



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)



**REPORT OF MANAGEMENT BOARD  
ON BUSINESS ACTIVITIES OF THE COMPANY  
AND DEKPOL CAPITAL GROUP  
for 2021**

Pinczyn, 29<sup>th</sup> of April 2022



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## TABLE OF CONTENT

<b>1. GENERAL INFORMATION ABOUT THE COMPANY.....</b>	<b>7</b>
1.1 BUSINESS ACTIVITIES OF DEKPOL S.A.....	7
1.2 BRANCHES .....	8
1.3 COMPOSITION OF MANAGEMENT BOARD and SUPERVISORY BOARD .....	8
1.4 SHARES AND SHAREHOLDERS OF THE COMPANY .....	8
1.4.1 EQUITY OF THE COMPANY .....	8
1.4.2 SHAREHOLDING STRUCTURE.....	9
1.4.3 AGREEMENTS AS A RESULT OF WHICH MAY OCCUR CHANGES IN SHAREHOLDING STRUCTURE.....	9
1.4.4 INFORMATION ON ISSUER'S SHARES HELD BY PERSONS FROM MANAGEMENT BOARD AND SUPERVISORY BOARD .....	9
1.4.5 EMPLOYEES SHARES SCHEME.....	9
1.4.6 OWN SHARES.....	9
1.5 CHANGES IN COMPANY'S MANAGEMENT PRINCIPLES.....	10
1.6 ORGANISATIONAL AND CAPITAL TIES .....	10
<b>2. GENERAL INFORMATION ABOUT CAPITAL GROUP .....</b>	<b>12</b>
2.1 STRUCTURE OF THE CAPITAL GROUP .....	12
2.2 ENTITIES SUBJECT TO CONSOLIDATION.....	18
2.3 OWN SHARES .....	18
2.4 CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP.....	19
2.5 CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP.....	23
2.6 ORGANIZATIONAL OR CAPITAL TIES .....	24
<b>3. BUSINESS ACTIVITIES OF THE COMPANY AND THE CAPITAL GROUP .....</b>	<b>24</b>
3.1 KEY PRODUCTS, GOODS AND SERVICES.....	24
3.2 SALES MARKETS AND SOURCES OF SUPPLY .....	30
3.3 MAIN DOMESTIC AND FOREIGN INVESTMENTS AND CAPITAL INVESTMENTS .....	32
3.4 MAJOR EVENTS AND AGREEMENTS FROM OPERATIONAL ACTIVITIES OF THE GROUP IN FINANCIAL YEAR 2021 AND AFTER ITS END .....	33
3.5 OTHER EVENTS AND AGREEMENTS WITHIN OPERATING BUSINESS ACTIVITIES OF THE GROUP .....	45
3.6 BORROWINGS AND LOANS.....	47
3.7 SURETIES AND GUARANTEES .....	56
3.8 FINANCIAL INSTRUMENTS .....	57
3.9 TRANSACTIONS WITH RELATED ENTITIES .....	57
3.10 FACTORS AND EVENTS, INCLUDING UNUSUAL CHARACTER, AFFECTING THE ACTIVITIES AND FINANCIAL STATEMENTS.....	57



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

<b>4. ECONOMIC AND FINANCIAL RESULTS OF DEKPOL S.A.</b> .....	<b>57</b>
4.1 PREPARATION PRINCIPLES OF A SEPARATE FINANCIAL STATEMENT.....	57
4.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF DEKPOL S.A. ....	58
4.2.1 ANALYSIS OF FINANCIAL SITUATION .....	58
4.2.2 ANALYSIS OF MATERIAL SITUATION .....	59
4.2.3 CASH FLOW ANALYSIS.....	62
4.2.4 KEY FINANCIAL AND NON-FINANCIAL INDICATORS.....	64
4.2.5 FORECASTS OF FINANCIAL RESULTS.....	65
4.3 DIVIDEND POLICY.....	65
4.4 ISSUE OF SECURITIES.....	65
4.5 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT .....	72
<b>5. ECONOMIC AND FINANCIAL RESULTS OF THE DEKPOL S.A. CAPITAL GROUP</b> .....	<b>72</b>
5.1 PREPARATION PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENT.....	72
5.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF THE DEKPOL CAPITAL GROUP.....	73
5.2.1 ANALYSIS OF FINANCIAL SITUATION .....	73
5.2.2 ANALYSIS OF MATERIAL SITUATION .....	74
5.2.3 CASH-FLOW ANALYSIS.....	77
5.2.4 SIGNIFICANT OFF-BALANCE SHEET ITEMS .....	79
5.2.5 KEY FINANCIAL AND NON-FINANCIAL INDICATORS.....	79
5.2.6 FINANCIAL RESULTS FORECAST .....	81
5.3 SECURITIES ISSUES.....	81
5.4 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT .....	83
<b>6. DEVELOPMENT PERSPECTIVES OF THE COMPANY AND THE DEKPOL CAPITAL GROUP</b> .....	<b>84</b>
6.1 STRATEGY AND DIRECTIONS OF DEVELOPMENT.....	84
6.2 IMPLEMENTATION OF THE STRATEGY OF THE COMPANY AND THE DEKPOL CAPITAL GROUP IN 2021	88
6.3 DEVELOPMENT PERSPECTIVES FOR THE UPCOMING FINANCIAL YEAR.....	91
6.4 EXTERNAL AND INTERNAL FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE COMPANY AND THE CAPITAL GROUP .....	93
6.5 EVALUATION OF THE POSSIBILITY OF IMPLEMENTATION OF INVESTMENT PLANTS.....	95
<b>7. WEAKNESSES AND THREATS FACTORS</b> .....	<b>96</b>
<b>8. CORPORATE GOVERNANCE STATEMENT</b> .....	<b>112</b>
8.1 INDICATION OF A SET OF CORPORATE GOVERNANCE PRINCIPLES APPLICABLE AT THE ISSUER	112



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

8.2	INDICATION OF A SET OF CORPORATE GOVERNANCE PRINCIPLES, FROM WHICH THE COMPANY WAIVED .....	112
8.3	SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY CONSIDERABLE SHARE PACKETS.....	123
8.4	INDICATION OF HOLDERS OF ANY SECURITIES, WHICH PROVIDE SPECIAL CONTROL RIGHTS, TOGETHER WITH DESCRIPTIONS OF RIGHTS .....	123
8.5	INDICATION OF ANY RESTRICTIONS REFERRING TO VOTING RIGHTS .....	124
8.6	INDICATION OF ANY LIMITATIONS CONCERNING TRANSFERRING OF ISSUER'S SECURITIES' PROPERTY RIGHTS .....	124
8.7	BODIES OF THE COMPANY .....	124
8.7.1	MANAGEMENT BOARD .....	124
8.7.2	SUPERVISORY BOARD .....	125
8.7.3	AUDIT COMMITTEE.....	128
8.7.4	GENERAL MEETING OF SHAREHOLDERS.....	132
8.8	AMENDMENT PRINCIPLES OF COMPANY'S ARTICLE OF ASSOCIATION.....	136
8.9	INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO STATEMENT PRODUCTION PROCESS OF THE COMPANY AND THE CAPITAL GROUP .....	136
8.10	DIVERSITY POLICY .....	137
<b>9.</b>	<b>REMUNERATION POLICY .....</b>	<b>138</b>
9.1	REMUNERATION SYSTEM .....	138
9.2	PRINCIPLES AND THE AMOUNT OF REMUNERATION OF MANAGEMENT BOARD MEMBERS .....	138
9.3	AGREEMENTS CONCLUDED WITH MANAGEMENT STAFF, PROVIDING COMPENSATIONS IN CASE OF RESIGNATION .....	139
9.4	PRINCIPLES AND THE AMOUNT OF REMUNERATION OF SUPERVISORY BOARD MEMBERS .....	139
9.5	COMMITMENTS RESULTING FROM PENSIONS AND PROVISIONS OF A SIMILAR FEATURE FOR FORMER MANAGEMENT AND SUPERVISORY STAFF.....	140
<b>10.</b>	<b>OTHER INFORMATION .....</b>	<b>140</b>
10.1	COURT LITIGATIONS, PROCEEDINGS IN ARBITRATION BODIES OR IN PUBLIC ADMINISTRATION BODIES.....	140
10.2	INFORMATION ON EMPLOYMENT .....	141
10.3	AUDITING COMPANY.....	142
10.4	MAJOR ACHIEVEMENTS ON R&D FIELD.....	144
10.5	ENVIRONMENTAL ISSUES .....	145
10.7	EXPENDITURE ON CULTURE, SPORT, CHARITY INSTITUTIONS, MEDIA AND SOCIAL ORGANIZATIONS. ....	145
10.8	REPORT ON NON-FINANCIAL INFORMATION.....	146
10.9	CONTACT FOR INVESTORS .....	146



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## SELECTED FINANCIAL DATA

### Selected financial data of Dekpol Capital Group

Selected consolidated financial data	Thousands of PLN		Thousands of EUR	
	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
I. Net revenue from sales of products, goods, and materials	1 255 783	1 054 978	274 338	235 791
II. Profit (loss) on operating activity	112 988	81 044	24 683	18 114
III. Profit (loss) before tax	89 638	67 073	19 582	14 991
IV. Net profit (loss)	75 726	52 771	16 543	11 795
V. Earnings (loss) per ordinary share (in PLN / EUR)	9,06	6,31	1,98	1,41
VI. Net cash flows from operating activity	55 819	126 747	12 194	28 328
VII. Net cash flows from investment activity	(15 718)	(8 845)	(3 434)	(1 977)
VIII. Net cash flows from financial activity	(6 967)	(76 673)	(1 522)	(17 137)
IX. Total net cash flows	33 134	41 229	7 238	9 215
	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
X. Total assets	1 357 149	953 497	295 071	206 617
XI. Liabilities and provisions for liabilities	969 881	660 018	210 871	143 022
XII. Long-term liabilities	282 261	128 921	61 369	27 936
XIII. Short-term liabilities	687 620	531 097	149 502	115 086
XIV. Equity	387 268	293 479	84 200	63 595
XV. Share capital	8 363	8 363	1 818	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)	46	35	10	8



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

**Selected financial data of Dekpol S.A.**

Selected separate financial data	Thousands of PLN		Thousands of EUR	
	01.01.2021-31.12.2021	01.01.2020-31.12.2020	01.01.2021-31.12.2021	01.01.2020-31.12.2020
I. Net revenue from sales of products, goods, and materials	210 305	801 586	45 943	179 157
II. Profit (loss) on operating activity	7 620	41 634	1 665	9 305
III. Profit (loss) before tax	27 114	28 276	5 923	6 320
IV. Net profit (loss)	26 118	22 672	5 706	5 067
V. Earnings (loss) per ordinary share (in PLN / EUR)	3,12	2,71	0,68	0,61
VI. Net cash flows from operating activity	22 454	58 140	4 905	12 995
VII. Net cash flows from investment activity	(47 839)	11 461	(10 451)	2 562
VIII. Net cash flows from financial activity	(68 841)	(37 226)	(15 039)	(8 320)
IX. Total net cash flows	(94 226)	32 375	(20 585)	7 236
	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
X. Total assets	537 244	792 996	116 807	171 838
XI. Liabilities and provisions for liabilities	249 884	535 372	54 330	116 012
XII. Long-term liabilities	144 247	108 691	31 362	23 553
XIII. Short-term liabilities	105 637	426 681	22 968	92 459
XIV. Equity	287 360	257 624	62 478	55 826
XV. Share capital	8 363	8 363	1 818	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)	34	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 31<sup>st</sup> of December 2021 and 31<sup>st</sup> of December 2020. Selected items of the profit and loss statement and the cash flow statement were converted into EUR at the exchange rate announced by Narodowy Bank Polski (National Bank of Poland), being the arithmetic average of exchange rates for EUR applicable on the last day of each completed month in the period of 12 months ended 31<sup>st</sup> of December 2021 and 12 months ended 31<sup>st</sup> of December 2020.

	01.01-31.12.2021	01.01-31.12.2020
Exchange rate valid at the last day of the period (EUR/PLN)	4,5994	4,6148
Average exchange rate on the period (EUR/PLN)	4,5775	4,4742



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

# 1. GENERAL INFORMATION ABOUT THE COMPANY

---

**Name (Company):** Dekpol Spółka Akcyjna

---

**Abbreviated name:** Dekpol S.A.

---

**Headquarter:** ul. Gajowa 31, 83-251 Pinczyn

---

**Phone:** (58) 560-10-60

---

**Fax:** (58) 560-10-61

---

**Website address:** [www.dekpol.pl](http://www.dekpol.pl)

---

**E-Mail address:** [dekpol@dekpol.pl](mailto:dekpol@dekpol.pl)

---

The Company Dekpol S.A. („Company”, „Dekpol”, Issuer”) is entered in the register of entrepreneurs of the National Court Register maintained by District Court Gdańsk-North in Gdańsk, VII Commercial Division of the National Court Register under ID (KRS) number 0000505979. The Issuer's company was registered on 11th of April 2014. The Issuer has a tax identification number TIN 592-21-37-980 and the number REGON 220341682.

The Issuer was created as a result of the transformation of Dekpol Spółka z ograniczoną odpowiedzialnością in Dekpol Spółka Akcyjna with the resolution of the General Meeting of Shareholders of 1st of April 2014. On 11th of April 2014, the District Court Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, entered the Issuer in the Register of Entrepreneurs of the National Court Register under No. 0000505979 as a joint-stock company.

The Company has been created as a permanent entity.

## 1.1 BUSINESS ACTIVITIES OF DEKPOL S.A.

Since the beginning of 2021, Dekpol S.A., as the parent company of the Dekpol Capital Group, performs, in connection with the completion of the reorganization process of the Group, mainly the role of the holding company managing the Dekpol Capital Group and provides services to entities from the Dekpol Capital Group.

The current individual areas of Dekpol S.A.'s activity (general contracting, property development and production activities), as part of the reorganization that has been ongoing in recent years, have been gradually transferred from the parent company Dekpol S.A. to newly created subsidiaries, and Dekpol S.A. mainly took over the function of a holding company.

Due to the fact that Dekpol S.A. was operating activities in the field of general contracting until 31<sup>st</sup> of December 2020, Dekpol S.A. remains responsible for the obligations under the guarantees granted and part of the concluded contracts, to the extent that the consent of the contractors was not obtained for the taking over



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)**

of these obligations by the subsidiary Dekpol Budownictwo Sp. z o.o. as part of an in-kind contribution of an organized part of the enterprise on 31<sup>st</sup> of December 2020. Moreover, Dekpol S.A. is jointly and severally liable under the terms of art. 551 and following of the Civil Code with buyers of individual parts of the enterprise (i.e. Dekpol Deweloper sp.z o.o., Dekpol Steel sp. z o.o. and Dekpol Budownictwo sp.z o.o., respectively) for liabilities related to the disposed parts of the enterprise. Additionally, as of 31<sup>st</sup> of December 2021, Dekpol S.A. was a party to two contracts in the general contracting segment concluded in 2021. In general, Dekpol Budownictwo sp. z o.o. remains the primary obligation under the general contracting activity, also in relation to contracts concluded until 31<sup>st</sup> of December 2020.

## **1.2 BRANCHES**

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

## **1.3 COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD**

As at the date of publication of this report, the Management Board of the Company operates in the following composition:

<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

As at the date of publication of this report, the Supervisory Board operates in the following composition:

<b>Name and surname</b>	<b>Function</b>
<b>Roman Suszek</b>	Chairman of Supervisory Board
<b>Jacek Grzywacz</b>	Member 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

## **1.4 SHARES AND SHAREHOLDERS OF THE COMPANY**

### **1.4.1 EQUITY OF THE COMPANY**

As of 31<sup>st</sup> of December 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.





Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

#### 1.4.2 SHAREHOLDING STRUCTURE

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as of 31.12.2021 and as of the day of publishing of this report:

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 28th of June 2019

#### 1.4.3 AGREEMENTS AS A RESULT OF WHICH MAY OCCUR CHANGES IN SHAREHOLDING STRUCTURE

The Issuer is not in possession of information about contracts (including those concluded after the balance sheet date), as a result of which changes in the proportions of shares held by existing shareholders and bondholders may occur in the future.

#### 1.4.4 INFORMATION ON ISSUER'S SHARES HELD BY PERSONS FROM MANAGEMENT BOARD AND SUPERVISORY BOARD

Information on Issuer's shares held by persons from management and supervisory bodies as at the date of publication of this report:

Specification	Number of shares	Nominal value of shares (in PLN)
Mariusz Tuchlin – President of Management Board	6 466 845	6 466 845

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

#### 1.4.5 EMPLOYEES SHARES SCHEME

The Issuer does not have an employee shares scheme.

#### 1.4.6 OWN SHARES

Dekpol S.A. did not own or acquire own shares in 2021 and did not take any actions to acquire own shares during this period.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

## **1.5 CHANGES IN COMPANY'S MANAGEMENT PRINCIPLES**

On 1<sup>st</sup> of January 2021, the reorganization process of the Company and the Dekpol Capital Group, which was carried out in previous years, was completed, as a result of which the Issuer currently mainly acts as a holding company that manages the Capital Group and provides services to entities from the Dekpol Capital Group, and the current operating activity of the Issuer is carried out mainly by individual dedicated subsidiaries of the Issuer.

As part of the above-mentioned reorganization process, on 1<sup>st</sup> of January 2019, the property development activity segment was separated from the Company, which was transferred in the form of an organized part of the enterprise (OPE) to a subsidiary, Dekpol Deweloper Sp. z o.o. Then, on 1<sup>st</sup> of January 2020, there was a transfer from the Company to the subsidiary Dekpol Steel Sp. z o.o. an organized part of the enterprise (OPE), including in particular the production and sale of buckets and accessories for construction machinery. As part of the last stage of reorganization, on 31<sup>st</sup> of December 2020, Dekpol S.A. concluded with the subsidiary Dekpol Budownictwo Sp. z o.o. an agreement for the transfer by the Company to Dekpol Budownictwo Sp. o.o. an organized part of the enterprise (OPE), including, in particular, comprehensive implementation of investments in the field of construction and assembly works commissioned by investors (General Contracting Department). Pursuant to the concluded agreement, the OPE was issued on 1<sup>st</sup> of January 2021.

The reorganization of the Company and the Dekpol Capital Group was aimed at introducing a management system adapted to the increasing scale of the Company's operations and its individual segments, the expanded structure, as well as further development plans.

In 2021, there were no changes to the basic management principles of the Company.

## **1.6 ORGANISATIONAL AND CAPITAL TIES**

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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

<b>Company's name</b>	<b>KRS</b>	<b>Nature of connection</b>	<b>Information about the company</b>
City Apart Management Sp. z o.o.	0000300191	- 98% of shares belong to Mariusz Tuchlin, 98% of votes, 2 % of shares and votes belong to City Apart Management Sol Marina Sp. z o.o.	The company operates in the hotel industry
Grano Group Sp. z o.o. (do 29.01.2021 general partner of Dekpol Serwis Sp. z o.o. Sp. k., currently OMT Serwis Mariusz Tuchlin Sp. j.)	0000629533	- 95% of shares and votes belong to Mariusz Tuchlin	The company conducts the activity of central companies and holding companies, with the exception of financial holding companies - an entity that also gathers shares of companies operating in the hotel industry
OMT Serwis Mariusz Tuchlin Sp. j.( till 07.04.2021 OMT Serwis Mariusz Tuchlin Sp. K.)	0000893460	- Mariusz Tuchlin has a 90% share in the company's profits and losses, and is also a partner authorized to represent it	The company operates in the field of passenger and delivery vehicle rental, as well as construction machinery and equipment
City Apart Management Sol Marina Sp. z o.o.	0000711010	- 100% of shares and votes belong to Grano Group Sp. z o.o.	The company will operate in the hotel industry
City Hotel Management Sp. z o.o.	0000589930	- 100% of shares and votes belong to Grano Group Sp. z o.o.	The company will operate in the hotel industry
OMT Holding Sp. z o.o.	0000852695	- 95% of shares and votes belong to Mariusz Tuchlin (President of the Management Board of the Company)	The company operates as central companies and holding companies, with the exception of financial holdings
OMT Nieruchomości Sp. z o.o.	0000849933	- 90% of shares and votes belong to Mariusz Tuchlin (President of the Management Board of the Company)	The company operates as central companies and holding companies, with the exception of financial holdings
City Apart Management Pszenna Sp. z o.o.	0000710859	- 90% of shares and votes belong to Mariusz Tuchlin (proxy in the Company).	The company operates as central companies and holding companies, with the exception of financial holdings
City Apart Management Pszenna Sp. z o.o. Sp. K.	0000711812	- Grano Group Sp. z o.o. has a 99% share in the company's profits and losses	The company operates in the hotel industry



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

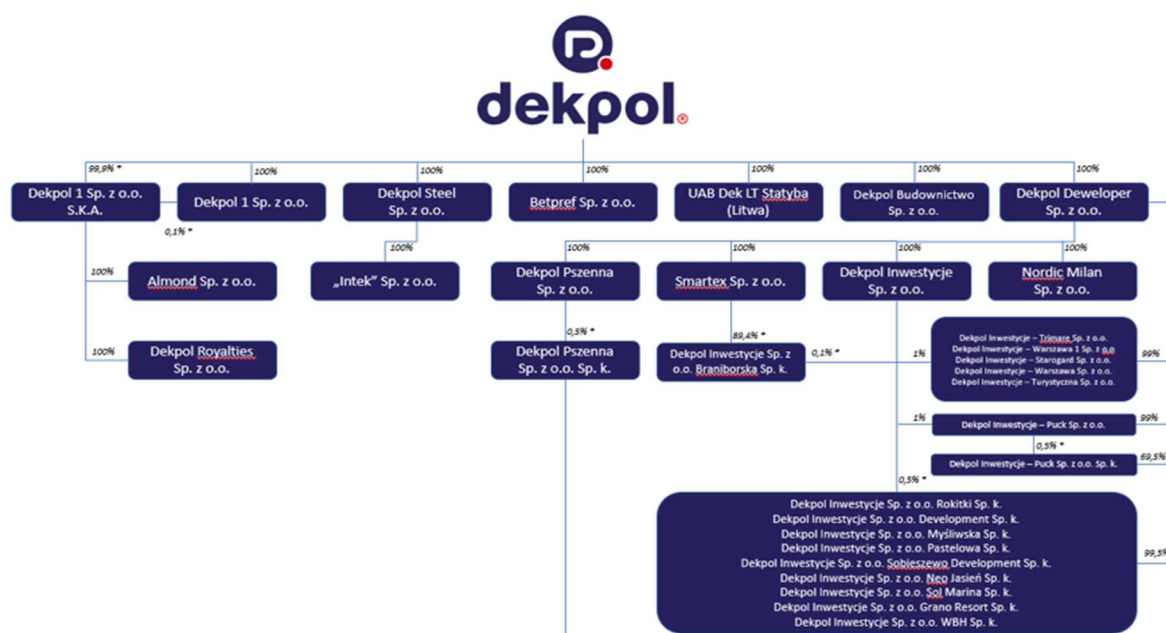
Company's name	KRS	Nature of connection	Information about the company
Flats For Rent Sp. z o.o.	0000750704	- 100% of shares and votes belong to Mariusz Tuchlin,	The company operates as central companies and holding companies, with the exception of financial holdings
Flats For Rent Sp. z o.o. Sp. K. - The company was dissolved by a resolution of the shareholders of 30 <sup>th</sup> of December 2021, the deletion from the National Court Register took place on 11 <sup>th</sup> of February 2022 (an event after the balance sheet date)	0000751229	- Mariusz Tuchlin had a 99% share in the company's profits and losses	The company was active in the field of real estate management and real estate rental

## 2. GENERAL INFORMATION ABOUT CAPITAL GROUP

### 2.1 STRUCTURE OF THE CAPITAL GROUP

As at 31<sup>st</sup> of December 2021 and as at the date of publication of this report, Dekpol Capital Group was composed of Dekpol S.A. as the parent company and direct or indirect subsidiaries of Dekpol S.A.

The organizational structure of the Dekpol Capital Group as at 31<sup>st</sup> of December 2021 of this report is presented in the diagram below:

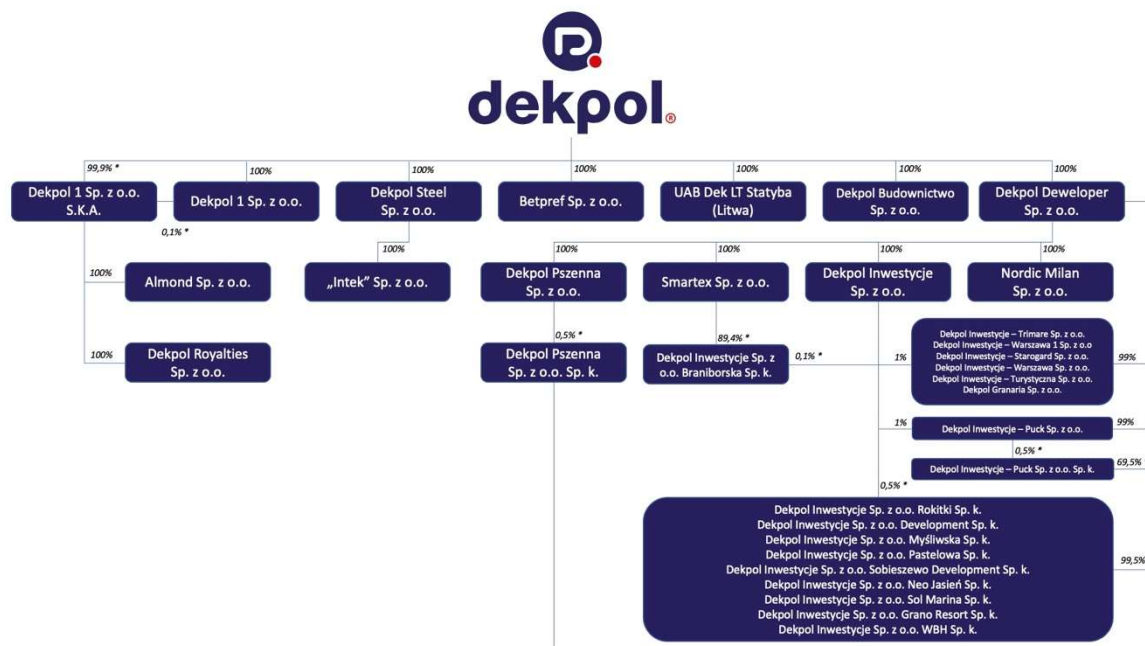




## Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

\* share of profits and losses

The organizational structure of the Dekpol Capital Group as at the date of publication of this report is presented in the diagram below:



Operating activities of the Capital Group are conducted by subsidiaries.

### General contracting activities

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

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

### 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)



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

and its subsidiary special purpose vehicles - limited liability companies or limited partnerships.

Dekpol Deweloper Sp. z o.o. since 2019, he has been running and supporting the property development activities of entities from the Dekpol Capital Group, performing tasks including the preparation and implementation of development projects, sale of real estate, design and implementation of finishing works as well as after-sales service.

Individual projects are implemented by subsidiaries - special purpose vehicles:

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- 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 vehicle established to carry out a development investment in Sztutowo;
- 14) Dekpol Inwestycje – Warszawa 1 Sp. z o.o. – a special purpose vehicle established to carry out development investments in and around Warsaw;
- 15) Dekpol Inwestycje Warszawa Sp. z o.o. – a special purpose vehicle established to carry out development investments in and around Warsaw;
- 16) Dekpol Inwestycje Starogard Sp. z o. o. - a special purpose vehicle which is a party to preliminary agreements for the purchase of premises as part of an investment in Gdańsk carried out by an external entity, aimed at introducing premises to the sales offer of the Dekpol Group,
- 17) Dekpol Inwestycje – Turystyczna Sp. z o.o. – a special purpose vehicle established to implement an investment in Gdańsk on the Sobieszewo Island at Turystyczna street;
- 18) Dekpol Inwestycje – Puck Sp. z o.o. Sp. k. – a special purpose vehicle established to implement an investment in Puck.
- 19) Dekpol Granaria Sp. z o. o. - a special purpose vehicle established to carry out development investments in the Pomeranian Voivodeship; The company was entered in the register of entrepreneurs of the National Court Register on 25<sup>th</sup> of March 2022 (an event after the balance sheet date).

Dekpol Deweloper Sp. z o.o. he 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 items 12). Dekpol Deweloper Sp. z o.o. owns 99% of the shares of the companies listed in points 13) - 17) and 19), and the 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%).

The shareholders of Dekpol Inwestycje - Puck Sp. z o.o. sp. k. (point 18) above are:

- Dekpol Inwestycje - Puck Sp. z o.o. (general partner with profit and loss share of 0,5%),
- Dekpol Deweloper Sp. z o.o. (limited partner with profit and loss share of 69,5%),



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- a legal person not related to the Capital Group (limited partner with a profit and loss share of 30%).

Subsidiaries of Dekpol Deweloper Sp. z o.o. (Dekpol Deweloper owns 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 indicated in point 5) in the table above;
- 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 indicated in point 1) in the table above;
- 3) Dekpol Inwestycje Sp. z o.o. – general partner of limited partnerships indicated in items 2) -11) in the above table and a partner holding 1% of shares in the companies indicated in points 13) -17) and 19) in the above table;
- 4) Dekpol Inwestycje – Puck Sp. z o.o. – general partner of a special purpose vehicle established to implement the investment in Puck indicated in point 18) in the above table.

On 17<sup>th</sup> of February 2022 (an event after the balance sheet date), the shareholders' meeting adopted a resolution on the merger of Dekpol Deweloper sp. z o.o. (as the acquiring company) with Dekpol Royalties Sp. z o.o., Dekpol 1 Sp. z o.o. s.k.a. and Dekpol 1 Sp. z o.o. (as acquired companies) pursuant to Art. 492 § 1 point 1 of the Commercial Companies Code, ie by transferring all assets of the acquired companies to the acquiring company. Until the date of publication of this report, the merger of the companies has not been registered in the National Court Register.

### **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. In addition, in November 2021, Dekpol Steel Sp. z o.o. acquired 100% of the shares of the company "Intek" Sp. z o.o. based in Lubawa (details of the transaction are provided in point 2.4. of this report).

The subject of activities of Dekpol Steel Sp. z o.o. (entity separated in 2020) is the production and sale of buckets and accessories for construction machinery. "Intek" Sp. z o.o. based in Lubawa runs a steel products manufacturing plant. The intention is for the company to focus on the performance of products offered by Dekpol Steel Sp. z o.o.





**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

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

**Remaining entities from Dekpol Capital Group**

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 to manage the Group's intangible assets; on 17<sup>th</sup> of February 2022 (an event after the balance sheet date), the shareholders' meeting adopted a resolution on the merger of the company (as the acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Code of Commercial Companies, ie by transferring all the assets of the acquired company to the acquiring company; by the date of publication of this report, the merger of the companies has not been registered in the National Court Register,
- 3) Dekpol 1 Sp. z o.o. s.k.a. – an entity that owns 100% of the shares of the companies indicated in items 1) and 2) above and other property rights; on 17<sup>th</sup> of February 2022 (an event after the balance sheet date), the general meeting adopted a resolution on the merger of the company (as the acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Code of Commercial Companies, ie by transferring all the assets of the acquired company to the acquiring company; by the date of publication of this report, the merger of the companies has not been registered in the National Court Register,
- 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 17<sup>th</sup> of February 2022 (an event after the balance sheet date), the shareholders' meeting adopted a resolution on the merger of the company (as the acquired company) with Dekpol Deweloper sp.z o.o. (acquiring company) pursuant to Art. 492 § 1 item 1 of the Code of Commercial Companies, ie by transferring all the assets of the acquired company to the acquiring company; by the date of publication of this report, the merger of the companies has not been registered in the National Court Register,
- 5) UAB DEK LT Statyba – an entity established to support the construction activities of Dekpol S.A. in Lithuania and to manage future contracts in general contracting carried out in Lithuania (100% of the company's shares are held by Dekpol S.A.).



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

### **Other entities in which entities from the Dekpol Group participate**

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 SPV 1 Sp. z o.o. – entity appointed by Dekpol S.A. in order to implement investment projects together with a subsidiary of the President of the Management Board of Dekpol S.A., i.e. OMT Holding Sp. z o.o. Dekpol S.A. holds 324 out of 1.200 shares in the share capital of this company (amounting to PLN 60,000).

## **2.2 ENTITIES SUBJECT TO CONSOLIDATION**

All companies directly and indirectly dependent on the Issuer mentioned in point 2.1 are subject to full consolidation. Associated companies are valued by use of the equity method.

## **2.3 OWN SHARES**

The companies from the Issuer's Capital Group did not own or buy own shares in 2021.

After the balance sheet date, i.e. on 17<sup>th</sup> of February 2022, the meeting of shareholders of Dekpol Deweloper Sp. z o.o. has agreed to the sale of shares by Dekpol S.A. for Dekpol Deweloper Sp. z o.o. for the purpose of voluntary redemption of shares, as a result of which an agreement for the purchase by Dekpol Deweloper Sp. z o.o. from Dekpol S.A. 1.278.715 shares in Dekpol Deweloper Sp. z o.o. with a nominal value of PLN 50 each and a total nominal value of PLN 63.935.750 representing 47.4% of the company's share capital, for redemption. The shares were acquired for the consideration equal to the nominal value of the shares. The ownership of the shares was transferred upon the conclusion of the contract. On 17<sup>th</sup> of February 2022, the meeting of shareholders of Dekpol Deweloper Sp. z o.o. adopted a resolution on the redemption of all the above-mentioned shares and as a result of the above simultaneous reduction of the company's share capital. On 7<sup>th</sup> of March 2022, an announcement on the adoption of a resolution on the reduction of the share capital of Dekpol Deweloper Sp. z o.o., in which the Company's creditors were called to submit claims within 3 months from the date of publication. After the specified deadline, it will be possible to register a reduction in the share capital of Dekpol Deweloper Sp. z o.o. as a result of the redemption of the above-mentioned shares.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## 2.4 CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP

### **DEKPOL Capital Group's reorganization process**

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

On 1<sup>st</sup> of January 2021, the transfer to Dekpol Budownictwo Sp. z o.o. an organized part of the enterprise (OPE) of Dekpol S.A., operating under the name "General Contracting Department" and covering, in particular, comprehensive implementation of investments in the field of construction and assembly works at the request of investors. The OPE included, inter alia, rights and obligations under employment contracts and all employee files relating to the transferred employees, stocks of materials, fixed and movable assets and equipment, intangible assets, receivables from contractors, cash, rights resulting from contracts with investors, subcontractors, service providers, suppliers, clients, rights and obligations resulting from contracts concluded with financial institutions and lease agreements, lease of movable property, intellectual property rights, administrative decisions, concessions, licenses, permits, certificates and others. The transfer of OPE worth PLN 137,2 million was due to an in-kind contribution to cover the share capital in connection with the acquisition by the Company on 31<sup>st</sup> of December 2020 of 1.399.900 new shares in Dekpol Budownictwo Sp. z o.o. with a total nominal value of PLN 69.995 million. After the increase, the share capital of Dekpol Budownictwo Sp. z o.o. amounts to PLN 70 million. Pursuant to the concluded agreement, the OPE was issued on 1<sup>st</sup> of January 2021.

On 31<sup>st</sup> of March 2021, the 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 the Acquired Companies) and Dekpol Deweloper sp.z o.o. (The Acquiring Company) agreed on a merger plan for these companies pursuant to Art. 492 § 1 item 1 of the Commercial Companies Code, ie by transferring all assets of the Acquired Companies to the Acquiring Company and increasing the share capital of the Acquiring Company. As a result of the merger, the Acquired Companies will be dissolved without liquidation, and all their rights and obligations will be taken over by the Acquiring Company by way of universal succession. On 17<sup>th</sup> of February 2022 (an event after the balance sheet date), the general meeting and shareholders' meetings in each of the above-mentioned of companies adopted resolutions on granting consent and merging the companies. As a result of the merger, the share capital of Dekpol Deweloper Sp. z o.o. will be increased by creating 1,278,715 shares with a nominal value of PLN 50 each and a



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

total nominal value of PLN 63,935,750, which shares will be granted to Dekpol S.A. in return, a contribution in the form of all assets of the Acquired Companies. Until the date of publication of this report, the merger of the companies and the increase in the share capital of Dekpol Deweloper Sp. z o.o. has not been registered in the National Court Register.

Information on the merger can be found on the Issuer's website at the location below:

[https://dekpole.pl/wp-content/uploads/2021/03/Dekpol Deweloper plan polaczenia 31.03.2021.pdf](https://dekpole.pl/wp-content/uploads/2021/03/Dekpol_Deweloper_plan_polaczenia_31.03.2021.pdf)



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

### **Acquisition of shares in "INTEK" Sp. z o.o.**

On 10<sup>th</sup> of November 2021, Dekpol Steel sp.z o.o. concluded with natural persons an agreement for the purchase of 100% shares in the company "INTEK" Sp. z o.o. based in Lubawa ("INTEK").

The subject of INTEK's activity was the design of lines and devices elements of industrial automation systems. The entity had in its offer a wide range of products covering the complete supply of transport equipment technology together with "turnkey" industrial automation systems for various industries, incl. car, furniture, machinery, tire and offshore. The purchase price for shares in INTEK did not constitute a significant amount from the perspective of the assets of the Dekpol Capital Group. The acquisition of shares in INTEK was important due to the acquisition of about 200 people, qualified and experienced staff with similar professional qualifications, which was an essential area for the further development of Dekpol Steel. INTEK also has 25 thousand m<sup>2</sup> of production halls. The acquisition of INTEK shares will allow for the doubling of the current production capacity of the Dekpol Group in the production segment, and thus will enable more efficient implementation of orders held by the Dekpol Group, as well as obtaining new additional orders. The company expects that as a result of the development of Dekpol Steel and the acquisition of shares in INTEK, it will be possible to generate annual sales revenues in the production segment, ultimately at the level of even approx. PLN 300 million in the perspective of 3 years, with the reservation that the above is a long-term goal conditioned by many internal and external market factors. The Company informed about the event in the current report No. 50/2021 of 10<sup>th</sup> of November 2021.

### **Other changes in the structure of the Dekpol Capital Group:**

On 8<sup>th</sup> of April 2021, Dekpol Deweloper Sp. z o.o. established the company Pastelowe Usługi Sp. z o.o., for the purposes of implementing investments with a service profile in Gdańsk. Then the registration of this company in the National Court Register was abandoned, therefore the articles of association were terminated pursuant to Art. 169 § 1 of the Commercial Companies Code.

On 16<sup>th</sup> of July 2021, the special purpose company Dekpol Inwestycje - Trimare Sp. z o.o. was entered into the National Court Register. The purpose of its creation is the implementation of a property development investment in Sztutowo.

On 11<sup>th</sup> of August 2021, the special purpose company Dekpol Inwestycje - Warszawa 1 Sp. z o.o. was entered into the National Court Register. The purpose of the creation is the implementation of 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. was entered into the National Court Register. The purpose of the establishment is



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

to participate in the real estate development investment in Puck as a general partner of the special purpose vehicle - Dekpol Inwestycje - Puck Sp. z o.o. Sp. k.

On 22<sup>nd</sup> of September 2021, the special purpose vehicle Dekpol Inwestycje - Katowice Sp. z o.o. was entered into the National Court Register. The original purpose of the company was to implement a property investment in Katowice, which was then abandoned. Therefore, on 17<sup>th</sup> of November 2021, the change of the company's name to Dekpol Inwestycje - Starogard Sp. z o.o. was entered into the National Court Register, corresponding to the location of another plot of land. The change was related to the acquisition by the Dekpol Group in October 2021 of a plot of land in Starogard Gdański, on which the implementation of a real estate development investment by a special purpose vehicle is planned in the coming years. In March 2022, as a result of the emergence of new investment opportunities, it was decided to change the purpose of the company. The current intention is that the company will be used to introduce an investment located in Gdańsk to the Dekpol Group's sales offer, as a result of preliminary agreements concluded by the company for the purchase of over 100 residential and commercial premises from an external entity implementing this investment (as discussed in more detail in point 3.4 of this report). Ultimately, the Issuer plans to change the company's name to one corresponding to the location of the investment.

On 6<sup>th</sup> of October 2021, the special purpose company Dekpol Inwestycje - Warszawa Sp. z o.o. was entered into the National Court Register. The purpose of the creation is the implementation of real estate development investments in and around Warsaw.

On 11<sup>th</sup> of October 2021, the special purpose company Dekpol Inwestycje - Puck spółka z ograniczoną odpowiedzialnością spółka komandytowa was entered into the National Court Register and was established to implement an investment in Puck with the participation of a third party. On 12<sup>th</sup> of October 2021, a natural person from outside the Dekpol Group joined the company as a limited partner.

On 14<sup>th</sup> of October 2021, the special purpose vehicle Dekpol Inwestycje - Turystyczna Sp. z o.o. was entered into the National Court Register. The purpose of the creation is the implementation of property development investments in Gdańsk.

On 25<sup>th</sup> of March 2022 (an event after the balance sheet date), the special purpose company Dekpol Granaria Sp. z o.o. was entered into the National Court Register for the implementation of property development investments in the Pomeranian Voivodeship.

### **Acquisition of shares in the increased share capital of the Issuer's subsidiary**

On 9<sup>th</sup> of March 2022 (an event after the balance sheet date), the Extraordinary Meeting of Shareholders of Betpref Sp. z o.o. decided to increase the share capital by creating 9,500 new shares with a par value of PLN 100.00 each. The new shares were acquired in full by the existing sole shareholder, i.e. Dekpol S.A. The new shares



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

were covered by an in-kind contribution in the form of the Company's claims against Betpref. On 28<sup>th</sup> of March 2022, the increase in the share capital of Betpref Sp. z o.o. has been registered in the National Court Register.

## **2.5 CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP**

On 1<sup>st</sup> of January 2021, the reorganization process of the Company and the Dekpol Capital Group was largely completed, aimed at introducing a management system adapted to the increasing scale of the Company's operations and its individual segments, the expanded structure, as well as further development plans. As a result of the reorganization, the Issuer currently acts mainly as a holding that manages the Capital Group and provides services to entities from the Dekpol Capital Group, and the current operating activities carried out by the Issuer are mainly carried out by individual dedicated subsidiaries of the Issuer. By implementing a new organizational structure, it was possible to individualize the development strategies created for each of the dedicated companies. Currently, each of the management boards has a package of options to select their own solutions, depending on the specifics of the conducted business activity.

The decision to change the management principles of the Company was made in February 2017 and implemented gradually in the following years. On 1<sup>st</sup> of January 2019, the development activity segment was separated from the Company, which was transferred in the form of an organized part of the enterprise (OPE) to a subsidiary, Dekpol Deweloper Sp. z o.o. Then, on 1<sup>st</sup> of January 2020, there was a transfer from the Company to the subsidiary Dekpol Steel Sp. z o.o. an organized part of the enterprise (OPE), including in particular the production and sale of buckets and accessories for construction machinery. As part of the last stage of reorganization, on 31<sup>st</sup> of December 2020, Dekpol S.A. concluded with the subsidiary Dekpol Budownictwo Sp. z o.o. an agreement for the transfer by the Company to Dekpol Budownictwo Sp. o.o. an organized part of the enterprise (OPE), including, in particular, comprehensive implementation of investments in the field of construction and assembly works at the request of investors (General Contracting Department). Pursuant to the concluded agreement, the OPE was issued on 1<sup>st</sup> of January 2021.

In 2021, additional steps were taken to organize the Group's structure, such as the merger by acquisition under Art. 492 § 1 point 1 of the Commercial Companies Code Dekpol Royalties Sp. z o.o., Dekpol 1 Sp. z o.o. S.K.A. and Dekpol 1 Sp. z o.o. (acquired companies) from Dekpol Deweloper Sp. z o.o. as the acquiring company. The resolutions on the merger of the companies were adopted on 17<sup>th</sup> of February 2022 (an event after the balance sheet date), and until the date of publication of this report, the merger was not registered with the National Court Register.

In 2021, there were no other changes in the basic management principles of the Dekpol Capital Group.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## 2.6 ORGANIZATIONAL OR CAPITAL TIES

There are no organizational or capital ties of companies from the Dekpol Capital Group with other entities than those indicated in points 1.6 and 2.1..

# 3. BUSINESS ACTIVITIES OF THE COMPANY AND THE CAPITAL GROUP

Dekpol Capital Group conducts operational activities in three areas:

- general contracting for the construction of industrial facilities, public utilities, sports and recreation facilities, environmental protection facilities, as well as sanitary, road and hydrotechnical works;
- property development - construction, finishing and sale of housing estates, single-family housing estates, luxury apartment buildings, condo hotels and commercial and service areas;
- production of equipment for construction machines – manufacturer of buckets and integrated equipment for machines.

## 3.1 KEY PRODUCTS, GOODS AND SERVICES

Operating segments in the reporting period 01.01.2021–31.12.2021 (consolidated data) :

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	849 764	253 860	120 349	31 810	1 255 783
Other operating income	0	0	0	30 304	30 304
Other operating expenses	0	0	0	17 754	17 754
Total operating expenses	800 115	204 581	107 729	42 921	1 155 346
<b>Operating result</b>	<b>49 648</b>	<b>49 279</b>	<b>12 620</b>	<b>1 440</b>	<b>112 988</b>





Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

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

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	654 451	286 580	80 261	33 326	1 054 978
Other operating income	0	0	0	20 393	20 393
Other operating expenses	0	0	0	20 692	20 692
Total operating expenses	609 146	245 047	74 865	44 576	973 635
<b>Operating result</b>	<b>45 305</b>	<b>41 532</b>	<b>5 755</b>	<b>-11 548</b>	<b>81 044</b>

**Operating segments in the reporting period 01.01.2021–31.12.2021 (separate data) :**

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	94 086	6 010	0	110 208	210 305
Other operating income	0	0	0	6 981	6 981
Other operating expenses	0	0	0	6 599	6 599
Total operating expenses	94 059	4 252	0	104 756	203 066
<b>Operating result</b>	<b>27</b>	<b>1 758</b>	<b>0</b>	<b>5 835</b>	<b>7 620</b>



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### Operating segments in previous reporting period 01.01.2020–31.12.2020 (separate data) :

Item	General contracting services	Real-estate development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	743 617	13 604	0	44 365	801 586
Other operating income	0	0	0	12 923	12 923
Other operating expenses	0	0	0	10 270	10 270
Total operating expenses	698 719	12 597	0	51 289	762 605
<b>Operating result</b>	<b>44 898</b>	<b>1 007</b>	<b>0</b>	<b>-4 271</b>	<b>41 634</b>

Sales revenues of the Dekpol Capital Group in 2021 exceeded PLN 1,255 billion, which means an increase in comparison to the previous year by approximately 19%. The sales realized by the Group were made up of higher revenues than in the previous year of the General Contracting Segment, satisfactory, although lower than in the record 2020 revenues from the Property Development Segment and the highest revenues of the Construction Equipment Production Segment so far.

Individual business segments implemented the assumed development strategy despite the difficult market environment, details are presented in the sections below.

#### General contracting segment

As part of the General Contracting Segment, the Capital Group at the end of 2021 had in its portfolio contracts for external entities with a total contractual value of approx. PLN 1.306 million net (at the end of 2020 over PLN 900 million), of which, after the reporting period, there were projects with a total value of approx. PLN 573 million net (less than PLN 340 million at the end of 2020). These amounts also include the value of projects for which key terms were agreed already in 2021, about which the Group informed in the relevant current reports.

In turn, as part of internal activities for the property development segment, Dekpol Budownictwo had contracts worth over PLN 412 million net (over PLN 130 million at the end of 2020), of which nearly PLN 305 million net remained to be implemented (at the end of 2020, about PLN 70 million). This increase, compared to the previous periods, results from the implementation of the development segment strategy and expansion of the sales offer. An agreement with an institutional entity regarding the investment implemented in Wrocław at Braniborska street, which is discussed in more detail in point 3.4. of this report.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Most of the projects are commissioned by private investors. As part of general contracting, industrial, logistic, commercial, service and residential facilities are implemented along with full external infrastructure (roads, squares, parking lots).

The list of selected external contracts carried out by the Dekpol Group as at 31<sup>st</sup> of December 2021 in the field of general contracting is presented in the table below:

Ordering party	Description of a project
<b>KARUZELA KOŁOBRZEG</b>	Shopping Mall in Kołobrzeg
<b>RTE POLAND</b>	Construction on bike factory in Machnacz
<b>GRUPA PANATTONI</b>	Construction of a warehouse and production building with office and social rooms and accompanying infrastructure in Grodzisk Mazowiecki
<b>GRUPA PANATTONI</b>	Construction of a warehouse with a social and office building along with road and network infrastructure and auxiliary facilities in Gdańsk
<b>GRUPA 7R</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>GRUPA PANATTONI</b>	Construction of a warehouse and office building with roads and all necessary infrastructure in Wojanowo / Będzieszyn
<b>GRUPA PANATTONI</b>	Construction of a warehouse building and all accompanying and design works in Błonie Wieś
<b>Press Glass UAB</b>	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.
<b>GRUPA PANATTONI</b>	Construction of a phase I warehouse of approximately 49,248 m <sup>2</sup> with an office building and all external works, and a phase II warehouse with accompanying works in Kolbudy
<b>GRUPA PANATTONI</b>	Extension of the existing development with warehouse, production and technical premises as well as office and social premises, as well as the construction of other buildings, structures, facilities and land development related to the investment in Radomsko - ONTEX

Most of the contracts performed by the Group have a value of up to PLN 50 million. The Group also implements single larger contracts, as at 31<sup>st</sup> of December 2021. The Group's portfolio includes 7 contracts worth over PLN 70 million.

Industrial and logistics projects have a significant share in the order portfolio - in recent years they accounted for approx. 70% - 85% of the portfolio. As of 31<sup>st</sup> of December 2021, the share of industrial and logistics projects in the entire order portfolio amounted to approx. 86%.

Segment activity in 2021 was influenced by significant increases in the prices of building materials. With the high demand for services, the challenge is the dynamics of inflation, which hindered the correct projection of construction project



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

implementation costs and the effective construction of commercial offers. The rapid increase in prices and unavailability of construction materials, occurring in the time between the selection of the offer and the commencement of contracting, contributed to the lower profitability of the projects. Hence, one of the actions limiting this was to shorten the period between the selection and submission of the offer. The reduction of the negative impact of inflation on costs and, consequently, on the financial result was influenced by the decision to lower activity in the area of acquiring new projects in the first quarter of 2021 and the maintained strategy of the short-term nature of implemented projects. In addition, over the past years of operation, the Group has developed internal procedures and processes designed to ensure efficiency, speed of operation and reduction of implementation risk (including an effective purchasing department cooperating with the area of valuation of new projects and with the implementation department). Negotiations with suppliers in relation to larger supply 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 growth dynamics in the prices of building materials. In the third quarter of 2021, the situation stabilized, however, the prices of building materials remained high. The Group expected an impact of the increase in the prices of construction materials on the financial result for the entire year 2021, however, the remedial actions taken allowed and allows to significantly reduce and control this effect, which translated into the achievement of the highest sales revenues in history, which reached nearly PLN 850 million compared to PLN 654 million a year earlier, while maintaining a satisfactory level of operating margin.

In the last months of 2021 and at the beginning of 2022. The Group observed further threats to the construction industry resulting from political and macroeconomic changes. At the same time, the Management Board takes active steps to secure the implementation of current and future projects.

### **Property development segment**

In 2021, the Dekpol Group carried out residential and service development projects in the Tricity Agglomeration, Rokitek near Tczew, Sztutowo and Wrocław. The implemented investments included the construction of housing estates, luxury apartment buildings as well as a condo hotel. The share in sales of projects of a higher prestige and standard addressed to more demanding clients was 52%. The average value of the premises increased on a year-to-year basis. by more than 20%. In the financial result of 2021, the Dekpol Group from the development segment activities recognized in revenues 406 units and a partial revenue (realized in accordance with the progress of works on the construction site) from an agreement with an institutional entity, referred to in more detail in point 3.4. of this report. At the same time, in the previous year, 622 units were recognized in the revenues of the



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

development segment. As a result, the segment's revenues in 2021 amounted to nearly PLN 254 million, which, thanks to a good 19% operating margin, translated into PLN 49.3 million in operating profit, compared to PLN 41.5 million a year earlier.

The revenues recognized in 2021 were mainly influenced by completed projects such as: the prestigious sailing investment Sol Marina, high-standard investments Villa Neptun and Lazur Park and the popular housing estates Osiedle Kociewskie stage I and Osiedle Pastelowe stage I.

On the other hand, contracting in 2021 (as defined in preliminary, development and reservation agreements) amounted to 490 premises compared to 148 premises in 2020 and mainly concerned the 1st and 2nd stage of the prestigious sailing estate Sol Marina and the condo hotel part of this project implemented under the name Grano Marina Hotel, four investments on Wyspa Sobieszewska, also Osiedle Neo Jasień stage I, Osiedle Pastelowe stage II and Osiedle Kociewskie stage I. Sales results (signed preliminary, development and reservation agreements) achieved in 2021 were higher than planned in early 2021.

In 2021, the following investments were mainly sold:

- Sol Marina stage I - a complex of 15 apartment buildings with a total of 127 commercial premises, located in Wiślinka near Sobieszewo Island,
- Grano Marina Hotel - a building with a total of 130 service premises, located in Wiślinka near Wyspa Sobieszewska, part of the "Sol Marina stage I investment"
- Sol Marina stage II - a complex of 15 apartment buildings with a total of 127 commercial premises, located in Wiślinka near Sobieszewo Island,
- Lazur Park - a residential building with a total of 36 residential premises, located on the Sobieszewo Island,
- Villa Neptun - apartment building with a total of 40 commercial premises, located on the Sobieszewo Island,
- Baltic Line - apartment building with a total of 60 commercial premises, located on the Sobieszewo Island,
- Baltic Porto - apartment building with a total of 72 service premises, located on the Sobieszewo Island,
- Osiedle Pastelowe stage II - 3 residential buildings with a total of 225 residential premises, located in Gdańsk,
- Neo Jasień stage I - 2 residential buildings with a total of 104 residential premises, located in Gdańsk,
- Trimare stage I - 9 residential buildings with a total of 189 residential premises, located in Sztutowo,



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

- Osiedle Kociewskie stage I - 3 residential buildings with a total of 121 residential premises, located in Rokitki near Tczew.

As at 31<sup>st</sup> of December 2021, there were 657 apartments for sale.

### **The segment of production of accessories for construction machines**

The segment of production of accessories for construction machinery in 2021 achieved record results, both in terms of revenues, which increased compared to 2020 by about 50%, exceeding the level of PLN 120 million, as well as in terms of the operating result, which more than doubled compared to 2020. and amounted to PLN 12,6 million. These results were achieved in a very demanding market environment - the past year was full of challenges in the context of rising steel prices and thus negotiations with end-price customers. An additional test for the organization was the implementation of a large increase in orders, as well as the purchase in the fourth quarter of the INTEK company in Lubawa and its integration with the Group.

In 2021, the position of Dekpol Steel on the domestic and European market strengthened. Thanks to full standardization as well as stabilization of production processes, the Company realized the increasing level of orders. Acquiring a new OEM customer, which is CNH, influenced the decision by the Management Board to increase production capacity by expanding or taking over a production plant in the steel industry. Due to the lack of a sufficient number of available employees in the Starogard powiat, the Group decided to purchase a production company with an appropriate production plant and employees, suspending the implementation of the project to expand the current production plant located in Pinczyn.

The INTEK factory in Lubawa has over 40 years of tradition in the production of steel elements as well as the production of essential elements for the offshore market. Thanks to the synergy of both plants (in Pinczyn and Lubawa), the production of buckets and accessories for one of the largest aftermarket customers, Gjerstad and other customers from the Scandinavian market, was quickly transferred to INTEK.

## **3.2 SALES MARKETS AND SOURCES OF SUPPLY**

### **The structure of sales revenues of the Dekpol Capital Group in the period 01.01.2021 - 31.12.2021 and comparably in the period 01.01.2020–31.12.2020**

<b>Item</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Poland	1 146 689	1 001 460
European Union	83 031	42 678
Other countries	26 063	10 840



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

---

<b>Sales revenues</b>	<b>1 255 783</b>	<b>1 054 978</b>
-----------------------	------------------	------------------

---

**The structure of sales revenues of Dekpol S.A. in the period 01.01.2021-31.12.2021 and comparably in the period 01.01.2020-31.12.2020**

---

Item	31.12.2021	31.12.2020
Poland	190 070	801 586
European Union	20 206	1
Other countries	29	0
<b>Sales revenues</b>	<b>210 305</b>	<b>801 586</b>

---

Companies from the Dekpol Capital Group cooperate with many suppliers and recipients, and the turnover with them is varied and with none of them exceeded 10% of the value of sales revenues of the Dekpol Capital Group in 2021 and dependence on individual external recipients or suppliers is not identified at this level.

The Issuer and the Capital Group Companies use the services of long-term business partners (suppliers and subcontractors) to ensure the supply of materials and goods for the purposes of the contracts, which ensures continuity, timeliness and flexibility of the supply chain, while constantly looking for new business partners to minimize availability or price risks.

In terms of the geographical structure, the largest share of foreign sales in generated revenues is shown in the segment of production of accessories for construction machinery. Currently, Dekpol Steel exports its products to over 24 countries. Thanks to two factories, the company is able to meet the qualitative and quantitative expectations of the current and new customers. Buckets under the Dekpol Steel brand logo work in Australia, Scandinavia, Africa, America, Canada and all of Europe.

In 2021, the size, structure and nature of the parent company's revenues changed significantly, which is a derivative of the separation of the largest operating segment into a subsidiary.

In 2021, the share of over 10% in the unit revenues of Dekpol S.A. due to the turnover with the subsidiary Dekpol Budownictwo at the level of 32% and contracts within the GC segment, achieved approx. 17.6% with an unrelated entity - Panattoni Development Company and approx. 14% with an unrelated entity - Lotos Paliwa Sp. z o.o. This sale, despite the separation of the GC segment, was still performed by the parent company due to the transitional period and contractual conditions.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

However, these amounts do not exceed 10% of the GC segment revenues, so, in the opinion of the Issuer, there is no dependence on customers.

In addition to the above-mentioned customers, in 2021 the Company's turnover with any of the Company's customers or external suppliers did not exceed 10% of sales revenues.

### 3.3 MAIN DOMESTIC AND FOREIGN INVESTMENTS AND CAPITAL INVESTMENTS

#### Dekpol Capital Group

Item	31.12.2021	31.12.2020
Land	10 899	6 211
Buildings and structures	51 951	33 609
Machines and technical devices	39 986	23 873
Vehicles	14 208	9 924
Other fixed assets	2 787	2 005
Fixed assets under construction	2 086	6 011
Advances in respect of fixed assets	470	163
<b>Net value of property, plant and equipment</b>	<b>122 387</b>	<b>81 796</b>





Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## Dekpol SA

Item	31.12.2021	31.12.2020
Land	4 788	4 835
Buildings and structures	181	190
Machines and technical devices	5 018	8 059
Vehicles	1 377	8 561
Other fixed assets	727	1 467
Fixed assets under construction	1 151	5 438
Advances in respect of fixed assets	0	145
<b>Net value of property, plant and equipment</b>	<b>13 242</b>	<b>28 694</b>

The value of the Group's fixed assets increased in 2021, mainly as a result of the acquisition of Intek by Dekpol Steel, which provided the Group with a significant increase in production capacity in the segment of production of accessories for construction machinery.

All purchased, improved and constructed fixed assets are used for current operating activities. The funds for the implemented investments come from own funds and external sources. The acquisition of Intek was refinanced with the loan referred to in point 3.6.

### 3.4 MAJOR EVENTS AND AGREEMENTS FROM OPERATIONAL ACTIVITIES OF THE GROUP IN FINANCIAL YEAR 2021 AND AFTER ITS END

#### Conclusion and annexation of the 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 is being carried out in four stages. The deadline for the implementation of the first stage was March 2021 and this stage was completed on time. Stage II, in consultation with the Ordering Party was carried out in the second half of 2021 (the original completion date was April 2021). Stage III was completed as scheduled in October 2021.

On 27<sup>th</sup> of January 2022 (an event after the balance sheet date) the parties to the Agreement concluded an annex to perform additional works, as a result of which



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

the value of the Agreement increased and the deadline for its implementation was extended. The current value of the Agreement is over 7.7% of the revenues of the Issuer's Capital Group for 2021 (compared to the original value which is currently equivalent to approx. 6.34% of the Group's revenues for 2021; values converted at the EUR exchange rate of 27<sup>th</sup> of January 2022). The deadline for the implementation of the last stage of the Agreement has been set for the second quarter of 2022.

The contract contains provisions regarding contractual penalties due in case of, inter alia, delays in the performance of each stage of the Agreement. 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 from the Agreement. The total amount of contractual penalties may not exceed 10% of the remuneration. Moreover, the Ordering Party is entitled to claim supplementary compensation on general terms.

The events were announced by the Company in current reports No. 5/2021 of 28<sup>th</sup> of January 2021 and No. 6/2022 of 31<sup>st</sup> of January 2022.

**Conclusion and amendment of the contract for general contracting of an investment 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 the performance in Szczecin, in the general contracting system, in the "design and build" formula, comprehensive construction works and a full range of construction and installation works including the delivery of materials and equipment (Agreement), the result of which will be a turnkey "two production and warehouse facilities with office and social facilities, along with the necessary technical infrastructure (investment) and reconstruction of the road system. Under the Agreement, the Contractor undertook to develop designs - replacement construction and executive designs, and to obtain all the required approvals and permits for the Investment, including the decision to amend the building permit and obtain the final use permit for the Investment. The deadline for the implementation of stage I of the Investment expired in the first half of 2021 - the works were completed and accepted by the Ordering Party and its tenants.

Then, on 8<sup>th</sup> of July 2021, the Company was informed that Dekpol Budownictwo sp.z o.o. received from the Ordering Party confirmation of the call for the implementation of the 2<sup>nd</sup> stage of the Investment. The deadline for the performance of the works under the second stage was initially set at 6 months from the date of calling up and making the site available by the Ordering Party. On 27<sup>th</sup> of January 2022 (an event after the balance sheet date), an annex to the Agreement was signed, according to which the parties, in connection with the commissioning of additional works, decided to extend the deadline for the second stage of the Investment to the second quarter of 2022..



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

The total net remuneration for the implementation of the entire Investment amounts to approx. 7.2% of the sales revenues of the Dekpol Capital Group for 2021. The remuneration may change in the cases specified in the Agreement, including, inter alia, as a result of excluding by the Ordering Party some of the works constituting no more than 10% remuneration or orders for additional or replacement works.

The contract contains provisions regarding contractual penalties due in case of, inter alia, failure to meet the deadlines resulting from the Agreement, but not more than 12% of the remuneration on this account. 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 the cases specified in the Agreement, without legal and financial consequences, subject to settlement with the Contractor of documented costs reasonably incurred in order to perform the Agreement.

The events were announced by the Company in current reports No. 8/2021 of 16<sup>th</sup> of February 2021, No. 28/2021 of 8<sup>th</sup> of July 2021 and No. 5/2022 of 30<sup>th</sup> of January 2022.

### **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 sale agreement (Preliminary Agreement) with the institutional investor (Buyer), under which:

- The seller undertook to implement a residential investment on the property located in Wrocław at Braniborska street, which is a multi-storey residential building with a total area of approx. 18 thousand m<sup>2</sup> with accompanying infrastructure (Investment),
- The Sellers and the Buyers undertook to conclude a contract for the transfer of rights to the Real Estate together with the completed Investment (Promised Agreement) for the total price being the equivalent of approx. 13% of the consolidated revenues of the Dekpol Capital Group for 2021 (Price).

The condition for the conclusion of the Final Agreement is, in particular, the signing of the final investment acceptance protocol. The financing of the individual stages of the Investment will be carried out by the Buyer in the form of a down payment (10% of the Price), and then forward funding.



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

The Preliminary Agreement contains provisions on contractual penalties due in the case of, inter alia, delays in the implementation of the Investment. The maximum total amount of contractual penalties was set at a few percent of the Price. Each party has the right to withdraw from the Preliminary Agreement in the event of a material breach of obligations by the other party. If the Buyer withdraws from the Agreement 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 the preliminary contract, 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 subsequently 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 investment is carried out in accordance with the assumed schedule. On 11<sup>th</sup> of October 2021, Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. obtained a building permit for a residential building comprising the construction of approx. 350 units, with a total area of approx. 18,000 sq.m. On 5<sup>th</sup> of November 2021, the permit became final, thus the completion of the Investment and the signing of the Promised Agreement is currently planned for the first half of 2024..

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.

**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, the Company received information that Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k. received, issued by the President of the City of Gdańsk, a building permit for the construction of the 2<sup>nd</sup> stage of an estate of multi-family residential buildings as part of the "Osiedle Pastelowe" project, along with underground garage halls, internal installations and other necessary infrastructure, in Gdańsk at Pastelowa street. As part of the above-mentioned investment stage, the construction of 5 residential buildings is planned, which will include 350 apartments with storage rooms with a total usable area of approx. 16 thousand. sq m 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 Pastelowe" investment has been divided into two phases for implementation purposes. As at the date of publication of this report, it is estimated that three buildings as part of this stage will be completed and commissioned in the fourth quarter of 2022, therefore the first premises will be handed over to customers in the first quarter of 2023, while the remaining two buildings will be completed and



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

commissioned. for use in the fourth quarter of 2023, therefore the first premises will be delivered to customers in the first quarter of 2024. The project is carried out by a subsidiary, and the capital expenditure is financed from own funds and external capital.

The Company informed about the event in the current report No. 13/2021 of 12<sup>th</sup> of March 2021.

### **Arrangement and conclusion of a contract for the construction of a warehouse in Ujrzanów**

On 12<sup>th</sup> of April 2021, the Company received a bilaterally signed protocol of taking over by Dekpol Budownictwo Sp. z o. o. on the construction site from Panattoni Development Europe Sp. z o.o. (PDE, Ordering Party), which was a confirmation of the basic agreements on the contents of the planned contract, the subject of which was to be the performance by Dekpol Budownictwo of works as a general contractor in the construction of a warehouse with an area of approx. 28 thousand square meters and other buildings, structures, parking spaces, internal roads, loading areas or other facilities in Ujrzanów near Siedlce (Investment).

Then, the Company was informed that PDE had signed an agreement with Dekpol Budownictwo for the implementation of the Investment (Agreement). According to the agreement, the investment was to be carried out in three stages. Stage I of the investment was completed by September 2021, for a net remuneration of about 1.5% of the Capital Group's revenues for 2021. Stage II, worth less than 1% of revenues, was triggered in the 2<sup>nd</sup> quarter of 2021, and the date of its implementation falls in the second quarter of 2022. The implementation of stage III, worth approx. 1.3% of revenues by the date of publication, has not been initiated, In the case of the contracting authority's decision to implement this stage, an annex to the contract updating the price and date of implementation will be required.

The contract contains provisions regarding contractual penalties due in case of, inter alia, delays in the performance of works. 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 from the Agreement. The total amount of contractual penalties may not exceed 10% of the remuneration.

The events were announced by the Company in current reports No. 16/2021 of 12<sup>th</sup> fo April 2021 and No. 24/2021 of 24<sup>th</sup> of June 2021.

### **Conclusion of an agreement for general contracting 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 for the performance by the Company as the general contractor of construction works consisting in the construction of a production plant with development, infrastructure and



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

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 implementation of the investment is approx. 6.4% of the revenues of the Capital Group of the Company for 2021 (converted according to the EUR exchange rate of 21<sup>st</sup> of July 2021).

The agreement provides for contractual penalties, including 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 the payment of a contractual penalty in the amount of 10% of the contract price for withdrawing from the Agreement for reasons attributable to the other party to the Agreement. The maximum amount 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 for 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 perform 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.

**Obtaining a building permit for the 2<sup>nd</sup> and 3<sup>rd</sup> stage of the Sol Marina investment in Wiślinka**

On 23<sup>rd</sup> of July 2021, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. received the final permit issued by the Gdańsk Staroste for the construction of a complex of apartment buildings as part of the 2<sup>nd</sup> and 3<sup>rd</sup> stage of the Sol Marina project together with the necessary infrastructure and road system with parking lots in Wiślinka.

As part of the above-mentioned stages of the Sol Marina investment, construction of 31 apartment buildings is planned, which will include 267 apartments with a total usable area of approx. 12 thousand. sq m and 293 parking spaces and 129 berths. The estimated value of revenues obtained from the implementation of the above-mentioned investment stages will amount to approx. 21% of the revenues of the Dekpol Capital Group for 2021. As at the date of publication of this report, it is estimated that the implementation of stage II and stage III of the investment will be



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

completed in Q2 2023 and Q2 2024, respectively, and the first premises will be put into service in the third quarter of 2023 and in the third quarter of 2024, respectively.

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

### **Conclusion of an annex to the general contracting agreement for 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) annex to the general contracting agreement investment - the Karuzela Kołobrzeg shopping center, concerning the construction of a shopping mall with other facilities such as a roundabout, parking spaces for cars, etc., concluded in January 2020 (Annex). Pursuant to the Annex, the parties agreed on changes to the existing works in such a way that, in addition to the ongoing Works 1 specified in the current report No. 23/2020 of 25<sup>th</sup> of September 2020 (earthworks and roundabout), the Contractor was commissioned to perform the works necessary for the proper functioning of the facility Leroy Merlin Inwestycje Sp. z 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 and Works 2 was August and November 2021, respectively (the works were completed), and the deadline for completion of Works 3 was August 2022. Therefore, the total lump-sum remuneration for the performance of the Agreement was set at nearly 9% of revenues Of the Issuer's Capital Group for 2021, including about 5.6% for Works 3.

The Company informed about the conclusion of the Annex in the current report No. 38/2021 of 25<sup>th</sup> of August 2021. The Company informed about the conclusion of the contract in the current report No. 3/2020 of 21<sup>st</sup> of January 2020, and then in subsequent current reports the Company informed about the concluded annexes to the contract. Information on the performance of the agreement was also presented by the Company in subsequent periodic reports.

### **Implementation of the TRIMARE propertz development investment in Sztutowo**

On 30<sup>th</sup> of August 2021 between Dekpol Budownictwo Sp. z o.o. and Dekpol Inwestycje - TRIMARE Sp. z o.o. was concluded 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 property development investment involving the construction of a complex of multi-family residential buildings in Sztutowo. The investment will be carried out in two stages, including the construction of 9 and 8 residential buildings, respectively, with 189 and 128 units, respectively, with a total usable area of approx. sq m and 5.7 thous. sq m The estimated value of revenues obtained from the implementation of the Investment will amount in total to about 10% of the revenues of the Dekpol Capital Group for 2021. As at the date of publication of this report, it is estimated that the implementation of individual stages



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

of the investment will be completed in the 4<sup>th</sup> quarter of 2022 and the 4<sup>th</sup> quarter of 2024, respectively. The project is implemented by the Subsidiary Company. The capital expenditure is financed from the Group's own funds. The investment may also be partially financed from external funds.

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

### **Conclusion of a letter of intent and a general contracting agreement with Panattoni Development Europe Sp. z o.o.**

On 31<sup>st</sup> of August 2021, the Management Board of Dekpol S.A. got to know about the signing by Panattoni Development Europe Sp. z o.o. letter of intent with Dekpol Budownictwo Sp. z o. o. (Contractor) confirming the selection of Dekpol Budownictwo as the general contractor of the investment involving the construction of a warehouse building with accompanying infrastructure in Błonie Wieś (Investment). On 2<sup>nd</sup> of November 2021, Dekpol Budownictwo concluded an agreement with a company from the Panattoni Development Europe Sp. z o.o. (Ordering Party) for the performance of the above-mentioned construction works and all accompanying works and design works.

The deadline for completing the Investment and obtaining the use permit was in February 2022, and the parties are in talks to postpone this date to September 2022. The net remuneration for the implementation of the Investment amounted to approx. 4.5% of the sales revenues of the Issuer's Capital Group for 2021 (converted according to the euro exchange rate of 2<sup>nd</sup> of November 2021). The contract also contains provisions regarding the construction of two more warehouse buildings, but their implementation by the date of publication of this report has not been confirmed by the Ordering Party, and therefore the possible performance of these works will require an amendment to the contract or the conclusion of a new contract. The agreement provides for contractual penalties, with the limit of these penalties being 10% of the contract price. 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 from the Agreement due to the fault of the other party.

The Company informed about the event in current reports No. 40/2021 of 31<sup>st</sup> of August 2021 and No. 48/2021 of 2<sup>nd</sup> of November 2021.

### **Arrangement and conclusion of a contract for the performance of construction works for a warehouse in Wojanów**

On 2<sup>nd</sup> of September 2021, Dekpol Budownictwo Sp. z o. o. (Contractor) agreed with Pruszcz Logistics Sp. z o. o. (Ordering Party) key terms of the contract for the





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

performance of construction works as a general contractor, and then on 16<sup>th</sup> of February 2022 (an event after the balance sheet date), received a mutually signed contract (Agreement) for the construction of a warehouse and office building with a development area of approx. 49,2 thousand m<sup>2</sup> with roads and all necessary infrastructure in Wojanowo / Będzieszyn (Investment).

The deadline for the implementation of the Investment and obtaining the use permit has been agreed for March 2022, and the parties are in talks to postpone this date to the second quarter of 2022. The Contractor's net remuneration for the performance of the Agreement will be the equivalent of approximately 7.8% of revenues from the sale of the Dekpol Capital Group for 2021 (converted according to the average exchange rate of the National Bank of Poland for EUR of 16<sup>th</sup> of February 2022). The contract contains provisions regarding contractual penalties, min. in the event of delays in the implementation of the Investment. The total amount of contractual penalties may not exceed 10% of the Agreement value. The contracting authority is entitled to claim damages exceeding the amount of the reserved contractual penalties.

The subject of the Agreement covers the scope of work that was originally to be commissioned as part of the optional stage III of the agreement of July 2020, about which the Issuer informed in the current report No. 15/2020 of 3<sup>rd</sup> of July 2020. The first two stages of the above-mentioned the contracts have been completed (the commissioned additional work is still in progress). However, the construction of the second building will take place on the basis of the Agreement referred to above, taking into account, inter alia, changing market conditions.

The events were announced by the Company in current reports No. 41/2021 of 3<sup>rd</sup> of September 2021 and No. 8/2022 of 16<sup>th</sup> of February 2022.

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

On 17<sup>th</sup> of September 2021, the Issuer's Management Board received information that Dekpol Inwestycje Sp. z o.o. Rokitki Sp. K. (Subsidiary Company) obtained a permit for the construction of the second 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 During the investment phase, 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 revenues of the Dekpol Capital Group for 2021. As at the date of publication of this report, it is estimated that the completion of the second stage of the investment will take place in the first quarter of 2023. Investment outlays are financed from own funds. The investment may also be partially financed from external funds.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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

### **Arrangement and conclusion of a contract for the expansion of the production hall in Radomsko**

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, and then on 21<sup>st</sup> of December 2021 it received a bilaterally signed construction contract (Agreement) concluded with Panattoni Construction Europe Sp. z o.o. concerning the extension of the existing production and warehouse building with additional storage, production, technical, office and social rooms with accompanying infrastructure with a total area of approx. 43 thousand sq. m. in Radomsko (Investment).

The completion of construction and the obtaining of the occupancy permit is to take place in July 2022. The remuneration due to Dekpol Budownictwo for the implementation of the Investment amounts to approx. 6.8% of the revenues of the Dekpol Capital Group for 2021 (converted according to the EUR exchange rate of 21<sup>st</sup> of December 2021). The contract contains provisions regarding contractual penalties in the case of, inter alia, delays in the performance of the Agreement, and the amount of contractual penalties in this respect may not exceed 10% of the remuneration.

The events were announced by the Company in current reports No. 44/2021 of 23<sup>rd</sup> of September 2021 and No. 53/2021 of 21<sup>st</sup> of December 2021.

### **Agreement on the key terms of the contract for the construction of two warehouse halls in Kolbudy**

On 23<sup>rd</sup> of September 2021, Dekpol Budownictwo Sp. z o. o. agreed with a subsidiary of the Panattoni Group on 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), and then on 10<sup>th</sup> of March 2022. (an event after the balance sheet date) an agreement was signed between Dekpol Budownictwo sp.z o.o. and a company from the Panattoni Development Europe Sp. z o.o. - PDC Industrial Center 183 Sp. z o.o.

The investment is being carried out in two phases: phase I including a warehouse with an area of approximately 49.2 thousand square meters with an office building and all external works, to be completed in May 2022, and phase II including a warehouse with an area of approximately 24.7 thousand m<sup>2</sup> with the completion date for July 2022. The net remuneration of Dekpol Budownictwo for the implementation of the Investment amounts to a total of approx. 12.5% of sales revenues of the Dekpol Capital Group for 2021 (converted at the EUR exchange rate



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

of 10<sup>th</sup> of March 2022). The agreement contains provisions regarding contractual penalties in the event of delays in the implementation of the Investment or removal of defects. 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 from the Agreement due to the fault of the other party. The total amount of contractual penalties may not exceed 10% of the remuneration.

The events were announced by the Company in current reports No. 45/2021 of 23<sup>rd</sup> of September 2021 and No. 11/2022 of 10<sup>th</sup> of March 2022.

### **Agreement and conclusion of a contract for the construction of two warehouse halls in Zaczernie**

On 4<sup>th</sup> of November 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, and then on 5<sup>th</sup> of January 2022 (an event after the balance sheet date), received a bilaterally signed contract for construction works (Agreement) concluded with PDC Industrial Center 166 Sp. z o.o. concerning the construction of two warehouse halls with accompanying infrastructure with a total area of approx. 33 thousand m<sup>2</sup> in the village of Zaczernie in the Subcarpathian Voivodeship (Investment).

Completion of the construction works and obtaining the occupancy permit for the Investment is to take place by June 2022. The remuneration due to Dekpol Budownictwo for the implementation of the Investment amounts to approx. 5.5% of the revenues of the Dekpol Capital Group for 2021 (converted according to the EUR exchange rate of 5<sup>th</sup> of January 2022). The contract contains provisions regarding contractual penalties in the case of, inter alia, delays in the performance of the Agreement and the removal of defects. 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 from the Agreement due to the fault of the other party. The total amount of contractual penalties may not exceed 10% of the remuneration.

The events were announced by the Company in current reports No. 49/2021 of 4<sup>th</sup> of November 2021 and No. 2/2022 of 5<sup>th</sup> of January 2022.

### **Obtaining a building permit for the 3<sup>rd</sup> stage of a multi-family housing estate as part of the "Osiedle Pastelowe" project**

On 12<sup>th</sup> of January 2022 (an event after the balance sheet date), Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k. (Subsidiary Company) received a permit issued by the President of the City of Gdańsk for the construction of the third stage of an estate of multi-family residential buildings as part of the "Osiedle Pastelowe" project, along with underground garage halls in Gdańsk at Pastelowa Street. As part of the above-mentioned investment phase, construction of 6 residential buildings is planned,



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

which will include 270 apartments with storage rooms with a total usable area of approx. 12 thousand square meters.

The estimated value of revenues obtained from the implementation of the above-mentioned stage is approximately PLN 103 million net. As at the date of publication of this report, it is estimated that the 3<sup>rd</sup> stage of the "Osiedle Pastelowa" investment will be completed and put into use in the 4<sup>th</sup> quarter of 2025, in the same period the first premises will be handed over to clients. The investment outlays will be partially financed from own funds and external capital.

The Company informed about the event in the current report No. 3/2022 of 12<sup>th</sup> of January 2022.

### **Conclusion of preliminary contracts in the property development segment**

On 30<sup>th</sup> of March 2022. (event after the balance sheet date) special purpose vehicle, indirect subsidiary of the Issuer - Dekpol Inwestycje - Starogard Sp. z o.o. ("Buyer") concluded over 100 preliminary agreements for the establishment of separate ownership of the premises and its sale with an external entity not belonging to the Issuer's Capital Group ("Seller"), regarding residential and commercial premises, implemented by the Seller as part of an investment located in Gdańsk.

Preliminary agreements were concluded as part of a project aimed at introducing the investment into the sales offer within the property development segment of the Issuer's Group. On the basis of the preliminary agreements, the parties undertook to conclude, subject to the prior fulfillment or waiver, of the standard conditions precedent, no later than 12 months from the date of receipt of the use permit and no later than 31<sup>st</sup> of August 2025, agreements for the establishment of separate ownership of the premises and their sale, on the basis of which the Buyer will buy from the Seller premises with a total usable area of approx. 5.5 thousand sq. m., for the total net sale price equal to approx. 6% of sales revenues of the Dekpol Capital Group for 2021, payable in stages in the period until mid-2024.

The Company informed about the event in the current report No. 18/2022 of 30<sup>th</sup> of March 2022.

### **Conclusion of a framework contract for construction works with CTP Invest Poland Sp. z o.o. and receiving the first two orders**

On 27<sup>th</sup> of April 2022 (an event after the balance sheet date), Dekpol Budownictwo Sp. z o.o. (Contractor) received from CTP Invest Poland Sp. z o.o. (Ordering Party) a framework agreement for construction works signed by both parties. On the basis of the Framework Agreement, the Ordering Party may place orders for individual investments commissioned by the Contractor. The framework agreement defines the general principles of the parties' cooperation, while the detailed rules for the implementation of a given investment, including the subject of works, remuneration, schedule and deadline for the performance of works, will be agreed upon by the



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

parties in a given order each time. The framework agreement does not specify a minimum or maximum number of jobs.

The framework agreement contains provisions on contractual penalties, the value of which in relation to a given order may not exceed 10% of the Contractor's net remuneration indicated in the order. Moreover, the parties have the right to claim damages in excess of the contractual penalties. The framework agreement was concluded for an indefinite period and is subject to termination with immediate effect upon notification from one of the parties without giving any reasons, this being irrespective of the parties' right to withdraw from the execution of a given order, which is only granted in the cases specified in the framework agreement, such as material breach of contractual obligations by the Contractor.

The conclusion of the Framework Agreement was the fulfillment of the condition of the first two orders previously placed by the Ordering Party:

I) order of 5<sup>th</sup> of April 2022 for comprehensive "turn-key" execution along with obtaining the final use permit for the production and warehouse building with an area of approx. 64 thousand m<sup>2</sup> with accompanying infrastructure in the town of Łomna-Las in the Nowy Dwór district. The value of the net lump sum remuneration for the execution of orders is approx. 9% of sales revenues of the Dekpol Capital Group for 2021. The deadline for the completion of the facility is at the end of 2022. Orders were submitted under the additional condition that the Ordering Party or a company from its capital group obtains an appropriate building permit.

II) order of 14<sup>th</sup> of April 2022 for comprehensive "turn-key" execution along with obtaining the final use permit for two production and warehouse buildings with a total area of approx. 29 thousand m<sup>2</sup> with accompanying infrastructure in Zabrze. The value of the net lump sum remuneration for the execution of orders is over 6% of sales revenues of the Dekpol Capital Group for 2021. The deadline for the completion of the facilities is at the end of 2022..

In connection with the conclusion of the framework agreement and obtaining by the company from the Ordering Party's group a permit for the construction of the facility in Łomna-Las, all the conditions of the above-mentioned orders were fulfilled, and thus on 27<sup>th</sup> of April 2022 orders entered into force.

The Company informed about the above events in current reports No. 20/2022 of 5<sup>th</sup> of April 2022, No. 23/2022 of 14<sup>th</sup> of April 2022 and No. 26/2022 of 27<sup>th</sup> of April 2022.

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

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

On 20th 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. Due to the commencement of the project by a third party, the special purpose vehicle Dekpol Inwestycje - Puck spółka z ograniczoną odpowiedzialnością spółka komandytowa was established, to which the aforementioned land was sold. 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 property development investment on the property in question in the coming years.

#### **Purchase of a plot of land in Starogard Gdański**

On 1<sup>st</sup> of October 2021, Dekpol Deweloper Sp. z o.o. purchased a plot of land with an area of 0.9806 ha in the town of Starogard Gdański. 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 property development investment on the property in question in the coming years.

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

On 10<sup>th</sup> of January 2022 (an event after the balance sheet date), Dekpol Deweloper Sp. z o.o. purchased a plot of land with an area of 0.2224 ha in Wrocław. 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 development investment on the property in question in the coming years.

#### **Implementation of the investment in Swaróżyn**

In 2021, the second stage of the investment in Swaróżyn was continued, commissioned by Kallisto 14 Sp. z o.o. (Ordering Party) under the general contracting agreement of 23<sup>rd</sup> of December 2019, as amended (GC Agreement). The implementation of the first stage of the investment in Swaróżyn was completed in November 2020. In connection with its completion, the GC Agreement came into force, the subject of which, in accordance with the current scope, is the continuation of the first building (Building 1 in accordance with the signs previously used by the Company) and the construction of the second building (Building 3), both of a warehouse-production-office nature in the general contracting system, in the "design and build" mode. The value of works covered by the current scope of the GC Agreement amounted in total to approx. 3% of sales revenues of the Issuer's Capital Group for 2021. Building 1 was completed in February 2021 (the works were completed on time). Currently, Dekpol Group is completing the construction of Building 3. In connection with with the reorganization of the Dekpol Capital Group, the rights and obligations of the Issuer under the GC Agreement were taken over by Dekpol Budownictwo Sp. z o.o.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### 3.6 BORROWINGS AND LOANS

In the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2021, the Dekpol Capital Group concluded new agreements under which the following loans were taken:

Company name	Bank name / name of the lender	Transaction type	Amount granted (in thousand PLN)	Currency	Interest	Total debt as at 31.12.2021 (in thousands of PLN)	Currency	Date of repayment
Dekpol Budownictwo Sp. z o.o.	ING- ALEO	revolving loan	2 500	PLN	WIBOR 1M + bank's margin	1 759	PLN	31.12.2021 <sup>1</sup>
Dekpol Budownictwo Sp. z o.o.	PKO BP S.A.	overdraft facility	3 000	PLN	WIBOR 3M + bank's margin	0	PLN	15.11.2023
Dekpol Budownictwo Sp. z o.o.	PKO BP S.A.	revolving loan	15 000	PLN	WIBOR 3M + bank's margin	15 000	PLN	15.11.2023
Dekpol Budownictwo Sp. z o.o.	BNP	overdraft facility	3 000	PLN	WIBOR 1M/EURIBOR 1M + bank's margin	0	PLN	22.09.2022
Betpref Sp. z o.o.	PKO BP S.A.	overdraft facility	3 000	PLN	WIBOR 3M + bank's margin	0	PLN	19.04.2022 <sup>2</sup>
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp.k	mBank S.A.	revolving loan	5 973	PLN	WIBOR 1M + bank's margin	0	PLN	31.12.2022 <sup>3</sup>
Dekpol Steel Sp. z o.o.	PKO BP S.A.	overdraft facility	20 000	PLN	WIBOR 3M/EURIBOR 3M+ bank's margin	15 907	PLN	15.11.2023
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp.k	mBank S.A.	revolving loan	22 806	PLN	WIBOR 1M + bank's margin	0	PLN	31.08.2023

<sup>1</sup> as at the date of publication, the agreement has been changed in terms of its validity period (extension until 31.12.2022)

<sup>2</sup> as at the date of publication of the report, the contract has been changed in terms of its validity period (extension until 19th of April 2023)

<sup>3</sup> loan repaid and closed in 2021 (09.12.2021)



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

List of credits and loans from Dekpol SA as at 31<sup>st</sup> of December 2021. has been presented in note 12.4 of the Separate Financial Statement.

List of credits and loans of the Dekpol Capital Group as at 31.12.2021 has been presented in note 11.2 of the Consolidated Financial Statement.

In the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2021, companies from the Dekpol Capital Group granted and incurred the following intra-group loans:

Company name	Name of the lender	Transaction type	Amount granted (in thousand PLN)	Interest	Currency	Total debt as at 31.12.2021 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol S.A.	borrowing	190	EURIBOR 6M+ margin	EUR	154	31.12.2023	30.03.2022
Dekpol Budownictwo Sp. z o.o.	Dekpol S.A.	borrowing	20 000	WIBOR 6M + margin	PLN	15 000	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Rokiński sp. k.	Dekpol S.A.	borrowing	10 000	WIBOR 6M + margin	PLN	8 000	31.12.2023	-
Dekpol Inwestycje- Trimare Sp. z o.o	Dekpol S.A.	borrowing	20 000	WIBOR 6M + margin	PLN	12 000	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Brainborska sp. k.	Dekpol Deweloper sp. z o.o.	borrowing	600	WIBOR 6M + margin	PLN	300	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	1 000	WIBOR 6M + margin	PLN	0	31.12.2023	15.12.2021
Dekpol Inwestycje Sp. z o.o. Rokiński sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	6 000	WIBOR 6M + margin	PLN	1 838	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Neo Jasień sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	4 800	fixed contractual interest	PLN	4 800	24.06.2025	-
Dekpol Inwestycje Sp. z o.o. Neo Jasień sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	1 000	WIBOR 6M + margin	PLN	300	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Pastelowa sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	9 700	fixed contractual interest	PLN	9 700	24.06.2025	-
Dekpol Inwestycje- Trimare	Dekpol Deweloper Sp.	borrowing	4 550	WIBOR 6M	PLN	4 550	31.12.2023	-





Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

Company name	Name of the lender	Transaction type	Amount granted (in thousand PLN)	Interest	Currency	Total debt as at 31.12.2021 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Sp. z o.o.	z o.o			+ margin				
Dekpol Inwestycje- Trimare Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	9 600	WIBOR 6M + margin	PLN	2 600	31.12.2023	-
Smartex Sp. z o.o	Dekpol Deweloper Sp. z o.o	borrowing	50	WIBOR 6M + margin	PLN	50	31.12.2023	-
Smartex Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	500	WIBOR 6M + margin	PLN	30	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Grano Resort sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	1 000	WIBOR 6M + margin	PLN	300	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. WBH sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	100	WIBOR 6M + margin	PLN	30	31.12.2023	-
Dekpol Inwestycje- Puck Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	19 551	WIBOR 6M + margin	PLN	3 551	31.12.2023	-
Dekpol Inwestycje- Warszawa 1 Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	1 000	WIBOR 6M + margin	PLN	600	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp. k.	Dekpol Deweloper Sp. z o.o	borrowing	3 000	WIBOR 6M + margin	PLN	0	31.12.2022	10.12.2021
Dekpol Inwestycje- Starogard Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	100	WIBOR 6M + margin	PLN	50	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	2 000	WIBOR 6M + margin	PLN	0	31.12.2022	15.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	2 500	WIBOR 6M + margin	PLN	0	31.12.2022	15.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	1 500	WIBOR 6M + margin	PLN	0	31.12.2022	15.12.2021
Dekpol Inwestycje Sp. z o.o. Brainborska sp. k.	Dekpol Deweloper sp. z o.o.	borrowing	1 000	WIBOR 6M + margin	PLN	0	31.12.2022	22.12.2021
Dekpol Inwestycje- Trimare Sp. z o.o.	Dekpol Deweloper Sp. z o.o	borrowing	2 000	WIBOR 6M + margin	PLN	0	31.12.2022	30.12.2021
Dekpol Inwestycje Sp. z o.o. Rokitki sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	6 000	WIBOR 6M + margin	PLN	0	31.12.2023	03.12.2021



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

Company name	Name of the lender	Transaction type	Amount granted (in thousand PLN)	Interest	Currency	Total debt as at 31.12.2021 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Dekpol Inwestycje Sp. z o.o. Sol Marina sp. k.	Dekpol Deweloper Sp. z o.o.	borrowing	4 000	WIBOR 6M + margin	PLN	0	31.12.2023	30.12.2021
Dekpol Inwestycje Sp. z o.o. Pastelowa Sp.k	Dekpol Pszenna Sp. z o.o. sp.k	borrowing	3 000	WIBOR 6M + margin	PLN	2 210	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp.k	Dekpol Inwestycje Sp. z o.o. Brainborska sp.k	borrowing	2 000	WIBOR 6M + margin	PLN	950	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Inwestycje Sp. z o.o. Myśliwska sp.k	borrowing	200	WIBOR 6M + margin	PLN	200	31.12.2023	01.02.2022
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Inwestycje Sp. z o.o. Myśliwska sp.k	borrowing	2 000	WIBOR 6M + margin	PLN	1 600	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp.k	Dekpol Pszenna Sp. z o.o. sp.k	borrowing	3 700	WIBOR 6M + margin	PLN	3 700	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	1 500	WIBOR 6M + margin	PLN	0	31.12.2022	30.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	1 000	WIBOR 6M + margin	PLN	0	31.12.2023	30.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Inwestycje Sp. z o.o. Development sp.k	borrowing	2 500	WIBOR 6M + margin	PLN	2 050	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k	Dekpol Pszenna Sp. z o.o. sp.k	borrowing	3 000	WIBOR 6M + margin	PLN	0	31.12.2022	15.12.2021
Dekpol Inwestycje Sp. z o.o. Grano Resort Sp.k	Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp.k	borrowing	1 000	WIBOR 6M + margin	PLN	200	31.12.2023	-
Dekpol Deweloper Sp. z o.o.	Dekpol Pszenna Sp. z o.o. sp.k	borrowing	3 000	WIBOR 6M + margin	PLN	0	31.12.2022	17.12.2021
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Development sp.k	borrowing	1 500	WIBOR 6M + margin	PLN	1 200	31.12.2023	-
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Myśliwska sp.k	borrowing	1 000	WIBOR 6M + margin	PLN	0	31.12.2022	25.10.2021
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp.k	borrowing	1 000	WIBOR 6M + margin	PLN	0	31.12.2022	28.10.2021
Dekpol Inwestycje Sp. z o.o.	Dekpol Inwestycje Sp. z o.o.	borrowing	4 000	WIBOR 6M +	PLN	0	31.12.2022	31.12.2021



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

Company name	Name of the lender	Transaction type	Amount granted (in thousand PLN)	Interest	Currency	Total debt as at 31.12.2021 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Rokitki Sp.k	o.o. Neo Jasień sp.k			margin				
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	5 000	WIBOR 6M + margin	PLN	0	31.12.2022	31.12.2021
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	10 200	WIBOR 6M + margin	PLN	0	31.12.2022	31.12.2021
Dekpol Deweloper Sp. z o.o.	Nordic Milan Sp. z o.o.	borrowing	2 600	WIBOR 6M + margin	PLN	2 600	31.12.2023	-
Dekpol Inwestycje-Puck Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Myśliwska sp.k	borrowing	1 000	WIBOR 6M + margin	PLN	350	31.12.2023	-
Dekpol Deweloper Sp. z o.o.	Almond Sp. z o.o.	borrowing	2 000	WIBOR 6M + margin	PLN	2 000	31.12.2023	-
Dekpol Inwestycje- Trimare Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Sol Marina sp.k	borrowing	7 050	WIBOR 6M + margin	PLN	0	31.12.2023	10.11.2021
Dekpol Inwestycje- Trimare Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Sobieszewo Development sp.k	borrowing	1 930	WIBOR 6M + margin	PLN	0	31.12.2023	09.11.2021
Dekpol Inwestycje Sp. z o.o. Grano Resort sp.k	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	500	WIBOR 6M + margin	PLN	200	31.12.2023	-
Dekpol Inwestycje- Trimare Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k	borrowing	1 930	WIBOR 6M + margin	PLN	1 930	31.12.2023	-
Dekpol Inwestycje Sp. z o.o. Sol Marina sp.k	Dekpol Inwestycje- Trimare Sp. z o.o.	borrowing	100	WIBOR 6M + margin	PLN	0	31.12.2023	30.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina sp.k	Dekpol Inwestycje Sp. z o.o. Neo Jasień sp.k	borrowing	600	WIBOR 6M + margin	PLN	0	31.12.2023	30.12.2021
Dekpol Inwestycje Sp. z o.o. Sol Marina sp.k	Dekpol Inwestycje Sp. z o.o. Rokitki sp.k	borrowing	40	WIBOR 6M + margin	PLN	0	31.12.2023	24.12.2021

As at 31<sup>st</sup> of December 2021, the total nominal balance of intra-group loans granted by the Dekpol Capital Group amounted to PLN 113,034 thousand, including loans granted by Dekpol S.A. in the total amount of PLN 36,109 thousand and Dekpol Deweloper Sp. z o.o. in the total amount of PLN 57 735 thousand and other companies in the total amount of PLN 19 190 thousand.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Other loans taken or granted by companies from the Dekpol S.A. Capital Group in the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2021:

Company name	Name of the lender	Transaction type	Amount granted (in thousand PLN)	Interest	Currency	Total debt as at 31.12.2021 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Dekpol Deweloper Sp. z o.o.	City Hotel Management sp. z o.o.	borrowing	3 000	fixed contractual interest	PLN	0	31.12.2022	31.12.2021

In 2021, the companies from the Dekpol Capital Group have not terminated any credit or loan agreements.



## Selected major loan agreements

### **Agreement on a multi-purpose subsidiary credit line 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, a revolving loan up to a maximum amount of PLN 30 million, a guarantee line up to a maximum amount of PLN 30 million and a letter of credit line of a maximum amount of PLN 5 million. 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.

### **Subsidiary credit 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 on 19<sup>th</sup> of March 2020 by Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. with Alior Bank S.A., i.e. a non-revolving loan agreement in the amount of PLN 59.2 million (Loan 1) and a revolving loan agreement in the amount of PLN 4.8 million (Loan 2). In accordance with the annexes to the above-mentioned agreements, the final repayment date for both loans has been extended to the end of December 2023 (so far on 31<sup>st</sup> of July 2022). At the same time, the limit of Credit 1 was set at PLN 57.4 million.

Then, on 16<sup>th</sup> of December 2021 Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. signed agreements with the Bank on the termination of the non-revolving loan agreement and the revolving loan agreement, provided that all receivables resulting from the above-mentioned contracts. The termination of loan agreements was related to the fact that the subsidiary carrying out stage I of the "Sol Marina" property development project achieved the level of sales and the amount of payments allowing for the termination of loan agreements in accordance with their provisions.

The events were announced by the Company in current reports No. 46/2021 of 24<sup>th</sup> of September 2021 and No. 52/2021 of 16<sup>th</sup> of December 2021. The Company informed about the conclusion of credit agreements in the current report No. 9/2020 of 19<sup>th</sup> of March 2020.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### **Annex to the overdraft facility agreement of a subsidiary with PKO BP SA**

On 16<sup>th</sup> of November 2021. Dekpol Budownictwo Sp. z o.o. concluded with PKO BP SA an annex to the Overdraft Facility Agreement (Agreement). Pursuant to the annex, the title of the Agreement for a multi-purpose credit limit agreement (Limit) was changed, and the value of the limit granted is PLN 18 million, including an overdraft facility up to a maximum amount of PLN 3 million (the current loan), a revolving working capital loan up to a maximum amount of PLN 18 million PLN, non-revolving working capital loan up to the maximum amount of PLN 18 million and bank guarantees up to the maximum amount of PLN 5 million. The purpose of the line is to finance current operations, finance contracts in which Dekpol Budownictwo sp.z o.o. is a general contractor and issuing bank guarantees. Dekpol Budownictwo Sp. z o.o. is entitled to use the limit for a period of 24 months from the date of the Agreement.

### **Multi-purpose subsidiary credit limit agreement with PKO BP SA**

On 16<sup>th</sup> of November 2021. Dekpol Steel Sp. z o.o. concluded a multi-purpose credit limit agreement with PKO BP SA in the amount of PLN 20 million, including an overdraft facility up to a maximum amount of PLN 20 million, a revolving working capital loan up to a maximum amount of PLN 20 million, a non-revolving working capital loan up to a maximum amount of PLN 20 million and bank guarantees up to the maximum amount of PLN 5 million. The purpose of the line is to finance current liabilities arising from the activities performed and to issue bank guarantees. Dekpol Steel Sp. z o.o. is entitled to use the limit for a period of 24 months from the date of the Agreement.

### **Working capital loan agreement of a subsidiary with mBank SA**

On 8<sup>th</sup> of December 2021. subsidiary Dekpol Inwestycje Sp. z o.o. Neo Jasień sp.k concluded a working capital loan agreement in the amount of PLN 22.8 million. The loan was granted to finance and refinance expenses related to the implementation of the property development project called "Neo Jasień - stage 1" in Gdańsk. The loan is disbursed in tranches, and the loan repayment date is 31<sup>st</sup> of August 2023.

### **Subsidiary's investment loan agreement with PKO BP SA**

On 26<sup>th</sup> of January 2022 (event after the balance sheet date) Dekpol Steel Sp. z o.o. concluded an investment loan agreement with PKO BP SA in a convertible currency in the amount of EUR 2.03 million, The purpose of the loan is financing and refinancing related to the purchase of 100% shares in the company "Intek" Sp. z o.o. The loan was granted for the period from 26<sup>th</sup> of January 2022 until 26<sup>th</sup> of January 2032. The loan is disbursed in installments.

In addition, on 31<sup>st</sup> of January 2022 (event after the balance sheet date) Dekpol Steel sp.z o.o. concluded interest rate swap (IRS) transactions with PKO BP SA in order



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

to limit the negative impact of changes in market interest rates on cash flows and to minimize financial costs.

### **Multi-purpose subsidiary credit limit agreement with PKO BP SA**

On 27<sup>th</sup> of January 2022 (event after the balance sheet date) "Intek" Sp. z o.o. concluded with PKO BP SA a multi-purpose credit limit agreement in the amount of PLN 7 million, including an overdraft facility up to a maximum amount of PLN 7 million, which may be used in PLN and EUR, and bank guarantees up to a maximum amount of PLN 1 million. The purpose of the line is to finance current liabilities arising from the activities performed and to issue bank guarantees. "Intek" Sp. z o.o. is entitled to use the limit for a period of 12 months from the date of the contract.

### **Revolving loan agreement and an annex to the subsidiary's framework agreement with mBank SA**

On 16<sup>th</sup> of February 2022 (event after the balance sheet date) Dekpol Budownictwo Sp. z o.o. concluded with mBank S.A. a revolving multi-currency loan agreement for the purchase of invoices in the amount of PLN 20 million. The purpose of the loan is to finance the current operations of the subsidiary. Dekpol Budownictwo Sp. z o.o. is entitled to use the loan until 30.09.2022.

At the same time, on 16<sup>th</sup> of February 2022 (event after the balance sheet date) Dekpol Budownictwo Sp. z o.o. concluded with mBank SA an annex to the framework agreement of 26<sup>th</sup> of June 2019 with later changes. Pursuant to the annex, the value of the limit was reduced from PLN 35 million to PLN 25 million and the revolving credit facility granted under this limit for the redemption of invoices from PLN 25 million to PLN 15 million. The amount of the overdraft facility granted under the Limit remained unchanged, ie PLN 10 million.

### **Annex to the investment loan agreement of the company with PKO BP SA**

On 7<sup>th</sup> of March 2022 (event after the balance sheet date) Dekpol S.A. concluded with PKO BP SA an annex to the investment loan agreement of 17<sup>th</sup> of July 2020 (Loan). Pursuant to the annex, PKO BP SA converted the amount of debt under the Loan from PLN to EUR. Due to the change in the Loan currency, the amount of debt as at the annex conclusion date was EUR 1.05 million. The reference rate was also changed from WIBOR 1M to EURIBOR 1M. The other terms of the contract remained unchanged.

In addition, on 11<sup>th</sup> of March 2022 and on 14<sup>th</sup> of March 2022 Dekpol S.A. concluded interest rate swap (IRS) transactions with PKO BP SA in order to reduce the negative impact of changes in market interest rates on cash flows and to minimize financial costs.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### Revolving loan agreement of a subsidiary with mBank SA

On 21<sup>st</sup> of March 2022 (event after the balance sheet date) Dekpol Budownictwo Sp. z o.o. concluded with mBank S.A. a framework agreement in the amount of PLN 30 million, which defines the rules for the use by Dekpol Budownictwo Sp. z o.o. lines for financing current operations. As part of the Line, mBank will grant renewable loans in PLN and EUR. Dekpol Budownictwo Sp. z o.o. is entitled to use the loan until 30<sup>th</sup> of September 2022 and the Line is valid until 31<sup>st</sup> of March 2023.

### Working capital loan agreement of a subsidiary with mBank SA

On 6<sup>th</sup> of April 2022 (an event after the balance sheet date) the subsidiary Dekpol Inwestycje Spółka z ograniczoną odpowiedzialnością Pastelowa sp.k concluded a working capital loan agreement in the amount of PLN 39.06 million. The loan was granted to finance and refinance expenses related to the implementation of the "Pastelowe-Stage 2" development project in Gdańsk. The loan will be disbursed in tranches, and the loan repayment date is 30<sup>th</sup> of November 2023.

## 3.7 SURETIES AND GUARANTEES

In 2021, the Company and its subsidiaries received and granted sureties within the Dekpol Capital Group.

The value of received and granted sureties in 2021 within the Dekpol Capital Group amounted to PLN 527 million, of which Dekpol SA received sureties for the amount of PLN 163 million and granted a surety for the amount of approximately PLN 360 million.

Most of the intra-group sureties granted in 2021 resulted from the separation procedure as of 1<sup>st</sup> of January 2021 of general contracting segment.

In 2021, the Group companies did not receive any sureties from unrelated entities or did not grant sureties for unrelated entities.

### Guarantees received and granted in 2021

Warranty type	Granted (in PLN thousand)	Received (in PLN thousand)
Contractual - insurance guarantee	52.001	1.809
Contractual - bank guarantee	9.609	2.037
PLG-FGP BGK guarantee	-	38.400
<b>Total:</b>	<b>61.610</b>	<b>42.246</b>





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

### **3.8 FINANCIAL INSTRUMENTS**

In 2021, Dekpol S.A. and the Dekpol Capital Group had financial resources, including own funds and funds from bonds, loans and borrowings. The Issuer and companies from the Dekpol Capital Group do not conclude any derivative transactions, except for currency risk hedging transactions in the form of forward contracts relating to general contracting contracts. The resources held enable the Company to fully meet its financial obligations, without the risk of losing financial liquidity. Both the Issuer and its subsidiaries maintain financial liquidity and settle their liabilities on an ongoing basis. Management Board of Dekpol S.A. positively assesses the liquidity of the Issuer and the entire Capital Group and sees no threats to it.

### **3.9 TRANSACTIONS WITH RELATED ENTITIES**

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

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

In 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 the operations or results of the Company and the Group, as well as on the separate or consolidated financial statements.

## **4. ECONOMIC AND FINANCIAL RESULTS OF DEKPOL S.A.**

### **4.1 PREPARATION PRINCIPLES OF A SEPARATE FINANCIAL STATEMENT**

Financial statement of Dekpol S.A. for 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 (hereinafter referred to as IFRS).

Financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. The statement presents the financial position of the Company as at 31<sup>st</sup> of December 2021 and 31<sup>st</sup> of December 2020, the results achieved on the operations of the Company and cash flow for the 12 months ended 31<sup>st</sup> of December 2021 and 31<sup>st</sup> of December 2020.

Report of Management Board of Dekpol S.A. regarding business activities for 2021 was prepared in accordance with the requirements of the Regulation of the Minister of Finance of 29<sup>th</sup> of March 2018 on current and periodic information provided by



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

issuers of securities and on consideration as equivalent the information required by law of the countries outside the EU (consolidated text: Dz. U. z 2018 poz. 757)

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

### 4.2.1 ANALYSIS OF FINANCIAL SITUATION

#### CALCULATION VARIANT

Item	01.01.-31.12.2021	01.01.-31.12.2020
Sales revenues	210 305	801 586
Own selling costs	194 943	739 251
<b>Gross profit (loss) from sales</b>	<b>15 362</b>	<b>62 335</b>
Selling costs	864	13 669
General administrative expenses	7 259	9 685
Other operating income	6 981	12 923
Profit from a bargain purchase	0	0
Other operating expenses	6 599	10 270
<b>Operating profit (loss)</b>	<b>7 620</b>	<b>41 634</b>
Share In profit (loss) of entities accounted using the equity method	0	0
Financial revenues	30 762	2 773
Financial expenses	11 269	16 131
Profit (loss) before tax	27 114	28 276
Income tax	995	5 604
<b>Profit (loss) from continuing operations</b>	<b>26 118</b>	<b>22 672</b>
<b>Net profit (loss)</b>	<b>26 118</b>	<b>22 672</b>
Other comprehensive income that cannot be transferred to the result	0	0
Other comprehensive income that can be transferred to the result	3 618	-3 618
Exchange differences on translating foreign units	0	0
Other comprehensive income before tax	3 618	-3 618



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

Income tax on other comprehensive income that cannot be transferred to the result	0	0
Income tax on other comprehensive income that can be transferred to the result	0	0
Other net comprehensive income	3 618	-3 618
<b>Comprehensive income</b>	<b>29 736</b>	<b>19 054</b>

Sales revenues of the Company in 2021 were lower than in 2020, by 74% due to the separation at the beginning of 2021 of general contracting segment to Dekpol Budownictwo. Due to the transition period and formal reasons, the Company recorded revenues from this segment in the amount of approx. PLN 94 million. The works specified in the contracts were carried out by Dekpol Budownictwo. On operating activities, the Company generated a profit of PLN 7.62 million compared to PLN 41.6 million in 2020, while a significant increase in the result compared to 2020, was recorded at the level of financial activity. This was due to the dividend obtained from a subsidiary, which translated into a better net result than in 2020 (PLN 26.12 million against PLN 22.7 million in 2020), changes in the structure of the Group - separation of operating segments to subsidiaries performing the holding functions by the parent company.

#### 4.2.2 ANALYSIS OF MATERIAL SITUATION

Item	31.12.2021	31.12.2020
<b>Fixed assets</b>	<b>379 951</b>	<b>365 627</b>
Property, plant and equipment	13 242	28 694
Investment properties	31 129	29 034
Goodwill	0	0
Intangible assets	5 327	232
Stocks and shares	275 968	273 101
Trade and other long-term receivables	8 764	11 622
<b>Other long-term financial assets</b>	<b>43 459</b>	<b>9 240</b>
Deferred income tax assets	2 060	13 704
Current assets	157 293	427 370



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Inventory	12 525	25 493
Receivables due to contracts with clients	0	39 517
Trade and other short-term receivables	73 838	253 531
Receivables due to current income tax	0	0
Other short-term financial assets	56 328	0
Cash and cash equivalents	14 602	108 828
including cash on escrow accounts	0	0
Current assets other than fixed assets or disposal groups classified as held for sale	157 293	427 370
<b>Assets classified as held for sale</b>	<b>0</b>	<b>0</b>
<b>Assets in total</b>	<b>537 244</b>	<b>792 996</b>

<b>Item</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>Equity</b>	<b>287 360</b>	<b>257 624</b>
Share capital	8 363	8 363
Equity from sales of shares over its nominal value	26 309	26 309
Other equities	0	0
Other reserve capital from the valuation	0	-3 618
<b>Retained earnings:</b>	<b>252 688</b>	<b>226 570</b>
<b>The result of the current year</b>	<b>26 118</b>	<b>22 672</b>
<b>Liabilities</b>	<b>249 884</b>	<b>535 373</b>
<b>Long-term liabilities</b>	<b>144 247</b>	<b>108 691</b>
Deferred income tax provision	13 992	20 637
Liabilities and provisions on employee benefits	33	69
Other long-term provisions	0	0



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Long-term credits, borrowings and debt instruments	127 855	65 007
Other long-term financial liabilities	0	0
Long-term lease liabilities	1 181	2 816
Liabilities from deliveries and services and other long-term liabilities	1 186	20 162
Other long-term liabilities	1 186	20 162
<b>Short-term liabilities</b>	<b>105 637</b>	<b>426 681</b>
Liabilities and provisions on employee benefits	1	10
Other short-term provisions	2 389	57 076
Short-term credits, borrowings and debt instruments	39 702	148 181
Other short-term financial liabilities	0	7 369
Short-term lease liabilities	861	3 280
Liabilities due to contracts with clients	0	0
Trade liabilities and other liabilities	62 350	203 358
Liabilities due to current income tax	335	7 407
Short-term liabilities other than those related to assets held for sale	105 637	426 681
Liabilities related to assets held for sale	0	0
<b>Total liabilities</b>	<b>537 244</b>	<b>792 996</b>

The value of the company's assets at the end of 2021 amounted to PLN 537.24 million and was lower than at the end of 2020 by PLN 255.75 million, i.e. by approximately 32%. The decrease in the value of assets is a derivative of the separation of the general contracting segment. The value of the Company's fixed assets at the end of 2021 amounted to PLN 379.95 million and was higher than the year before by PLN 14.32 million, i.e. by approx. 4%, compared to the end of 2020. Their share in the balance sheet total was 70.7% compared to 46.11% at the end of 2020.

Current assets at the end of 2021 amounted to PLN 157.29 million compared to PLN 427.37 million at the end of 2020. This significant decrease is due to the separation of the GC segment. The most important part of the current assets are short-term receivables (PLN 73.84 million, which is approx. 47% of the current assets) and other short-term financial assets (PLN 56.3 million), which constitutes nearly 36% of the current assets. Short-term financial assets are the amounts of settlements between



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

the Company and Dekpol Budownictwo for loans included in the OPE transfer agreement, in relation to which for formal reasons Dekpol S.A. remains a party to the agreement as a borrower. The funds from the loans can be used to repay the liabilities of Dekpol Budownictwo Sp. z o.o. from the GC activity. Ultimately, the contracts will be transferred to Dekpol Budownictwo Sp. z o.o.

#### 4.2.3 CASH FLOW ANALYSIS

##### INDIRECT METHOD

Item	01.01.-31.12.2021	01.01.-31.12.2020
<b>Profit (loss) before tax</b>	<b>27 114</b>	<b>28 276</b>
<b>Adjustments:</b>	<b>3 987</b>	<b>41 455</b>
Depreciation	2 123	6 033
Change of fair value of investment properties	0	0
Write-offs updating financial assets	0	0
Profit (loss) on the sale of fixed assets	-1 779	-1 079
Profits (losses) from foreign exchange differences	0	2 958
Interest expenses	9 592	7 774
Income tax on profit before tax	995	5 372
Change in inventories	6 985	40 569
Change in receivables	-118 488	-65 672
Change in liabilities	131 378	11 596
Change in reserves	1 437	33 903
Cash flow from activities (used in activities)	31 101	69 731
Income tax paid	-8 248	-11 591
<b>Net cash from operating activities</b>	<b>22 854</b>	<b>58 140</b>
Expenses related to acquisition of intangible assets	-899	-113
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-902	-4 873
Inflows from sales of property, plant and equipment	108	106
Expenses related to acquisition of investment properties	-416	-1 116



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Inflows from sales of investment properties	0	0
Net expenses for the acquisition of subsidiaries	-39 514	-7 152
Net inflows from sales of subsidiaries	0	0
Expenses for the purchase of other financial assets	13	0
Inflows from sales of other financial assets	0	0
Loans granted	-40 263	-5 547
Repayments received on loans granted	5 774	28 840
Interest received	11	1 260
Dividends received	27 847	0
Cash flow resulting from the decrease (increase) in the value of short-term deposits and investments	0	0
<b>Net cash from investment activities</b>	<b>-48 239</b>	<b>11 461</b>
Net inflows from issue of shares	0	0
Inflows from issue of debt securities	51 869	61 000
Other inflows (expenses) from investment activities	0	0
Inflows from received grants	0	0
Redemption of debt securities	-67 451	-38 144
Inflows from loans and borrowings taken out	90	104 810
Repayment of loans and borrowings	-43 518	-145 907
Repayment of liabilities under finance lease	-1 347	-5 933
Interest paid	-8 483	-13 052
Dividends paid	0	0
<b>Net cash from financial activities</b>	<b>-68 841</b>	<b>-37 226</b>
Net change in cash and cash equivalents	-94 227	32 375
Cash and cash equivalents at the beginning of the period	108 828	76 454
Cash and cash equivalents at the end of the period	14 602	108 828
<b>Including cash of limited disposal right</b>	<b>0</b>	<b>0</b>

Cash flows from operating activities in 2021 amounted to PLN 22.85 million. Cash flows from investing activities amounted to PLN -48.24 million, and cash flows from



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

financial activities in 2021. amounted to PLN -68.84 million. As a result, the cash balance decreased from PLN 108.83 million at the end of 2020. up to PLN 14.6 million. Changes in the structure of cash flows and the value of cash mainly result from the reorganization of the Group.

#### 4.2.4 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

<b>Indicator</b>	<b>Recommended</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Profitability of sales Profit on sales*/sales revenues	max	3,44%	4,86%	-1,42p.p.
Gross profitability of sales Gross profit/ sales revenues	max	12,89%	3,53%	+9,37p.p.
Net profitability of sales Net profit / sales revenues	max	12,42%	2,83%	+9,59p.p.
Profitability of net assets Net profit/assets	max	4,86%	2,86%	+2,00p.p.
Return on equity net Net profit/share capital	max	9,09%	8,80%	+0,29p.p.
Current liquidity Current assets/short-term liabilities	1,4-2,0	1,49	1,00	+0,49
Quick liquidity Assets – Inventories / short-term liabilities	0,8-1,0	1,37	0,94	+0,43

\* profit on sales = gross profit on sales - selling costs - general management costs

In the opinion of the Company, non-financial performance indicators related to the activities of the Company do not affect the assessment of the development, results and situation of the Issuer.

In this section, the financial situation of the Company has been presented using the so-called APM as defined in the ESMA Guidelines ("Alternative Performance Measurements (APM)" - 05/10/2015 ESMA / 2015 / 1415en). The ratios presented in the table above were calculated by the Company on the basis of data from the financial statements. However, APMs are not financial data prepared in accordance with the International Accounting Standards, are not audited and may not be comparable to indicators presented by other companies, and therefore are only illustrative and provide only additional information about the financial position. Companies. The Company presents APM measures in the scope presented in the table above, because they are standard indicators used in financial analysis, and therefore they constitute useful information for potential buyers of securities issued by the Company, which information, together with data from the financial statements, will allow for a comprehensive assessment of the situation financial company. In





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

2021, the Company did not change the methodology for determining the ratios, therefore the ratios are comparable to 2020.

The financial ratios are at safe levels, confirming that the Company's operations are conducted while maintaining good profitability, liquidity and solvency, however, in the face of economic and political risks, one should take into account the probability of their fluctuations in future periods.

#### 4.2.5 FORECASTS OF FINANCIAL RESULTS

Dekpol S.A. did not publish forecasts of the Company's financial results for 2021.

### 4.3 DIVIDEND POLICY

The company has no adopted dividend policy. The recommendation by the Management Board of the possible payment of a dividend for a given year includes the covenants specified in the terms of bond issue and loan agreements, according to which the payment of dividend may not exceed 30% of the consolidated net profit and is based each time on the analysis of financial possibilities taking into account the development strategy of the Issuer, including first of all, striving to expand operational capabilities.

In financial year 2021 the Company did not paid any dividend.

### 4.4 ISSUE OF SECURITIES

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

On 28<sup>th</sup> of January 2021, 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 (Act on Bonds), in a way that did not require the Issuer to prepare a prospectus or information memorandum. The funds, in accordance with the purpose of the issue, were allocated 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, 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 24<sup>th</sup> of February 2021, the Company was informed that the National Depository for Securities had



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)**

completed the final settlement and thus the issue of series K bonds had been completed.

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 certain debt ratios, and also in the event that, before the date of fulfillment of all obligations under the Bonds, the Issuer will make 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 the Bond Issue Terms.

On 22<sup>nd</sup> of February 2021, the Management Board of the Warsaw Stock Exchange S.A. (WSE) adopted a resolution on the introduction of the Bonds to the alternative trading system (ATS) on the Catalyst market as of the date of registration of the Bonds by the National Depository for Securities. Since 2<sup>nd</sup> of March 2021, series K bonds are listed on the Catalyst market.

On 23<sup>rd</sup> of August 2021, Management Board of Dekpol S.A. made a decision on the assimilation of series K bonds with series L bonds. The assimilation was carried out on the basis of the resolution of the National Depository for Securities of 3<sup>rd</sup> of September 2021, and the assimilation date in the depository system was 8<sup>th</sup> of September 2021. The bonds covered by the assimilation are currently registered under one common code assigned to the series K bonds, i.e. PLDEKPL00107. The total number of bonds after assimilation under one common code is 39,150.

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.

### **Redemption of series G and H bonds**

On 8<sup>th</sup> of March 2021, the Company redeemed in full all the outstanding 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.



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

### **L series bonds issue**

On 9<sup>th</sup> of March 2021, the Management Board of Dekpol S.A. adopted a resolution on the issue of no more than 30,000 3.5-year series L 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 on Bonds, in a manner that required the preparation of the information memorandum referred to in Art. 38b of the Act of 29<sup>th</sup> of July 2005 on public offering and the conditions for introducing financial instruments to an organized trading system and on public companies (Act on Public Offering), subject to the fact that pursuant to Art. 31zb of the Act of 2<sup>nd</sup> of March 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and emergencies caused by them, the requirement to approve the above-mentioned memorandum by the Polish Financial Supervision Authority. In accordance with the purpose of the issue, the funds were allocated to finance the current operations of the Issuer's Capital Group.

On 25<sup>th</sup> of March 2021, the Management Board of Dekpol S.A. adopted a resolution to make an initial allocation of 17,650 series L 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 17.65 million. The bonds were allotted 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. On 31<sup>st</sup> of March 2021, the Company was notified that the National Depository for Securities (KDPW) has completed the final settlement and thus the issue of series L bonds has been completed.

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 case that the Company's Capital Group exceeds certain debt ratios, and also in the event that, before the date of fulfillment of all obligations under the Bonds, the Issuer will make 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 the number of Bonds specified by him on each interest payment day, on the terms specified in the Bond Issue Terms.

On 29<sup>th</sup> of March 2021, the WSE Management Board adopted a resolution on the introduction of the Bonds to the ATS on the Catalyst market as of the date of registration of the Bonds by the National Depository for Securities. Since 8<sup>th</sup> of April 2021, series L bonds are listed on the Catalyst market.



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

On 23<sup>rd</sup> of August 2021 the Management Board of Dekpol S.A. made a decision on the assimilation of series K bonds with series L bonds. The assimilation was carried out on the basis of the resolution of the National Depository for Securities of 3<sup>rd</sup> of September 2021, and the assimilation date in the depository system was 8<sup>th</sup> of September 2021. The bonds covered by the assimilation are currently registered under one common code assigned to the series K bonds, ie PLDEKPL00107. The total number of bonds after assimilation under one common code is 39,150.

The Company informed about the above events in current reports No. 12/2021 of 9<sup>th</sup> of March 2021, No. 14/2021 of 25<sup>th</sup> of March 2021, No. 15/2021 of 31<sup>st</sup> of March 2021.

### **Approval of the prospectus related to the bond issue program**

On 21<sup>st</sup> of April 2021, the Polish Financial Supervision Authority (KNF) 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 WSE, 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 may 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. During the validity period of the prospectus, on the basis of the approved prospectus, the Company made two issues of bonds (series P2021A and P2021B), which are discussed in more detail later in this section.

### **Redemption of DA and DB series bonds**

On 30<sup>th</sup> of April 2021, the DA and DB series bonds were fully redeemed, in line with their maturity. A total of 35,000 bonds with a nominal value of PLN 1,000 each were subject to redemption, 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 P2021A 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 a prospectus approved by the Polish Financial Supervision Authority on 21<sup>st</sup> of April 2021, as part of the bond issue program, under the procedure a public offering within the meaning of the Act on Public Offering ("Bonds"). The bonds were issued pursuant to Art. 33 point 1 of the Act on Bonds. The funds, in line with the purpose of the issue, were allocated to finance the current operations of the Issuer's Capital Group. The P2021A series bonds were allocated subject to the condition precedent



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)**

of the final settlement of the Bond purchase transaction as part of the issue by the National Depository for Securities. On 13<sup>th</sup> of August 2021, the Company was informed 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.

P2021A series bonds were 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.

On 11<sup>th</sup> of August 2021, the National Depository for Securities issued a declaration regarding the registration in the securities depository of up to 25,000 series P2021A bonds of the Company. The Bonds were to be registered on the basis of settlement orders submitted after the resolution on admitting the Bonds to trading on the regulated market was adopted. 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 WSE Management Board adopted a resolution 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. On 17<sup>th</sup> of August 2021 the WSE Management Board adopted a resolution in which it decided to introduce the Bonds as of 19<sup>th</sup> of August 2021 to exchange trading on the main Catalyst market.

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 year 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.

### **The Meeting of Bondholders of Series I Bonds**

On 31<sup>st</sup> of August 2021, the Bondholders' Meeting of Series I Bonds of Dekpol S.A. took place, which adopted a resolution on changing the Terms and Conditions for the Issue of Series I Bonds issued by Dekpol S.A. in such a way that point 11.2.3. Of the 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”



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

has received the following new wording:

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

On 31<sup>st</sup> of August 2021 Dekpol S.A. submitted the Issuer's Statement on the consent for the amendment to the Terms and Conditions of the Series I Bonds Issue 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. in the first place. On 6<sup>th</sup> of September 2021, the Court deleted the mBank S.A. mortgage, which means that the mortgage on the real estate securing series I bonds is already entered with the highest priority.

### **Issue of P2021B series bonds as part of the bond issue program**

On 24<sup>th</sup> of February 2022 (event after the balance sheet date) Management Board of Dekpol S.A. adopted a resolution on the issue of up to 50,000 series P2021B bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of up to PLN 50 million ("Bonds"). Then, 18<sup>th</sup> of on March 2022 the resolution of the Management Board of the Company on amending the resolution of 24<sup>th</sup> of February 2022 on the issue of the Bonds entered into force. Pursuant to the amendment, the issue size of series P2021B bonds was reduced to 15,000 Bonds with an issue price equal to the nominal value of PLN 1,000 each and with a total nominal value of up to PLN 15 million, and the allocation of funds from the issue of the Bonds was determined for the current operations of the Issuer's Capital Group.

The resolution of the Management Board of the Company entered into force in connection with the approval on 18<sup>th</sup> of March 2022 by the Polish Financial Supervision Authority a supplement to the prospectus containing the above-mentioned changes. The change in the parameters of the Bonds issue was related to the current situation on the financial market, mainly determined by Russia's ongoing aggression towards Ukraine. Originally, the funds from the issue of the Bonds were to be redeemed for the early redemption of series I bonds at the request of the Issuer by the date of payment of interest for the third interest period in accordance with the terms of issue of series I bonds, and any surplus was to be allocated to the Group's current operations. Considering the risk of not obtaining full, initially assumed, proceeds from the issue, the Issuer decided to abandon the intention to redeem series I bonds earlier and now only issue Bonds with a lower value satisfying, on the one hand, the demand reported by investors, but not generating a significant increase in the Group's debt.



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

The issue of the Bonds was carried out on the basis of a prospectus approved by the Polish Financial Supervision Authority on 21<sup>st</sup> of April 2021 in the form of a public offering within the meaning of the provisions of the Act of 29<sup>th</sup> of July 2005 on public offering (...). The bonds were issued pursuant to Art. 33 point 1 of the Act on Bonds, as part of the bond issue program adopted in 2020. In accordance with the adopted Final Terms and Conditions of the Bond Issue ("TCB"), the interest rate on the Bonds is variable and amounts to 4.60% + WIBOR 3M on an annual basis. Interest on the Bonds is payable in 3-month periods. The bonds are not secured. The redemption of the Bonds will take place on 22<sup>nd</sup> of September 2025. The Bondholder has the right to demand early redemption of the Bonds in standard cases specified in the terms and conditions of the bond issue, including inter alia if the 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.

On 24<sup>th</sup> of March 2022 the Management Board of Dekpol S.A. adopted a resolution to make an initial allocation of 12,102 bearer series P2021B bonds with a par value of PLN 1,000 each and a total par value of PLN 12,102,000. P2021B 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. On 29<sup>th</sup> of March 2022, the Company was informed about the final settlement of the Bonds by the National Depository for Securities. Thus, the issue of P2021B series bonds was completed.

On 9<sup>th</sup> of March 2022, the National Depository for Securities issued a declaration on the registration in the securities depository of up to 50,000 series P2021B bonds of the Company. The Bonds were to be registered on the basis of settlement orders submitted after the resolution on admitting the Bonds to trading on the regulated market was adopted. The condition for registration of the Bonds was their admission to trading on the regulated market. Then, in connection with the resolution of the Issuer's Management Board on changing the parameters of the issue, on 25<sup>th</sup> of March 2022, KDPW issued a statement on the change in the number of bonds subject to registration to 15,000 (previously 50,000).

On 25<sup>th</sup> of March 2022, the WSE Management Board adopted a resolution on the admission to 12,102 of the Company's series P2021B bonds to trading on the main Catalyst market, as of the date of registration of the Bonds by the National Depository for Securities. On 30<sup>th</sup> of March 2022 the WSE Management Board adopted a resolution in which it decided to introduce 12,102 series P2021B bearer bonds of the Company as of 4<sup>th</sup> of April 2022 to exchange trading on the main Catalyst market. Moreover, the WSE Management Board set the date of the last listing of the Bonds on 11<sup>th</sup> of September 2025.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The above events were announced by the Company in current reports No. 9/2022 of 24<sup>th</sup> of February 2022, No. 10/2022 of 9<sup>th</sup> of March 2022, No. 12/2022 of 18<sup>th</sup> of March 2022, No. 13/2022 of 24<sup>th</sup> of March 2022, No. 14/2022 of 25<sup>th</sup> of March 2022, No. 15/2022 of 28<sup>th</sup> of March 2022, No. 16/2022 and 17/2022 of 29<sup>th</sup> of March 2022 and No. 19/2022 of 31<sup>st</sup> of March 2022.

#### **4.5 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT**

The management of the Dekpol's financial resources should be considered as correct. The financial situation is stable, as evidenced by the liquidity and profitability ratios presented in point 4.2.4 of this report. The Company's free funds are used to support the day-to-day operations of subsidiaries and to pay off current financial liabilities.

The company is able to meet its obligations and as at the date of publication of this report, it does not see any threats in the future.

## **5. ECONOMIC AND FINANCIAL RESULTS OF THE DEKPOL S.A. CAPITAL GROUP**

### **5.1 PREPARATION PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENT**

Financial statement of Dekpol S.A. for 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 (hereinafter referred to as IFRS).

Financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. The statement presents the financial position of the Capital Group as at 31<sup>st</sup> of December 2021 and 31<sup>st</sup> of December 2020, the results achieved on the operations of the Group and cash flow for the 12 months ended 31<sup>st</sup> of December 2021 and 31<sup>st</sup> of December 2020.

The Management Board's report on the activities of the Company and the Dekpol Capital Group for 2021 was prepared in accordance with the requirements of the Regulation of 29<sup>th</sup> of March 2018 of the Minister of Finance on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (uniform text: Journal of Laws of 2018, item 757).





Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## 5.2 CURRENT AND PREDICTED FINANCIAL SITUATION OF THE DEKPOL CAPITAL GROUP

### 5.2.1 ANALYSIS OF FINANCIAL SITUATION

#### CALCULATION VARIANT

Item	01.01.-31.12.2021	01.01.-31.12.2020
Revenue from sales	1 255 783	1 054 978
Costs of goods sold	1 090 125	917 617
<b>Gross profit (loss) from sales</b>	<b>165 658</b>	<b>137 361</b>
Selling costs	33 913	34 930
General administrative expenses	31 308	21 088
Other operating income	30 304	20 393
<i>Profit from a bargain purchase</i>	20 229	0
Other operating expenses	17 754	20 692
<b>Operating profit (loss)</b>	<b>112 988</b>	<b>81 044</b>
Financial revenues	2 532	1 825
Financial expenses	25 883	15 796
<b>Profit (loss) before tax</b>	<b>89 638</b>	<b>67 073</b>
Income tax	13 912	14 302
Profit (loss) from continuing operations	75 726	52 771
Profit (loss) from discontinued operations	0	0
<b>Net profit (loss)</b>	<b>75 726</b>	<b>52 771</b>
Total income attributable to non-controlling shareholders	-72	0
<b>Total income attributable to shareholders of the parent entity</b>	<b>75 798</b>	<b>52 771</b>

Despite the difficult market situation caused by the pandemic and sharp increases in prices, including building materials and services, the Dekpol Capital Group in 2021 has achieved the highest level of sales revenues and profit in its history, both at the level of gross profit on sales, as well as at the level of operating profit and at the level of the net result.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The Group's sales revenues amounted to over PLN 1,255 million, which means an increase by approximately PLN 201 million, which is 19% compared to 2020. General management and sales costs amounted to PLN 65.2 million compared to PLN 56 million in 2020. At the level of the operating result, the Group generated nearly PLN 113 million in profit compared to PLN 81 million in 2020. The main factor behind the increase in the Group's revenues was the increase in sales in the general contracting segment and in the segment of production of accessories for construction machinery. Each of the 3 key segments showed a higher operating result than in the previous year, the recognized profit on the bargain purchase of Intek is not without significance. As a result, the Group ended 2021 with a net profit of PLN 75.7 million (after adjusting for the profit from the occasional purchase of PLN 55.5 million).

### 5.2.2 ANALYSIS OF MATERIAL SITUATION

Item	31.12.2021	31.12.2020
<b>Fixed assets</b>	<b>279 532</b>	<b>252 569</b>
Property, plant and equipment	122 387	81 796
Intangible assets	5 750	216
Goodwill	0	0
Investment properties	98 022	147 155
Stocks and shares	40	26
Trade and other long-term receivables	13 080	1 737
Other long-term financial assets	8 497	5 530
Deferred income tax assets	31 757	16 108
<b>Current assets</b>	<b>1 077 617</b>	<b>700 928</b>
Inventory	263 187	228 781
Receivables due to contracts with clients	110 006	35 404
Trade receivables and other short-term receivables	511 144	279 213
Receivables due to current income tax	0	37
Other short-term financial assets	2 653	0
Cash and cash equivalents	190 627	157 493
including cash on escrow accounts	17 383	19 016



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

<b>Current assets other than fixed assets or disposal groups classified as held for sale</b>	1 077 617	700 928
Assets classified as intended for sale	0	0
<b>Assets in total</b>	<b>1 357 149</b>	<b>953 497</b>

Item	31.12.2021	31.12.2020
<b>Equity</b>	<b>387 268</b>	<b>293 479</b>
Share capital	8 363	8 363
Equity from sales of shares over its nominal value	26 309	26 309
Own shares (-)	0	0
Other reserve capital from the valuation	-2 308	-3 621
Retained earnings:	336 225	260 427
<b>Equity attributable to shareholders of the parent entity</b>	<b>368 589</b>	<b>291 478</b>
<b>Non-controlling shares</b>	<b>18 679</b>	<b>2 002</b>
<b>Liabilities</b>	<b>969 881</b>	<b>660 017</b>
<b>Long-term liabilities</b>	<b>282 261</b>	<b>128 920</b>
Deferred income tax provision	45 975	19 726
Liabilities and provisions on employee benefits	337	175
Other long-term provisions	0	0
Long-term credits, borrowings and debt instruments	200 315	86 063
Other long-term financial liabilities	0	0
Long-term lease liabilities	5 824	3 865
Liabilities from deliveries and services and other long-term liabilities	29 809	19 092
<b>Short-term liabilities</b>	<b>687 620</b>	<b>531 097</b>
Liabilities and provisions on employee benefits	100	21
Other short-term provisions	68 377	64 247
Short-term credits, borrowings and debt instruments	113 786	161 844
Other short-term financial liabilities	7 214	7 369



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Short-term lease liabilities	4 537	4 550
Liabilities due to contracts with clients	0	0
Liabilities from deliveries and services and other short-term liabilities	489 662	285 501
Liabilities due to current income tax	3 944	7 566
<b>Short-term liabilities other than those related to assets held for sale</b>	<b>687 620</b>	<b>531 097</b>
<b>Liabilities connected to assets intended for sale</b>	<b>0</b>	<b>0</b>
<b>Liabilities in total</b>	<b>1 357 149</b>	<b>953 497</b>

The value of the Group's assets at the end of 2021 amounted to less than PLN 1,360 million and was higher than in 2020 by nearly PLN 404 million, mainly as a result of an increase in current assets by PLN 376.7 million.

The asset structure still shows considerable flexibility - fixed assets account for 21% of the Group's total assets. The value of the Group's fixed assets at the end of 2021 amounted to PLN 279.53 million and was higher than the year before by PLN 26.96 million (11%) compared to the end of 2020. Their share in the balance sheet total was 21% compared to 26% at the end of 2020.

Current assets at the end of 2021 amounted to PLN 1,077.62 million, which means that they increased by PLN 376.7 million (54%) compared to the end of 2020. Inventories constitute 24% of current assets compared to 33% a year earlier, and receivables 58% compared to 45% a year earlier, and cash 18% versus 22%. The nominal value of inventories amounted to PLN 263 million as at 31<sup>st</sup> of December 2021, which means an increase by PLN 34 million, i.e. by 15% compared to the end of 2020.

Short-term receivables increased compared to 2020 by PLN 306.5 million, including trade receivables by PLN 201 million. This increase was mainly due to the increase in the scale of the Group's operations, including a significant change in sales in the last months of the year in the General Contracting Segment compared to the annual average and payment terms agreed with contractors, derived from business arrangements.

At the end of 2021 the Group recorded a significant increase in cash, their balance at the end of 2021 increased by PLN 33.13 million compared to the balance from 2020, reaching the level of PLN 190.63 million. The current liquidity ratio (calculated according to the formula: current assets / short-term liabilities) improved from 1.32 at the end of 2020 to 1.57 at the end of 2021.

Equity value at the end of 2021 amounted to PLN 387 million, which means an increase compared to the end of 2020 by PLN 94 million. The time structure of liabilities improved as a result of refinancing of debt from bonds and the maturity of



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

new issues spread over time. The level of short-term liabilities increased in correlation with the dynamics of the general contracting segment.

### 5.2.3 CASH-FLOW ANALYSIS

#### INDIRECT METHOD

Item	01.01.-31.12.2021	01.01.-31.12.2020
<b>Profit (loss) before tax</b>	<b>89 638</b>	<b>67 073</b>
<b>Adjustments:</b>	<b>-26 415</b>	<b>70 312</b>
Depreciation	11 991	10 967
Change of fair value of investment properties	408	-1 797
Revaluation write-offs recognized in the financial result	0	0
Profit (loss) on the sale of fixed assets	-1 862	-1 074
Profits (losses) from foreign exchange differences	1 667	3 240
Interest expenses	14 701	9 911
Interest income	-242	0
Dividend income	0	0
Income tax on profit before tax	13 912	14 302
Other adjustments	0	8
Change in inventories	25 968	140 900
Change in receivables	-317 385	-88 185
Change in liabilities	177 951	-46 297
Change in reserves	46 476	28 337
<b>Cash flow from activities (used in activities)</b>	<b>63 223</b>	<b>137 385</b>
Income tax paid	-7 404	-10 638
<b>Net cash from operating activities</b>	<b>55 819</b>	<b>126 747</b>
Expenses related to acquisition of intangible assets	-1 168	-145
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and	-2 969	-6 143



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

equipment		
Inflows from sales of property, plant and equipment	1 081	106
Expenses related to acquisition of investment properties	0	0
Inflows from sales of investment properties	0	0
Net expenses for the acquisition of subsidiaries	-9 712	0
Loans granted	-4 613	-2 747
Repayments received from loans granted	3 150	0
Interest received	11	53
Other inflows (outflows) from investing activities	-1 498	31
<b>Net cash from investment activities</b>	<b>-15 718</b>	<b>-8 845</b>
Net inflows from issue of shares	16 750	0
Purchase of own shares	0	0
Inflows from issue of debt securities	91 033	61 000
Redemption of debt securities	-67 451	-47 823
Inflows from loans and borrowings taken out	48 015	108 350
Repayment of loans and borrowings	-75 116	-160 588
Repayment of liabilities under finance lease	-5 001	-8 053
Interest paid	-15 197	-20 680
Dividends paid	0	0
Inflows from received grants	0	0
Other inflows (expenses) from investment activities	0	-8 879
<b>Net cash from financial activities</b>	<b>-6 967</b>	<b>-76 673</b>
Change in net cash and cash equivalents without exchange differences	33 134	41 229
Change in cash and cash equivalents due to exchange differences	0	0
Net change in cash and cash equivalents	33 134	41 229
<b>Cash and cash equivalents at the beginning of the period</b>	<b>157 493</b>	<b>116 264</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>190 627</b>	<b>157 493</b>



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

---

Including cash of limited disposal right	17 383	19 016
--	--------	--------

---

Cash flows from operating activities in 2021 amounted to PLN 55.82 million, compared to PLN 126.75 million in 2020. The generated cash flows are the result of the profit achieved in 2021 and the negative change in working capital.

Net flows from investing activities in 2021 amounted to - PLN 15.72 million compared to PLN -8.85 million in 2020 and were mainly related to the expenses for the acquisition of shares in Intek and the acquisition of fixed assets and the ERP system.

Net cash flows from financing activities amounted to PLN -6.97 million in 2021, compared to PLN -76.7 million.

The generated flows resulted in an increase in the cash balance at the end of 2021 compared to 2020 by PLN 33 million.

#### 5.2.4 SIGNIFICANT OFF-BALANCE SHEET ITEMS

---

Type of guarantee - Balance as of 31.12.2021	Granted (in thousands of PLN)	Received (in thousands of PLN)
Contractual - insurance guarantee	105 053	3 208
Contractual - bank guarantee	28 811	5 447
Guarantee PLG-FGP BGK	-	86 200
<b>Total:</b>	<b>133 864</b>	<b>94 855</b>

---

---

Other	Limit (in PLN thousand)	Balance as of 31.12.2021 (in thousands of PLN)
Full factoring BFF Polska SA	14 000	0
<b>Total:</b>	<b>14 000</b>	<b>0</b>

---

#### 5.2.5 KEY FINANCIAL AND NON-FINANCIAL INDICATORS

---

Indicator	Recommended	2021	2020	Change
Profitability of sales Profit on sales*/sales revenues	max	8,00%	7,71%	+0,29p.p.
Gross profitability of sales Gross profit/ sales revenues	max	7,14%	6,36%	+0,78p.p.
Net profitability of sales Net profit / sales revenues	max	6,03%	5,00%	+1,03p.p.
Profitability of net assets	max	5,58%	5,53%	+0,05p.p.

---



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

Net profit/assets				
Net return on equity	max	19,55%	17,98%	+1,57p.p.
Net profit / equity				
Current liquidity	1,4-2,0	1,57	1,32	+0,25
Current assets / short-term liabilities				
Fast liquidity	0,8-1,0	1,18	0,89	+0,29
Current assets - inventories / short-term liabilities				
Debt to EBITDA	Max 4,5	1,13	1,15	-0,03
Net debt ** / Ebitda ***				
Debt to equity	Max 1,1	0,36	0,36	0,00
Net debt ** / equity				

\* profit on sales = gross profit on sales - selling costs - general management costs

\*\* net debt = interest-bearing financial liabilities (credits, loans, debt securities, financial leasing) - cash and cash equivalents

\*\*\*EBITDA = operating result increased by depreciation (in the last twelve months)

In this section, the financial position of the Group has been presented using the so-called alternative performance measurements as defined in the ESMA Guidelines ("Alternative Performance Measurements (APM)" - 05/10/2015 ESMA / 2015 / 1415en). The ratios presented in the table above were calculated by the Company on the basis of data from the consolidated financial statement. However, APMs are not financial data prepared in accordance with the International Accounting Standards, are not audited and may not be comparable to indicators presented by other companies, and therefore are only illustrative and provide only additional information about the financial position of the Group. The Group presents APM measures in the scope presented in the table above, because they are standard indicators used in financial analysis, and therefore they constitute useful information for potential buyers of securities issued by the Company, which information, together with data from the financial statements, will allow for a comprehensive assessment of the situation financial group. In 2021, the Company did not change the methodology for determining the ratios, therefore the ratios are comparable to 2020.

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

The financial ratios are at safe levels, confirming that the dynamic development of the Group is conducted while maintaining good profitability, liquidity and solvency, however, in the face of economic and political risks, one should take into account the probability of their fluctuations in future periods.





**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

Historically, the Dekpol Group was characterized by an increased level of indebtedness, which was related to the rapid development of the Group carried out in virtually every segment of its activity. It was connected with high investment expenditures and increased demand for working capital. In the previous two years, the positive effects of these investments can be observed, visible in the high positive cash flows from operating activities (PLN 82.8 million in 2019, PLN 135.7 million in 2020) and falling debt.

In 2021, along with the further dynamic development of the Group's operations, it was necessary to increase the level of external financing compared to the very low debt base at the end of 2020. Debt ratios at the end of 2021 however, they still remained at safe levels:

- Net debt / equity ratio decreased from 1.17 as at 31.12.2018 to 0.75 as at 31.12.2019 and to 0.36 as at 31.12.2020 and on 31.12.2021.
- Net Debt / EBITDA LTM ratio decreased from 3.73 as at 31.12.2018 to 2.24 as at 31.12.2019, 1.15 as at 31.12.2020 and to 1.13 as at 31.12.2021. (1.35 without the gain on the bargain purchase of Intek).

As a result of systematic development, the Group achieves better and better operating results: in 2018 EBITDA amounted to PLN 60.2 million, in 2019 PLN 81.2 million, in 2020 PLN 92 million, and in 2021 124, PLN 98 million (PLN 104.75 million without the effect of a bargain purchase of Intek). The above had an impact on the decrease in the value of the net debt / EBITDA ratio from the end of 2018.

#### 5.2.6 FINANCIAL RESULTS FORECAST

Dekpol S.A. did not publish financial results forecast of the Dekpol Capital Group for the year 2021.

### 5.3 SECURITIES ISSUES

Information on the issue of securities carried out by Dekpol S.A. can be found in point 4.4 of this report.

#### **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 the WIBOR 6M rate and a margin.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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 case of, inter alia, the Group's capital group 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. including land purchase financing.

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

On 30<sup>th</sup> of April 2021, Dekpol Budownictwo Sp. z o.o. issued 15,000 series A bearer bonds and 20,000 series B bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 15 million and PLN 20 million, respectively (Bonds). The Bonds were issued in accordance with the procedure specified in Art. 33 point 2 of the Act on Bonds and were addressed to SGB-Bank S.A. The purpose of the issue of the Bonds was to finance the current activity carried out by Dekpol Budownictwo, including the repayment of debt from the issue of series DB DEKPOL S.A. bonds, as a debt related to the contribution of an organized part of the enterprise.

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. Series A bonds will be redeemed on 30<sup>th</sup> of April 2025, and series B bonds will be redeemed on 30<sup>th</sup> of October 2025. The bondholder may request early redemption of the Bonds held by him in the event of the occurrence and duration of the breach specified in the Bond Issue Terms and Conditions, incl. inter alia if Dekpol Budownictwo exceeds certain debt ratios. Dekpol Budownictwo is entitled to early redemption of all or part of the Bonds. The security of the Bonds is, inter alia, a contractual mortgage up to the amount of PLN 52.5 million in favor of the mortgage administrator on the right of perpetual usufruct of land and a building constituting a separate real estate, vested in Almond sp. z o. o., located in Gdańsk at Toruńska street and the assignment of claims under the insurance policy relating to the above-mentioned real estate up to the sum insured, not lower than the market value of the real estate.

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

#### **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 (Bonds). The bonds were issued pursuant to Art. 33 point 2 of the Act on Bonds. The Bonds were issued at an issue price of PLN 975 each, with a fixed interest rate and maturity date on 24<sup>th</sup> of June 2025. Interest on the Bonds is payable in six-month periods. The Company is required to redeem on 30<sup>th</sup> of June 2024, the Bonds with the principal amount of PLN 5.65 million. Moreover, Dekpol



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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 by 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. to finance contributions to own development investments and refinancing of land acquisitions within the scope of Neo Jasień and Osiedle Pastelowe investments, respectively.

#### **Amendments to 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 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.

#### **5.4 EVALUATION OF FINANCIAL RESOURCES MANAGEMENT**

The management of the financial resources of the Dekpol Capital Group should be considered as correct. The financial situation is stable as evidenced by the liquidity and profitability ratios presented in point 5.2.5 of this report. The free funds of the Companies are used, inter alia, to pay off liabilities and to develop the Group.

The companies of the Group are able to meet their obligations and the Management Board of Dekpol S.A. he does not see any threats to this in the future.



## 6. DEVELOPMENT PERSPECTIVES OF THE COMPANY AND THE DEKPOL CAPITAL GROUP

### 6.1 STRATEGY AND DIRECTIONS OF DEVELOPMENT

#### **Key assumptions of the strategy at the level of the Group and key segments.**

##### **Dekpol Capital Group**

One of the priorities for 2022, both for Dekpol S.A. and for companies belonging to the Dekpol Capital Group, is to take practical measures taking into account the **ESG (Environmental, Social, Governance)** aspect in the Group's operations to a greater extent than before.

The Group sees this as an opportunity to improve the efficiency of individual units, reduce the consumption of natural resources / exert a negative impact on the environment and increase employee involvement.

The DEKPOL Capital Group has decided to create an ESG STRATEGY by the end of 2022. For this purpose, a project team was appointed in the first quarter of 2022 and a professional external consultant was selected.

In April 2022, this team was joined by employees from various functional areas of each of the key companies in the Group. The task of the working team is to jointly develop and recommend for implementation, consistent from the Group's perspective and taking into account the specificity of each of the scopes of activity, the most rational and measurable solutions in the ESG areas for the activities carried out by the Capital Group.

So far, the efforts undertaken by the Group in this area have been visible in the daily, ongoing operations, in particular in the field of monitoring and continuous control of the implemented processes in terms of quality, environment and occupational health and safety as part of the Integrated Management System. In addition, particular care was taken for social and employee matters, including through the adopted Code of Business Conduct, which defines the conduct in a number of situations, such as a conflict of interest, fair competition or non-discrimination..

The creation of an ESG STRATEGY is aimed at codifying, standardizing within the Group and planning further activities and initiatives in this important area.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

## **General Contracting segment**

Dekpol Budownictwo's short-term strategy assumes organic development of the enterprise, with the assumption that it will also be reflected in the increase in financial results in the general contracting segment. The priority will be to support the above-mentioned development of the core business by (1) acquiring new sales markets, (2) selecting an appropriate order portfolio and (3) maintaining a high level of cost discipline and (4) ongoing control. In 2022, it is planned to complete the reorganization of the Company's operations in terms of creating local commercial and executive structures. Its goal is to maintain the high dynamics of obtaining orders from a diversified group of customers.

The general contracting segment will invariably - as part of its short- and medium-term commercial strategy - will focus its acquisition activities on short-term industrial and logistic construction projects as well as public utility buildings. In the opinion of the Management Board of the Company, these projects will constitute approximately 70-80% of the expected turnover for 2022. The portfolio of Dekpol Budownictwo orders obtained in the third and fourth quarter of 2021 for the first half of 2022 is filled to a record high level. Looking from the perspective of business plans for 2022, the Company assumes high activity in acquiring new projects for implementation, wanting to develop new market areas - whether in terms of territory or by acquiring projects for implementation that go beyond core-business. The concentration of activities will take place in the implementation of more advanced engineering facilities. Moreover, the Company will execute orders from its sister company Dekpol Deweloper.

Although the COVID-19 epidemic and the related consequences as well as the Russian-Ukrainian war had a negative impact on many sectors of the economy, in the case of the number of valued projects related to the construction of industrial and logistics facilities, this impact is limited (as at the date of publication of this report).

As in previous years, in 2022 a lot of attention of the Company's management board will be devoted to the company's internal processes in order to adjust them as closely as possible to the economic environment. Efficient control of own processes as well as striving to ensure internal organizational excellence will be the Company's priority. An example is the implementation of modern IT solutions. The year 2021 was the period of introducing and testing the new ERP system, and 2022 is an adaptation of the system in the company.

## **Property Development segment**

The strategy of Dekpol Deweloper assumes the continuation of development activities both in the popular construction segment, as well as in the premium segment, and in the investment segment, i.e. construction of apartments for rent or hotels. The company intends to focus on the implementation of high-margin projects



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

and systematic improvement of the achieved financial results. The company plans to acquire attractive land for the construction of residential premises throughout the country. The presence on other markets will enable the Company to continue its dynamic development and increase its recognition. Both adjusting the offer to the financial capabilities and expectations of customers, as well as intensified marketing activities will allow us to maintain a satisfactory level of sales. The land bank owned by the Company enables new investments to be launched for sale until 2025. In 2022, the intention of the Company is to start construction of 7 new projects. The company also plans to continue cooperation with financial institutions on the PRS market, thus ensuring access to capital enabling the implementation of development plans in an optimal way. Most of the investments will be implemented in the Pomeranian Voivodeship, where Dekpol Developer maintains a leading position on the market. On the land bank it has, the Company may offer approx. 5 thousand. premises with about 220 thousand m<sup>2</sup> of usable floor space.

On 13<sup>th</sup> of April 2022 (an event after the balance sheet date), the Group provided information on its activities in the property development segment in Q1 2022:

- number of premises sold: 70 premises versus 79 premises sold in the first quarter of 2021 (based on the concluded reservation, development and preliminary agreements),
- number of premises that will be recognized in the Group's financial result: 73 premises compared to 148 premises recognized in Q1 2021.

As at 31<sup>st</sup> of March 2022, the total number of units offered by the Group for sale was 715 units.

In the first quarter of 2022, the Group sold the following investments:

- Grano Marina Hotel – building with a total of 130 commercial units, located in Wiślinka near Sobieszewo Island, part of the "Sol Marina stage I investment",
- Sol Marina stage II – a complex of 15 apartment buildings with a total of 127 commercial premises, located in Wiślinka near Sobieszewo Island,
- Lazur Park – a residential building with a total of 36 apartments, located on the Sobieszewo Island,
- Villa Neptun – apartment building with a total of 40 commercial premises, located on the Sobieszewo Island,
- Baltic Line – apartment building with a total of 60 commercial premises, located on the Sobieszewo Island,
- Baltic Porto - apartment building with a total of 72 service premises, located on the Sobieszewo Island,



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- Osiedle Pastelowe stage II - 3 residential buildings with a total of 225 residential premises, located in Gdańsk,
- Neo Jasień stage I – 2 residential buildings with a total of 104 residential premises, located in Gdańsk,
- Trimare stage I – 9 residential buildings with a total of 189 residential premises, located in Sztutowo,
- Osiedle Kociewskie stage I – 3 residential buildings with a total of 121 residential premises, located in Rokitki near Tczew,
- Osiedle Kociewskie stage II – 3 residential buildings with a total of 129 residential premises, located in Rokitki near Tczew.

This information was published by the Company in the current report no. 22/2022 of 13<sup>th</sup> of April 2022.

### **The segment of production of accessories for construction machines**

Building the Dekpol Steel brand is the overriding goal of the company's management board. In order to fulfill the increasing number of orders, further expansion and automation of production processes as well as the purchase of specialized machining machines are planned. Actions are being taken to further improve the efficiency and standardization of products, using an appropriate management system allowing for the optimization and increase of work efficiency.

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

Dekpol Steel, apart from systematic standardization and constant improvement of work organization, is successively working on creating a comprehensively automated production park. Thanks to this procedure, the company will produce up to several thousand compact buckets manufactured on a robotic production line.

Another goal is to build your own sales network, both at home and abroad. In order to fulfill orders that meet the conditions of the current market, Dekpol Steel will hire new specialists and provide them with appropriate conditions for the development of competences. A specialized staff of traders will become the main factor determining the real increase in revenues.

The company is in further talks regarding the acquisition of one of the leading manufacturers of accessories for construction machinery on the German market, which over the years has built a brand of a reliable business partner. The acquisition of the above entity would allow Dekpol Steel to significantly expand sales on the German market. This market is one of the largest in Europe with annual sales of new machines at the level of 30,000 units.



## 6.2 IMPLEMENTATION OF THE STRATEGY OF THE COMPANY AND THE DEKPOL CAPITAL GROUP IN 2021

In the financial year 2021, as part of the implementation of the adopted development strategy, the following actions were taken:

### General Contracting Segment

#### HUMAN CAPITAL

The company attaches great importance to the construction and development of the organization's Human Capital as a key aspect shaping the achieved financial and non-financial results. In 2021, development activities were continued with regard to all team members, including the initiative of the Dekpol Budownictwo Academy as a platform for the exchange of knowledge between experienced experts and people aspiring to this name. In the financial year, the Company dynamically developed the activity of the so-called "Soft" HR, as a result of which the processes shaping competence values, team motivation and employee evaluation began. The company, as the overriding element of meeting the organizational vision of the "General Contractor of the First Choice", adopts the implementation of the Company's personnel strategy, the aim of which is to create and retain a competent team full of diverse experiences, capable of proactive and committed actions (an approach based on good relations with business stakeholders, responsibility, professionalism, reliability and mutual trust). The company hired dozens of experienced engineers with extensive professional experience, significantly increasing the technical and implementation potential.

#### AVAILABLE AND ATTRACTIVE OFFER

In the company's development plan, priority is given to the ability to offer an always available and attractive offer to its customers. With the achieved scale of revenues, potential and recognition, the Management Board bases its commercial strategy on:

- local presence on the markets that are the subject of commercial involvement of the enterprise - consisting, inter alia, on the construction of local management, technical and commercial teams (including the office of local calculation of offers and sales of services);
- broadening the spectrum of interest to include new markets and construction segments for the company;
- always attractive level of submitted offers, focusing on the repeatability of business relations;





**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

- increasing the overall quality of the Company's offer, in particular the Design and Build projects.

## **EXPERTISE**

In recent years, the company has achieved a leading position among general contractors implementing cubature construction projects, which was confirmed by the PwC ranking for the 15 largest construction companies. Dekpol Budownictwo is an expert in the construction of cubature buildings, from factories, logistics centers, shopping centers and retail parks, car showrooms, through hotels and residual economic and premium projects, to non-standard projects. The company's strength remains the ability to adapt the offer to the current market situation. In the construction process, the company aims to retain engineering competences within the enterprise, without dispersing them among other participants in the process. This allows you to reach recipients of services using the entire spectrum of experience acquired during nearly 30 years of operation and the comprehensiveness of its services. The company, together with its sister company Betpref (manufacturer of prefabricated elements and steel structures), implemented in 2021 many internal projects designed to reduce the costs of project implementation (including in the field of construction joints), while maintaining the quality of their production. For this purpose, in 2021, a R&D department was established, which will implement new construction solutions entrusted to the Company. Construction and industry designers find work in the new department.

## **Production Segment of accessories for construction machines**

Dekpol Steel in 2021 implemented most of the plans based on the implementation of budget assumptions and constant development. This year was record-breaking in terms of revenues and net profit. New challenges brought by the market (increase in material prices) forced the development and implementation of procedures facilitating action in such situations in the future. The strategic investment was the purchase in the fourth quarter of 2021 of the Intek company in Lubawa.

Thanks to both factories, Dekpol Steel plans to significantly increase the level of revenues in 2022.

The activities of the company allowed to strengthen the position on the Polish and European market. Increased production capacity will allow for shorter lead times in the future, which is crucial for all customers. Optimization of production and the development of robotization and automation will be the next step to increase the company's production capacity.

## **Property Development segment**



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

The Group's property development segment operates within the framework of the newly established company Dekpol Developer Sp. z o.o. Thanks to this, the development activity is separated from other areas of the Group's operation, which in turn reduces business and legal risks, while increasing the organizational and financial independence of Dekpol Developer within the Dekpol Capital Group.

The owned and constantly expanded land bank covering land, among others, in the Pomeranian Voivodeship as well as in Wrocław and Warsaw allows for increasing the number of property development investments offered by the Company in subsequent periods.

Taking into account the schedule of handover of premises in 2021, the construction permits for further investments, and - with regard to the sale of premises recognized in the financial result - already signed reservation, development and preliminary agreements, in January 2021 the sales targets for 2021 were adopted (current report 2/2021 of 15<sup>th</sup> of January 2021), according to which the Group's intention in the development segment was to achieve sales based on reservation, development and preliminary agreements at the level of 350 units and sale of units recognized in the Group's financial result at the level of 300 units. The amount of income to be recognized in the financial result was set at PLN 210 million, which was to include the sale of 300 units and income from the implementation of the investment in Wrocław.

On 23<sup>rd</sup> of November 2021, the sales targets for 2021 were updated (current report 51/2021 of 23<sup>rd</sup> of November 2021), increasing them to 480 premises. All the goals assumed by the Group have been achieved. The share in sales of higher standard projects and premium premises amounted to 52%. The average value of the premises increased on a year-to-year basis by more than 20%. Ultimately, the Group in the development segment sold 490 units in 2021 compared to 148 units sold in 2020 (based on the concluded reservation, development and preliminary agreements). The number of premises recognized in the Group's financial result amounted to 406 premises compared to 622 premises recognized in 2020. As at 31<sup>st</sup> of December 2021, the Group offered for sale a total of 657 units. The value of the premises sold in 2021 on the basis of the concluded reservation, development and preliminary agreements amounted to PLN 261 million, while the value of sales that was recognized in the Group's financial result in 2021 is PLN 253.86 million.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### 6.3 DEVELOPMENT PERSPECTIVES FOR THE UPCOMING FINANCIAL YEAR

The Capital Group's strategy assumes a stable development of all three business segments and a focus on the implementation of high-margin projects. This will lead to systematic improvement of the financial results achieved. More information on the strategy of the Company and the Capital Group is described in section 6.1 of this report.

#### **General Contracting Segment**

Dekpol Budownictwo focuses on a multidirectional development strategy. In the foreseeable future, the core business will remain industrial, logistic and residential construction, as well as the continuation of the order diversification policy. The company builds mainly for the logistics and warehouse industry, industry and Dekpol Developer, but about 20% of revenues next year are to come from the construction of other cubature facilities. The Management Board is aware that nowadays it is quite easy to succumb to the temptation to specialize in a selected, narrow field of construction. Such a solution has its advantages resulting from the repeatability of the processes and solutions used in the Company, but it will not be the target path. At Dekpol Budownictwo, the goal is to preserve the values of an engineering and construction company in the strict sense, with a wide range of possibilities and experience in various projects. A company that does not disperse its engineering competences by handing them over to other participants in the process. The Management Board believes that the team's deep commitment to the team's competences will also help to achieve the next stages of development. In pursuing its economic goals, the Company puts the value of partnership at the forefront in all aspects of customer relations. The evidence of trust and appreciation of the cooperation partnership offered is the high share of customers who return with projects, amounting to over 75% over the last 4 years.

In 2022, the Company wants to strengthen its competitive advantage in the area of engineering, technical and operational competences. A R&D department, completely independent of the implementation activities, is established, which will be responsible for creating new solutions. In the company, the focus will be on closing processes that have been implemented for nearly two years, i.e. the new ERP system. The scope of using this system on construction sites will be pioneering in the industry.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

## **Property Development Segment**

In accordance with the sales targets for 2022 adopted in February this year, the Group's intention in the development segment is to achieve revenues of PLN 250 million in 2022, which will include, in particular, the sale of approx. 540 units recognized in the financial result and revenues from implementation investment with an institutional entity implemented in Wrocław at Braniborska street, which is discussed in more detail in point 3.4. of this report. On the other hand, the target for 2022 with regard to the sale of premises under reservation, development and preliminary agreements is 460 premises.

The sales targets for 2022 were provided by the Company in the current report No. 7/2022 of 9<sup>th</sup> of February 2022, with the proviso that none of the above statements relating to the future may be understood or interpreted as granting any guarantee or assurance by the Company or entities belonging to the Capital Group that such events will occur and that the sales targets set out above will be achieved.

In 2022, the company will want to further increase its share in the total sales of high-standard and premium projects. In addition, by constantly expanding the land bank with new plots in locations such as Puck, Starogard Gdański, Mierzeja Wiślana, Warsaw and Wrocław, the Company will want to acquire new markets and new customers for the products offered by the Company.

In the opinion of the company, further interest rate increases expected in 2022 may have an impact on reducing the demand for residential premises. However, thanks to the diversified offer of the company, and above all increasing the share of the premium and premium segment in total sales, the company should not experience too much negative effects of the reduction in demand, which is expected primarily in the popular segment.

## **Production Segment of accessories for construction machines**

In 2022, in the segment of production of accessories for construction machinery, an increase in turnover is planned, mainly due to increasing production capacities both in Pinczyn and in the recently purchased INTEK company. The goal for the plant in Lubawa is to achieve a production of 50% of the processing capacity of the plant in Pinczyn in 2022.

The segment aims to increase the sales volume on foreign markets, including the African market, as well as maintain the status of a leader on the domestic market.

In addition to increasing production, parallel activities are carried out to optimize production and design solutions, thanks to which the order fulfillment period will be shortened.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The year 2022 is also the time of development of ROTODEK motor devices and supplementation of POWERDEK device availability with an engine class above 5.5 tons.

In the coming years, the emphasis will also be on the robotization of assembly and welding processes, both in Pinczyn and in Lubawa.

Currently, Dekpol Steel produces buckets with a total weight of up to 25 tons, but plans for the next few years include increasing the weight of the manufactured equipment even up to 60 tons.

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

Future results of the Issuer and the Group will depend on the success in implementing the development strategy and the investment plan specified in the strategy of the Dekpol Capital Group.

**Internal factors affecting the results of the Company and the Group in subsequent periods will be:**

- acquiring new construction contracts and their timely implementation,
- developing the potential of the newly acquired production plant,
- 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 2021 and after its end that have or may have an impact on the results of the Company and the Group in subsequent periods should also include the events listed in point 3.4 of this report.

In addition, external and macroeconomic factors such as the overall condition of the Polish economy, inflation, GDP growth, tax policy, interest rates, investment level, demand on the domestic market, exchange rates, government programs supporting the development of housing, the level of prices of construction materials and



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

services, the availability of qualified employees, and the level of wages will also have an impact on the results achieved. GDP growth, wealth of the society and the development of enterprises have an impact on the increase in demand for construction services both in the field of housing and industrial construction. All this has a positive impact on the financial results of the Issuer and its Capital Group.

### **The armed conflict in Ukraine and its potential impact on the political and economic situation**

On 24<sup>th</sup> of February 2022, Russian troops invaded Ukraine. In the opinion of the Company, the main areas which may be indirectly affected by the current situation are mainly the following: 1) availability of workforce, 2) raw materials, their prices and availability, 3) fluctuations in the currency market, 4) the situation on the banking and financial market.

In the area of workforce, the risk of the return of Ukrainian employees currently working in Poland to their home country is identified, which could affect the Issuer's Group through the risk of human resources occurring mainly in the Company's subcontractors. In the opinion of the Company, the challenge in terms of the staff will be identified in the majority of construction and production companies on the Polish market.

As a result of the conflict in Ukraine, many countries around the world, including European countries, the USA, Canada, Australia and Japan, imposed financial and trade sanctions on Russia and partially on Belarus. Retaliatory sanctions are also being gradually imposed by the Russian Federation. As a result, trade with Russia, Belarus and Ukraine, which is at war, may collapse. According to Eurostat data, in 2021 the share of Russia, Ukraine and Belarus in Polish imports amounted to 5.7%, 1.5% and 0.5%, respectively. The main products imported from these countries are: wood, chemical products (Belarus), semi-finished iron and steel products (Ukraine), energy raw materials, steel, industrial metals (Russia). The breakdown in economic relations may result in short-term shortages of these products and / or a sharp rise in the prices of these goods. A large part of these products is used both in the Group's production activities and in the construction industry, including housing, which may have an impact on the increase of the Issuer's investment execution costs.

Moreover, the war may weaken the zloty, raise inflation and increase pressure on interest rate hikes. The situation on the banking and financial markets may have an impact on the Company's obtaining financing in future periods, and in the Company's opinion, the situation and sentiment in the financial markets will largely depend on the further development of the situation in Ukraine.

The factors described above may have an impact on the Group's development prospects, results and financial standing. The risks related to the situation in Ukraine are presented in Chapter 7 of this report. At the moment, however, it is not possible to predict the scale of this impact on the Group, which depends largely on the



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

duration of the conflict and further developments in Ukraine and Central and Eastern Europe.

### **Risks and factors related to a virus pandemic (COVID-19)**

The COVID-19 virus and its subsequent variants continue to be a factor influencing the global and Polish economy, despite the ongoing vaccinations. The Dekpol Group identifies potential risks that may affect individual areas of the Group's operations resulting directly or indirectly from the current situation. These risks are indicated in chapter 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 the Group's operations. Recently, a significant change in the approach of international entities to issues related to the diversification of their activities has been observed. It is an activity aimed at securing supply chains that have been broken or paralyzed during the lock-down. The Group still sees an opportunity in this regard, through the possible prospect of these entities transferring production or new investments to Poland. The impact of COVID-19 may also be reflected in the approach to the area of e-commerce, which is now even more important.

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

## **6.5 EVALUATION OF THE POSSIBILITY OF IMPLEMENTATION OF INVESTMENT PLANTS**

In 2022, the issuer and companies from the Dekpol Capital Group plan to implement investments based on their own funds, funds from bank loans and leasing. The Issuer does not see any significant threats when it comes to obtaining financing for the implementation of the investments intended by the companies from the Dekpol Capital Group, and thus does not see any significant problems with the Group's implementation of the intended goals.



## 7. WEAKNESSES AND THREATS FACTORS

Z 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,
- rising prices of building materials, utilities and labor costs in relation to the assumptions,
- shortages in the field of building materials and human teams necessary to implement the acquired projects.

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. Offers prepared by the Group are updated when the client extends decision time regarding choice





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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.

#### ***Risk related to weather conditions***

Conducting activity on the wider construction market, the Capital Group is particularly dependent on atmospheric factors. They have an impact not only on the implementation of construction projects, but also on the seasonality of revenues from sales. Revenues from this activity are traditionally the largest in the summer periods, while they usually decrease in winter periods, in particular in the first quarter of a given year. Weather anomalies may have an adverse effect on the timing of projects, the extension of which may result in increased project costs and customer claims due to non-compliance with contractual conditions. The Capital Group, while creating a project implementation schedule, assumes typical atmospheric conditions for the given seasons. The Capital Group is trying to plan implementation schedules so that during winter periods, it will ensure finishing works inside buildings and perform tasks that can be performed at sub-zero temperatures. In spite of undertaking actions aimed at flattening the revenue structure, it should be taken into consideration the diversity of financial results in individual quarters of the year.

#### ***The risk of changes in prices and availability of materials, raw materials and goods***

In case of the activity conducted by the Capital Group, due to the length of the entire production process, the risk of material price increases is significant, which translates directly into the disruption of the investment budget and its profitability. The same applies to the availability of the necessary materials and raw materials. Their limitation would entail disruption of the entire production process and delay in the completion of projects. In addition, the risk of rising fuel prices, which is an important price-creating factor, must also be taken into account. However, if the overall level of investment increases, there is a risk of lengthening the waiting time for the necessary materials. The occurrence of such a situation may have a negative impact on the Capital Group's financial result and its development prospects. Therefore, actions are taken to minimize this type of risk by concluding long-term



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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 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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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 Voivodeship (Warszawa, Wrocław), on which it intends to implement hotel / residential projects. The Issuer's Group also focuses on strengthening its market position and increasing its competitive advantage by providing high-quality and timely services as well as offering comprehensive solutions for private investors, including investors representing international concerns developing their operations in Poland.

***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 is due to the fact that Dekpol has been a leading contractor of this type of contract in Poland for many years, moreover, it is now possible to observe a dynamic development of the warehouse market in Poland and it fits well with the strategy of 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 measures to counteract this eventuality by diversifying the sources of acquiring construction projects, primarily by expanding the 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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

projects such as car showrooms, passenger service areas or commercial facilities. In this way, the engineering competences of the general contractor's team in the above-mentioned scope are maintained (and in some cases expanded), so that in the situation of reduced demand for industrial and logistics halls, it is possible to make a shift towards a different type of contract than those currently being implemented.

### ***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 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.

### ***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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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 property development projects***

The development project cycle is a long-term cycle (over 24 months), characterized by the necessity to incur significant financial outlays and the total return on investment only after a minimum of 2 years. In line with the adopted strategy, Dekpol Developer buys land for multi-stage projects (eg Neo Jasień (former Osiedle Zielone), Osiedle Pastelowe, Osiedle Kociewskie (former Nowe Rokitki), Sol Marina, Grano Resort in Sobieszewo). The next stages of projects are launched at intervals of 6 to 12 months. Companies from the Issuer's Group usually have to pay for the land in full, and the complete development of this land may take place even up to several years after its purchase date. A long delay in the sale may, in particular in the event of an unfavorable macroeconomic situation, result in the non-recovery of some or all of the invested funds. Therefore, the moment of obtaining revenues may be significantly distant in relation to the expenditure incurred for the implementation of a given project.

Factors listed below may, in particular, have a major impact on the costs related to the implementation of the development project and, consequently, on the financial results of the Group:

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

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)**

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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.

### ***Risk associated with acquisition of new contracts***

The nature of the business activity conducted by the Dekpol Group means that a significant number of contracts is obtained through a tender. The Group's Management Board prepares offers, defines and optionally negotiates the terms of bids, and prepares the Company for the implementation of these contracts, however, it does not affect the criteria for the assessment of bids, which are the basis for their selection. One of the key factors contributing to the success of the Dekpol Group is the consistent implementation of the development strategy focused on acquiring contracts with the highest profitability. The Capital Group has developed an effective contract valuation system, which, combined with strict cost control, means that the Dekpol Group is currently executing contracts at assumed profitability and achieving good financial results. The Group pays attention to the restructuring and minimization of all cost elements, both at individual stages of the contract execution as well as the general management costs of the Company. It cannot be ruled out that changing market conditions will negatively affect the Issuer's ability to acquire new contracts and achieve a satisfactory level of margin. In order to minimize this risk, the Group aims to continuously improve the project management system including the process of bidding and budgeting contracts. In addition, high activity in tender procedures contributes to the continuous improvement of efficiency in obtaining new contracts.

### ***Risk related to competition***

Construction market in Poland is served by a large number of business entities, both domestic and foreign, including significant European groups / construction companies. In terms of competition, the Dekpol Group on the one hand deals with small companies that provide their services on local markets, and on the other with strong capital groups that carry out large and complex construction projects. The Group implements industrial construction facilities in the general contracting system. The Dekpol Group focuses on strengthening its market position and increasing its competitive advantage by providing high quality services and timeliness, as well as offering comprehensive solutions for both private investors and investors representing international concerns developing their operations in Poland. In order to minimize the 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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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.

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

### ***Risk related to the armed conflict in Ukraine and the current political and economic situation***

From the Group's perspective, described in section 6.4 below, by segment.

#### **General Contracting Segment**

The armed conflict in Ukraine is a potential risk for the construction industry in 2022. First of all, one should take into account (1) an outflow of workers from Ukraine who return to fight in the defense war, and (2) an increase in prices and (3) a deterioration in the availability of materials due to an increase in the prices of raw materials. The situation of Russia's economic blockade and the war in Ukraine itself may also have an impact on the construction industry in Poland, however, as at the date of the report, it is not possible to assess the possible effects of, for example, embargoes or unrest on the financial markets. The outflow of employees is a phenomenon that occurs on a varied scale at the Company's subcontractors. Adding to the above the expected increases in the prices of raw materials, building





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

materials, fuels and utilities, it makes it necessary to exercise great caution in the offers submitted to customers - the deadlines binding the Company with offers to 7-14 days, and sometimes even 2 days are shortened, the offers also include expectations regarding advances, in order to secure the prices of materials at an early stage of project implementation, special bidding procedures are also introduced, etc. The company will also look for new sources of obtaining metallurgical and insulation materials: in Turkey, the Far East, in countries in southern Europe.

### **Property Development Segment**

The entire development industry is closely following the events in the geopolitical arena. The consequences of the conflict in Ukraine are currently difficult to predict. The impact of military action on industries will depend on the further development of events. On the one hand, one can expect an increase in demand due to the rapidly falling number of apartments for rent available on the market, on the other hand, one should take into account possible delays in the implementation of projects caused by the outflow of employees from Ukraine employed in the construction segment and a reduction in the supply of building materials. The segment of investment premises should not be endangered, as the monetary situation of the Polish economy continues to encourage investment in real estate to a degree that exceeds the potential slowdown caused by investors' concerns about further escalation of the conflict.

### **Production Segment of accessories for construction machines**

The direct and indirect impact of the war in Ukraine on the activities of Dekpol Steel is at the present stage difficult to precisely estimate and requires an approach to the analysis of the situation from the demand and cost perspective in the short and medium term. The observed turbulences caused by broken supply chains and an increase in the prices of raw materials, primarily steel, as well as components used in production (actuators, tooth systems) and the increase in transport costs will affect all entities operating in the industry. With the continued high demand for the offered products, the key opinion will be the appropriate adjustment of the prices of the offered products to the increasing level of costs in order to protect the realized margin. In the long term, however, it cannot be ruled out that the above factors, as well as the limited availability of staff on the part of customers, will affect the limitation or suspension of long-term investments will result in a reduction in the purchase of new machines and, consequently, their accessories. Dekpol Steel analyzes all the above aspects on an ongoing basis in order to properly adjust the conducted activity to market factors.

### ***Risk related to virus pandemic (COVID-19)***

The risk affecting the global and Polish economy is the still prevailing COVID-19 virus pandemic and its subsequent variants, despite the vaccination carried out. The



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

Dekpol Group identifies potential risks that may affect individual areas of the Group's operations resulting directly or indirectly from the current situation.

In relation to the industry of production of accessories for construction machinery, these are primarily: limited availability of administrative and production employees as well as limitation or suspension of production in plants supplying materials or components for production. It cannot be ruled out that in this situation there may be delays in project implementation due to the occurrence of force majeure circumstances. The result of possible delays may be disputes over the payment of remuneration for the work performed by entities from the Issuer's Group, related in particular to the 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 have an impact on 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 the report, effectively resists pandemic threats, maintaining compliance with the planned construction production schedules on all projects, despite the occurrence of cases of disease. However, the potential risk of suspension or slowdown of construction works and the occurrence of logistical difficulties may in the future cause delays in the implementation of construction projects, resulting in the inability to complete the investment on time. The above, in turn, may increase the risk of potential buyers withdrawing from already concluded contracts or charging contractual penalties. Another difficulty is also the limitations in the work of public administration offices or remote work of officials, in particular building commissioning and offices supporting the activities of network administrators, which may cause delays in issuing administrative decisions, both building permits and occupancy permits. However, the related risks are controlled by the Group through advance contacts with the above-mentioned entities, and the implemented procedures of procedural simplification at the national level systematically improve the situation.

In the development industry, the company also recognizes the risk of temporary hotel closings during a pandemic, which may translate into reduced demand for premises in aparthotels and condo hotels under construction. There is also a risk of a temporary reduction in demand for residential real estate, which may result in a smaller number of contracts concluded in connection with the sale of these real estate, including reservation, preliminary and development contracts. The postponement of their conclusion, in the opinion of the Company, should not affect the results in the long term, but only in the coming months.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

In addition, restricting the work of public administration offices or remote work of officials may cause 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 residential premises to final buyers on completed investments. At the same time, the potential risk of suspension or slowdown of construction works and the occurrence of logistic difficulties may cause delays in the implementation of construction projects, resulting in the inability to complete the investment on time. The above, in turn, may increase the risk of potential buyers withdrawing from already concluded contracts or charging contractual penalties. The company also notes that the economic crisis caused by the pandemic may have an impact on the financial situation of the company's counterparties, which may result in delays in the payment of the company's receivables, or even complete insolvency of these counterparties. In case of a significant increase in this phenomenon, the Issuer's financial liquidity may deteriorate, despite the financial provisions existing as at the date of this report, intended to cover operating losses.

However, the company stipulates that due to the unprecedented scale of the phenomenon and the dynamics of events, it is difficult to predict the further development of the situation and assess the impact of the potential effects of the pandemic, as well as assess possible scenarios for the behavior of major investors, customers, suppliers and subcontractors. The Management Board conducts activities aimed at adapting the company's operations to changing conditions, so as to safely ensure the continuation of operations. The Management Board also takes the necessary preventive actions in the scope of the projects it implements, as well as educational activities in relation to employees. At the same time, the management board responds to changing market conditions on an ongoing basis.

***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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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, unfavorably 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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

risk, the Dekpol Group monitors the changes of the law on an ongoing basis and uses professional legal assistance.

### ***Risk associated with building regulations***

Due to the type of activity conducted by the Dekpol Group, the most important legal acts are regulations in the field of construction law and general execution of implemented investments. The basic duties that should be met and implemented by the Capital Group during the implementation of the investment, as well as before and after its completion, are defined by the Construction Law Act of 7th of July 1994. (Journal of Laws 2019, item 630). In addition, the provisions of the Civil Code regulating the issue of contracts and construction works provide for additional restrictions related to the occurrence of the Group as a general contractor or investor. They were included in Title XVI of the CC, which defined the form and scope of the contract, scope of works, payment guarantee and its amount, information on obstacles and damages at the construction site, a form of partial acceptance, as well as the risk of destruction of the facility. An inappropriate manner of performance of duties is connected with the risk of a delay in the performance of a given project, its suspension or non-performance, and may have a negative impact on the financial result and the operations or organizational situation obtained by the Capital Group. However, according to best knowledge, contracts for construction works, to which the Dekpol Group was or is a party, contain provisions in accordance with the provisions of the Civil Code.

### ***Risk related to initiatives by 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 condohotel 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.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## **Risks related to the financial situation**

### ***Currency risk***

The Dekpol Group operates mainly in Poland. In the field of export activity, the Group is exposed to the risk of exchange rate fluctuations. Strengthening the exchange rate of the Polish currency against the currencies of the countries to which the Group's products are exported, will lead to a reduction in sales proceeds, which in turn will have a negative impact on the financial results achieved by the Group. The risk is limited by concluding forward contracts.

### ***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***



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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.

***Risk related to overdue liabilities***

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

The occurrence of overdue liabilities may affect the deterioration of relations with entities performing work for the Group, and in extreme cases, they may stop providing services to the Group and may take legal action. Such proceedings could lead to delays in the execution of construction contracts carried out by the Group.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The presence of high balances of overdue liabilities may also make it 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.

## 8. CORPORATE GOVERNANCE STATEMENT

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

In the period until 30<sup>th</sup> of June 2021, the Company was subject to the corporate governance principles described in the document "Best Practices of WSE Listed Companies 2016", adopted by the 1<sup>st</sup> WSE Council by Resolution No. 27/1414/2015 of 13<sup>th</sup> of October 2015, which entered into force as of 1<sup>st</sup> of January 2016. The text of the collection "Best Practices of WSE Listed Companies 2016" is publicly available on the WSE website: <https://www.gpw.pl/dobre-praktyki-spolek-regulacje>.

On 29<sup>th</sup> of March 2021, the Stock Exchange Supervisory Board, by resolution No.13/1834/2021 adopted new corporate governance rules for companies listed on the WSE Main Market - "Best Practices of WSE Listed Companies 2021", which entered into force on 1<sup>st</sup> of July 2021.

Therefore, from 1<sup>st</sup> of July 2021, the Company is subject to the corporate governance rules described in the document "Best Practices of WSE Listed Companies 2021". The text of the collection "Best Practices of WSE Listed Companies 2021" is publicly available on the WSE website: <https://www.gpw.pl/dobre-praktyki2021>.

Dekpol S.A. recognizes the principles of corporate governance as a determinant of behavior and a basic element of corporate culture. The company pays special attention to the transparency of action and open communication with stakeholders in the spirit of dialogue and trust.

### 8.2 INDICATION OF A SET OF CORPORATE GOVERNANCE PRINCIPLES, FROM WHICH THE COMPANY WAIVED

#### **Best Practice of WSE Listed Companies 2016**

In the period until 30<sup>th</sup> of June 2021, Dekpol S.A. applied all the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies 2016", except for the following rules and recommendations:





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

**Recommendation I.R.2.** If the company conducts sponsorship, charity or other activities of a similar nature, it shall include information on its policy in this regard in the annual report on its activities.

The rule was not applied. In the opinion of the Company, the sponsoring, charity or other activities of a similar nature carried out by the Company are of marginal importance, and therefore the inclusion of information on this subject in the annual report on activities was not justified.

**Principle I.Z.1.3** The company runs a corporate website and publishes on it, in a legible form and in a separate place, in addition to the information required by law: a diagram of the division of tasks and responsibilities between members of the management board, drawn up in accordance with rule II.Z.1.

The rule was not applied. The company has an internal organizational division that defines the division of tasks among the Members of the Management Board, but it does not specify the division of responsibilities between the Members of the Management Board. In the opinion of the Company, it was not necessary to publish the schedule of division of tasks and responsibilities among the Members of the Management Board on the website.

**Principle I.Z.1.20** The company runs a corporate website and publishes on it, in a legible form and in a separate place, in addition to the information required by law: a record of the general meeting, in audio or video form.

The rule was not applied. Due to the shareholding structure, in the opinion of the Company, it was not necessary to record the course of the General Meeting in the form of audio or video. The costs of introducing technology, recording sessions and making these broadcasts public, the need to carry out extensive legal analyzes regarding, inter alia, publishing the image of shareholders and their statements as well as organizational burdens related to the above activities did not justify the introduction of these procedures in the Company.

**Principle I.Z.2** A company whose shares are included in the WIG20 or mWIG40 stock exchange indices shall also ensure the availability of its website in English, at least to the extent indicated in rule I.Z.1. This rule should also be applied by companies outside the above indices if it is justified by the structure of their shareholding or the nature and scope of their business.

The rule did not apply to the Company. The Company's shares are not included in the WIG20 or mWIG40 stock indices. The compact shareholding structure as well as the nature and scope of the conducted activity did not support the application of the principle. The company also points out that it runs its website in English. It also includes information of a corporate nature, but in a narrower scope than it resulted from the above principle.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

**Recommendation II.R.2** Persons making decisions on the selection of members of the management board or supervisory board of a company should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience..

The rule was not applied. The above was due to the fact that the functions of members of the management and supervisory body were entrusted to specific people, regardless of their sex, age or education, and according to the substantive preparation and experience of these people. Key personnel decisions with regard to the election of members of the Company's bodies are made by the General Meeting and the Supervisory Board, and in the field of senior managers - the Management Board.

**Principle II.Z.1** The internal division of responsibilities for individual areas of the company's operations between members of the management board should be formulated in an unambiguous and transparent manner, and the division diagram should be available on the company's website.

The rule was not applied. The company has an internal organizational division that defines the division of tasks among the Members of the Management Board, but it does not specify the division of responsibilities between the Members of the Management Board. Therefore, in the opinion of the Company, it was not necessary to publish the schedule of division of tasks and responsibilities among the Members of the Management Board on the website.

**Principle II.Z.2** A company's management board members may sit on management boards or supervisory boards of companies from outside the company's group subject to the consent of the supervisory board.

The rule was not applied. The Company's internal regulations do not require approval for members of the Company's Management Board to sit on management boards or supervisory boards of companies outside the Capital Group. The Company's Articles of Association only require the consent of the Supervisory Board for a Management Board member to deal with competitive interests or to participate in a competitive company as a partner or member of the authorities. In the opinion of the Company, these provisions are sufficient from the point of view of the Company and investors to ensure the safety of the Company's operations. At the same time, Members of the Management Board of the Company remain transparent in their professional activity.

**Principle II.Z.10.1** In addition to the activities resulting from legal provisions, once a year the supervisory board prepares and presents to the ordinary general meeting: assessment of the company's standing, including the assessment of internal control systems, risk management, compliance and the internal audit function; the assessment covers all significant control mechanisms, in particular those relating to financial reporting and operating activities.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The rule was not applied. The company applied the principle with the exception of the assessment of internal control systems, risk management, compliance and internal audit functions, which were not implemented for use in the Company.

**Recommendation III.R.1** In its structure, the company separates units responsible for the implementation of tasks in individual systems or functions, unless the separation of organizational units is not justified due to the size or type of activity conducted by the company.

The rule was not applied. Due to the scale of operations, the structure of the Company does not have any special units responsible for the performance of tasks in individual systems or functions, i.e. internal control units, risk management units, compliance units and internal audit functions. The Management Board of the Company is responsible for the implementation of these systems.

**Principle III.Z.2** Subject to rule III.Z.3, persons responsible for risk management, internal audit and compliance report directly to the president or another member of the management board, and have the option of reporting directly to the supervisory board or the audit committee..

The rule was not applied. There are no separate persons responsible for risk management, internal audit and compliance in the Company. The Management Board is responsible for controlling the operating activities of the Company, including controlling its internal processes and risk management. There are no formal procedures and internal control, risk management and compliance units in the Company. In the opinion of the Management Board, it was not necessary to separate such units, unless the assessment made by the Supervisory Board would indicate the necessity to separate them. Due to the size and scope of the Company's operations, the Management Board deems the present system of control, audit and risk management to be sufficient.

**Principle III.Z.3** The principles of independence set out in generally recognized international standards of the professional practice of internal audit apply to the person managing the internal audit function and other persons responsible for the performance of its tasks.

The rule was not applied. There is no separate internal audit unit in the Company, therefore there is no separate position of the person managing this function. The Company applies the rules described in the justification to rule III.Z.2 above.

**Principle III.Z.4** At least once a year, the person responsible for internal audit (if such function is separated in the company) and the management board present to the supervisory board their own assessment of the effectiveness of the systems and functions referred to in principle III.Z.1, together with an appropriate report.

The rule was not applied. As indicated in the justification to rule III.Z.3 above, the Company does not have a separate internal audit unit, hence there is no separate



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

position of the person managing such unit. In accordance with the justification to rule III.Z.2, the Management Board of the Company, as part of the function entrusted to it, performs the tasks of internal control, risk management, compliance and internal audit, and apart from contacts with the Supervisory Board resulting from the normal course of the Company's affairs, it does not present a separate assessment of the effectiveness of functioning of the above-mentioned systems.

**Principle III.Z.5** The supervisory board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, based on, inter alia, periodic reports provided to it directly by the persons responsible for these functions and the company's management board, and performs an annual assessment of the effectiveness of these systems and functions. , in accordance with rule II.Z.10.1. If an audit committee operates in the company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the supervisory board from making an annual assessment of the effectiveness of these systems and functions.

The rule was not applied. As indicated in the justification to rule III.Z.2, the Company has no formal procedures and specialized units for managing internal control processes, it manages risk and compliance. Therefore, the Supervisory Board and the Audit Committee monitor the effectiveness of the above-mentioned systems based on permanent contacts with the Management Board of the Company responsible for the performance of the above-mentioned tasks, however, in accordance with the justification to rule II.Z.10.1, the Supervisory Board does not prepare a separate assessment of the effectiveness the functioning of these systems.

**Recommendation IV.R.2** If it is justified due to the shareholding structure or the expectations of shareholders notified to the company, provided that the company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such means, in particular by: 1) real-time transmission of the general meeting, 2) real-time two-way communication, under which shareholders may express their views during the general meeting, staying in a place other than the place of the general meeting, 3) performing, in person or by a proxy, voting rights during the general meeting.

The rule did not apply to the Company. Due to the shareholding structure and the lack of such expectations of shareholders, the Company did not consider the broadcasting of the general meeting to be justified. This rule was not applied also due to the high costs associated with its implementation.

**Recommendation IV.R.3** The company strives to ensure that, when securities issued by the company are traded in different countries (or on different markets) and under different legal systems, the execution of corporate events related to the acquisition



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

of rights by the shareholder takes place on the same dates in all countries in which they are listed.

The rule did not apply to the Company. Securities issued by the Company are exclusively traded on the domestic market.

**Principle IV.Z.2** If it is justified due to the shareholding structure of the company, the company provides publicly available real-time broadcast of the general meeting.

The rule did not apply to the Company. The costs of broadcasting the General Meeting are too high and the shareholder structure does not justify broadcasting the General Meeting in real time due to the lack of interest in broadcasting the General Meeting by shareholders.

**Principle V.Z.6** In its internal regulations, the company defines the criteria and circumstances in which a conflict of interest may occur in the company, as well as the rules of conduct in the face of a conflict of interest or the possibility of its occurrence. The company's internal regulations include methods of preventing, identifying and resolving conflicts of interest, as well as the rules of excluding a member of the management board or the supervisory board from participating in considering a matter covered by or threatened by a conflict of interest.

The rule was not applied. The company does not have adopted internal regulations specifying the criteria and circumstances in which a conflict of interest may occur in the company, and does not have regulated rules of conduct in the face of a conflict of interest or the possibility of its occurrence.

**Recommendation VI.R.3** If there is a remuneration committee in the supervisory board, rule II.Z.7 applies to its functioning.

The rule did not apply to the Company. There is no remuneration committee in the Supervisory Board of the Company.

**Principle VI.Z.1** Incentive programs should be structured in such a way as to, inter alia, make the level of remuneration of the members of the company's management board and its key managers dependent on the real, long-term financial situation of the company and long-term growth in value for shareholders and the stability of the company's operations.

The rule did not apply to the Company. The Company has not adopted any incentive programs.

**Principle VI.Z.2** In order to link the remuneration of management board members and key managers with the company's long-term business and financial goals, the period between the award of options or other instruments related to the company's shares under the incentive program and the possibility of their exercise should be at least 2 years.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

The rule did not apply to the Company. The Company has not adopted any incentive programs.

### **Best Practice of WSE Listed Companies 2021**

In the period from 1<sup>st</sup> of July 2021, Dekpol S.A. applied all the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies 2021", except for the following rules:

**Principle 1.3.1.** In its business strategy, the company also takes into account ESG issues, in particular including: environmental issues, including measures and risks related to climate change and issues of sustainable development.

The principle is not applied. The Company does not have a formal document that would describe the Company's strategy in the context of ESG factors. Regardless of this, the Company is guided by elements of the ESG policy in its daily operations, and the awareness of environmental aspects has been built in the Company for a long time. Many elements related to ESG factors are of practical use in the day-to-day operations of the Company. For example, based on the implemented and maintained Integrated Management System according to the requirements of EN ISO 9001: 2015, EN ISO 14001: 2015 and EN ISO 45001: 2018 standards, monitoring and continuous control of the implemented processes in terms of quality, environment and occupational health and safety are carried out. In addition, in order to meet the quality requirements for welding metal materials and the production of steel and aluminum structures for the construction industry, the Dekpol Capital Group has implemented and maintains certification in the scope of PN-EN ISO 3834-2: 2007 and PN-EN ISO 1090-2: 2012 standards. The company declares its willingness to apply this principle in the future.

**Principle 1.3.2.** In its business strategy, the company also takes into account ESG issues, in particular: undertaken and planned activities aimed at ensuring gender equality, proper working conditions, respect for employees' rights, dialogue with local communities, relations with clients.

The principle is not applied. The Company does not have a formal document that would describe the Company's strategy in the context of ESG factors. Regardless of this, the Company takes particular care of social and employee matters in its daily activities. A good example is the adopted Code of Business Conduct, which defines patterns of behavior relating to:

- transparent conduct of financial transactions, accounting and reporting practices,
- prohibiting the use or participation in corrupt practices involving the direct or indirect receipt or provision of financial benefits,



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- avoiding money laundering activities,
- the emergence of a conflict of interest,
- use and management of the company's assets,
- respect the laws and tax regulations of each country in which activities are carried out,
- responsibility for the products and services offered,
- reliable marketing and sales,
- competing in the marketplace in a fair manner,
- prohibition of illegal trading in securities,
- neutrality towards political parties,
- the order to respect human rights,
- non-discrimination of employees,
- safe and hygienic working conditions,
- prohibition of forced labor and child labor,
- freedom of association,
- remuneration and respect for working hours,
- efficient and responsible use of resources respecting the environment and health.

The company declares its willingness to apply this principle in the future.

**Principle 1.4.** In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, in particular long-term goals, planned activities and progress in its implementation, determined by means of financial and non-financial measures.

The principle is not applied. The Company publishes information on the Group's business strategy on its website, but this information does not contain all the components specified in this principle. The company will consider applying this rule in the future.

**Principle 1.4.1.** Information on the strategy in the ESG area should, among others: explain how the decision-making processes in the company and its group entities take into account climate change issues, pointing to the resulting risks;

The principle is not applied. The company does not have a formalized strategy in the ESG area. The company declares its willingness to apply this principle in the future (as also mentioned in point 6.1). Therefore, in the next few months, a group of coherent measures will be developed that will quantify the progress in achieving goals in



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

various areas included in the ESG theme. The company will publish the above information on its website. However, already now, issues related to climate change are taken into account in decision-making processes in the Dekpol Group through the adopted environmental procedures, including: - EMP02 Waste management - the procedure indicates the principles of rational waste management in accordance with applicable regulations. - Policy of ZSZ Dekpol S.A. - the policy indicates the principles of monitoring and control of the implemented processes in terms of the environment.

**Principle 1.4.2.** Information on the strategy in the ESG area should, among others: present the value of the ratio of equal remuneration paid to its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information about the actions taken to eliminate possible inequalities in this respect, along with the presentation of the related risks and the time horizon in which it is planned to bring about equality.

The principle is not applied. The company does not have a formalized strategy in the ESG area. The company declares its willingness to apply this principle in the future. In connection with the above, the Company will in the near future determine the equal remuneration index in the Company and will analyze the need to take action in this area, and will also publish relevant information in this regard on the Company's website.

**Principle 2.1.** A company should have a diversity policy towards the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The diversity policy defines the goals and criteria of diversity, among others in such areas as gender, field of education, specialist knowledge, age and professional experience, as well as indicates the date and method of monitoring the achievement of these goals. In terms of gender diversity, the condition for ensuring the diversity of company bodies is the participation of a minority in a given body at a level not lower than 30%.

The principle is not applied. The company does not have a diversity policy towards the Management Board and the Supervisory Board. The indicated diversity is maintained in relation to the Management Board of the Company, but does not appear in the Supervisory Board of the Company. At the same time, the Company indicates that Dekpol S.A. is guided by the substantive preparation of candidates for a given function, the competences of the candidates and the long-term needs of the Company. Dekpol S.A. declares that there are no barriers to gender or other features indicated in principle, and that the only factors determining the selection of members of the Management Board and Supervisory Board of the Company and the qualification of each person to perform the above-mentioned functions are





**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

factors such as: competences, experience gained and specialist knowledge confirmed by courses, obtained diplomas and implemented projects.

**Principle 2.2.** The decision-makers on the appointment of members of the management board or supervisory board of a company should ensure the versatility of these bodies by selecting persons who ensure diversity in their composition, enabling, inter alia, achieving the target minimum minority participation rate set at a level of no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.

The principle is not applied. The indicated diversity is maintained in relation to the Management Board of the Company, but does not appear in the Supervisory Board of the Company. The Management Board of the Company is elected by the Supervisory Board of the Company, while the Supervisory Board is elected by the General Meeting. At the same time, the Company indicates that Dekpol S.A. is guided by the substantive preparation of candidates for a given function, the competences of the candidates and the long-term needs of the Company. Dekpol S.A. declares that there are no barriers to gender or other features indicated in rule 2.1. functions are factors such as: competences, experience gained and specialist knowledge confirmed by courses, obtained diplomas and implemented projects.

**Principle 3.2.** The company's structure includes units responsible for the tasks of individual systems or functions, unless it is not justified due to the size of the company or the type of its activity.

The rule does not apply to the company. Due to the current size and nature of the Company's operations, the Company does not distinguish units responsible for internal control and other systems and functions. Recently, the Company has been undertaking activities related to the development of the above-mentioned systems in the Company due to the currently observed increase in the scale of the business. Dekpol S.A. plans to expand the area of internal control functionality within the next few months. The discussed issues related to the optimization of operational and business risks are divided between persons responsible for individual tasks in the Company.

**Principle 3.6.** The head of internal audit reports organisationally to the president of the management board, and functionally to the chairman of the audit committee or the chairman of the supervisory board, if the board performs the function of the audit committee.

The principle is not applied. The company declares that it will apply the rule in the future. Therefore, in the near future, the Company will carry out appropriate changes to the organizational structure to ensure the reporting of the internal auditor in accordance with rule 3.6.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

**Principle 3.7.** Principles 3.4 - 3.6 also apply to entities from the company's group that are significant for its operations, if they have designated persons to perform these tasks.

The rule does not apply to the company. Due to the fact that Dekpol S.A. acts as the managing holding company of the Capital Group and provides services to entities from the Dekpol Capital Group, no separate persons have been appointed in the entities of the Group to perform tasks in the field of internal systems and functions referred to in rules 3.4-3.6. As the parent company, Dekpol S.A. manages the internal systems of the entire capital group in a centralized manner, and the recently appointed internal auditor organizes and develops the internal control and audit function for both the parent company and all subsidiaries at the same time.

**Principle 3.10.** At least every five years in a company belonging to the WIG20, mWIG40 or sWIG80 index, an independent auditor selected with the participation of the audit committee reviews the internal audit function.

The rule does not apply to the company. The issuer is not included in the aforementioned indices.

**Principle 4.1.** The company should enable its shareholders to participate in the general meeting by means of electronic communication (e-general meeting), if it is justified in view of the shareholders' expectations reported to the company, provided that it is able to provide the technical infrastructure necessary to conduct such a general meeting.

The principle is not applied. The Company does not apply the rule due to the existence of various risks related to the organization of a general meeting with the use of electronic communication means, such as the risk of communication interception, the risk of transmission disruptions, the risk of technical problems or legal risks. The available application does not provide a 100% guarantee of safety and due to the limited possibilities of optimizing the occurring risks, at the moment the Company does not decide to organize a possible one. Dekpol S.A. there are no plans to provide an electronic mode of holding a general meeting, unless such expectations are expressed in large numbers by shareholders.

**Principle 4.3.** The company provides publicly available real-time broadcast of the general meeting.

The principle is not applied. Due to the lack of demand from shareholders reported to the Company, the Company does not apply the practice of general real-time broadcasting of general meetings. The Company publishes all relevant information on the general meeting in accordance with applicable law, which, in the Company's opinion, ensures transparency and public access to information in this regard. Dekpol S.A. there are no plans to provide real-time broadcasts of general meetings, unless such expectations are expressed in large numbers by shareholders.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

**Principle 4.14.** The company should strive to distribute the profit by paying dividends. It is possible to leave the entire profit in the company if any of the following reasons apply: a) the amount of this profit is minimal, and consequently the dividend would be insignificant in relation to the value of the shares; b) the company reports uncovered losses from previous years, and the profit is earmarked for their reduction; c) the company justifies that allocating the profit for investments will bring tangible benefits to the shareholders; d) the company has not generated any cash that would make it possible to pay a dividend; e) dividend payment would significantly increase the risk of breach of covenants arising from the loan agreements binding on the company or the terms of bond issue; f) leaving the profit in the company is in line with the recommendation of the institution supervising the company due to its specific type of activity.

The principle is not applied. During the last 3 financial years, the Company allocated the net profit generated to supplementary capital, enabling the ongoing expansion of the Company's operational capabilities and reinvesting the retained profit for the benefit of shareholders. At present, the Company will commence works aimed at establishing a dividend policy defining the strategy of distributing the generated profit in the following years.

### 8.3 SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY CONSIDERABLE SHARE PACKETS

Shareholders of Dekpol S.A. holding at least 5% of the total number of votes at the General Meeting of the Company as at 31<sup>st</sup> of December 2021 and as at the date of publication of this report:

Major shareholders	Number of shares/votes	Share in the share capital / total number of votes
Mariusz Tuchlin	6 466 845	77,33%
Familiar S.A. SICAV-SIF*	679 583	8,13%
Other shareholders	1 216 121	14,54%
<b>Total:</b>	<b>8 362 549</b>	<b>100%</b>

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

### 8.4 INDICATION OF HOLDERS OF ANY SECURITIES, WHICH PROVIDE SPECIAL CONTROL RIGHTS, TOGETHER WITH DESCRIPTIONS OF RIGHTS

Dekpol S.A. did not issue any securities that could provide special control rights to the Issuer.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## 8.5 INDICATION OF ANY RESTRICTIONS REFERRING TO VOTING RIGHTS

There are no restrictions in the Company regarding the exercise of voting rights, except for those resulting from generally applicable laws.

## 8.6 INDICATION OF ANY LIMITATIONS CONCERNING TRANSFERRING OF ISSUER'S SECURITIES' PROPERTY RIGHTS

As at the date of publication of this report, there were no restrictions on the transfer of property rights of the Issuer's securities.

## 8.7 BODIES OF THE COMPANY

### 8.7.1 MANAGEMENT BOARD

#### PERSONAL COMPOSITION AND RULES FOR APPOINTING AND WITHDRAWAL FROM THE FUNCTION OF MANAGEMENT BOARD MEMBER

The Issuer's Management Board is composed of one or more Members. The Supervisory Board entrusts one of the Members of the Management Board with the function of the President of the Management Board. Other Members of the Management Board may be entrusted with the function of Vice Presidents of the Management Board. The term of office of the Members of the Management Board is 5 (five) years and is not joint.

Composition of the Management Board of Dekpol S.A. in the financial year 2021 and as at the date of publication of this report:

Name and surname	Function
Mariusz Tuchlin	President of Management Board
Katarzyna Szymczak-Dampc	Vice President of Management Board

The term of office of the President of the Management Board, Mr. Mariusz Tuchlin, will expire on 4<sup>th</sup> of June 2024, while the term of office of the Vice-President of the Management Board, Ms. Katarzyna Szymczak-Dampc, will expire on 01.01.2025.

#### **Changes in the composition of the Management Board of Dekpol S.A.**

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

#### DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS

Management Board manages and represents the Issuer. The provisions of Company's Articles of Association introduce in this respect the principle, that all matters not reserved by law or by articles of the Statute for General Meeting of Shareholders or for Supervisory Board, fall within the competence of the Management Board. Acquisition and disposal of real estate property, perpetual



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

usufruct or interest in real estate property or a share in perpetual usufruct does not require a resolution of the General Meeting of Shareholders. Purchase of real estate property, perpetual usufruct or interest in real estate property as well as a share in perpetual usufruct for a price higher than PLN 25,000,000 require the consent of the Supervisory Board expressed in the form of a resolution (§15 paragraph. 4 of the Statute). Internal organization and manner of operations performed by Management Board determines the Regulations of the Management Board, adopted by the Supervisory Board (available on <http://dekp.pl/lad-korporacyjny/#dokumenty-korporacyjne>).

The manner of representation of the Issuer is dependent on the size of the Management Board. In the case when it consists of one member, that member has the right to self-representation of the Issuer, while if the Management Board is multipersonal, declarations need to be done by two members of the Management Board or one member of the Management Board plus proxy. Only the President of the Management Board has the self-representation right. On the other hand, each member of the Management Board is entitled and also obliged to manage the affairs of the Issuer, to the extent not exceeding his normal activities.

Management Board resolutions are passed by an absolute majority of votes. In case of equality of votes, decides the vote of the President of the Management Board. The validity of the resolutions taken at the meeting of the Management Board, is subject to prior notification to all its members, as well as the fulfillment of the requirement of a quorum, according to which, necessary is the presence of the majority of members of the Management Board, including the President of the Management Board.

Management staff do not have right to decide on the issue or redemption of shares.

#### 8.7.2 SUPERVISORY BOARD

##### **PERSONAL COMPOSITION AND RULES FOR APPOINTING AND WITHDRAWAL FROM THE FUNCTION OF SUPERVISORY BOARD MEMBER**

Articles of Association of Dekpol S.A. provides that the Supervisory Board consists of three to five members, whereas in case of obtaining by the Issuer the status of a public company from five to seven members. Vocation as well as dismissal of members of the Supervisory Board follows through resolution of General Meeting of Shareholders. This body elects the Chairman of Supervisory Board, may also entrust the function of Vice-president to another member. The term of office of Supervisory Board members takes 5 years and cannot be joint.

Composition of the Supervisory Board of Dekpol S.A. in financial year 2021 and as at the date of publication of this report:



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

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

The term of office of Grzegorz Wasacz expired on 7<sup>th</sup> of March 2022 (the expiry of the term of office does not deprive a member of the Supervisory Board of his function, because pursuant to Art.369 § 4 in conjunction with Art.386 § 2 of the Commercial Companies Code, the mandate of a supervisory board member shall expire on the date of the general meeting at the latest (the meeting approving the financial statements for the last full financial year of performing the function)). Wojciech Sobczak's term of office will end on 28<sup>th</sup> of May 2023. The terms of office of Roman Suszek and Jacek Grzywacz will end on 1<sup>st</sup> of April 2024. Jacek Kędzierski's term of office will expire on 1<sup>st</sup> of July 2024.

***Changes in the composition of the Supervisory Board of Dekpol S.A.***

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

**DESCRIPTION OF THE AUTHORITY'S ACTIVITIES AND POWERS**

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

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- organized parts of companies belonging to other entities, except for the acquisition by the Company or its subsidiaries of shares or stocks in companies, as well as joining partnerships established in order to implement development projects by the Company or its subsidiaries, without the participation of third parties;
6. giving consent to conclude loan and credit agreements, issue of bonds (with the exception of the issue of convertible bonds or bonds with pre-emptive rights and the issue of subscription warrants), granting sureties, guarantees, pledge, mortgage, transfer of ownership for security or any other personal security or in kind or any other form of liability for the debts of any third parties, with the value of the benefit in excess of PLN 50 million;
  7. expressing consent to perform activities free of charge, with a one-off value of the benefit exceeding PLN 0.1 million;
  8. approval of the Issuer's budgets and financial plans as well as any changes to these documents;
  9. expressing opinions on periodic reports of the Management Board;
  10. giving consent to operations on derivative instruments;
  11. appointment of statutory auditor to audit the financial statements of the Issuer (consolidated and separate), as well as approval of the terms and conditions of agreement with statutory auditor and approval of the termination by the Issuer of such an agreement;
  12. issue of consent on creation and liquidation of branches of the Issuer;
  13. issue of consent on dealing by member of the Management Board with competing interests or participation in a competitive company as a partner or member of authorities;
  14. expressing consent on the exercise by the Management Board of the Company of the voting right in its subsidiaries in matters specified in the Articles of Association;
  15. other matters reserved for the competence of the Supervisory Board by the provisions of law or the Articles of Association.

Members of the Supervisory Board exercise their rights and duties personally. The functioning of the Supervisory Board determines adopted Regulations of the Supervisory Board, which is subject to approval by the General Meeting of Shareholders (available at <http://dekp.pl/lad-korporacyjny/#dokumenty-korporacyjne>).

Members of the Supervisory Board are bound to a prohibition of competition within the meaning of art. 380 Commercial Companies Code. The consent to engage in competitive can be granted by the General Meeting of Shareholders.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

### 8.7.3 AUDIT COMMITTEE

In accordance with § 4. 4 of the Regulations of the Supervisory Board, this body is authorized to create internal committees, whose main function is to advise, review and issue of recommendations and assessments in selected matters within the competence of the Supervisory Board. In the resolution on the establishment of the internal committee, it shall follow the indication of the name of the committee, the determination of minimum number of members, the appointment of members of the committee, including its chairman and also specification of functioning rules of the committee by identification of issues and tasks of the committee.

In financial year 2021 in the Supervisory Board of Dekpol S.A. there was one committee - the Audit Committee.

The basis for the establishment of an audit committee by Supervisory Board is an Act of 11th of May 2017 on Statutory Auditors, Their Self-Governing Organisation, Entities Authorised to Audit Financial Statements and on Public Oversight..

#### **Competences of the Audit Committee**

The competences of the Audit Committee are stipulated to:

1. monitoring of the financial reporting process,
2. monitoring the effectiveness of internal control systems, risk management and internal audit including in the field of financial reporting,
3. monitoring the performance of financial audit, especially carrying out by auditory company of an audit, including all requests and findings of Komisja Nadzoru Audytowego resulting from control performed in auditory company,
4. controlling and monitoring of remuneration of statutory auditor and auditory company, especially in case, when for the benefit of the Company are served by auditory company other services than audit,
5. Informing of Supervisory Board about results from audit and explanations, in which way audit contributed to reliability of financial reporting of the Company, and also what was the role of the Audit Committee in audit process,
6. Evaluation of independency grade of statutory auditor and expressing a consent on serving by him of possible non-audit services,
7. Preparation of election of auditory company policy,
8. Preparation of the policy regarding serving by auditory company carrying an audit, by entities affiliated with the auditory company and by member of a the group of auditory company of non-audit services,
9. Setting of procedure of election of auditory company,
10. Presentation to Supervisory Board of recommendation, in cases related to election of statutory auditors of auditory companies, in accordance with policies, referred to in points 5 and 6,





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

11. Presentation of recommendations aiming ensuring reliability of financial reporting process in the Company.

### **Composition of the Audit Committee**

The Audit Committee consists of at least three members, appointed by the Supervisory Board from among its members, for the duration of their term of office as members of the Supervisory Board, provided that at least one member of the Audit Committee shall have qualifications in accounting or auditing and majority of members of Audit Committee, including its President, shall meet the independence criteria in the meaning of the Act of 11 May 2017 on Statutory Auditors (...). At least one member of the Audit Committee shall have knowledge and skills from range of business activities, in which the Issuer carries out its operations, or certain members in described principles should possess knowledge and skills for this industry. In 2021, the rules of Best Practice for WSE Listed Companies 2016 and Best Practice for WSE Listed Companies 2021 also applied to the members of the Audit Committee.

In 2021 and until publication date of this report, The Audit Committee worked in the following composition:

1. **Jacek Kędzierski** - President of the Audit Committee,
2. **Jacek Grzywacz** - Member of the Audit Committee,
3. **Roman Suszek** - Member of the Audit Committee.

In 2021, there were no changes to the composition of the Audit Committee.

In 2020, the Audit Committee held five meetings.

Members of the Audit Committee, Mr. Jacek Kędzierski and Roman Suszek meet criteria of independent members in the meaning of the Statutory Auditors Act, as well as in the meaning of principles of The Best Practice GWP 2016 and Best Practices of WSE Listed Companies 2021.

Jacek Kędzierski and Jacek Grzywacz meet criteria set in article 129 section 1 of the Statutory Auditors Act. Both – education, as well as professional experience justify affirmation, that they own knowledge and skills in accounting field. All members of the Audit Committee have sufficient knowledge and skills in industry, in which the Company operates.

### **Jacek Kędzierski**

Jacek Kędzierski graduated from the University of Gdańsk with a master's degree in Economic Cybernetics and Computer Science with a specialization in Data Processing and Accounting. Moreover, a member of the Supervisory Board is a graduate of postgraduate studies at the Institute of Legal Sciences of the Polish



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

Academy of Sciences in Warsaw in the field of Information Security Administrator. Jacek Kędzierski has been running a business since 1992; as part of it, he has provided financial and accounting advisory services to entrepreneurs (until 2018), and since 2016 he has been focusing on services in the field of personal data protection as a part of a civil partnership run together with the Member of the Supervisory Board - Grzegorz Wąsacz. Jacek Kędzierski acts as a data protection officer in various entities.

### **Jacek Grzywacz**

Jacek Grzywacz graduated from the Silesian University of Technology in Katowice, at the Faculty of Organization and Management, specializing in Economics, Finance and Marketing in Enterprises, with a Master's degree in organization and management engineering. In addition, the Vice-Chairman of Supervisory Board completed the Study for Financial Directors "Financial Management of Companies" organized by the Privatization Center Foundation - Business Development Institute, under which he obtained, among others knowledge in the field of accounting and finance. As a part of his over twenty years of professional career, he has performed and continues to perform activities in the field of economic and financial consulting, related to restructurisation, valuation and due diligence of enterprises, financial liquidity management, corporate credit policy management, financial controlling, financial analysis of investment projects. The main scope of Jacek Grzywacz's activity was and is the assessment of financial statements of various entities as well as acquisition and analysis of financial and accounting data and, on this basis, presenting applications / recommendations to Management Boards / Supervisory Boards / Owners. In the years 1999-2010, the Vice-Chairman of Supervisory Board acted as a staff member of other organizations, and from December 2009, as part of JKG Finanse Spółka z ograniczoną odpowiedzialnością, of which he is a partner and president of management board.

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

### **Roman Suszek**

Roman Suszek graduated in law from the University of Gdańsk, Faculty of Law and Administration. Since 2004, Roman Suszek has been practicing as a counsel at law in the Roman Suszek Legal Advisory Office in Gdańsk, where he provides services to entrepreneurs and public entities. In the years 2012-2020, Roman Suszek also served



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

as a representative in Pannonia Bio Zártkörűen Működő Részvénytársaság (Joint Stock Company, formerly Pannonia Ethanol Zártkörűen Működő Részvénytársaság) with its headquarter in Budapest, Hungary - Branch in Poland with its office in Gdańsk.

### **Cooperation principles with statutory auditor's company**

The Audit Committee prepared the Policy and Procedure for the Selection of an Audit Firm to conduct the study and the Policy of the Audit Firm conducting the audit of permitted non-audit services. The main assumptions of the above policies are:

1. The entity authorized to audit financial statements is selected by the Supervisory Board, based on the recommendation of the Audit Committee. The selection is made as a result of conducting the procedure specified in the Procedure for selecting an audit firm.
2. The selection should take place within a period that enables the audit firm to participate in the inventory of significant assets.
3. The bodies of the Company participating in the selection and the Audit Committee are guided by the need to ensure impartiality and high quality of the audit, in particular they take into account:
  - a. knowledge, professional competences and reputation of the auditing company and the statutory auditor;
  - b. experience of the auditing company and the statutory auditor, in particular in conducting the audit of public interest entities;
  - c. knowledge by the auditing company and the statutory auditor of the industry in which the Company operates.
4. The control and monitoring of the independence of the statutory auditor and the audit firm are carried out at every stage of the auditor's selection procedure.
5. The first contract for the audit of the financial statements is concluded with the auditing company for a period of not less than two years.

In financial year 2021, an auditing company examining the financial statements of Dekpol S.A. and the Dekpol Capital Group did not provide permitted non-audit services to the Company. The recommendation regarding the selection of the auditing company to conduct the audit met the applicable conditions and was prepared following the selection procedure organized by the Company meeting the applicable criteria.

Recommendation regarding the selection of an audit company to audit the financial statements of Dekpol S.A. and the Dekpol Capital Group for 2021 met the applicable conditions and was drawn up as a result of the selection procedure organized by the Company that meets the applicable criteria.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

There is no remuneration committee in the Supervisory Board, but its establishment by the Supervisory Board in the future is possible, based on the abovementioned competence specified in § 4 sec. 4 of the Regulations of the Supervisory Board.

#### 8.7.4 GENERAL MEETING OF SHAREHOLDERS

##### **OPERATION AND ESSENTIAL POWERS**

According to the art. 399 of Commercial Companies Code, the General Meeting of Shareholders is convened by the Management Board. The Supervisory Board has the right to convene the Ordinary General Meeting of Shareholders, if the Management Board fails to convene it within the time specified in the Commercial Companies Code, and the Extraordinary General Meeting of Shareholders, if it deems it necessary. Moreover, a shareholder or shareholders representing at least half of share capital or at least half of total votes are entitled to convene the General Meeting of Shareholders. Pursuant to Art. 400 of the Commercial Companies Code, a shareholder or shareholders of the Company representing at least one twentieth of the share capital may request that an Extraordinary General Meeting of Shareholders be convened, as well as that certain matters be placed on the agenda of the next General Meeting of Shareholders. Pursuant to § 23 of the Articles of Association, General Meeting of Shareholders may be ordinary or extraordinary. General Meeting of Shareholders is held at the Company's registered office or in Starogard Gdański, Gdańsk, Gdynia, Sopot or Warsaw. There are no provisions in the Issuer's internal regulations that would change the principles of generally applicable law.

General Meeting of Shareholders is convened by an announcement, that should be made at least three weeks before the General Meeting of Shareholders. The announcement should include the date, time and place of the General Meeting of Shareholders and a detailed agenda. In case of intended changes in the statute, it should be cited existing provisions, as well as the proposed amendments. If it is justified by the large scope of the proposed amendments, the announcement may include a draft new text of uniform Articles of Association along with a list of new or revised provisions of Articles of Association. According to the art. 9 paragraph. 3 of the Act on Trading in Financial Instruments, the condition of participation in the General Meeting of Shareholders of a public company with its headquarter on the territory of Poland, is submission at its headquarter, at least one week before the date of General Meeting of Shareholders, of a certificate, issued to confirm the right of the holder of dematerialized shares to participate in this meeting. Shareholders, after the announcement of convening of General Meeting of Shareholders and no later than the first weekday after the date of registration of participation in the General Meeting of Shareholders, can report to the entity running their securities a demand of the issue of a personal certificate of entitlement on participation right in



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

the General Meeting of Shareholders. Shareholders may participate in the General Meeting of Shareholders personally or by proxy (art. 412 of Commercial Companies Code). Power of attorney to participation in the General Meeting of Shareholders and exercising of voting rights must be granted in written or in electronic form. Regulations of General Meeting of Shareholders (available at <http://dekpol.pl/lad-korporacyjny/#dokumenty-korporacyjne>) indicates ways to verify the notification of granting power of attorney in an electronic form. The proxy is entitled to grant further power of attorney, if it results from power of attorney. A proxy may represent more than one shareholder. Shareholders whose shares are registered on the collective account, are eligible to establish separate proxies to exercise the rights from shares, registered on this account. Also, in case of possessing of shares registered in more than one securities account, it is possible to establish separate proxies to exercise the rights from shares, registered on each account.

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

Regulations of General Meeting of Shareholders allow recording of the proceedings by means of electronic information carriers. Recordings of the proceedings of the General Meeting of Shareholders are archived in the Company's registered office and access to them can be provided on the Company's website. Regulations of the General Meeting of Shareholders also allows broadcasting of the proceedings of the General Meeting of Shareholders via Internet and sharing to the public on the Company's website. The General Meeting of Shareholders, in a resolution adopted by an absolute majority of votes, decides on the possible presence at the meeting of media representatives, the recording of their meeting or taking pictures or filming.

### **General Meeting of Shareholders Authority**

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

1. review and approval of the statement of the Management Board on activities of the Company and approval of financial statement for the previous financial year;
2. adoption of resolutions on distribution of profit or covering of loss;
3. granting of approval for members of the Company bodies for execution of their duties;



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

4. adoption of resolutions on determining the dividend record date and the dividend payment date;
5. The amendment of the Articles of Association;
6. adoption of Regulation of the General Meeting of Shareholders;
7. sale or lease of the enterprise or its organized part and establishing of limited property right on it;
8. resolutions concerning claims damages caused while establishing the Company or while managing or supervising;
9. dissolution, liquidation and merger, division or transformation of the Company;
10. issue of convertible bonds or bonds with priority rights and subscription warrants;
11. other matters reserved for the General Meeting of Shareholders by law or the Articles of Association.

## **SHAREHOLDER'S RIGHTS AND THE WAY OF THEIR EXERCISE**

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

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

Financial rights:

1. The right to participate in profits. Shares of series A and series B carry equal dividend rights. Adoption of resolutions on determining the dividend record date and the dividend payment date is the prerogative of the General Meeting of Shareholders. With shares are not related other rights to share in the profits of the Issuer.
2. The right of subscription of new shares – is entitled to all shareholders, in proportion to the number of shares (Art. 433 of Commercial Companies Code). However, in the interest of the Issuer, the General Meeting of Shareholders is entitled to deprive the shareholders of right of subscription of new shares completely or partially, and, for the adoption of a resolution in this regard, it is first necessary the announcement in the agenda of the General Meeting of Shareholders and obtaining a majority of at least 4/5 of the votes.
3. The right of participation in the distribution of the residual value of the company – is entitled to all shareholders as the right of participation in the company's assets remaining after satisfying or securing creditors, and, the division can take place not earlier than one year after the announcement of the opening of the liquidation and creditors call.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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

Corporate rights:

1. right to participate in the General Meeting of Shareholders - is granted to all persons who are shareholders of the Company, sixteen days before the General Meeting of Shareholders.
2. The right to vote at the General Meeting of Shareholders - is entitled to all shareholders, and each share entitles to one vote at the General Meeting of Shareholders. According to the Regulations of the General Meeting of Shareholders, it is possible to vote at the General Meeting of Shareholders by mail, using the form available on the website of the Issuer. A vote cast in a form other than the form made available by the Issuer is invalid.
3. The rights of the shareholders, dependent on participation in the share capital or one general number of votes:
  - the right to convene the General Meeting of Shareholders,
  - the right to request the convening of the General Meeting of Shareholders,
  - the right to request certain issues on the agenda of the next General Meeting of Shareholders,
  - The right to submit before the General Meeting of Shareholders of a drafts of resolutions concerning issues put on the agenda of the General Meeting of Shareholders or matters which might be put on the agenda,
  - the right to request election of the Supervisory Board by voting in separate groups.
4. The right to propose during the General Meeting of Shareholders of drafts of resolutions concerning issues included in the agenda.
5. The right to ask questions regarding matters on the agenda of the General Meeting.
6. The right to view a list of shareholders entitled to participate in the General Meeting of Shareholders.
7. The right to request copies of requests on matters included in the agenda of the General Meeting of Shareholders.
8. The right to request the attendance list at the General Meeting of Shareholders.
9. The right to information concerning the Issuer - during the General Meeting of Shareholders, Management Board is obliged to provide to shareholders, on their request, information relating to the Issuer, if it is justified for the assessment of a matter on the agenda.
10. The right to request copies of the statement of Management Board on the operations of the company and the financial statement, together with a copy of the report of Supervisory Board and the senior auditor's opinion.



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

11. Right to review minutes from General Meeting of Shareholders and request the issuance of certified copies of resolutions certified by Management Board.
12. The right to registered depository certificate issued by the entity keeping the securities account.
13. The right to bring an action for overruling of the resolution.
14. The right to bring an action for annulment of the resolution.

## **8.8 AMENDMENT PRINCIPLES OF COMPANY'S ARTICLE OF ASSOCIATION**

Amendments to the Company's Articles of Association, pursuant to Art. 430 of the Commercial Companies Code is made by resolution of the General Meeting and entry in the register. Pursuant to Art. 415 of the Commercial Companies Code, a resolution of the General Meeting to amend the Articles of Association is passed by a three-fourths majority of votes. The current Statute of Dekpol S.A. does not contain additional provisions, different from the above-mentioned provisions of the Code of Commercial Companies, regarding the rules for amending the Articles of Association.

## **8.9 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO STATEMENT PRODUCTION PROCESS OF THE COMPANY AND THE CAPITAL GROUP**

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

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

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

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





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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

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

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

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

## **8.10 DIVERSITY POLICY**

In the company it has not been developed any formal diversity policy in relation to management staff of the Company and its key managers. Functions of members of management and supervisory bodies have been entrusted to particular persons independently of their gender, age or education, and according to their professional background and experience. The key personal decisions concerning election of members of company's bodies are made by General Meeting of Shareholders and Supervisory Board, and in relation to top managers – Management Board.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

## 9. REMUNERATION POLICY

### 9.1 REMUNERATION SYSTEM

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

The remuneration policy is available on the Company's website at: <http://dekpole.pl/lad-korporacyjny/#dokumenty-korporacyjne>.

The principles of remunerating members of the Management Board and Supervisory Board are related to the implementation of the business strategy, long-term interests and stability of the Company. The basis for determining the total amount of remuneration for members of the Management Board and Supervisory Board is the scope of their duties, individual assessment of the effects of their work, as well as special achievements. The rules and the amount of remuneration of members of the Company's bodies are determined by the Supervisory Board - for the remuneration of the Members of the Management Board and the General Meeting - for the remuneration of the Members of the Supervisory Board.

### 9.2 PRINCIPLES AND THE AMOUNT OF REMUNERATION OF MANAGEMENT BOARD MEMBERS

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

The value of salaries, bonuses or benefits paid, due or potentially due to Members of Management Board for the year 2021 shows the below table:

#### Gross remuneration of management staff of the Issuer in thousands of PLN in 2021

Item	Term of office	Fixed remuneration under an employment contract	Fixed remuneration for performing a function in Issuer's Management Board	Other revenues *	Fixed remuneration for holding functions in governing bodies of subsidiaries
Mariusz Tuchlin	Entire year	184 629 PLN	207 973 PLN	7 324 PLN	0
Katarzyna Szymczak-Dampc	Entire year	359 414 PLN	82 507 PLN	124 541 PLN	0
<b>TOTAL</b>		<b>544 043 PLN</b>	<b>290 480 PLN</b>	<b>131 865 PLN</b>	<b>0</b>

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

In addition, Members of the Management Board provide services as part of their business activities, on market terms, to the Group Companies. The transactions were included in the Consolidated Financial Statements of the Dekpol Capital Group (note 22).

In 2021, managing persons did not receive any other awards, benefits or financial benefits (including conditional or deferred ones). In 2021, members of the Issuer's Management Board were not granted additional benefits in kind for the services they provided.

### **9.3 AGREEMENTS CONCLUDED WITH MANAGEMENT STAFF, PROVIDING COMPENSATIONS IN CASE OF RESIGNATION**

There are no agreements concluded between the Company and management staff, providing compensations in case of resignation or dismissal from the function without a valid reason or if their removal or dismissal results from the merge of the issuer by acquisition.

### **9.4 PRINCIPLES AND THE AMOUNT OF REMUNERATION OF SUPERVISORY BOARD MEMBERS**

In accordance with the provisions of the Articles of Association and the "Policy of remuneration of members of the Management Board and Supervisory Board of Dekpol S.A.", members of the Supervisory Board for the performance of their function receive remuneration in the amount determined by the resolution of the General Meeting, in addition, they are entitled to reimbursement of costs related to participation in the work of the Supervisory Board.

The value of salaries, bonuses and benefits paid, due or potentially due to members of the Supervisory Board for the year 2021, shows the below table:

#### **Gross remuneration of persons supervising the Issuer in thousands PLN for 2021**

<b>Item</b>	<b>Term of office</b>	<b>Fixed remuneration for serving a function in Supervisory Board</b>	<b>Fixed remuneration for Audit Committee meetings</b>	<b>Other revenues*</b>
Roman Suszek	Entire year	31 205 PLN	3 555 PLN	521 PLN
Wojciech Sobczak	Entire year	26 695 PLN	-	400 PLN
Jacek Grzywacz	Entire year	26 891 PLN	3 555 PLN	457 PLN
Jacek Kędzierski	Entire year	26 042 PLN	3 449 PLN	-
Grzegorz Wąsacz	Entire year	26 892 PLN	-	403 PLN
<b>TOTAL</b>		<b>137 725 PLN</b>	<b>10 559 PLN</b>	<b>1 781 PLN</b>

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



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

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

In 2021, supervising staff did not receive any awards, other benefits or additional financial benefits for performing their functions (including conditional or deferred ones). In 2021, members of Issuer's Supervisory Board were not granted by Issuer benefits in kind for services they provide. Members of Issuer's Supervisory Board do not perform functions in authorities of other companies of the Dekpol Capital Group and thus do not receive additional remuneration for this.

### **9.5 COMMITMENTS RESULTING FROM PENSIONS AND PROVISIONS OF A SIMILAR FEATURE FOR FORMER MANAGEMENT AND SUPERVISORY STAFF**

In 2021, in the Company there were no obligations resulting from pensions or other benefits of a similar nature for former management and supervisory staff, as well as obligations committed in connection with above mentioned pensions.

## **10. OTHER INFORMATION**

### **10.1 COURT LITIGATIONS, PROCEEDINGS IN ARBITRATION BODIES OR IN PUBLIC ADMINISTRATION BODIES**

In 2021, there were no litigations driven at public administration authorities, legal proceedings or arbitration which could have a material impact on the financial position or profitability of the Company or its subsidiary.

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

#### **Proceeding against Soletanche Polska Sp. z o.o.**

On 31<sup>st</sup> of December 2020, the Issuer brought an action against Soletanche Polska Sp. z o.o. and Powszechny Zakład Ubezpieczeń S.A. (insurer Soletanche Polska Sp.z o.o.) for the payment of PLN 6.88 million with statutory interest for the delay. The indicated amount consists of claims for damages due to improper performance of the obligation by Soletanche Polska Sp. z o.o. (acting as a subcontractor), i.e.



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021** (data in PLN thousand)

construction works for a third party - the investor. The claim was preceded by a settlement procedure, which ended in July 2020 without a settlement. Accordingly, the court proceedings were pending before the Regional Court in Gdańsk. The first, where the witnesses were heard, took place on 26<sup>th</sup> of November 2021. On the following dates, 18<sup>th</sup> of March 2022 and 1<sup>st</sup> of April 2022, witnesses were still questioned. Moreover, the Court admitted evidence based on the opinion of a court expert, inter alia, as to whether Soletanche Polska Sp. z o.o. properly performed the subject of works.

### **Proceeding against Expert Sp. z o.o.**

The Issuer brought an action against Expert Sp. z o.o. for payment of PLN 1.5 million with statutory interest for delay. The indicated amount includes claims for a contractual penalty for delay in the performance of a construction contract and for the 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 all the claims covered by the Issuer's lawsuit (the judgment was final in March 2021). The enforcement proceedings were discontinued by a decision issued in October 2021. Currently, the Issuer is taking steps to pursue claims against a member of the defendant's management board, but for that time these are out-of-court activities.

## **10.2 INFORMATION ON EMPLOYMENT**

The size of the average employment in the structures of the Issuer in the period 2021-2020, broken down into white-collar and physical employees, shows the following table:

### **Employment in the structures of the Issuer in the period 2021 - 2020 (average annual employment in period, in persons)**

#### **Dekpol SA**

<b>Item</b>	<b>2021</b>	<b>2020</b>
White-collar employees	82	169
Blue-collar employees	0	41
<b>TOTAL</b>	<b>82*</b>	<b>210</b>

*The change results from the separation of OPE from Dekpol Budownictwo Sp. z o.o. on 1<sup>st</sup> of January 2021.*

#### **Dekpol Capital Group**

<b>Item</b>	<b>2021</b>	<b>2020</b>
White-collar employees	354	242
Blue-collar employees	432	275
<b>TOTAL</b>	<b>786*</b>	<b>517</b>

*\* the change is mainly due to the acquisition of Intek.*



**Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)**

The amount of employment in the structures of the Issuer's Group in the period 2021-2020, at the end of individual periods, is presented in the table below:

**Employment in the structures of the Issuer's Group in the period 2021-2020 (as at the end of the period, in persons)**

**Dekpol S.A.**

<b>Item</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Employments (persons)	84	224

**Dekpol Capital Group**

<b>Item</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Employments (persons)	839	544

Moreover, the Issuer informs that as of 31.12.2021, in direct or indirect subsidiaries of the Issuer, employment status amounted:

- Dekpol Budownictwo Sp. z o.o. - 190 people,
- Dekpol Deweloper Sp. z o.o. – 23 people,
- Dekpol Steel Sp. z o.o. – 227 people.
- Betpref Sp. z o.o. – 99 people.
- Intek sp. z o.o. – 213 people
- Smartex sp. z o. o. – 3 people.

### **10.3 AUDITING COMPANY**

The auditing company selected to audit the separate financial statement of Dekpol S.A. and the consolidated financial statement of the Dekpol Capital Group for the financial year 2021 is UHY ECA Audyt sp.z o.o. Sp.K. with its headquarter in Warsaw, registered in the Register of Entrepreneurs of the National Court Register under the number KRS 0000418856 and entered in the list of auditing companies kept by the Polish Audit Oversight Agency under number 3115.

The audit firm was selected by the Supervisory Board as a result of the procedure specified in the audit firm selection procedure and in accordance with the



**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

recommendation of the Audit Committee. The agreement was concluded on 23<sup>rd</sup> of August 2021 for a period of 2 years and covers:

- review of the Company's interim financial statements and the interim consolidated financial statements of the Dekpol Capital Group for the period from 1<sup>st</sup> of January to 30<sup>th</sup> of June 2021 and from 1<sup>st</sup> of January to 30<sup>th</sup> of June 2022,
- audit of the annual financial statements of the Company and the consolidated financial statements of the Dekpol Capital Group for the years 2021 and 2022,
- assessment of the remuneration report for the years 2021 and 2022 in accordance with Art. 90 of the Act of 29<sup>th</sup> of July 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and Public Companies, together with the Attestation Report,
- performing another assurance service performed in accordance with the national standards for assurance services other than the audit and review consisting in the preparation of an opinion of an independent statutory auditor on the performance of the assurance service, included in the report on the audit of the consolidated financial statements for the financial year ending on 31.12.2021 and ending on 31.12.2021 in the scope of checking the consolidated financial statements prepared in the uniform electronic reporting format with the requirements of the regulation on technical standards regarding the specification of the uniform electronic reporting format.

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

<b>Item</b>	<b>2021</b>	<b>2020</b>
Remuneration paid outstanding for the financial year:		
Audit of financial statement (separate)	49	67
Audit of financial statement (consolidated)	21	15
Audit of condensed financial statement	42	28
Other attestation services	9	43
tax consultancy services	-	-
Other services	-	-
<b>TOTAL</b>	<b>121</b>	<b>153</b>



## 10.4 MAJOR ACHIEVEMENTS ON R&D FIELD

The companies from the Issuer's Group conduct activities aimed at the development of innovative solutions in the field of industry. On their basis, modern technological solutions will be implemented into production. These are experimental and innovative research, and the effect of these works is to be implemented into serial production.

Dekpol Budownictwo together with the Betpref company are working on the design of a typical hall, which includes design solutions for key customers along with the possibility of adaptation for an individual customer.

The team is also working on individual design solutions for individual construction solutions, as well as steel substitution in construction products.

Work is underway on the implementation of prestressed reinforced concrete elements on the designs.

In the second quarter of 2022, its own design department will start work, which will coordinate the above issues and design current investments in the construction industry.

Dekpol Steel constantly conducts activities aimed at the development of current products and the creation of new solutions. At present, the main work is focused on the further design of the ROTODEK device, which will increase the efficiency and functionality of the installed equipment.

So far, the POWERDEK device has been introduced to the market, replacing the traditional hydraulic cylinders in the ditching buckets. In order to expand the product range, research is currently being carried out to expand the POWERDEK offer with the engine class from 3.5 to 5.5 tons.

Due to the demand on the market for innovative products, Dekpol Steel continues work on modifying the profile of backhoe buckets.

New technological solutions are also to focus on the development of construction accessories with a lower weight.

Dekpol Steel is constantly striving to meet the needs of the market, which is why it constantly conducts research aimed at increasing the scope of work of current products:

- research on the possibility of deepening the bucket profile;
- research on changing the structure of the bucket, leading to an easier way to perform technical activities;
- research on hydraulic motors to replace traditional hydraulic cylinders;





**Report of Management Board on business activities of the Company and Dekpol Capital Group** for 2021 (data in PLN thousand)

- research to increase the working range of the bucket.

Research continues to develop products with increased strength. The research aims to provide knowledge in the field of innovative solutions in the field of construction accessories, as well as to enable the analysis of new ideas in the area of product application on the market.

## **10.5 ENVIRONMENTAL ISSUES**

The Issuer's Group, while operating in the statutory scope, is obliged to comply with environmental protection regulations, which are verified and applied by the Company on an ongoing basis.

Responsible actions based on environmental, safety and product quality standards are among the priority tasks of the Group companies.

In Dekpol Budownictwo it has been implemented and certified the Integrated Management System (according to the standards EN ISO 9001: 2015, EN ISO 14001: 2015 and EN ISO 45001: 2018) by implementing good practices in the area of its operations, the company conducts activities aimed at protecting the existing natural values and minimizing the negative impact of the investment on the environment.

Dekpol Steel in its activity is guided by the use of high-quality Hardox 500 TUF sheets in the production process, which ensure a longer service life of the buckets. The Swedish steelworks, SSAB, consistently complies with strict standards in terms of emissions of harmful substances. The level of carbon dioxide emissions is 1.5 tons per ton of steel produced, which means that the Swedish company significantly exceeds the competition in pro-ecological activities, the CO<sub>2</sub> level of which is even up to two tons.

In addition, the use of modern paint systems through the use of Baril polyurea paints has a positive effect on the emission of trace amounts of harmful substances. In a period of several years, the factory in Pinczyn and in Lubawa will produce spoons using "green steel" which is produced with zero carbon dioxide emissions. Currently produced in laboratory conditions.

## **10.7 EXPENDITURE ON CULTURE, SPORT, CHARITY INSTITUTIONS, MEDIA AND SOCIAL ORGANIZATIONS.**

The Dekpol Capital Group in its activities is guided by the principles of sustainable development, taking into account the needs of local communities and the natural environment, therefore it engages in social initiatives, supporting sports, cultural events and educational campaigns. The list of expenses incurred by the Capital Group for these purposes in 2021 is presented below.



Report of Management Board on business activities of the Company and Dekpol Capital Group for 2021 (data in PLN thousand)

### List of expenditure of the Dekpol Capital Group incurred in 2021 related to supporting culture, sport, charities, media and social organizations

Company	amount (PLN thousand)	Category
Dekpol S. A.	131,0	Supporting sport
Dekpol Steel Sp. z o.o.	92,0	Supporting sport
Dekpol Steel Sp. z o.o.	10,0	Supporting culture
Dekpol Deweloper sp. o.o.	9,5	Supporting sport
Dekpol Deweloper sp. o.o.	5,0	Supporting culture
Dekpol Deweloper sp. o.o.	10,0	other
<b>Total</b>	<b>257,50</b>	

## 10.8 REPORT ON NON-FINANCIAL INFORMATION

Based on Article. 49b paragraph 9 of the Accounting Act, the Dekpol Group decided to prepare a Report on non-financial information of the Dekpol Capital Group as a separate document in accordance with the requirements set out in Art. 49b paragraph. 2-8 of the Accounting Act, which will be published on the website [www.dekpol.pl](http://www.dekpol.pl).

## 10.9 CONTACT FOR INVESTORS

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

**Mariusz Tuchlin**

President of Management Board

**Katarzyna Szymczak-Dampc**

Vice-President of Management Board