awarding the entirety of claims covered by the Issuer's lawsuit (the judgment was final in March 2021), currently enforcement actions are underway.

At the same time, it should be borne in mind that the specificity of activities conducted by the Company is the multitude of proceedings related to the pursuit of claims for



completed projects. There are also cases when the Issuer acts as the defendant - this is usually related to investments carried out as part of property development activities or general contracting of construction works.

## 11. OTHER INFORMATION SIGNIFICANT FOR EVALUATION OF POSITION OF THE CAPITAL GROUP

There is no information other than information indicated below and in remaining items of this report that, in Company's opinion, would be significant for assessment of the employment, property, financial situation, financial result of the Company and the Capital Group and their changes, as well as information that would be significant for the assessment of the possibility of meeting obligations by the company and the Dekpol Capital Group.

### **Issue of series B bonds by Dekpol Deweloper Sp. z o.o.**

On 15<sup>th</sup> of January 2021, the Management Board of Dekpol Deweloper Sp. z o.o. adopted a resolution on the issue of series B bonds with a total nominal value of no more than PLN 15 million. On 1<sup>st</sup> of February 2021, the Management Board of Dekpol Deweloper Sp. z o.o. adopted a resolution on the allocation of series B bonds. The Management Board decided to allocate 10 000 series B bearer bonds with a nominal value of PLN 1 000 each and a total nominal value of PLN 10 million. The bonds were issued at an issue price of PLN 1 000 each. The bonds are secured bearer securities with an interest rate equal to WIBOR 6M and a margin. Interest is payable in six-month periods. Only cash benefits are payable under the bonds. The redemption of the bonds will take place on 1<sup>st</sup> of August 2024. Moreover, the Company may demand early redemption of the bonds on each of the interest payment days, starting from the third interest period, paying in such a case a specific premium on this account. The bondholder may request early redemption of the bonds in the event of inter alia the Group's capital of the company exceeds certain debt ratios. The funds from the bond issue were allocated to the day-to-day operations of the Dekpol Deweloper Sp. z o.o. , in particular for financing the purchase of land.

### **Redemption of G and H series bonds of Dekpol S.A.**

On 8<sup>th</sup> of March 2021, the Company redeemed in full all the remaining series G and H bonds, in line with their maturity. Due to the payment of a part of the series K bonds by setting off the receivables from the series G and H bonds, a total of 52.451 bonds with a nominal value of PLN 1.000 each were subject to redemption, including 43.009 series G



bonds and 9.442 series H bonds. The total nominal value of the redeemed bonds was 52,45 million PLN.

### **Bond issue program**

On 21<sup>st</sup> of April 2021, the Polish Financial Supervision Authority approved the prospectus of Dekpol S.A. drawn up in connection with the public offering and application for admission to trading on the regulated Catalyst market, operated by the Warsaw Stock Exchange, of bearer bonds with a total nominal value of no more than PLN 150 million (Bonds). The bond issue program was established by a resolution of the Management Board of Dekpol S.A. of 29<sup>th</sup> of September 2020 (the program covered the issue of bonds with a total nominal value of no more than PLN 200 million, while bonds with a value of PLN 50 million were issued in November 2020 - series I bonds). The bonds covered by the prospectus will be issued in series as part of recurring issues within 12 months from the date of approval of the prospectus and offered on the terms and in accordance with the principles described in the prospectus and the terms of issue of a given series of Bonds. The first series of bonds (P2021A) was issued in August 2021, as discussed in more detail in section 5.4. of this report.

### **Redemption of series DA and DB bonds of Dekpol S.A.**

On 30<sup>th</sup> of April 2021, the Company redeemed in full series DA and DB bonds, in accordance with the maturity of the bonds. The redemption covered a total of 35.000 bonds with a nominal value of PLN 1.000 each, including 15.000 DA series bonds and 20.000 DB series bonds. The total par value of the redeemed bonds was PLN 35 million.

### **Issue of series C bonds by Dekpol Deweloper Sp. z o.o.**

On 24<sup>th</sup> of June 2021, Dekpol Deweloper Sp. z o.o. issued 15.650 series C bonds with a total nominal value of PLN 15,65 million. The bonds were issued pursuant to Art. 33 point 2 of the Act of 15<sup>th</sup> of January 2015 on bonds. The Bonds were issued at an issue price of PLN 975 each, with a fixed interest rate maturing on 24<sup>th</sup> of June 2025. Interest on the Bonds is payable in six-month periods. The Company is required to redeem the Bonds earlier on 30<sup>th</sup> of June 2024, with the principal amount of PLN 5,65 million. In addition, Dekpol Deweloper may demand early redemption of all or part of the Bonds by paying a specific premium on this account (0-2% of the value of the redeemed Bonds depending on the maturity date). The bondholder may request early redemption of the Bonds in the cases specified in the Terms and Conditions of the Bonds Issue. The Bonds are secured with a surety granted by Dekpol S.A. and assignments of claims for the repayment of the loans referred to below, established in favor of the collateral administrator. The funds from the issue of the Bonds are intended for the day-to-day operations of Dekpol Deweloper, including granting loans to Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp.k. and Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k. for financing of own property development investments and refinancing the purchase of land in the scope of Neo Jasień and Osiedle Pastelowe investments, respectively.





### **Change of the Terms and Conditions of the Series A Bonds of Dekpol Deweloper Sp. z o.o.**

On 24<sup>th</sup> of June 2021, Dekpol Deweloper Sp. z o.o. concluded an agreement with the investment fund, which is the sole bondholder of A-series bonds, to amend the Terms and Conditions of the Bonds Issue. Series A bonds were issued on 19<sup>th</sup> of June 2019 in the number of 30.000 secured bonds with a total nominal value of PLN 30 million, at an issue price of PLN 985,00 each Bond, with a variable interest rate based on WIBOR 6M + margin and the maximum redemption date falling on 19<sup>th</sup> of June 2022, of which 8.500 Bonds were redeemed on 19<sup>th</sup> of December 2020 in accordance with the provisions of the Bond Issue Terms and Conditions.

The amendment to the Terms of Issue of Series A Bonds included, inter alia, extending the redemption date of the Bonds until 30<sup>th</sup> of August 2023 and changing the interest rate on the Bonds in the extended period to a specific fixed interest rate. In addition, the Issuer also undertook to early redeem 9.000 Bonds on 19<sup>th</sup> of June 2022.

### **Purchase of a plot of land in Puck**

On 20<sup>th</sup> of August 2021, Dekpol Inwestycje - PUCK Sp. z o.o. purchased a plot of land with an area of 1,3614 ha in the town of Puck. The purchase price of the property is not a significant value from the perspective of the financial situation and results of the Dekpol Group. The Company plans to carry out a real-estate development investment on the property in question in the coming years.

### **The Meeting of Bondholders of Series I Bonds of Dekpol S.A.**

On 31<sup>st</sup> of August 2021, there was a Meeting of Bondholders of Series I Bonds of Dekpol S.A., which adopted a resolution on changing the Terms and Conditions of Series I Bonds issued by Dekpol S.A. in such a way that point 11.2.3. Terms of the Bonds Issue, as worded:

„11.2.3. The mortgage on the Real Estate will be entered in the land and mortgage register with the highest priority by 31<sup>st</sup> of August 2021”

has received the following new wording:

„11.2.3. The mortgage on the Real Estate will be entered in the land and mortgage register with the highest priority by 31<sup>st</sup> of August 2022”

Dekpol S.A. on 31<sup>st</sup> of August 2021 submitted the Issuer's Statement on the consent for the amendment to the Terms of Issue of Series I Bonds in the manner provided in the above-mentioned resolution of the Bondholders' Meeting.

As at the date of the Bondholders' Meeting, the Mortgage on the Real Estate was entered in second place along with the claim for transfer to an empty mortgage seat, created after the mBank S.A. mortgage was deleted, being in the first place. On 6<sup>th</sup> of September 2021, the Court canceled the mBank S.A. mortgage, which means that the



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Mortgage on Real Estate, which is a security for series I bonds, is already entered with the highest priority.

### **Conclusion of a multi-purpose credit line agreement with BNP Paribas Bank Polska S.A.**

On 22<sup>nd</sup> of September 2021. Dekpol Budownictwo Sp. z o.o. concluded with BNP Paribas Bank Polska S.A. a multi-purpose credit line agreement ("Agreement") in the amount of PLN 30 million, including an overdraft facility up to a maximum amount of PLN 3 million (Loan 1) and a revolving loan up to a maximum amount of PLN 30 million (Loan 2), guarantee line up to the maximum amount PLN 30 million (Guarantee line) and a line of letters of credit in the maximum amount of PLN 5 million (Letters of credit line).

The purpose of the line is to finance current operations, finance / refinance costs related to the performance of contracts, issuing bank guarantees and opening documentary letters of credit.

The Company is entitled to use the limit for a period of 12 months from the date of the Agreement. The loan period is 120 months from the conclusion of the Agreement.

The interest rate on Credit 1 and Credit 2 is variable based on the WIBOR 1M or EURIBOR 1M rate (depending on the currency in which the financing is to be launched) increased by the Bank's margin. The Agreement is secured by i.a. blank promissory note with a promissory note declaration, surety under civil law up to PLN 45 million granted by Dekpol SA, contractual mortgage up to PLN 45 million on a property located in Pinczyn and on a property located in Rokitki, assignment from an insurance policy, and in the case of Loan 2 additionally, the transfer of receivables from financed contracts.

The contract contains formal and legal conditions, the fulfillment of which is necessary to start financing, as well as obligations, inter alia, to maintain the debt ratios of the Borrower and the Dekpol Capital Group at certain levels.

## **12. FINANCIAL INDICATORS**

Debt to EBITDA ratio - meaning the ratio of the total value of net debt (total balance sheet value of the consolidated interest-bearing liabilities of the Dekpol Capital Group less cash and cash equivalents) to EBITDA (the sum of the operating result and depreciation) is as at 30<sup>th</sup> of June 2021: 2, 38.

Debt to equity ratio - denoting the ratio of the total value of net debt (as above) to equity of the Dekpol Capital Group as at 30<sup>th</sup> of June 2021: 0.65.



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## 13. CONTACT DATA

Name (business name):	Dekpol Spółka Akcyjna
Abbreviated name:	Dekpol S.A.
Address of the registered office:	ul. Gajowa 31, 83-251 Pinczyn
Phone:	(58) 560-10-60
Fax:	(58) 560-10-61
Website address:	<a href="http://www.dekpol.pl/">http://www.dekpol.pl/</a>
E-mail address:	dekpol@dekpol.pl

### Signatures of All Members of Management Board:

Mariusz Tuchlin	President of Management Board
Katarzyna Szymczak-Dampc	Vice-President of Management Board