

Report of Management Board on business activities

of the Company and the Dekpol Capital Group



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for the period from January 1, 2022 to December 31, 2022.

FY 2022

Pinczyn, 28th of April 2023

Selected achievements in 2022

BUDOWNICTWO

New division in Poznań

The new southwest region by the end of 2022 will be served by over 80 specialists

BUDOWNICTWO

1,315 billion of PLN



High contract pipeline in 2022.

DEVELOPER

over 340 sold apartments

Rich offer tailored to the needs of the market

DEVELOPER

NPS = 85%



Customer service rated at a very high level

STEEL

Tilt Coupler Tiltdek

Patent granted in 2022

STEEL

Clients



121 new clients,
including 34 foreign clients

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Letter of the President of Management Board

Ladies and Gentleman,

The year 2022 was undoubtedly another demanding period for all entrepreneurs, following the pandemic period. Just when we thought that the biggest turmoil was behind us, another "black swan" appeared - the outbreak of the war in Ukraine, with all its consequences, becoming an additional catalyst for negative market trends such as disrupted supply chains, inflation, high interest rates or overall uncertainty.

As a result, the year 2022 was another test for us, which confirmed that diversification of business activities within DEKPOL and a strategy based on development in three main complementary segments and in increasingly important area of prefabrication (Betpref) brings results and allows to mitigate unfavorable trends within the Group. Our revenues increased by 10% and exceeded PLN 1.38 billion, and net profit increased by over 4% to just under PLN 80 million - so we achieved, despite a very demanding environment, very good results in the history of the Group.

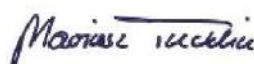
The General Contracting segment (Dekpol Budownictwo) achieved very good results for another year in a row, exceeding PLN 1 billion in revenue. Focus on short-term contracts and continuous improvement in the area of offering allowed us to maintain margins at a satisfactory level despite the dynamically growing prices of materials and services. In these turbulent times on the market, one of the key elements for our success turned out to be the availability of materials. As a result, our own production of concrete and steel prefabricates significantly contributed to the successful execution of contracts in 2022. The Betpref company, which we have been constantly developing and equipping with new technological lines since its acquisition in 2018, focused on fulfilling orders for external construction companies in 2022. Additionally, seeing the prospects and development of the prefabrication market, in summer of 2022 we acquired the Kombet plant in Działdowo. Our intention is to further develop in the area of prefabrication, as we see great potential in it.

Contribution of Dekpol Deweloper to the Group's results was lower in 2022 due to specific schedule of handing over of individual projects. Due to the end of the credit boom, the level of newly concluded agreements was lower than planned at the beginning of 2022. However, historically high participation of "cash" customers and a wide, diversified offer allow the company to achieve satisfactory sales levels with good margins.

Dekpol Steel has had another good year in terms of revenues. Thanks to the acquisition of the Intek plant in Lubawa (in 2021), we have increased our production capacity and achieved very good volumes of both, production and sales in the first half of the year. However, the outbreak of war in Ukraine led to a weakening of demand in the segment of buckets and accessories, which, combined with rising costs, was reflected in financial results. Thanks to unhesitating and quick decisions of the Management Board, within a few weeks Dekpol Steel and Intek began production for customers in the promising offshore, green energy, and other steel construction segments. Additionally, the process of obtaining licenses required for suppliers in the defense segment, including NATO, has been initiated. We believe that this temporarily difficult time may pay off in the future.

To sum up the past year, it should be emphasized that as a Group, we are able to flexibly approach challenges and continue to develop in demanding times. Consistently, despite a difficult environment, we strengthen our foundations, invest in team development and human capital, and seek business opportunities, thus constantly strengthening our position in the market.

I would like to thank all employees for their daily contribution and engagement - the success of the Group is the sum of their knowledge, experience, and determination in fulfillment of delegated tasks.



Mariusz Tuchlin
Prezes Zarządu
Grupa Kapitałowa Dekpol



Commentary of the Vice-President of Management Board

Ladies and Gentleman,

Variable and unpredictable business environment is one of the main challenges that entrepreneurs and managers have been facing in recent years. The year 2022 was particularly demanding in this regard. In the face of an armed conflict taking place directly beyond our borders, we demonstrated empathy and solidarity, but also an extraordinary determination to continue pursuing our goals despite the difficult situation.

The year 2022 proved that as a Group, we are well prepared for various scenarios, and thanks to diversification, we are achieving solid financial results despite the demanding environment. Once again, it has been confirmed that a cautious approach to business financing and a conservative Group strategy can guarantee security during times of great uncertainty or market slowdown. We strive to provide optimal conditions for the growth of our core businesses, enabling us to make the most of market opportunities. In recent years, investments have contributed to the dynamic growth of the Group. An essential factor in achieving the Group's new revenue level, which has already approached 1.4 billion PLN, has been a significant investment in increasing working capital. Equally important for the Group's development is the availability of financing for M&A transactions, which are part of our strategy. At the same time, we ensure a safe level of debt, which is particularly important in an inflationary environment with high interest rates. We continuously analyze and plan the financing sphere of the Group's operations, utilizing tools to mitigate potential risks.

Importantly, in our daily work, we do not lose sight of ESG (Environmental, Social, and Governance) issues. Matters related to non-financial reporting have been and will always be one of the main priorities of Dekpol Group's operations. In 2022, we established a team to work on creating an ESG strategy for the Group. As part of their work, we conducted an analysis of our processes and implemented environmental and social initiatives, including interactions with our stakeholders. We plan to implement the ESG strategy in 2023. Our priority is to increase value for our shareholders, but in a responsible manner, in line with the best standards.



Katarzyna Szymczak-Dampc
Wiceprezes Zarządu
Dyrektor Finansowy
Grupa Kapitałowa Dekpol

The most important events in 2022



The most important events in 2022

August 2022 Acquisition of Kombet Działdowo



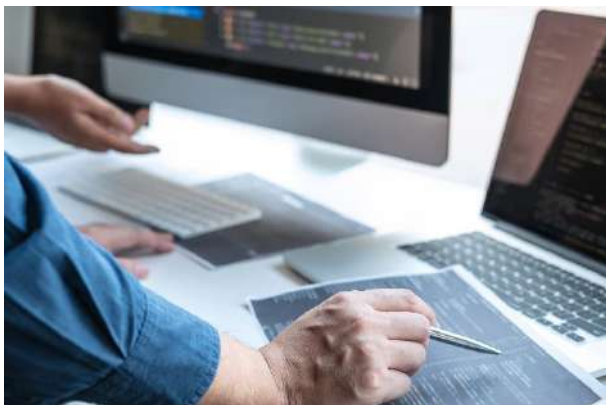
Kombet Działdowo becoming part of the Dekpol Capital Group is a significant step towards the further development of the company. Kombet Działdowo is a renowned manufacturer of precast concrete elements, with a monthly production capacity of 1000 m³.

September 2022 The star of the Builder ranking



Dekpol Capital Group took 18th place in the category of highest revenues in the Pomeranian Voivodeship, which places us very high on the list of Polish general contracting companies. This prestigious ranking, published annually by Deloitte, PwC, and Dun & Bradstreet, was based on financial data from the years 2018-2020.

January 2022 Implementation of IFS-system



Thanks to the implementation of the ERP (Enterprise Resource Planning) program, Dekpol Construction has aligned its processes with the business requirements of today's modern enterprises. The program has been implemented not only in stationary office locations but primarily on construction sites. This is a unique implementation in the industry, preceded by a 3-year project, which effectively validates and improves process supervision within the company, leading to enhancements in project contracting, warehouse management, budget control, and other processes throughout the company.

September 2022 Sol Marina Event



During the two-day event, Clients of the Sol Marina investment took part in a festive integration dinner, during which an amber auction was held as a part of a charity campaign. We managed to raise PLN 29,000, which was donated to the St. Lawrence Hospice in Gdynia.

June 2022 10-years of Dekpol Steel



Dekpol Steel celebrated its 10th anniversary, and on this occasion, the company's employees were invited to a family picnic. The company's extensive experience in manufacturing construction machinery accessories is another asset of the Dekpol Capital Group.

October 2022 Bauma Trade Fair



The Dekpol Steel team had the opportunity to showcase their products at one of the world's largest construction trade fairs, Bauma, held in Munich. It was a great opportunity to establish collaborations in the global market. In 2022, the company expanded its product exports to 22 countries.

Selected financial data



Selected financial data

Selected financial data of Depol Capital Group

Selected consolidated financial data	Thousands of PLN		Thousands of EUR	
	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
I. Net revenue from sales of products, goods, and materials	1 386 848	1 255 783	295 810	274 338
II. Profit (loss) on operating activity	120 050	112 988	25 606	24 683
III. Profit (loss) before tax	97 887	89 638	20 879	19 582
IV. Net profit (loss)	78 909	75 726	16 831	16 543
V. Earnings (loss) per ordinary share (in PLN / EUR)	9,44	9,06	2,01	1,98
VI. Net cash flows from operating activity	102 781	55 819	21 923	12 194
VII. Net cash flows from investment activity	(34 381)	(15 718)	(7 333)	(3 434)
VIII. Net cash flows from financial activity	(28 900)	(6 967)	(6 164)	(1 522)
IX. Total net cash flows	39 500	33 134	8 425	7 238
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
X. Total assets	1 386 779	1 357 149	295 695	295 071
XI. Liabilities and provisions for liabilities	909 818	969 881	193 995	210 871
XII. Long-term liabilities	269 261	282 261	57 413	61 369
XIII. Short-term liabilities	640 557	687 620	136 582	149 502
XIV. Equity	476 961	387 268	101 700	84 200
XV. Share capital	8 363	8 363	1 783	1 818
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)	57	46	12	10

Selected financial data of Dekpol S.A.

Selected separate financial data	Thousands of PLN		Thousands of EUR	
	01.01.2022-31.12.2022	01.01.2021-31.12.2021	01.01.2022-31.12.2022	01.01.2021-31.12.2021
I. Net revenue from sales of products, goods, and materials	276 201	210 305	58 913	45 943
II. Profit (loss) on operating activity	8 254	7 620	1 761	1 665
III. Profit (loss) before tax	1 494	27 114	319	5 923
IV. Net profit (loss)	1 208	26 118	258	5 706
V. Earnings (loss) per ordinary share (in PLN / EUR)	0,14	3,12	0,03	0,68
VI. Net cash flows from operating activity	54 489	22 454	11 622	4 905
VII. Net cash flows from investment activity	(55 354)	(47 839)	(11 807)	(10 451)
VIII. Net cash flows from financial activity	5 811	(68 841)	1 239	(15 039)
IX. Total net cash flows	4 946	(94 227)	1 055	(20 585)
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
X. Total assets	610 494	537 244	130 172	116 807
XI. Liabilities and provisions for liabilities	321 815	249 884	68 619	54 330
XII. Long-term liabilities	148 048	144 247	31 567	31 362
XIII. Short-term liabilities	173 767	105 637	37 051	22 968
XIV. Equity	288 679	287 360	61 553	62 478
XV. Share capital	8 363	8 363	1 783	1 818
XVI. Number of shares at the end of the period	8 362 549	8 362 549	8 362 549	8 362 549
XVII. Book value per share (in PLN / EUR)	35	34	7	7

Selected balance sheet items presented in EUR have been converted according to the average EUR exchange rate announced by Narodowy Bank Polski (National Bank of Poland) on 31st of December 2022 and 31st of December 2021. 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 31st of December 2022 and 12 months ended 31st of December 2021.

	01.01-31.12.2022	01.01-31.12.2021
Exchange rate valid at the last day of the period (EUR/PLN)	4,6899	4,5994
Average exchange rate on the period (EUR/PLN)	4,6883	4,5775

1. General information about the Company



General information about the Company

Name (Company):	Dekpol Spółka Akcyjna
Short name:	Dekpol S.A.
Headquarter:	ul. Gajowa 31, 83-251 Pinczyn
Phone:	(58) 560-10-60
Fax:	(58) 560-10-61
Website address:	http://www.depol.pl/
E-Mail address:	depol@depol.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.

Since January 8, 2015 Company's shares are listed on the Warsaw Stock Exchange S.A.

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 31st 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 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 31st 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 31st of December 2021, Dekpol S.A. was a party to two contracts in the general contracting segment concluded in

2021. In general, Depol Budownictwo sp. z o.o. remains the primary obligation under the general contracting activity, also in relation to contracts concluded until 31st 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:

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

There were no changes in the composition of the Management Board of Depol S.A. in 2022 and up until the date of the report's publication.



We strongly believe that the sphere of corporate responsibility will continue to gain importance, which we exemplify in our daily business operations. Our priority is to increase value for our shareholders in a responsible manner, in line with modern standards and meeting the requirements in the areas of environmental, social, and corporate governance.

Mariusz Tuchlin
President of Management Board

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

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

There were no changes in the composition of the Supervisory Board of Depol S.A. in 2022 and up until the date of the report's publication.

1.4 Shares and shareholders of the Company

1.4.1 Equity of the Company

As of 31st of December 2022 and as of the day of publication of this report, share capital of Dekpol S.A. amounts PLN 8.362.549,00 and is divided into 8.362.549 ordinary bearer shares with a nominal value of PLN 1 each, including:

- a) 6.410.000 of A-series ordinary bearer shares,
- b) 1.952.549 of B-series ordinary bearer shares,

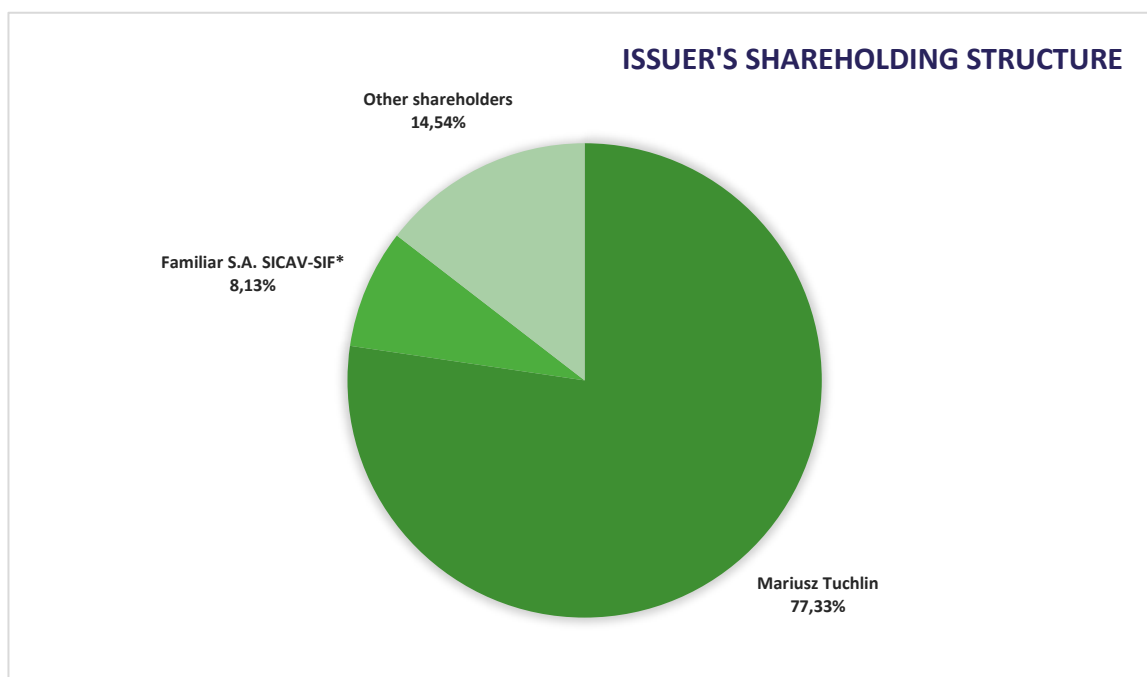
which entitle to 8.362.549 votes at the General Meeting of Shareholders of the company.

1.4.2 Shareholding structure

Shareholders of Dekpol S.A. holding more than 5% of total number of votes at the Company's General Meeting as of 31.12.2022 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%
Total:	8 362 549	100%

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



1.4.3 Agreements as a result of which may occur changes in shareholding structure

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

1.4.4 Information on issuer's shares held by persons from Management Board and Supervisory Board

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

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

Other members of Management and Supervisory Board of Depol S.A. do not hold Issuer's shares. Members of Management and Supervisory Board of Depol 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

Depol S.A. did not own or acquire own shares in 2022 and did not take any actions to acquire own shares during this period.

1.5 Changes in Company's management principles

In 2022, 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 Depol Capital Group. Connections resulting from having a capital group are presented in item 2.1. of this Report.

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

Company's name	KRS	Nature of connection	Information about the company
City Apart Management Sp. z o.o.	0000300191	- 98% of shares belong to Mariusz Tuchlin, 98% of votes, 2% of shares and votes belongs to City Apart Management Sol Marina Sp. z o.o.	The company operates in the hotel industry
Grano Group Sp. z o.o.	0000629533	- 95% of the shares are owned by Mariusz Tuchlin	The company operated as central companies and holdings, with the exception of financial holdings - an entity that also collects shares in companies operating in the hotel industry
OMT Serwis Mariusz Tuchlin Sp. j.	0000893460	- Mariusz Tuchlin holds a 90% shares in the profits and losses of the Company, he 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 the shares belong to Grano Group Sp. z o.o.	The company operates 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), 90% of votes	The company operates as central companies and holding companies, with the exception of financial holdings
CAM Pszenna Sp. z o.o. (dawniej, do 1.12.2022 r: City Apart Management Pszenna Sp. z o.o. Sp. K.	0001004553	- 99,6 % shares and votes belong to Grano Group Sp. z o.o.	The company operates in the hotel industry
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 th of December 2021,	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 the Capital Group

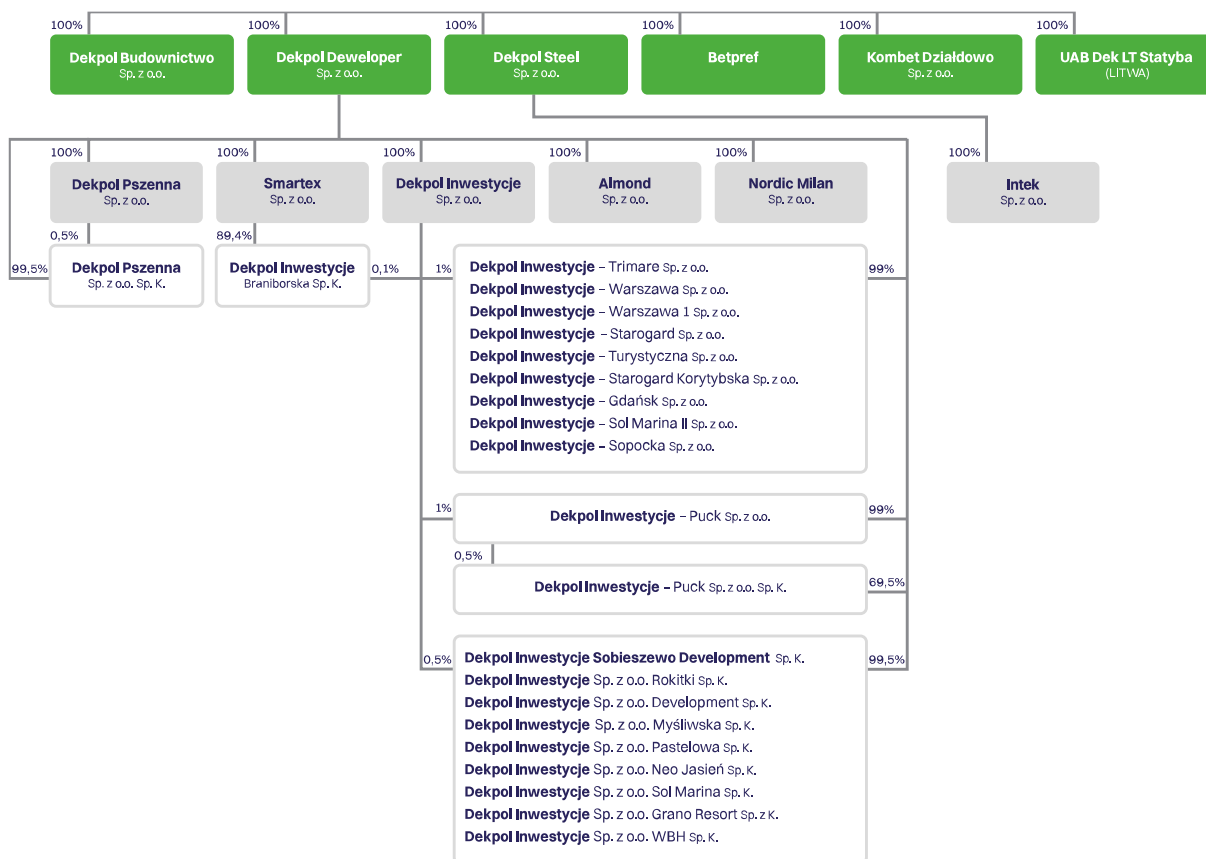


General information about the Capital Group

2.1 Structure of the Capital Group

As at 31st of December 2022 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 31st of December 2022 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 Depol Budownictwo Spółka z ograniczoną odpowiedzialnością. The Issuer owns 100% of the subsidiary's shares.



Business activities in the field of general contracting are carried out by Depol Budownictwo Sp. z o.o.

Previously, this business activity was carried out by Depol 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 Depol 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.

Property development activities

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



Property development activities are carried out by Depol Deweloper Sp. z o.o.

Depol Deweloper Sp. z o.o. since 2019, he has been running and supporting the property development activities of entities from the Depol 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) Depol Pszenka Sp. z o.o. Sp.k. – spółka celowa powołana do realizacji inwestycji deweloperskiej pod nazwą Grano Hotel oraz Grano Residence w Gdańsku przy ul. Pszennej;
- 2) Depol Inwestycje Sp. z o.o. Pastelowa Sp.k. – a special purpose company to carry out a property development investment under the name Pastelowa in Gdańsk;
- 3) Depol Inwestycje Sp. z o.o. Rokitki Sp.k. – special purpose vehicle to carry out property development investments in Rokitki and Śliwiny near Tczew;
- 4) Depol Inwestycje Sp. z o.o. Development Sp. k. – a special purpose vehicle to implement smaller real estate development investments, including in Jurata, Hel and Gdańsk;
- 5) Depol Inwestycje Sp. z o.o. Braniborska Sp. k. – a special purpose vehicle to carry out a property development investment in Wrocław;
- 6) Depol Inwestycje Sp. z o.o. Myśliwska Sp. k. – a special purpose company to carry out a property development investment under the name Foresta in Gdańsk;
- 7) Depol Inwestycje Sp. z o.o. Grano Resort Sp. k. - a special purpose company to carry out a property development investment in Gdańsk on the Sobieszewska Island;
- 8) Depol Inwestycje Sp. z o.o. WBH Sp. k. - a special purpose vehicle to carry out a real estate development investment in Warsaw at Prądzyńskiego Street 21;;
- 9) Depol Inwestycje Sp. z o.o. Neo Jasień Sp. k. - a special purpose company to carry out a property development investment under the name Neo Jasień in Gdańsk;

- 10) Depol Inwestycje Sp. z o.o. Sol Marina Sp. k. - a special purpose vehicle to carry out a real estate development investment in Wiślinka;
- 11) Depol Inwestycje Sp. z o.o. Sobieszewo Development Sp. k. - a special purpose vehicle for the implementation of smaller property development investments in Gdańsk on the Sobieszewska Island (e.g. Villa Neptun);
- 12) Nordic Milan Sp. z o.o. - the company performed property development project Eco Milan in Milanówek;
- 13) Depol Inwestycje - Trimare Sp. z o.o. - a special purpose vehicle established to carry out a property development investment in Sztutowo;
- 14) Depol Inwestycje - Warszawa 1 Sp. z o.o. - a special purpose vehicle established to carry out property development investments in and around Warsaw;
- 15) Depol Inwestycje Warszawa Sp. z o.o. - a special purpose vehicle established to carry out property development investments in and around Warsaw;
- 16) Depol Inwestycje Starogard Sp. z o.o. - special purpose vehicle being a party to preliminary agreements for the purchase of premises as part of an investment in Gdańsk implemented by an external entity, aimed at introducing premises to the sales offer of the Depol Group;
- 17) Depol Inwestycje - Turystyczna Sp. z o.o. - a special purpose vehicle established to implement an investment in Gdańsk on the Sobieszewska Island at Turystyczna street;
- 18) Depol Inwestycje - Puck Sp. z o.o. Sp. k. - general partner of a special purpose vehicle established to implement an investment in Puck;
- 19) Depol Inwestycje Gdańsk Sp. z o.o. - a special purpose company established to carry out property development projects in the Pomeranian Voivodeship (the company was registered with the National Court Register on March 25, 2022, under the name before it was changed to Depol Granaria Sp. z o.o. on September 13, 2022.);
- 20) Depol Inwestycje Starogard Korytybska Sp. z o.o. - a special purpose company established to carry out a property development project in Starogard Gdański at Korytybska street (registered in the National Court Register on May 5, 2022).
- 21) Depol Inwestycje - Sol Marina II Sp. z o.o. - A special purpose company established for the purpose of investment in Wiślinka (the company was formed on December 30, 2022, and registered in the National Court Register on January 2, 2023);
- 22) Depol Inwestycje Sopocka Sp. z o.o. - a special purpose company established to carry out an investment project in Sopot (the company was formed on December 30, 2022, and registered with the National Court Register on January 2, 2023).

Depol Deweloper Sp. z o.o. is the only limited partner of the special purpose vehicles specified in items 1) - 4) and 6) - 11) above, as well as the sole partner of the company specified in items 12). Depol Deweloper Sp. z o.o. owns 99% of the shares (in case of limited partnership companies - share in profits and losses) of the companies listed in points 13) - 17) and 19)-22), and the remaining shares belong to the subsidiary of Depol Deweloper Sp. z o.o., i.e. the company Depol Inwestycje Sp. z o.o.

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

- Depol 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 Depol Inwestycje - Puck Sp. z o.o. sp. k. (point 18) above are:

- Depol Inwestycje - Puck Sp. z o.o. (general partner with profit and loss share of 0.5%),
- Depol Deweloper Sp. z o.o. (limited partner with profit and loss share of 69.5%),
- a legal person not related to the Capital Group (limited partner with a profit and loss share of 30%).

Subsidiaries of Depol Deweloper Sp. z o.o. (Depol 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 - Depol Inwestycje Sp. z o.o. Braniborska Sp. k indicated in point 5) in the table above;
- 2) Depol Pszenna Sp. z o.o. – general partner of a special purpose vehicle established to carry out a property development investment at ul. Pszenna in Gdańsk indicated in point 1) in the table above;
- 3) Depol 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)-22) in the above table;
- 4) Depol 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;
- 5) Almond Sp. z o.o. - a company owning real-estate property in Gdańsk at ul. Toruńska 12 (Hotel Almond).

Production activity

Production activity is carried out by Depol Steel Sp. z o.o. and its subsidiary Intek Sp. z o.o. based in Lubawa, and also by the company Betpref Sp. z o.o. and company Kombet Działdowo Sp. z o.o. based in Komorniki.

Depol S.A. holds 100% of the shares in companies Depol Steel Sp. z o.o. and Betpref Sp. z o.o., and since august 5, 2022 also 100% shares in the company Kombet Działdowo Sp. z o.o. Depol Steel Sp. z o.o. holds 100% of shares in the company Intek Sp. z o.o.



Production activity is carried out by Depol Steel Sp. z o.o. and its subsidiary Intek Sp. z o.o.

Depol Steel Sp. z o.o. (a company that acquired the organized part of Depol S.A.'s business in 2020) is engaged in the production and sale of buckets and accessories for construction machinery. Intek Sp. z o.o. operates a steel products manufacturing plant in Lubawa. The intention is for this company to focus on the production of products offered by Depol Steel Sp. z o.o. Additionally, the scope of activities has expanded to include steel products, offshore products, and efforts have been initiated towards certifying Depol Steel Sp. z o.o. to obtain a license for production in the defense industry.

Betpref Sp. z o.o. operates a production plant for precast concrete elements and steel structures in facilities located in Toruń and Pinczyn. On the other hand, Kombet Działdowo Sp. z o.o. is engaged in the production of precast concrete elements in Działdowo.

Remaining entities from Depol Capital Group

Depol S.A. is also a partner of an entity that performs functions other than the primary operational activities of the Capital Group, namely UAB DEK LT Statyba. This entity was established to support the construction activities of Depol S.A. in Lithuania and to manage future contracts in general contracting carried out in that country. Depol S.A. owns 100% of the shares of this company.

Other entities in which entities from the Depol Group participate

Entities from the Depol 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 within the Capital Group of the Issuer did not own or acquire any own shares or stocks in 2022, with the exception of Dekpol Deweloper Sp. z o.o., which acquired its own shares for the purpose of their redemption, as detailed in point 2.4 of this report.

2.4 Changes in the structure of the Capital Group

On February 17, 2022, the general meetings and partner meetings of the companies: Dekpol 1 Sp. z o.o., Dekpol 1 Sp. z o.o. s.k.a., Dekpol Royalties Sp. z o.o. (collectively as the Acquired Companies) and Dekpol Deweloper Sp. z o.o. (Acquiring Company) adopted resolutions approving the merger of the aforementioned companies. The decisions of the bodies were made in connection with the agreement by management boards of these companies on March 31, 2021, regarding the merger plan of the companies under art. 492 § 1 pkt 1 of the Commercial Companies Code, i.e. by transferring all the assets of the Acquired Companies to the Acquiring Company and increasing the share capital of the Acquiring Company. Dekpol Royalties Sp. z o.o. was a company established for the purpose of managing intangible and legal assets of the Dekpol Group. Dekpol 1 Sp. z o.o. s.k.a. was an entity that owned 100% of the shares in Almond Sp. z o.o. and Dekpol Royalties Sp. z o.o. as well as other property rights. Dekpol 1 Sp. z o.o. was a limited partner of Dekpol 1 Sp. z o.o. s.k.a. (Dekpol S.A. owned 100% of the shares in the company). As a result of the merger, the share capital of Dekpol Deweloper Sp. z o.o. was increased by creating 1,278,715 shares with a nominal value of PLN 50 each and a total nominal value of PLN 63,935,750, which shares were awarded to Dekpol S.A. in exchange for the contribution in the form of all the assets of the Acquired Companies. As a result of the above, the Acquired Companies were dissolved without liquidation, and all their rights and obligations were transferred by universal succession to the Acquiring Company. As a result, Dekpol Deweloper Sp. z o.o. became the owner of the shares in Almond Sp. z o.o. The merger of the companies and the increase in the share capital of Dekpol Deweloper Sp. z o.o. were registered in the National Court Register on June 30, 2022.

On February 17, 2022, the shareholders' meeting of Dekpol Deweloper Sp. z o.o. agreed to sell shares by Dekpol S.A. to Dekpol Deweloper Sp. z o.o. for the purpose of voluntary share cancellation. As a result, an agreement was concluded on that day for the purchase by Dekpol Deweloper Sp. z o.o. from Dekpol S.A. of 1,278,715 shares of 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 their cancellation. The shares were acquired for consideration equal to the nominal value of shares. Ownership of shares was transferred upon conclusion of the agreement. On February 17, 2022, the shareholders' meeting of Dekpol Deweloper Sp. z o.o. adopted a resolution on cancellation of all the aforementioned shares and as a result, a simultaneous reduction of the company's share capital. On March 7, 2022, an announcement was published in the Court and Economic Monitor (MSiG) regarding the resolution to reduce the share capital of Dekpol Deweloper Sp. z o.o., in which creditors of the Company were called upon to submit claims within 3 months from the date of publication.

On June 7, 2022, the convocation period ended. The reduction of the share capital of Dekpol Deweloper Sp. z o.o. resulting from the cancellation of the aforementioned shares was registered in the National Court Register on June 30, 2022, together with the above-mentioned merger.

The above events were part of actions related to the reorganization and optimization of the activities of the Dekpol Capital Group, aimed at streamlining the Group's structure and introducing a management system adapted to the increasing scale of operations, as well as further development plans.



The reorganization and optimization of Dekpol Capital Group's operations aim to streamline the Group's structure and implement a management system that is aligned with the increasing scale of operations and future development plans.

On March 9, 2022, the Extraordinary General Meeting of Shareholders of Betpref Sp. z o.o. decided to increase the share capital by establishing 9,500 new shares with a nominal value of PLN 100.00 each. The new shares were fully subscribed by the sole shareholder, namely Dekpol S.A. The new shares were paid up by a non-monetary contribution in the form of the Company's receivables against Betpref. On March 28, 2022, the increase in the share capital of Betpref Sp. z o.o. was registered in the National Court Register.

On March 25, 2022, Dekpol Granaria Sp. z o.o., a special purpose company established to carry out real estate development projects in the Pomeranian Voivodeship, was registered in the National Court Register. On September 13, 2022, a name change for this company was registered in the National Court Register, to Dekpol Inwestycje Gdańsk Sp. z o.o.

In March 2022, due to the arising of new investment opportunities, it was decided to change the purpose of Dekpol Inwestycje – Starogard Sp. z o.o., a special purpose company. The company will be used to introduce real estate investments in Gdańsk to the Dekpol Group's sales offer, comprising over 100 residential and commercial units from an external entity that is carrying out this investment in accordance with preliminary agreements. Ultimately, the Group plans to change the company's name to one corresponding to the investment location.

On May 5, 2022, Dekpol Inwestycje - Starogard Korytybska Sp. z o.o., a special purpose company established to carry out a property development investment in Starogard Gdański at Korytybska Street, was registered in the National Court Register.

On August 5, 2022, Dekpol S.A. entered into an agreement with natural persons for the transfer of 100% of shares in Kombet Działdowo Sp. z o.o. with its registered office in Komorniki (Kombet). The acquisition price of the shares did not constitute a significant value from the perspective of the financial situation and results of the Dekpol Capital Group. Kombet's business activity includes the production of concrete prefabricates. As a result of the transaction, the Group acquired a production plant along with lands allowing for future expansion, suitable for its needs. Kombet is also a workplace employing over 70 skilled and experienced staff. The acquisition of shares in Kombet aimed to increase the scale of the Group's business in the production of prefabricated elements segment. The Management Board of Dekpol S.A. believes that industrial, logistics and development construction in the coming years will require optimization due to rising material and labor costs.

On October 6, 2022, Dekpol Deweloper Sp. z o.o. (99% shares) and Dekpol Inwestycje Sp. z o.o. (1% share) formed Dekpol Inwestycje Sopot Sp. z o.o. So far, the company has not been registered in the National Court Register of Entrepreneurs..

On January 2, 2023 (an event after the balance sheet date), the special purpose companies were registered in the National Court Register: Dekpol Inwestycje Sol Marina II Sp. z o.o. and Dekpol Inwestycje Sopotcka Sp. z o.o. established for the implementation of development investments in the Tricity agglomeration. The companies were formed on December 30, 2022.

2.5 Changes in management principles of the Capital Group

In 2022, there were no changes in basic management principles of the Dekpol Capital Group.

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



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 01.01.2022–31.12.2022 (consolidated data):

Description	General contracting services	Property development activity	Production of equipment for construction machines	Other	Total
Total sales revenues	1 001 546	183 802	157 404	44 096	1 386 848
Other operating income	0	0	0	19 616	19 616
Other operating expenses	0	0	0	19 977	19 977
Total operating expenses	929 930	142 978	147 635	45 895	1 266 438
Operating result	71 616	40 824	9 769	(2 160)	120 049

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

Description	General contracting services	Property 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
Operating result	49 648	49 279	12 260	1 440	112 988

Operating segments in the reporting period 01.01.2022–31.12.2022 (separate data):

Description	General contracting services	Property development activity	Production of equipment for construction machines	Other	Total
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Total sales revenues	162 882	0	0	113 320	276 202
Other operating income	0	0	0	5 191	5 191
Other operating expenses	0	0	0	1 940	1 940
Total operating expenses	162 461	18	0	110 660	273 139
Operating result	421	(18)	0	5 911	6 314

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

Description	General contracting services	Property 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
Operating result	27	1 758	0	5 835	7 620

Sales revenues of the Dekpol Capital Group in 2022 exceeded PLN 1,387 billion, which means an increase in comparison to the previous year by approximately 10%. 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 y/y revenues from the Property Development Segment and the highest revenues of the Construction Equipment Production Segment so far.



PLN 1.387 billion

Increase of revenues by 10% comparing to 2021.

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

General contracting segment

As of the end of 2022, the General Contracting segment of the Depol Capital Group had contracts in its portfolio for external entities with a total contractual value of approximately net PLN 1,315 million (compared to over PLN 1,306 million at the end of 2021), of which projects with a total value of over net PLN 454 million (compared to just under PLN 573 million at the end of 2021) remained to be executed after the reporting period. These figures also include the value of projects for which key terms were agreed upon during 2022.

In terms of internal activities for the property development segment, Depol Budownictwo Sp. z o.o. had contracts with a value of over net PLN 420 million (compared to over PLN 412 million at the end of 2021) as of the end of 2022. There were projects with a value of approximately net PLN 139 million et (compared to around PLN 305 million at the end of 2021) remaining to be executed.

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 Depol Group as at 31st of December 2022 in the field of general contracting is presented in the table below:

Ordering party	Description of a project
ACE 7	General contracting of the object Koszalin Power Center
BIMS PLUS FHH	Construction of a warehouse hall with a service-office-social section, including the construction of connections and internal installations, in the city of Poznań
GRUPA PANATTONI	Construction of a warehouse hall for Phase I with an area of approximately 49,248 m ² , including an office building and all external works, as well as a warehouse for Phase II with accompanying works, in the town of Kolbudy
GRUPA PANATTONI	Implementation of an investment project in the town of Tczew, involving the expansion of an existing building - FLEX.
MARATHON INTERNATIONAL	Expansion of a logistics center with a warehouse building, including internal gas installation and accompanying infrastructure, in Gliniec Duchowna, Kostrzyn municipality.
RABEN REAL ESTATE	Construction of a warehouse with office space along with necessary infrastructure such as photovoltaic installation, suspended ceiling, freon cooling system, smoke extraction and ventilation system, SKD systems and CCTV cabling, as well as a transformer station and a backup power generator in a turnkey system in Robakowo.
CTP Invest Group	Turnkey construction of a production and warehouse building along with accompanying infrastructure in Łomna-Las.
CTP Invest Group	Comprehensive turnkey construction, including obtaining the final occupancy permit, of two warehouse buildings with an area of approximately 10,120m ² and 18,991m ² in Zabrze.
Komenda Wojewódzka Policji	Construction of the Forensic Laboratory of the Provincial Police Headquarters in Poznań
GRUPA PANATTONI	Implementation of an investment project in the town of Kadłubia, Żary municipality. Expansion of the investment consisting of warehouse, technical, office, and welfare areas, along with other buildings, structures, or facilities, and associated site development.
DAWIKA	Construction of a warehouse building with social and office facilities, including the necessary technical infrastructure in Koteże.

The majority of contracts executed by the Group have been consistently increasing and currently have an average value of approximately PLN 70 million. The Group also undertakes larger contracts. As of December 31, 2022, the General Contracting Segment had 8 contracts in its portfolio with a value exceeding PLN 70 million.

Industrial and logistics projects have a significant share in the order portfolio - in recent years they accounted for approx. 78% - 90% of the portfolio. As of 31st of December 2022, the share of industrial and logistics projects in the entire order portfolio amounted to approx. 89%.



Almost 89% of their ordering portfolio consist industrial-logistic projects.

It should be emphasized that Depol Budownictwo has achieved a high level of specialization in the execution of industrial projects with a high degree of complexity, as evidenced by the industry awards received for the facilities constructed by the company recently, such as the Danfoss factory in Grodzisk Mazowiecki. This facility was awarded the prestigious title of "Factory of the Year" by the Competition Committee of the Executive Club, as well as a nomination for the best industrial project of the year 2022 at the MIPIM fair in Cannes

Business operations of the segment in 2022 was influenced by a more volatile market environment compared to 2021. It should be emphasized that during the reporting period, the second half of 2022, there was relatively limited impact from significant increases in construction material prices, particularly steel prices, which remained stable at sustainable levels. The challenge of 2022 remained the dynamics of inflation, which made it difficult to project the costs of construction projects and had a limited impact on wage pressure. However, it is worth noting that the strategy adopted in 2018 and maintained to this day, which focuses on securing short-term contracts, enables the company to effectively counter the phenomenon of inflation and achieve its economic goals. Additionally, the company has developed internal procedures and processes over the years aimed at efficiency, speed of operation, and risk reduction in project implementation (including an effective procurement department working closely with the estimation and execution departments, fast contracting processes, and contract management).

In 2022, the segment of general contracting achieved historically the highest revenue in its history, reaching a value of PLN 1 billion compared to PLN 850 million in the previous year, with an increase in operating margin compared to 2021.

In the last months of 2022, the Group observed further threats to the construction industry arising from political and macroeconomic changes, leading to a slowdown in production. However, the Management Board is taking active measures to secure financial performance of Depol Budownictwo Sp. z o.o. at a level that corresponds to ambitions of being a leader in the cubature construction market.

Property development segment

The property development activity of the Depol Capital Group focuses on the construction, finishing, and sale of residential estates, single-family housing estates, luxury apartment buildings, condominiums, aparthotels, as well as commercial and service premises

In 2022, the Depol Group implemented residential and commercial development projects in the Tri-City Agglomeration, Rokietki near Tczew, Sztutowo, and Wrocław. The projects included construction of residential estates, luxury apartment buildings, as well as a condohotel. The share of sales for projects with higher prestige and standards targeted at more demanding clients accounted for 51.8% (in relation to the number of units sold, this share was at the level of 33%). The average value of a premises increased by approximately 10% y/y. From financial perspective of the property development segment in 2022, the Depol Group recognized revenue from sales of 380 units and partial revenue (in line with the progress of construction works) from agreement with an institutional entity. In previous year, the property development segment recognized revenue from sales of 406 apartments. As a result, the segment's revenue in 2022 reached

nearly PLN 187 million, which, with a 14% operating margin, translated into an operating profit in the amount of PLN 26.2 million, compared to PLN 31.8 million in previous year. The recognized revenue in 2022 was primarily influenced by completed projects such as the high-standard Baltic Porto investment and popular residential estates: Osiedle Kociewskie stage II, Osiedle Pastelowe stage IIa, and Neo Jasień stage I. On the other hand, the contracting in 2022 (including preliminary agreements, development agreements, and reservation agreements) reached the number of 341 units, compared to 490 units in 2021, primarily related to the second stage of the prestigious Sol Marina sailing estate and the condohotel section of the project called Grano Marina Hotel. It also included three investments on Sobieszewska Island, as well as Osiedle Neo Jasień stage I, Osiedle Pastelowe stage IIa, Osiedle Kociewskie stage II, as well as the Trimare stage I investment in Sztutowo. The sales results (signed preliminary agreements, development agreements, and reservation agreements) achieved in 2022 were lower than initially projected in the plans from the beginning of 2022, which were prepared and published before the outbreak of the war in Ukraine and before the cycle of interest rate hikes. The operational targets of the Dekpol Group in the property development segment were verified in October 2022 and were achieved.



share of sales for projects with higher prestige and standards accounted for 51,8%.

In 2022, the following investments were mainly sold:

- Grano Marina Hotel - a building with a total of 130 service premises, located in Wiślinka near Sobieszewska 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 Sobieszewska Island,
- Lazurowy Park - residential building with a total of 36 residential premises, located on the Sobieszewska Island,
- Villa Neptun - apartment building with a total of 40 commercial premises, located on the Sobieszewska Island,
- Baltic Line - apartment building with a total of 60 commercial premises, located on the Sobieszewska Island,
- Baltic Porto - apartment building with a total of 72 service premises, located on the Sobieszewska Island,
- Osiedle Pastelowe stage IIa - 3 residential buildings with a total of 225 residential premises, located in Gdańsk,
- Osiedle Pastelowe, stage IIb - 2 residential buildings with a total of 125 residential premises, located in Gdańsk,
- Neo Jasień stage I - 2 residential buildings with a total of 104 residential premises, located in Gdańsk,
- Neo Jasień stage II - 2 residential buildings with a total of 98 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.

In 2022, final use permits were issued for 3 multi-family residential buildings as a part of Osiedle Kociewskie stage I in Rokitki near Tczew, the Neo Jasień stage I project, Osiedle Pastelowe stage IIa, Baltic Line, Baltic Porto, and the first building of Osiedle Kociewskie stage II.

As of December 31, 2022, there were 667 apartments remaining for sale in portfolio.



At the end of 2022, there were 667 apartments for sale in portfolio.

Segment of production of accessories for construction machines

The activities of Dekpol Steel Sp. z o.o. (a separate entity from Dekpol S.A. established in 2019) involve production and sales of buckets and accessories for construction machines.

The year 2022 was the most dynamic period in business operations of Dekpol Steel Sp. z o.o. The outbreak of the war in Ukraine on February 24, 2022, caused an exceptionally unstable situation in the steel market, as well as a reassessment of purchasing plans by the main customers of the company. From June 2022, there was a sharp decline in orders for buckets and accessories for construction machinery. The main reasons were the unstable geopolitical situation and high prices of raw materials necessary for order fulfillment, which required price renegotiations with customers. As a result, after a record-breaking first half of the year in terms of revenue, when orders acquired in late 2021 were still being fulfilled, the second half of 2022 showed a decline in turnover to levels observed during the pandemic period.

W lipcu 2022 roku Zarząd Spółki Dekpol Steel Sp. z o.o. podjął decyzję o dywersyfikacji działalności o nowe obszary odbiorców. Nadal trzonem biznesowym w Dekpol Steel Sp. z o.o. pozostają łyżki i osprzęty do maszyn.

The new area of business activity for the company includes offshore projects, heavy steel structures, and specialized transport and lifting equipment. Dekpol Steel Sp. z o.o. oversees production in this field, which takes place in its subsidiary company - Intek Sp. z o.o. This company has been operating consistently in metal industry since 2003. Prior to joining the Dekpol Capital Group, Intek Sp. z o.o. was involved in design and production of industrial automation systems, including manufacturing of lines and equipment. The goods produced at that time were sold to both domestic and international customers, including markets outside of Europe. Intek Sp. z o.o. also manufactures the world's largest trailers and lifting devices, which is a response to the global boom in the wind industry and the increased demand for transporting oversized wind turbine components.

The diversification of production aims to ensure stability and the ability to respond quickly to trends in the global economy.

Additionally, Dekpol Steel Sp. z o.o. has initiated efforts to obtain a military concession necessary for production of steel elements used in armed forces.

Dekpol Steel Sp. z o.o. concluded the year 2022 with revenues in the amount of PLN 157.4 million, representing an increase of 31% y/y. The aforementioned external factors led to an operating profit in the amount of PLN 9.8 million, compared to PLN 12.6 million in previous year.



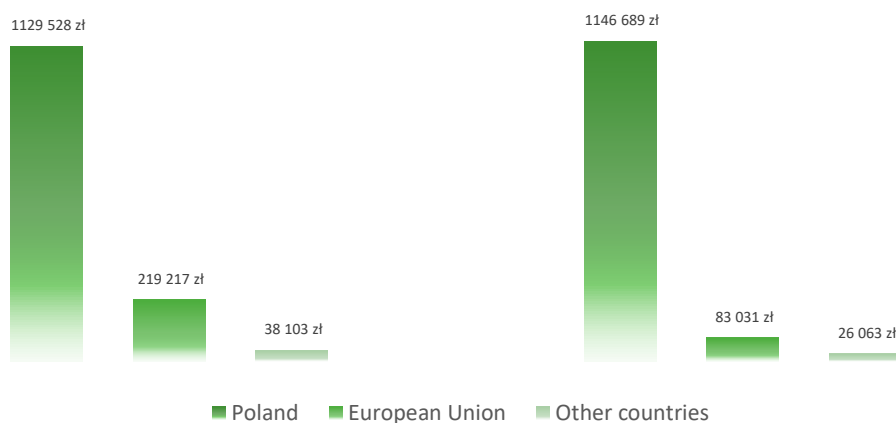
The company's new area of business activity includes projects in the offshore industry, heavy steel constructions, as well as specialized transport and lifting equipment.

3.2 Sales markets and sources of supply

Geographical structure of sales revenues of the Depol Capital Group in the period 01.01.2022-31.12.2022 and comparably in the period 01.01.2021-31.12.2021 (in thousands of PLN)

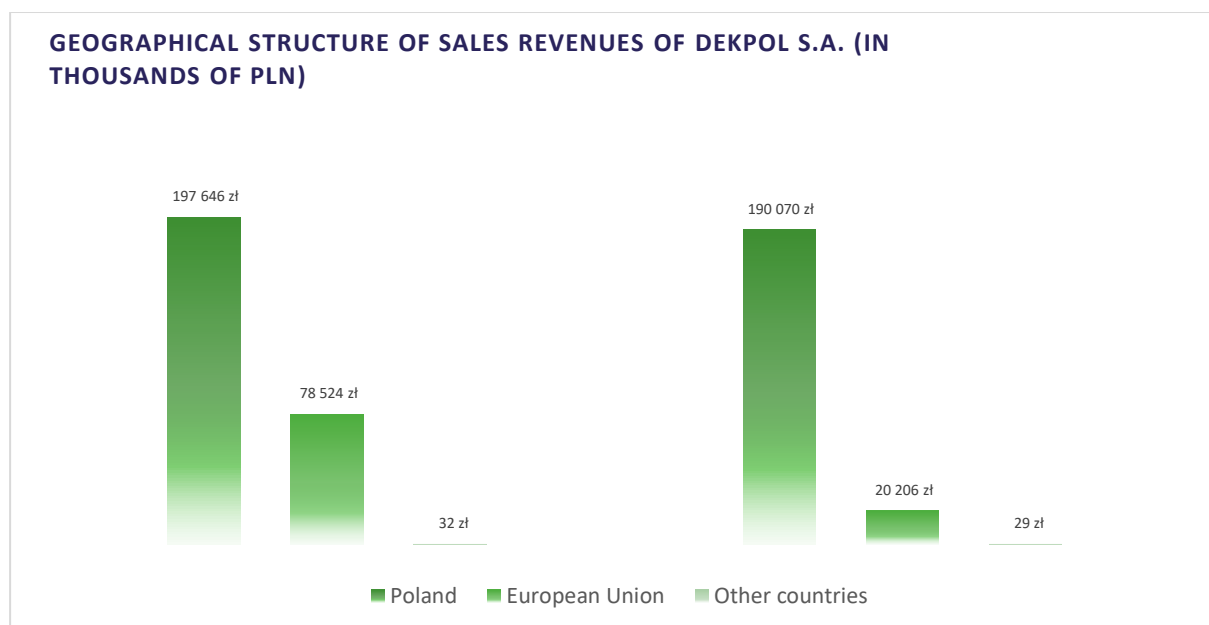
Description	31.12.2022	31.12.2021
Poland	1 129 528	1 146 689
European Union	219 217	83 031
Other countries	38 103	26 063
Sales revenues	1 386 848	1 255 783

GEOGRAPHICAL STRUCTURE OF SALES REVENUES OF THE DEPOL CAPITAL GROUP (IN THOUSANDS OF PLN)



Geographical structure of sales revenues of Dekpol S.A. in the period 01.01.2022-31.12.2022 and comparably in the period 01.01.2021-31.12.2021 (in thousands of PLN)

Description	31.12.2022	31.12.2021
Poland	197 646	190 070
European Union	78 524	20 206
Other countries	32	29
Sales revenues	276 201	210 305



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 20% of the value of sales revenues of the Dekpol Capital Group in 2022 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 the structure of Dekpol S.A., the share of foreign sales in the total revenue reached 28%, which is a result of the company's recent contract in the general contracting sector. The revenue generated from sales in Poland amounted to over PLN 197 million, representing nearly 72% of the total revenue.

Dekpol S.A. collaborates with numerous suppliers and customers, and the turnover with them is diverse, with none of them exceeding 20% of the total revenue from sales for Dekpol S.A. in 2022. Therefore, there is no identified dependence on individual external customers or suppliers at that level.

3.3 Main domestic and foreign investments and capital investments

Dekpol Capital Group

Description	31.12.2022	31.12.2021
Land	19 061	10 899
Buildings and structures	59 249	51 951
Machines and technical devices	45 367	39 986
Vehicles	17 020	14 208
Other fixed assets	3 985	2 787
Fixed assets under construction	3 901	2 086
Advances in respect of fixed assets	171	470
Net value of property, plant and equipment	148 754	122 387

Dekpol S.A.

Description	31.12.2022	31.12.2021
Land	4 756	4 788
Buildings and structures	173	181
Machines and technical devices	4 933	5 018
Vehicles	1 108	1 377
Other fixed assets	506	727
Fixed assets under construction	1 965	1 151
Advances in respect of fixed assets	171	0
Net value of property, plant and equipment	13 611	13 242

The value of the fixed assets of the Dekpol Group increased in 2022, partly due to the acquisition of Kombet Działdowo, which allows for an expansion of the Group's business operations in production of prefabricated elements. Additionally, the Dekpol Capital Group, focusing on continuous development, invests in its fixed assets.

All acquired, improved, and newly constructed fixed assets are utilized for ongoing operational activities. The funds for these investments come from internal sources as well as external sources. The acquisition of shares in Kombet Działdowo was refinanced through a loan.

3.4 Major events and agreements from operational activities of the Group in financial year 2022 and after its end

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

On 5th of January 2022, Depol Budownictwo Sp. z o.o. received a bilaterally signed contract for construction works (Agreement) concluded with PDC Industrial Center 166 Sp. z o.o. concerning construction of two warehouses with accompanying infrastructure with a total area of approx. 33 thousand of square meters in the village Zaczernie in the Podkarpackie Voivodeship (Investment). The key terms of the contract were agreed by parties on 4th of November 2021. Completion of construction works and obtaining of the use permit for the Investment took place in September 2022 (originally it was supposed to take place in June 2022). Currently, the parties are agreeing to confirm the date of the Investment in the form of an annex to the contract. Remuneration attributable to Depol Budownictwo for implementation of the Investment will amount to approx. 5.5% of sales revenues of the Depol Capital Group for 2021 (converted according to the EUR exchange rate of 5th of January 2022).

About the event the Company announced in current report no. 2/2022 dated 5th of January 2022.

Obtaining a building permit for the 3rd stage of a multi-family housing estate as part of the "Osiedle Pastelowe" project

On 12th of January 2022, Depol Inwestycje Sp. z o.o. Pastelowa Sp. k. (Subsidiary Company) received construction permit issued by the President of the City of Gdańsk for the construction of the third stage of an estate of multi-family residential building as a part of "Osiedle Pastelowe" project, along with underground garage halls in Gdańsk at Pastelowa Street. As a part of the above-mentioned investment phase, it is planned to construct 6 residential buildings, which will include 270 apartments with storage rooms with a total usable area of approx. 12 thousand square meters. Estimated value of revenues obtained from implementation of the above-mentioned stage will amount approximately PLN 103 million net. As at the date of publication of this report, it is estimated that the 3rd stage of "Osiedle Pastelowe" investment will be completed and put into use in the 4th quarter of 2025, in the same period the first premises will be handed over to clients. The investment outlays will be partially financed from both, own funds as well as external capital.

About the event the Company announced in current report no. 3/2022 dated 12th of January 2022.

Conclusion of the annex to the contract for general contracting of an investment in Szczecin

On 27th of January 2022, Depol Budownictwo Sp. z o.o. (General Contractor) signed with 7R S.A. (Ordering Party) an annex to the agreement dated February 2021 for the performance in Szczecin, in the general contracting system, in the "design and build" formula, of comprehensive building and construction works and a full range of construction and installation works including delivery of materials and equipment (Agreement), which will result in the "turn-key" construction of two production and warehouse facilities with office and social premises along with necessary technical infrastructure (investment) as well as reconstruction of the road system. The investment was carried out in two stages, the first stage of which was completed in 2021. In accordance with the annex, the parties, in connection with the commissioning of additional works, decided to extend the deadline for execution of the second stage of Investment to the second quarter of 2022. The works have been completed. The total net remuneration for implementation of the entire Investment will amount to approx. 6% of sales revenues of the Depol Capital Group for 2022.

About the event the Company announced in current report no. 5/2022 dated 30th of January 2022.

Conclusion of the annex to the contract on construction of production-storage halls in Gdańsk

On 27th of January 2022, Depol Budownictwo Sp. z o. o. concluded with PDC Industrial Center 134 Sp. z o.o. (Ordering Party) an annex to the agreement dated 28th of January 2021 for construction of warehouse and production halls in Gdańsk (Agreement). The investment was carried out in four stages, three of which were completed in 2021. The Annex to the Agreement concerned performance of additional works, as a result of which the value of the Agreement increased and the deadline for its implementation was extended. The deadline for execution of the last stage of agreement has been set for 2nd quarter 2022. Works were completed on time. The value of the Agreement amounts approx..7% of sales revenues of the Issuer's Capital Group for 2022 (compared to the original value which is currently equivalent to approx. 5.8 % of the Group's revenues for 2022; values converted at the EUR exchange rate as at 27th of January 2022).

About the event the Company announced in current report no. 6/2022 dated 31st of January 2022.

Conclusion of a contract for performance of construction works for a warehouse in Wojanów

On 16th of February 2022, Depol Budownictwo Sp. z o. o. (General Contractor) received from Pruszcz Logistics Sp. z o. o. (Ordering Party) a mutually signed contract (Agreement) for the construction of a warehouse and office building with development area of approx. 49.2 thousand square meters with roads and all necessary infrastructure in Wojanowo / Będzieszyn (Investment). The key terms of the Contract were agreed by the parties on 2nd of September 2021. The deadline for implementation of the Investment as well as obtaining of use permit was initially agreed for March 2022, and then changed to May 2022. The works were completed on the agreed date. The net remuneration for the General Contractor for the execution of the Agreement was initially expected to amount to approximately 7.1% of the sales revenue of the Depol Capital Group for the year 2022. In October 2022, the parties reached an agreement, according to which the final value of the remuneration amounted to approximately 7.9% of the sales revenue of the Depol Group for the year 2022 (based on the euro exchange rate on the date of the agreement).

The subject of the Agreement covered the scope of works that was originally to be commissioned as a part of the optional stage III of the agreement of July 2020, about which the Issuer announced in current report no. 15/2020 dated 3rd of July 2020. The first two stages of the above-mentioned contracts have been implemented. However, construction of the second building was carried out on the basis of the Agreement referred to above, taking into account, inter alia, changing market conditions.

About the event the Company announced in current report no. 8/2022 dated 16th of February 2022.

Conclusion of the contract for construction of two warehouse halls in Kolbudy

On March 10, 2022, an agreement was signed between Depol Budownictwo Sp. z o.o. (General Contractor) and a company from the Panattoni Development Europe Sp. z o.o. group - PDC Industrial Center 183 Sp. z o.o. (Ordering Party) for the execution of construction works as the general contractor for the construction of two warehouse halls in a logistics center with accompanying infrastructure in Kolbudy (Investment). The key contract terms were agreed upon by the parties on September 23, 2021. The Investment was carried out in two phases: Phase I included a warehouse hall with an area of approximately 49.2 thousand m², along with an office building and all external works, with the originally agreed completion date set for May 2022, and Phase II included a warehouse hall with an area of approximately 24.7 thousand m², with the originally agreed completion date set for July 2022. The initially agreed net remuneration for the execution of the Investment was approximately 10.1% of the sales revenue of the Depol Capital Group for the year 2022 (converted according to the euro exchange rate on March 10, 2022).

On November 25, 2022, the parties entered into an annex to the agreement, according to which the Ordering Party commissioned the General Contractor to carry out additional works. As a result, the net remuneration for the execution of the contract increased to a total of approximately 12.7% of the sales revenue of the Depol Capital Group for the year 2022 (converted according to the euro exchange rate on the date of the annex). The completion dates for all works within the scope of Phase I and Phase II of the investment were respectively rescheduled to February and March 2023. Phase I has been mostly completed, while for Phase II, the parties are currently in the process of finalizing an annex regarding the revised completion date and additional works.

About conclusion of the agreement and then about conclusion of the annex to the agreement, the Company announced in current reports no. 11/2022 dated 10th of February 2022 and no. 40/2022 dated 25th of November 2022.

Conclusion of preliminary agreements in the property development segment

On 30th of March 2022, Depol Inwestycje - Starogard Sp. z o.o. (Buyer) has concluded with an external entity not belonging to the Issuer's Capital Group (Seller), more than 100 preliminary agreements for establishment of separate ownership of apartments and its sale, relating to residential and commercial premises, implemented by the Seller as a part of an investment located in Gdańsk. Preliminary agreements were concluded as a part of a project aimed at introducing investment into sales offer within property development segment of the Issuer's Group. On the basis of preliminary agreements, the parties undertook to conclude, subject to prior fulfillment or renunciation, of standard conditions precedent, no later than 12 months from the date of receipt of use permit and no later than 31st of August 2025, of agreements to establish a separate ownership of apartments 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 square meters. for a total net sale price equal to approx. 5.1% of sales revenues of the Depol Capital Group for 2022, payable in stages until mid-2024.

About the event the Company announced in current report no. 18/2022 dated 30th of March 2022.

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

On 27th of April 2022, Depol Budownictwo Sp. z o.o. (General 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 General Contractor. The framework agreement defines general principles of cooperation between both parties, while the detailed rules for implementation of a given investment, including the subject of works, remuneration, schedule and deadline for the performance of works, will be agreed upon by parties in a given order each time. The framework agreement does not specify a minimum or maximum number of orders. The framework agreement contains provisions on contractual penalties, the value of which in relation to a given order may not exceed 10% of General Contractor's net remuneration indicated in the order. Moreover, the parties have right to claim damages exceeding the amount of 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, and it is independent from parties' right to withdraw from execution of a given order, which is only granted in cases specified in the Framework Agreement, such as, inter alia, material breach of contractual obligations by General Contractor. Conclusion of the Framework Agreement constituted fulfillment of condition of the first two orders previously placed by the Ordering Party:

I) orders dated 5th of April 2022 for comprehensive "turn-key" construction and obtaining of the final use permit for a production and warehouse facility with an area of approx. 64 thousand square meters with accompanying infrastructure in the town called Łomna-Las in Nowodworski Powiat. The orders were placed with the additional condition that the Principal or a company from their capital group obtains the necessary building permit, which was fulfilled. The deadline for completing the facility was the end of 2022. On September 28, 2022, amendments were made, whereby the parties agreed on additional work that increased the value of the remuneration by 3% of the original order value. Subsequently, in January 2023 (an event after the balance sheet date), the parties agreed through an amendment to change the completion deadline to the first quarter of 2023. The work has been completed. The net flat-rate remuneration for the execution of the orders amounted to approximately 8.1% of the sales revenue of the Depol Capital Group for the year 2022.

II) orders dated 14th of April 2022 for comprehensive "turn-key" construction and obtaining of the final use permit for two production and warehouse buildings with a total area of approx. 29 thousand square meters with accompanying infrastructure in Zabrze. The deadline for completing the facilities was the end of 2022. In January 2023 (an event after the balance sheet date), the parties agreed through an amendment to change the completion deadline to the first quarter of 2023. The work has been completed. The net flat-rate remuneration for the execution of the orders amounted to approximately 5.4% of the sales revenue of the Depol Capital Group for the year 2022.

About the above-mentioned events the Company announced in current reports no. 20/2022 dated 5th of April 2022, no. 23/2022 dated 14th of April 2022, as well as no. 26/2022 dated 27th of April 2022.

Conclusion of agreement for construction of a warehouse hall in Swadzim, Poznań Povi

On 14th of November 2022, Dekpol Budownictwo Sp. z o. o. (General Contractor) entered into agreement with a counterparty from outside the Dekpol Capital Group (Ordering Party) for the construction of a warehouse hall with a service, office and social premises, together with necessary external infrastructure in Swadzim, Povi

About conclusion of the Agreement, the Company announced in current report no. 37/2022 dated 14th of November 2022.

Reception a construction permit for the 3rd stage of a multi-family housing estate as part of the "Osiedle Koci

On November 29, 2022, Dekpol Inwestycje Sp. z o.o. Rokitki Sp. K. received a construction permit for the third stage of the "Osiedle Koci

About reception of the construction permit the Company announced in current report no. 41/2022 dated November 29, 2022.

Reception a construction permit for the 4th stage of a multi-family housing estate as part of the "Osiedle Koci

On December 16, 2022, Dekpol Inwestycje Sp. z o.o. Rokitki Sp. K. received a construction permit for the fourth stage of the "Osiedle Koci

About reception of the construction permit the Company announced in current report no. 45/2022 dated December 16, 2022.

Conclusion by the subsidiary company of agreement on construction of Forensic Laboratory in Poznań

On December 16, 2022, Depol Budownictwo Sp. z o.o. (General Contractor) entered into an agreement with the State Treasury - Komendant Wojewódzki Policji in Poznań (Ordering Party) for the construction of the Forensic Laboratory of the Komenda Wojewódzka Policji in Poznań, including equipment, site development, and obtaining the use permit. The net value of works covered by the Agreement amounts to approximately 4.5% of the sales revenues of the Depol Capital Group for the year 2022. The construction works and the final issuance of the use permit will be completed within 27 months from the date of the Agreement. The Agreement includes provisions regarding contractual penalties, including penalties for delays in the execution of works, termination of the Agreement due to reasons attributable to the General Contractor, and other breaches of the Agreement. The total amount of contractual penalties may not exceed 15% of the gross contractual remuneration. The Ordering Party has the right to claim damages on general terms if the incurred loss exceeds the amount of reserved contractual penalties. The total amount of compensation, including accrued contractual penalties, may not exceed the contractual remuneration amount.

The agreement was concluded as a result of a public procurement procedure conducted through an open tender in accordance with the Act of September 11, 2019 - Public Procurement Law. The offer of Depol Budownictwo Sp. z o.o. was selected as the most advantageous in the aforementioned procedure on November 18, 2022.

The Company announced about the offer selection and subsequent conclusion of the agreement in its current reports no. 39/2022 dated November 18, 2022, and no. 46/2022 dated December 16, 2022

Conclusion of a general contracting agreement for the construction of a commercial and service center in Koszalin

On December 22, 2022, Depol Budownictwo Sp. z o.o. (General Contractor) entered into a general contracting agreement with a third party (Investor) for the design and construction of a commercial and service center in Koszalin, known as "Koszalin Power Center," including the necessary internal infrastructure, tenant premises, external infrastructure, and obtaining the use permit. The completion deadline for the project was set for the second quarter of 2024. The net remuneration for works covered by the agreement was determined at approximately 4.4% of the sales revenues of the Depol Capital Group for the year 2022. The agreement includes provisions regarding contractual penalties, including in case of delays in project implementation. The maximum amount of contractual penalties for delays cannot exceed 10% of the remuneration. In the event of termination of the agreement due to reasons attributable to the General Contractor, the contractual penalty may amount to 10% of the remuneration. The contractual penalties do not exclude the possibility of claiming compensation for damages caused by the General Contractor in an amount exceeding the specified contractual penalty. The Investor has the right to terminate or withdraw from the agreement, without stating reasons, no later than the day of signing the final acceptance protocol and no later than the end of 2024. In such a case, the Investor will pay the General Contractor remuneration proportional to the progress of completed works.

The agreement entered into force on the day of its signing, subject to the General Contractor's conclusion of specific agreements related to the Investment project. At the time of signing the agreement, the General Contractor received instructions from the Investor to commence design work. The General Contractor commenced the remaining works covered by the agreement after receiving a separate instruction to start construction works, which occurred on January 27, 2023.

About conclusion of the Agreement, the Company announced in current report no. 47/2022 dated December 22, 2022.

Conclusion of a preliminary agreement for the acquisition of a land property in Wiślinka

On January 13, 2023 (event after balance sheet date), Depol Inwestycje - Sol Marina II Sp. z o.o. (Buyer) entered into a preliminary agreement with an entity outside the Depol Capital Group (Seller) for the acquisition of a land property of approximately 9 hectares located in the village of Wiślinka, municipality Pruszcz Gdański, along with project documentation. Under the preliminary agreement, the parties have committed to concluding a definitive purchase agreement for the property by July 2025, with the possibility of partial acquisitions before the aforementioned deadline. The Seller has

granted the Buyer permission to use the property for construction purposes and to transfer the existing permits and approvals to the Buyer. The net purchase price of the property will amount to approximately 18% of the Issuer's equity at the end of 2022. The provisions of the preliminary agreement, including the right of withdrawal, are in line with commonly used provisions in such transactions. The acquired property is adjacent to another land property owned by the Dekpol Capital Group, where the Sol Marina development project (stages I-III) is being implemented. The purpose of acquiring the property is to carry out the subsequent stages of the above mentioned investment.

About conclusion of the above mentioned agreement, the Company announced in current report no. 2/2023 dated January 13, 2023.

Signing an annex to the contract for the construction of warehouse halls in Koszalin

On January 20, 2023 (event after balance sheet date), Dekpol Budownictwo Sp. z o.o. (Contractor) received a mutually signed annex to the agreement concluded in October 2021 with Panattoni Development Europe Sp. z o.o. - Accolade PL XXV Sp. z o.o. (Ordering Party) for construction works involving the construction of warehouse halls with accompanying infrastructure in Koszalin. Originally, the contract included the construction of two warehouse halls with a total area of approximately 26.4 thousand m², for a net remuneration equivalent to approximately 2.6% of sales revenues of the Dekpol Capital Group for the year 2022. Under the annex, the Ordering Party commissioned the Contractor to carry out an additional part of one of the aforementioned halls with an area of approximately 29.2 thousand m², along with the necessary infrastructure, as well as additional improvement works on the halls, resulting in an increase in the net remuneration for implementation of the agreement to a total of over 9.9% of sales revenues of the Dekpol Capital Group for the year 2022 (values converted according to the euro exchange rate on the date of signing the annex). The work on the first hall was completed in 2022, while the construction of the second hall, along with the works commissioned by the annex, according to the provisions of the annex, should be completed in the first quarter of 2023. Currently, the parties are in the process of processing the annex to the contract, which changes the value of remuneration and extends the deadlines for completing the works. The contract includes provisions regarding contractual penalties for delays in the implementation of works or the rectification of defects, as well as a contractual penalty of 10% of the remuneration for the termination of the contract by the Ordering Party due to the fault of the Contractor. The total amount of contractual penalties may not exceed 10% of the contractual remuneration.

About conclusion of the above mentioned annex to the agreement, the Company announced in current report no. 5/2023 dated January 20, 2023.

Conclusion of a general contracting agreement for a production facility in the Pomeranian Voivodeship

On February 15, 2023 (event after balance sheet date), Dekpol Budownictwo Sp. z o.o. (Contractor) entered into a general contracting agreement with a third party (Ordering Party) for the construction of a production facility with an area of approximately 15,000 m², including necessary accompanying infrastructure, in the Pomeranian Voivodeship. Under the agreement, the Contractor will prepare all necessary executive documentation, carry out construction works, and obtain all required permits, including the occupancy permit for the Investment. The net compensation for the services covered by the agreement is set at approximately 10% of the sales revenue of the Dekpol Capital Group for the year 2022. The completion deadline for the execution of the subject matter of the agreement has been specified as the first quarter of 2024. The agreement includes provisions regarding contractual penalties, such as in the case of delays in the execution of the Investment or termination of the agreement due to reasons attributable to the Contractor. The maximum amount of contractual penalties cannot exceed 12% of the compensation. The Ordering Party is entitled to claim additional compensation in the event of damages exceeding the amount of the contractual penalty. The Ordering Party has the right to terminate the agreement without giving any reasons during its term, but no later than the end of 2023 and no later than the date of the final acceptance - in such a case, the Contractor will receive compensation proportional to the progress of the works.

About conclusion of the above mentioned agreement, the Company announced in current report no. 6/2023 dated February 15, 2023.

Conclusion of a general contracting agreement for a commercial object in Koszalin

On March 21, 2023 (event after balance sheet date), Depol Budownictwo Sp. z o.o. (Contractor) entered into an agreement with a third party (Ordering Party) for general contracting of a commercial object with an area of approximately 10,000 square meters, including the necessary accompanying infrastructure, such as access road, in Koszalin. As a part of the project, the Contractor will prepare the necessary construction documentation, carry out the construction works, and obtain the required permits, including the occupancy permit for the project. The net remuneration for all works related to the project is set at approximately 4.4% of the Depol Group's sales revenue for the year 2022. The completion deadline for the project has been set for the first quarter of 2024. The agreements related to the project include provisions regarding contractual penalties, including penalties for delays (not exceeding 10% of the remuneration value) and termination of the agreement due to reasons attributable to the Contractor (contractual penalty amounting to 15% of the remuneration value). The Ordering Party has the right to claim additional compensation in case of damages exceeding the amount of the contractual penalty.

About conclusion of the above mentioned agreement, the Company announced in current report no. 8/2023 dateds March 21, 2023.

Conclusion of a construction contract in the Silesian Voivodeship

On March 1, 2023 (event after balance sheet date), Depol Budownictwo Sp. z o.o. (Contractor) entered into a construction contract with a third party (Ordering Party) for the general construction of a warehouse building with an area of approximately 120,000 m², including accompanying infrastructure, in the Silesian Voivodeship. The contract was concluded under the suspensive condition of the Ordering Party acquiring the rights to the property on which the investment is to be realized and acquiring the right to use the property for construction purposes. On March 22, 2023, the Contractor received information from the Ordering Party regarding the fulfillment of the suspensive condition, and as a result, the contract came into effect.

Under the contract, the Contractor will prepare the necessary construction documentation, carry out construction work, and obtain the required permits, including the permit for the use of the investment. The remuneration for the work covered by the contract is set at a net lump sum equivalent to approximately 20.4% of the sales revenue of the Depol Capital Group for the year 2022. The deadline for completing the project under the contract is set for the first half of 2024. The contract includes provisions regarding contractual penalties, including in the event of delays in the implementation of the investment or termination of the contract due to reasons attributable to the Contractor. The total amount of contractual penalties may not exceed 15% of the remuneration. The Ordering Party has the right to claim compensation under the general provisions of the Civil Code to the extent that the damage exceeds the amount of the stipulated contractual penalty.

About conclusion of the agreement, and then about fulfillment of a suspensive condition, the Company announced in current reports no. 9/2023 dateds March 21, 2023 and no. 10/2023 dated March 22, 2023.

Information about the sale of premises in the first quarter of 2023

Preliminary information regarding the activities of the Depol Capital Group in the property development segment in the first quarter of 2023 (event after balance sheet date):

- number of sold units: 93 units compared to 70 units sold in the first quarter of 2022 (based on signed reservation, development and preliminary agreements),
- the number of units to be recognized in the financial results of the Group: 108 units compared to 73 units recognized in the first quarter of 2022.

As of March 31, 2023, the total number of units offered for sale by the Group was 714 units.



In Q1 2023 the total number of units offered for sale by the Group amounted 714.

In the first quarter of 2023, the Group primarily conducted sales in the following developments:

- Grano Marina Hotel – a building with a total of 130 commercial units, located in Wiślinka near Sobieszewska Island, as part of the "Sol Marina Stage I" project
- Sol Marina stage II – a complex of 15 apartment buildings with a total of 127 commercial units, located in Wiślinka near Sobieszewska Island,
- Sol Marina stage III – a complex of 16 apartment buildings with a total of 140 commercial units, located in Wiślinka near Sobieszewska Island,
- Baltic Line – an apartment building with a total of 60 commercial units, located on Sobieszewska Island,
- Baltic Porto – an apartment building with a total of 72 commercial units, located on Sobieszewska Island,
- Osiedle Pastelowe stage IIa – 3 residential buildings with a total of 225 residential units, located in Gdańsk,
- Osiedle Pastelowe stage IIb – 2 residential buildings with a total of 125 residential units, located in Gdańsk,
- Neo Jasień stage I – 2 residential buildings with a total of 104 residential units, located in Gdańsk,
- Neo Jasień stage II – 2 residential buildings with a total of 98 residential units, located in Gdańsk,
- Trimare stage I – 9 residential buildings with a total of 189 residential units, located in Sztutowo,
- Osiedle Kocięskie stage II – 3 residential buildings with a total of 129 residential units, located in Rokitki near Tczew.

In the first quarter of 2023, final use permits were issued for:

- two multi-family residential buildings consisting of 86 units, part of the "Osiedle Kocięskie stage II" investment in Rokitki near Tczew. As of March 31, 2023, approximately 64% of the units have been sold,
- one apartment building consisting of 20 units, part of the "Baltic Line" investment in Gdańsk. As of March 31, 2023, 65% of the units have been sold,
- three residential buildings consisting of 63 units, part of the "Trimare Phase I" investment in Sztutowo. As of March 31, 2023, approximately 51% of the units have been sold.

About apartments sales results in Q1 2023, the Company in current report no. 11/2023 dated April 11, 2023.

3.5 Other events and agreements in business activities of the Group

Purchase of a ground property in Wrocław

On January 10, 2022, Depol Deweloper Sp. z o.o. acquired a land property measuring 0.22 hectares in Wrocław. The purchase price of the property does not have a significant impact on the financial situation and results of the Depol Group. The company plans to undertake a real-estate development project on the aforementioned property in upcoming years.

Reception of a construction permit for the captain's office building as a part of the "Sol Marina" investment in Wiślinka

On April 4, 2022, Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. received the final construction permit decision for the construction of a service building - the Captain's Office, along with the necessary infrastructure, issued by the Starosty Office in Gdańsk as a part of the Sol Marina project in Wiślinka. The planned building will be used as a marina office and will remain the property of Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k. The project involves construction of a two-story building consisting of 7 steel structure containers with a usable area of 96.84m² and a height of 6m. The building will include technical rooms and sanitary facilities. Completion date of construction works of the Captain's Office has been scheduled for Q4 2024.

Reception of the construction permit for the second stage of the residential building complex within the Neo Jasień project

On May 23, 2022, Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. k. received the construction permit issued by the Mayor of Gdańsk for the construction of the second stage of the residential building complex within the "Neo Jasień" project. The permit includes construction of two residential buildings, underground parking halls, internal installations, and other necessary infrastructure located on Potęgowska Street in Gdańsk. The second stage of the project will comprise 98 residential units with tenant storage units, totaling approximately 4,000 square meters of usable space, as well as 118 parking spaces. The estimated net revenue from the execution of this stage is around PLN 40 million. As of the publication of this report, it is estimated that the second stage of the Neo Jasień project will be completed and ready for use in the third quarter of 2024, with the first units being handed over to customers during the same period. The investment costs will be partially financed through own funds as well as external capital

Purchase of a ground property in Gdańsk Sobieszewo

On July 8, 2022, Dekpol Inwestycje Sp. z o.o. Sobieszewo Development Sp.k. entered into a conditional agreement for the acquisition of an undeveloped ground property measuring 1496 square meters located in the Sobieszewo district of Gdańsk. The condition for the agreement was the exercise of the preemptive right by the City of Gdańsk. However, as the preemptive right was not exercised, on October 6, 2022, the company entered into a final agreement for the acquisition of the land. The purchase price of the land does not represent a significant value from the perspective of Dekpol Group's financial situation and results. The acquisition of the land property was intended for the future execution of a real-estate development project in that location.

Annex to the general contracting agreement of the investment with Karuzela Kołobrzeg Sp. z o.o.

On August 11, 2022, Dekpol Budownictwo Sp. z o.o. entered into an annex with Karuzela Kołobrzeg Sp. z o.o. (Ordering Party) to the agreement dated January 20, 2020, regarding general contractorship for the Karuzela Kołobrzeg shopping center investment, which was previously reported by Dekpol S.A. in the annual report for 2021 published on April 29, 2022. Under the annex, the parties agreed to a slight change in the amount of remuneration and a change in the completion date of the entire investment to October 2022 (previously August 2022). The works were completed within the agreed timeframe. The final value of the investment agreement amounted to approximately 8.1% of the Dekpol Group's sales revenue for 2022.

Annex to the agreement on construction of a warehouse hall in Błonie Wieś

On October 6, 2022, Dekpol Budownictwo Sp. z o.o. entered into an annex to the agreement with Panattoni Development Europe Sp. z o.o. (Ordering Party) for the construction of a warehouse building in Błonie Wieś. This agreement was previously announced by Dekpol S.A. in the current report no. 48/2021 dated November 2, 2021, and later in the annual report for 2021 published on April 29, 2022. Under the annex, the parties confirmed the change in the amount of remuneration due to the execution of additional works and the change in completion date of the entire investment to September 2022 (previously: February 2022). The final net value of the agreement for implementation of the investment

amounted to approximately 5.6% of revenues of the Dekpol Capital Group for the year 2022 (at the exchange rate of the euro on the date of the annex). The agreement was successfully completed within the agreed timeframe.

Conclusion of the agreement on reconstruction of the object for needs of Centralne Biuro Zwalczania Cyberprzestępczości Zarząd w Poznaniu

On November 8, 2022, Dekpol Budownictwo Sp. z o.o. entered into an agreement with the State Treasury - Komendant Wojewódzki Policji w Poznaniu (Ordering Party) for reconstruction of a building located in Poznań for the needs of the Centralne Biuro Zwalczania Cyberprzestępczości Zarząd w Poznaniu, in the "design and build" formula. The agreement was concluded as a result of a public procurement procedure conducted through an open tender in accordance with the Public Procurement Law dated September 11, 2019. The deadline for the completion of the works is set for the fourth quarter of 2023. The remuneration for the execution of the agreement will be below 1% of the revenue of the Dekpol Capital Group for the year 2022. This agreement represents another public contract undertaken by the Group (information about the agreement for the construction of the Forensic Laboratory in Poznań can be found in section 3.4 of this report), confirming the Group's competitiveness in public tenders, as well as its competence and know-how in the execution of not only private investments, which have been the focus of the Group's activities so far, but also public investments.

Annex to the general contracting agreement of the production plant in Lithuania

On November 18, 2022, Dekpol S.A. received a mutually signed annex to the agreement concluded in July 2021 with Press Glass UAB (Ordering Party) for the construction of a production plant in Kaunas, Lithuania. The Company previously announced about this agreement in the current report no. 31/2021 dated July 21, 2021, and subsequently in the annual report for the year 2021 published on April 29, 2022. Pursuant to the annex, the parties confirmed a change of approximately 16% in the amount of remuneration due to the execution of additional works, and a change in the completion date of the entire investment to November 2022 (previously: June 2022). The current net value of the agreement for the implementation of the investment is equivalent to approximately 7% of the revenue of the Dekpol Capital Group for the year 2022 (based on the euro exchange rate on the day of receiving the annex). The execution of the agreement was completed within the agreed timeframe.

Purchase of a ground property in Sopot

On January 30, 2023 (event after balance sheet date), Dekpol Inwestycje Sopotcka Sp. z o.o. (Company) entered into a preliminary agreement to purchase a land property measuring 0.4752 hectares in Sopot for purpose of the bank of land. The purchase price of the property is not significant in terms of financial position and results of the Dekpol Group.

Preliminary agreement for the purchase of land property in Gdańsk Sobieszewo

On March 3, 2023 (event after balance sheet date), Dekpol Inwestycje - Turystyczna Sp. z o.o. (Buyer) entered into a preliminary agreement with an entity outside the Dekpol Capital Group (Seller) for the purchase of a plot of land measuring approximately 3 hectares located in the Municipality of Gdańsk, evidence number Sobieszewo. The preliminary agreement includes the necessary conditions to be fulfilled for conclusion of the promised agreement. The execution of the promised agreement and the transfer of ownership of the land property are planned for the second quarter of 2023, according to current estimates. If the promised agreement is concluded, the acquisition of the land will serve the future realization of a property development project in that location.

3.6 Loans and borrowings

In the period from 1st of January to 31st of December 2022, the Depol 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 31.12.2022 (in thousands of PLN)	Currency	Contractual repayment date
Dekpol S.A.	PKO BP S.A.	Investment loan	2 738	EUR	EURIBOR 1M+ bank's margin	2 738	EUR	24.08.2030
Dekpol Steel Sp. z o.o.	PKO BP S.A.	Investment loan	2 035	EUR	EURIBOR 1M+ bank's margin	2 035	EUR	26.01.2032
Dekpol Steel Sp. Z o.o.	CITI Bank Handlowa S.A.	Trade loan	5 000	PLN	WIBOR 3M/EURIBOR 3M+ bank's margin	0	PLN	Indefinite period
Intek Sp. z o.o.	PKO BP S.A.	Overdraft facility	7 000	PLN	WIBOR 1M/EURIBOR 1M+ bank's margin	6 908	PLN	26.01.2023 ¹
Kombet Działdowo Sp. z o.o.	PKO BP S.A.	Overdraft facility	3 000	PLN	WIBOR 1M/EURIBOR 1M+ bank's margin	0	PLN	13.09.2025
Dekpol Budownictwo Sp. z o.o.	SGB-Bank S.A.	Revolving loan	20 000	PLN	WIBOR 3M+ bank's margin	13	PLN	14.07.2025
Dekpol Budownictwo Sp. z o.o.	SGB-Bank S.A.	Overdraft facility	15 000	PLN	WIBOR 3M+ bank's margin	0	PLN	14.07.2025
Dekpol Budownictwo Sp. z o.o.	mBank S.A.	Renewable loan	20 000	PLN	WIBOR 1M/EURIBOR 1M+ bank's margin	0	PLN	30.06.2023
Dekpol Budownictwo Sp. z o.o. ³	mBank S.A.	Renewable loan	30 000	PLN	WIBOR 1M/EURIBOR 1M+ bank's margin	0	PLN	30.06.2023
Dekpol Budownictwo Sp. z o.o.	PKO BP S.A.	Working capital loan	25 000	PLN	WIBOR 1M/EURIBOR 1M+ bank's margin	24 745	PLN	27.06.2024
Dekpol Budownictwo Sp. z o.o.	Bank Ochrony Środowiska S.A.	Renewable working capital loan	20 000	PLN	WIBOR 3M+ bank's margin	0	PLN	30.09.2024
Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. K ²	mBank S.A.	Working capital loan	39 063	PLN	WIBOR 1M+ bank's margin	-	-	30.11.2022

¹ As of publication date, the agreement was amended with respect to the limit (it was extended until April 27, 2024).

² As of the publication date, the agreement was terminated at the request of the borrower.

³ As of the publication date, the agreement was amended to a framework agreement under which the company can use a limit of PLN 50 million (up to PLN 50 million for working capital loans and up to PLN 20 million for bank guarantees). The agreement has been extended until December 29, 2023.

During the period from January 1st to December 31st, 2022, the Depol Capital Group concluded the following loan agreements ahead of schedule upon the borrower's request:

Company name	Bank name / name of the lender	Transaction type	Amount granted (in thousand PLN)	Currency	Interest	Contractual repay- ment date	Loan maturity / end date
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp. K	mBank S.A.	Working capital loan	22 806	PLN	WIBOR 1M+ bank's margin	31.08.2023	13.12.2022
Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. K	mBank S.A.	Working capital loan	39 063	PLN	WIBOR 1M+ bank's margin	30.11.2023	13.12.2022

List of loans and borrowings from Depol SA as at 31st of December 2022. has been presented in note 12.4 of the Separate Financial Statement.

List of loans and borrowings of the Depol Capital Group as at 31.12.2022 has been presented in note 11.2 of the Consolidated Financial Statement.

In the period from 1st of January to 31st of December 2022, companies from the Depol 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 31.12.2022 (in thousands of PLN)	Date of repayment	Loan maturity / end date
Dekpol Inwestycje Sp. z o.o. Neo Jasień Sp.k	Dekpol S.A.	Borrowing	7 000	WIBOR 6M+ margin	PLN	3 400	28.10.2023	-
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	18 664	WIBOR 6M+ margin	PLN	18 600	28.10.2023	-
Dekpol Steel Sp. z o.o.	Dekpol S.A.	Borrowing	4 300	EURIBOR 12M + margin	EUR	4 011	31.12.2023	-
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	6 076	EURIBOR 6M+ mar- gin	EUR	6 076	29.03.2027	-
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	30 880	WIBOR 6M+ margin	PLN	30 880	23.08.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol S.A.	Borrowing	11 000	WIBOR 6M+ margin	PLN	11 000	22.06.2024	-
Dekpol Inwestycje - Warszawa Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	100	WIBOR 12M+ mar- gin	PLN	50	31.12.2024	-
Dekpol Inwestycje - Warszawa 1 Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	1 700	WIBOR 12M+ mar- gin	PLN	850	31.12.2024	-
Dekpol Inwestycje - Turystyczna Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	800	WIBOR 12M+ mar- gin	PLN	400	31.12.2024	-
Dekpol Inwestycje Sp. z o.o. WBH Sp.k	Dekpol Deweloper Sp. z o.o.	Borrowing	600	WIBOR 12M+ mar- gin	PLN	600	31.12.2024	-
Dekpol Inwestycje - Starogard Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	4 000	WIBOR 12M+ mar- gin	PLN	3 500	31.12.2024	-
Dekpol Inwestycje - Starogard Korytybska Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	500	WIBOR 12M+ mar- gin	PLN	50	31.12.2024	-
Dekpol Inwestycje Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	200	WIBOR 12M+ mar- gin	PLN	100	31.12.2024	-
Almond Sp. z o.o.	Dekpol Deweloper Sp. z o.o.	Borrowing	30 000	WIBOR 12M+ mar- gin	PLN	30 000	31.12.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Braniborska sp.k	Borrowing	14 775	WIBOR 12M+ mar- gin	PLN	14 775	31.12.2024	-
Dekpol Inwestycje- Starogard Sp. z o.o.	Dekpol Pszenna sp. z o.o. sp.k	Borrowing	10 000	WIBOR 12M+ mar- gin	PLN	7 000	31.12.2024	-
Dekpol Inwestycje- Starogard Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Braniborska sp.k	Borrowing	9 500	WIBOR 12M+ mar- gin	PLN	9 500	31.12.2024	-

Smartex Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Braniborska sp.k	Borrowing	200	WIBOR 12M+ margin	PLN	100	31.12.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje sp. z o.o. Sol Marina sp.k	Borrowing	8 500	WIBOR 12M+ margin	PLN	8 500	31.12.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje sp. z o.o. Development sp.k	Borrowing	2 000	WIBOR 12M+ margin	PLN	2 000	31.12.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol Pszenna sp. z o.o. sp.k	Borrowing	2 000	WIBOR 12M+ margin	PLN	2 000	31.12.2024	-
Dekpol Inwestycje - Turystyczna sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Braniborska sp.k	Borrowing	2 000	WIBOR 12M+ margin	PLN	500	31.12.2024	-
Dekpol Inwestycje - Starogard Korytybska Sp. z o.o.	Dekpol Inwestycje Sp. z o.o. Braniborska sp.k	Borrowing	500	WIBOR 12M+ margin	PLN	200	31.12.2024	-
Dekpol Inwestycje - Warszawa 1 Sp. z o.o.	Dekpol Pszenna sp. z o.o. sp. k	Borrowing	1 000	WIBOR 12M+ margin	PLN	700	31.12.2024	-
Dekpol Deweloper sp. z o.o.	Dekpol Inwestycje sp. z o.o. Pastelowa sp.k	Borrowing	5 800	WIBOR 12M+ margin	PLN	5 300	31.12.2024	-
Dekpol Inwestycje - Starogard Sp. z o.o.	Dekpol Inwestycje sp. z o.o. Pastelowa sp.k	Borrowing	1 700	WIBOR 12M+ margin	PLN	1 700	31.12.2024	-
Dekpol Inwestycje - Starogard Sp. z o.o.	Dekpol Inwestycje sp. z o.o. Sol Marina sp.k	Borrowing	3 000	WIBOR 12M+ margin	PLN	3 000	31.12.2024	-
Dekpol Inwestycje Sp. z o.o. WBH Sp.k	Dekpol Inwestycje sp. z o.o. Pastelowa sp.k	Borrowing	500	WIBOR 12M+ margin	PLN	200	31.12.2024	-
Dekpol Deweloper Sp. z o.o.	Dekpol Inwestycje sp. z o.o. Sobieszewo Development sp.k	Borrowing	2 000	WIBOR 12M+ margin	PLN	-	31.12.2023	15.12.2022

As of December 31, 2022, the total nominal balance of intra-group loans granted by the Depol Group was PLN 295,628 thousand, including loans granted by Depol S.A. in the total amount of PLN 149,597 thousand and Depol Deweloper Sp. z o.o. in the total amount of PLN 73,966 thousand, and other companies in the total amount of PLN 72,065 thousand. In 2022, companies of the Depol Capital Group did not grant or take loans with entities outside the Group.

In 2022, the companies from the Depol Capital Group have not terminated any loan or borrowing agreements.

Selected major loan agreements

The investment loan agreement of the subsidiary company with PKO BP

On January 26, 2022, Depol Steel Sp. z o.o. entered into an investment loan agreement with PKO Bank Polski S.A. (hereinafter referred to as PKO BP) in the amount of EUR 2.03 million in convertible currency. The purpose of the loan was to finance and refinance related to the acquisition of 100% shares in Intek Sp. z o.o. The loan was granted for a period until January 26, 2032. The loan is disbursed in installments. Additionally, on January 31, 2022, Depol Steel Sp. z o.o. entered into an interest rate swap transaction (IRS) with PKO BP, aiming to mitigate the adverse impact of market interest rate fluctuations on cash flows and minimize financial costs.

Multi-purpose loan agreement of the subsidiary company with PKO BP S.A.

On January 27, 2022, Intek Sp. z o.o. entered into a multi-purpose loan agreement with PKO Bank Polski S.A. (hereinafter referred to as PKO BP) in the amount of PLN 7 million, including a current account credit up to a maximum amount of PLN 7 million, which could be utilized in PLN and EUR currencies, and bank guarantees up to a maximum amount of PLN 1 million. The granted credit line is intended for financing ongoing obligations resulting from the company's business activities and issuing bank guarantees. Intek Sp. z o.o. was entitled to use the credit line for a period of 12 months from the date of the agreement. Subsequently, the available limit was extended until April 27, 2023.

Revolving loan agreement and an annex to the subsidiary's framework agreement with mBank S.A.

On February 16, 2022, Depol Budownictwo Sp. z o.o. signed an agreement with mBank S.A. for a revolving multi-purpose loan for invoice redemption in the amount of PLN 20 million. The purpose of the loan is to finance the company's current operations. Pier-otne Depol Budownictwo Sp. z o.o. was entitled to use the credit until September 30, 2022. On September 27, 2022, the parties entered into an annex, on the basis of which Depol Budownictwo Sp. z o.o. is authorized to use the loan until June 30, 2023, while the final repayment date is set for September 29, 2023.

At the same time, on February 16, 2022, Depol Budownictwo Sp. z o.o. concluded with mBank S.A. an annex to the framework agreement dated June 26, 2019, as amended. Pursuant to the annex, the value of the limit was reduced from PLN 35 million to PLN 25 million and the revolving credit for invoice redemption granted under this limit from PLN 25 million to PLN 15 million. The amount of the overdraft facility granted under the limit remained unchanged, i.e. PLN 10 million. In addition, on June 30, 2022, Depol Budownictwo Sp. z o.o. concluded with mBank S.A. an annex to the above-mentioned framework agreement extending the availability of the line until June 30, 2023.

Annex to the investment loan agreement of the company with PKO BP

On 7th of March 2022 Depol S.A. concluded with PKO BP SA an annex to the investment loan agreement of 17th 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. The agreement is valid until July 16, 2026.

In addition, on 11th of March 2022 and on 14th of March 2022 Depol 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.

Agreement and annexes to the revolving credit agreement of the subsidiary company with mBank S.A.

On March 21, 2022, Depol Budownictwo Sp. z o.o. entered into a framework agreement with mBank S.A. in the amount of PLN 30 million, which defines the terms of using the line for financing ongoing activities. Within the line, mBank S.A. may provide revolving credits in PLN and EUR. Initially, Depol Budownictwo Sp. z o.o. was entitled to use the credit until September 30, 2022, and the expiration date of the line was set for March 31, 2023. On September 27, 2022, the parties concluded an annex, according to which Depol Budownictwo Sp. z o.o. is entitled to use the line until June 30, 2023, and the expiration date of the line is December 29, 2023.

Then, on March 7, 2023 (an event after balance sheet date), the parties entered into an annex, as a result of which the limit of the line was increased to PLN 50 million. Within the line, Depol Budownictwo Sp. z o.o. can utilize revolving credits (sublimit up to PLN 50 million) and contract guarantees (sublimit up to PLN 20 million). The interest rate for revolving credits is based on the WIBOR/EURIBOR 1M rate plus the bank's margin. The agreement includes obligations during the term of the agreement, including maintaining certain debt ratios at specified levels. The collateral for the bank's receivables arising from the agreement includes, among others, a contractual mortgage on land properties and other typical collateral for credit agreements.

About the above mentioned event the Company announced in current reports no. 7/2023 dated March 7, 2023.

Working capital loan agreement of a subsidiary with mBank S.A.

On April 6, 2022, Depol Inwestycje Spółka z ograniczoną odpowiedzialnością Pastelowa sp.k entered into a revolving credit agreement with mBank S.A. in the amount of PLN 39.06 million. The credit was granted to finance and refinance expenses related to the implementation of a development project called Osiedle Pastelowe - stage 2 in Gdańsk. The credit will be disbursed in installments, and the repayment date of the credit is set for November 30, 2023.

Subsequently, on December 13, 2022, the agreement was terminated at the borrower's request.

CAP Options transactions

On May 5th, 2022, Depol S.A. entered into two CAP transactions with BNP Paribas Bank Polska S.A., for amounts of PLN 19.15 million and PLN 11 million, respectively. The purpose of entering into the CAP transactions is to limit the risk of an increase in the interest rate associated with the company's financial obligations.

Loan agreement of the subsidiary company with PKO BP

On June 28, 2022, Depol Budownictwo Sp. z o.o. entered into a multi-purpose credit limit agreement with PKO BP for an amount of PLN 50 million. Within the limit, sub-limits were granted for a renewable revolving credit of up to PLN 30 million, a non-renewable revolving credit of up to PLN 30 million, which can be used to finance obligations arising from general contracting agreements, and a sub-limit for bank guarantees issued to secure the obligations of Depol Budownictwo Sp. z o.o. up to 25 PLN million. The credit limit was granted until June 2024 (credit and limit utilization period). The credit limit can be used in PLN and EUR. The interest rate for the credits granted within the limit is determined based on a variable interest rate equal to the WIBOR1M/EURIBOR1M rate, plus the bank's margin. The collateral for all obligations of Depol Budownictwo Sp. z o.o. arising from the agreement includes, among others, a comprehensive contractual mortgage on a property located in Toruń and an assignment of receivables from commercial contracts. The agreement includes obligations, among others, to maintain debt ratios at specified levels.

About the event the Company announced in current report no. 30/2022 dated June 28, 2022.

Annex to the factoring agreement and a new factoring agreement of the subsidiary company with Santander Faktoring Sp. z o.o.

On June 28, 2022, Depol Steel Sp. z o.o. entered into an amendment to the factoring agreement with Santander Faktoring Sp. z o.o. The annex changed the available factoring limit from PLN 34.45 million to PLN 12 million. The limit was valid until October 31, 2022. Additionally, on June 28, 2022, Depol Steel Sp. z o.o. concluded a new factoring agreement with Santander Faktoring Sp. z o.o. The available factoring limit under the new agreement amounts PLN 33 million, and the agreement is valid until December 27, 2023.

Revolving credit agreement and overdraft facility agreement of a subsidiary company with SGB Bank S.A.

On July 15, 2022, Depol Budownictwo Sp. z o.o. entered into a revolving credit agreement with SGB Bank S.A. in the amount of PLN 20 million, as well as a overdraft facility agreement in the amount of PLN 15 million. The revolving credit was granted to finance expenses related to the execution of general contracting agreements, while the overdraft facility agreements was provided for the ongoing financing of the company's operations. The company is entitled to utilize the revolving credit and overdraft facility until July 14, 2025.

Framework Agreement for the Provision of Trade Loans to a Subsidiary Company by Bank Handlowy S.A. in Warsaw

On July 15, 2022, Depol Steel Sp. z o.o. entered into a framework agreement with Bank Handlowy w Warszawie S.A. for the provision of trade loans with a financing limit of PLN 5 million. The loan was granted for financing the ongoing business activities. The subsidiary company is entitled to use the limit indefinitely.

Annex to the multi-purpose credit limit agreement of a subsidiary company with PKO BP

On August 11, 2022, Depol Budownictwo Sp. z o.o. entered into an annex with PKO BP to the multi-purpose credit limit agreement dated April 19, 2021. According to the annex, the company extended the availability of the granted credit limit of PLN 18 million, both in PLN and EUR currency. The limit is available until November 15, 2023.

Annex to the agreement on the treasury limit of a subsidiary company with PKO BP

On August 11, 2022, Depol Budownictwo Sp. z o.o. entered into an amendment to the treasury limit agreement with PKO BP, dated September 15, 2020, increasing the available limit for treasury transactions from PLN 36.9 million to PLN 63.9 million. Currently, the limit is available until August 11, 2023.

Investment loan agreement of the Company with PKO BP

On August 25, 2022, Depol S.A. entered into an investment loan agreement with PKO BP in the amount of 2.74 million EUR. The loan was granted to refinance expenses related to the purchase of shares in Kombet Działdowo Sp. z o.o. The loan repayment is due on August 30, 2030.

Additionally, on August 30, 2022, Depol S.A. entered into interest rate swap transactions (IRS) with PKO BP, aimed at limiting the unfavorable impact of changes in market interest rates on cash flows and minimizing financial costs.

Loan agreement of a subsidiary company with PKO BP

On September 15, 2022, Kombet Działdowo Sp. z o.o. entered into a multi-purpose credit limit agreement with PKO BP for an amount of PLN 3.5 million. Within the limit, sub-limits were granted for a current account credit of up to PLN 3 million, which can be used to finance current obligations arising from the company's activities, and a sub-limit for bank guarantees issued to secure Kombet's obligations up to PLN 0.5 million. The credit limit was granted until September 13, 2025. The credit limit can be utilized in PLN and EUR. The interest rate for loans granted within the limit is determined based on a variable interest rate equal to the WIBOR1M/EURIBOR1M rate, plus the bank's margin.

Conclusion by Depol Budownictwo Sp. z o.o. of a multi-purpose credit facility agreement with Bank Ochrony Środowiska S.A.

On December 5, 2022, Depol Budownictwo Sp. z o.o. entered into a multi-purpose credit facility agreement with Bank Ochrony Środowiska S.A. The agreement entails a credit line of PLN 50 million. The purpose of the obtained financing is to finance the ongoing operational needs related to the company's business activities. Within the multi-purpose credit line, Depol Budownictwo can utilize a renewable revolving credit with a limit of PLN 20 million and a guarantee limit of PLN 50 million. The total amount of funds utilized cannot exceed PLN 50 million. The interest rate for the credit granted under the multi-purpose credit line will be based on a variable interest rate equal to the WIBOR3M rate plus the bank's margin. The credit line has a renewable nature. The final repayment date (the validity date of the agreement) is set for September 30, 2024. The collateral for all obligations of Depol Budownictwo Sp. z o.o. arising from the agreement includes, among others, a guarantee from PLG FGK Bank Gospodarstwa Krajowego, a combined contractual mortgage established on immovable properties located in Starogard Gdański and Wrocław, a registered pledge on movable property or rights of the company Intek Sp. z o.o., assignment of receivables from commercial contracts, and other typical securities for credit agreements. The agreement includes borrower obligations during the term of the agreement, including maintaining certain debt ratios at specified levels.

About conclusion of the Agreement, the Company announced in current report no. 42/2022 dated December 6, 2022.

Annex to the multi-purpose premium credit line do umowy of a subsidiary company with BNP Paribas

On January 16, 2023 (event after balance sheet date), Depol Budownictwo Sp. z o.o. entered into an annex to the existing multi-purpose premium credit line agreement with BNP Paribas Bank Polska S.A., which was originally signed in 2021. According to the annex, the subsidiary company is entitled to utilize the multi-purpose credit line of up to PLN 40 million (previously PLN 30 million). Within the available limit, the subsidiary may utilize the overdraft facility, provide bank guarantees, and issue letters of credit. The limit is available until January 16, 2024.

Conclusion of a factoring agreement by a subsidiary company with Santander Faktoring Sp. z o.o.

On January 26, 2023 (event after balance sheet date), Depol Steel Sp. z o.o. entered into a factoring agreement with Santander Faktoring Sp. z o.o. According to the agreement, the company is able to utilize a factoring limit of PLN 2.2 million. The company is authorized to use the limit until October 31, 2023.

Conclusion of a multi-line agreement by a subsidiary company with Santander Bank Polska

On February 28, 2023 (event after balance sheet date), Depol Budownictwo Sp. z o.o. entered into a multi-line agreement with Santander Bank Polska S.A. Under the agreement, the subsidiary company is entitled to utilize, within a limit of PLN 55 million, a bank overdraft facility and provide bank guarantees. The limit is available until February 14, 2024.

Annex to the bank overdraft facility agreement with PKO BP S.A.

On April 18, 2023 (event after balance sheet date), Intek Sp. z o.o. entered into an annex to the 2021 agreement for a multicurrency credit limit with Bank Powszechna Kasa Opieki Bank Polski S.A. According to the annex to the agreement, the subsidiary company is authorized to utilize the bank overdraft facility and provide bank guarantees up to the amount of PLN 7 million. The limit is available until April 27, 2024.

Annex to the bank overdraft facility agreement with PKO BP S.A.

On April 18, 2023 (event after balance sheet date), Betpref Sp. z o.o. entered into an annex to the 2022 agreement for a bank overdraft facility with Bank Powszechna Kasa Opieki Bank Polski S.A. According to the annex to the agreement, the subsidiary company is authorized to utilize the bank overdraft facility up to the amount of PLN 5 million. The limit is available until April 19, 2025.

3.7 Sureties and guarantees

In 2022, the Company and its subsidiaries received and granted sureties within the Depol Capital Group.

The value of received and granted sureties in 2022 within the Depol Capital Group amounted to PLN 254,5million, of which Depol S.A. received sureties for the amount of PLN 32 million and granted a surety for the amount of approximately PLN 215,5 million

In 2022, the Group companies did not receive any sureties from unrelated entities or did not grant sureties for unrelated entities.

Received and granted guarantees in 2022 in the Depol Capital Group

Guarantee type	Granted (in PLN thousand)	Received (in PLN thousand)
Contractual - insurance guarantee	74.126	1.659
Contractual - bank guarantee	31.290	6.145
PLG-FGP BGK guarantee	-	66.400
Total:	105.416	74.204

Received and granted guarantees in 2022 in Depol S.A.

Guarantee type	Granted (in PLN thousand)	Received (in PLN thousand)
Contractual - insurance guarantee	-	-
Contractual - bank guarantee	-	-
PLG-FGP BGK guarantee	-	-
Total:	-	-

Selected significant agreements on granting guarantees

Agreement on granting of contractual guarantees under a renewable limit with TU Euler Hermes S.A.

On 6th of April 2022, Depol S.A. concluded with Towarzystwo Ubezpieczeń Euler Hermes S.A. an agreement on granting of contractual guarantees within renewable limit. The limit within which the Company may apply for contractual guarantees amounts PLN 12 million, and the agreement was concluded for an indefinite period. Together with Depol S.A., the subsidiary Depol Budownictwo Sp. z o.o. may take advantage of the limit available.

Master agreement for insurance guarantees with UNIQA Towarzystwo Ubezpieczeń S.A.

On 11th of April 2022, Depol S.A. concluded a master agreement for insurance guarantees with UNIQA Towarzystwo Ubezpieczeń S.A. The available limit under which a company may apply for a guarantee amounts PLN 20 million and is valid until 10th of April 2024. Together with Depol S.A., the subsidiary Depol Budownictwo Sp. z o.o. may take advantage of the limit available.

Conclusion of annex to the agreement on insurance guarantees with Credendo- Guarantees & Specialty Risk Societe Anonyme

On 8th of August 2022 (event after balance sheet date), Depol S.A. concluded an annex to the insurance guarantee agreement with Credendo - Guarantees & Specialty Risk Societe Anonyme. The annex changed the amount of the available guarantee limit from PLN 20 million to PLN 46 million. The agreement is valid for an indefinite period, while the entities enabled to take advantage of the limit together with Depol S.A. are the following subsidiaries: Depol Inwestycje Sp. z o.o. Braniborska Sp.k, Depol Inwestycje Sp. z o.o., Depol Deweloper Sp. z o.o. and Depol Budownictwo Sp. z o.o.

Framework agreement on granting contractual guarantees within renewable limit with Generali Towarzystwo Ubezpieczeń S.A.

On October 18, 2022, Depol S.A. entered into a framework agreement for the provision of contract guarantees within a renewable limit with Generali Towarzystwo Ubezpieczeń S.A. The total available renewable limit for guarantees amounts to PLN 20 million. Both Depol S.A. and Depol Budownictwo Sp. z o.o. can utilize the limit. The agreement is valid until October 23, 2023.

Annex to the agreement for cooperation in provision of insurance guarantees with Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.

On December 28, 2022, Depol S.A. and Depol Budownictwo Sp. z o.o. entered into an annex with Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A. to the cooperation agreement from 2008 regarding provision of insurance guarantees within the granted guarantee limit, increasing the available limit. According to the annex, the total guarantee amount for all guarantees issued under the Agreement cannot exceed 6% of the sales revenue of the Issuer's Capital Group for 2021 (previously 4%). The Agreement allows for the issuance of insurance guarantees for payment of a deposit, proper contract performance, proper defect and malfunction removal, as well as advance payment refund guarantees. The limit is renewable in nature. The Agreement is concluded for an indefinite period. Promissory notes in blank, issued by the Obligors together with promissory note declarations, serve as security for claims arising from the Agreement. The

Company announced about conclusion of the annex to the agreement in current report no. 48/2022 dated December 28, 2022.

3.8 Financial instruments

In 2022, 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 affiliates

In 2022, the issuer and its subsidiaries did not conclude any transactions with affiliates on terms other than market terms.

3.10 Factors and events, including unusual character, affecting the activities and financial statements

In 2022, 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 the company Dekpol S.A.



Economic and financial results of the company Depol S. A.

4.1 Preparation principles of a separate financial statement

Financial statement of Depol S.A. for 2022 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations (hereinafter referred to as IFRS).

Financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. The statement presents the financial position of the Company as at 31st of December 2022 and 31st of December 2021, the results achieved on the operations of the Company and cash flow for the 12 months ended 31st of December 2022 and 31st of December 2021.

Report of Management Board of Depol S.A. on business activities for 2022 was prepared in accordance with the requirements of the Regulation of the Minister of Finance of 29th of March 2018 on current and periodic information provided by issuers of securities and on consideration as equivalent the information required by law of the countries outside the EU (consolidated text: Dz. U. z 2018 poz. 757).

4.2 Current and predicted financial situation of Depol S.A.

4.2.1 Analysis of financial situation

CALCULATION VARIANT

Description	01.01.-31.12.2022	01.01.-31.12.2021
Sales revenues	276 201	210 305
Own selling costs	262 706	194 943
Gross profit (loss) from sales	13 495	15 362
Selling costs	484	864
General administrative expenses	8 009	7 259
Other operating income	5 191	6 981
Profit from a bargain purchase	0	0
Other operating expenses	1 940	6 599
Operating profit (loss)	8 254	7 620
Share In profit (loss) of entities accounted using the equity method	0	0
Financial revenues	11 816	30 762
Financial expenses	18 576	11 269
Profit (loss) before tax	1 494	27 114
Income tax	286	995
Profit (loss) from continuing operations	1 208	26 118
Net profit (loss)	1 208	26 118

Other comprehensive income that cannot be transferred to the result	0	0
Other comprehensive income that can be transferred to the result	29	3 618
Exchange differences on translating foreign units	0	0
Other comprehensive income before tax	29	3 618
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	29	3 618
Comprehensive income	1 237	29 736

The Company's sales revenues in 2022 were 31% higher than in 2021, due to the Company's performance of the last contract in the general contracting business due to the transition period and formal considerations. The works specified in the contract were carried out by the subsidiary Depol Construction. At the end of the year, the last construction contract was completed. On operating activities, the Company generated a profit of PLN 8.25 million compared to PLN 7.62 million in 2021, due to the execution of the aforementioned general contracting agreement. The decrease in the result compared to last year is a derivative of the change in the Group's structure - the separation of operating segments to subsidiaries and the implementation of the holding function by the parent company.



Company's sales revenues in 2022 were 31% higher than in 2021.

4.2.2 Analysis of material situation

Description	31.12.2022	31.12.2021
Fixed assets	378 988	379 951
Property, plant and equipment	13 611	13 242
Investment properties	31 754	31 129
Goodwill	0	0
Intangible assets	6 565	5 327
Stocks and shares	232 694	275 968
Trade and other long-term receivables	6 916	8 764
Other long-term financial assets	83 353	43 459
Deferred income tax assets	4 094	2 060
Current assets	231 506	157 293
Inventory	10 398	12 525
Receivables due to contracts with clients	0	0
Trade and other short-term receivables	120 845	73 838
Receivables due to current income tax	0	0
Other short-term financial assets	80 715	56 328
Cash and cash equivalents	19 548	14 602
including cash on escrow accounts	0	0

Current assets other than fixed assets or disposal groups classified as held for sale	231 506	157 293
Assets classified as held for sale	0	0
Assets in total	610 494	537 244

Description	31.12.2022	31.12.2021
Equity	288 679	287 360
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	29	0
Retained earnings:	253 978	252 688
The result of the current year	1 208	26 118
Other equities	0	0
Liabilities	321 815	249 884
Long-term liabilities	148 048	144 247
Deferred income tax provision	15 290	13 992
Liabilities and provisions on employee benefits	41	33
Other long-term provisions	0	0
Long-term credits, borrowings and debt instruments	131 035	127 855
Other long-term financial liabilities	0	0
Long-term lease liabilities	846	1 181
Liabilities from deliveries and services and other long-term liabilities	836	1 186
Other long-term liabilities	836	1 186
Short-term liabilities	173 767	105 637
Liabilities and provisions on employee benefits	1	1
Other short-term provisions	1 842	2 389
Short-term credits, borrowings and debt instruments	55 530	39 702
Other short-term financial liabilities	0	0
Short-term lease liabilities	777	861
Liabilities due to contracts with clients	0	0
Trade liabilities and other liabilities	115 042	62 350
Liabilities due to current income tax	574	335
Short-term liabilities other than those related to assets held for sale	173 767	105 637
Liabilities related to assets held for sale	0	0
Total liabilities	610 494	537 244

The value of the Company's assets at the end of 2022 amounted to PLN 610.49 million and was higher than at the end of 2021 by PLN 73.25 million, i.e. by about 13.6%. The increase in the value of total assets is derived primarily from the increased value of the Company's current assets. The value of the Company's fixed assets at the end of 2022 amounted to PLN 378.98 million and was similar to the previous year's value. The share of non-current assets in total assets was 62% compared to 71% at the end of 2021.

Current assets at the end of 2022 amounted to PLN 231.5 million compared to PLN 157.3 million at the end of 2021. This increase is mainly due to an increase in items of trade receivables by about 63.6% and other short-term financial assets by about 43%. The largest part in the structure of current assets are short-term receivables, which at the end of 2022 amounted to PLN 120.8 million (52% of current assets) and other short-term financial assets, which as of December 31, 2022 amounted to PLN 80.7 million (35% of current assets).

The company's equity at the end of 2022 was PLN 288.7 million, close to the previous year's level of PLN 287.3 million. Total liabilities increased by PLN 71.9 million from the previous year, an increase of 28.8%. Long-term liabilities increased slightly by 2.6% y/y in 2021, while current liabilities increased by more than 64%.

4.2.3 Cash flow analysis

INDIRECT METHOD

Description	01.01.-31.12.2022	01.01.-31.12.2021
Profit (loss) before tax	1 494	27 114
Adjustments:	53 784	3 588
Depreciation	2 318	2 123
Change of fair value of investment properties	0	0
Write-offs updating financial assets	0	0
Profit (loss) on the sale of fixed assets	-360	-1 779
Profits (losses) from foreign exchange differences	-181	0
Interest expenses	17 312	9 592
Interest revenues	-8 153	-748
Revenues from dividends	0	-27 847
Income tax on profit before tax	0	995
Change in inventories	2 127	6 985
Change in receivables	-7 551	-118 549
Change in liabilities	48 812	131 378
Change in reserves	-538	1 437
Cash flow from activities (used in activities)	55 278	30 702
Income tax paid	-789	-8 248
Net cash from operating activities	54 489	22 454
Expenses related to acquisition of intangible assets	-1 390	-899
Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-2 214	-902
Inflows from sales of property, plant and equipment	137	108
Expenses related to acquisition of investment properties	-378	-416
Inflows from sales of investment properties	0	0
Net expenses for the acquisition of subsidiaries	-16 205	-39 514
Net inflows from sales of subsidiaries	15 936	0
Expenses for the purchase of other financial assets	-50	13
Inflows from sales of other financial assets	0	0
Loans granted	-66 633	-40 263

Repayments received on loans granted	11 478	5 774
Interest received	3 966	411
Dividends received	0	27 847
Cash flow resulting from the decrease (increase) in the value of short-term deposits and investments	0	0
Net cash from investment activities	-55 354	-47 839
Net inflows from issue of shares	0	0
Inflows from issue of debt securities	29 835	51 869
Other inflows (expenses) from investment activities	-1 100	0
Inflows from received grants	0	0
Redemption of debt securities	0	-67 451
Inflows from loans and borrowings taken out	12 800	90
Repayment of loans and borrowings	-20 832	-43 518
Repayment of liabilities under finance lease	-741	-1 347
Interest paid	-14 151	-8 483
Dividends paid	0	0
Net cash from financial activities	5 811	-68 841
Net change in cash and cash equivalents	4 946	-94 227
Cash and cash equivalents at the beginning of the period	14 602	108 828
Cash and cash equivalents at the end of the period	19 548	14 602
Including cash of limited disposal right	0	0

Cash flows from operating activities in 2022 amounted to PLN 54.5 million. Cash flows from investing activities amounted to PLN -55.35 million, and cash flows from financial activities in 2022. amounted to PLN 5.81 million. As a result, the cash balance decreased from PLN 14.6 million at the end of 2021 up to PLN 19,55 million.

4.2.4 Key financial and non-financial indicators

Indicator	Recommended	2022	2021	Change
Profitability of sales Profit on sales*/sales revenues	Max	1,81%	3,44%	-1,63 p.p.
Gross profitability of sales Gross profit/ sales revenues	max	0,54%	12,89%	-12,35p.p.
Net profitability of sales Net profit / sales revenues	max	0,44%	12,42%	-11,98 p.p
Profitability of net assets Net profit/assets	max	0,20%	4,86%	-4,66p.p.
Return on equity net Net profit/share capital	max	0,42%	9,09%	8,67 p.p.
Current liquidity Current assets/short-term liabilities	1,4-2,0	1,33	1,49	-0,16
Quick liquidity Assets – Inventories / short-term liabilities	0,8-1,0	1,27	1,37	-0,1

* profit on sales = gross profit on sales - selling costs - general administrative costs

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 2022, the Company did not change the methodology for determining the ratios, therefore the ratios are comparable to 2021.

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. The changes in the indicators are a derivative of the change in the Group's structure - separation of operating segments into subsidiaries and the implementation by Depol S.A. of holding functions.

4.2.5 Projections of financial results

Depol S.A. did not publish projections of the Company's financial results for 2022.

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 2022, the Company did not paid any dividend.

4.4 Issue of securities

Issue of P2021B-series bonds as a part of the Bonds Issue Programme

On 24th of February 2022, Management Board of Depol S.A. adopted resolution on issue of up to 50,000 of P2021B-series bearer bonds with an issue price equal to the nominal value of PLN 1,000 each and a total nominal value of up to PLN 50 million (Bonds). Then, on 18th of March 2022, the resolution of Management Board of the Company to amend the resolution dated 24th of February 2022 on the issue of Bonds entered into force. Pursuant to the amendment, the issue of P2021B-series 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 Bonds was planned for current business operations of the Issuer's Capital Group.

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

The issue of Bonds was carried out on the basis of a base prospectus approved by the Polish Financial Supervision Authority on 21st of April 2021 in the form of a public offering within the meaning of provisions of the Act of July 29, 2005 on Public Offering (...). The bonds were issued pursuant to Art. 33 point 1 of the Act on Bonds, as a part of the Bonds Issue Programme adopted in 2020. Pursuant to Final Terms and Conditions of Bond Issue, the interest rate on Bonds is variable and amounts to 4.60% + WIBOR 3M on an annual basis. Interest on Bonds is payable in three-month periods. The bonds are not secured. Redemption of Bonds will take place on 22nd of September 2025. The Bondholder disposes of the right to demand early redemption of Bonds in standard cases specified in Terms and Conditions of Bonds Issue, including inter alia if the Group exceeds certain debt ratios. The Company may request early redemption of Bonds on each of the interest payment days, paying a premium of 0-1.25% of the nominal value of Bonds subject to redemption, depending on the date of request.

On 24th of March 2022, Management Board of Depol S.A. adopted resolution to make an initial allocation of 12,102 bearer P2021B-series bonds with a par value of PLN 1,000 each and a total par value of PLN 12,102,000. The P2021B-series bonds were allocated under condition precedent to the final settlement of Bond purchase transaction as a part of the issue by the Krajowy Depozyt Papierów Wartościowych S.A. On 29th of March 2022, the Company was informed about final settlement of Bonds by Krajowy Depozyt Papierów Wartościowych. Thus, the issue of P2021B-series bonds was completed.

On 9th of March 2022, the Krajowy Depozyt Papierów Wartościowych issued a declaration on registration in the securities depository of up to 50,000 of P2021B-series bonds of the Company. The Bonds were to be registered on the basis of settlement orders submitted after resolution on admitting Bonds to trading on the regulated market. The condition for registration of Bonds was their admission to trading on the regulated market. Then, in connection with resolution of the Issuer's Management

Board regarding changing of parameters of the issue, on 25th 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 25th of March 2022, the Management Board of Warsaw Stock Exchange (GPW) adopted resolution on admission of 12,102 of Company's P2021B-series bonds to trading on the main Catalyst market, as of the date of registration of Bonds by Krajowy Depozyt Papierów Wartościowych. On 30th of March 2022, Management Board of GPW adopted resolution in which decided to introduce 12,102 of P2021B-series bearer bonds of the Company, as of 4th of April 2022, to trading on the Catalyst main market. Moreover, the GPW Management Board set the date of the last listing of Bonds on 11th of September 2025.

About the above-mentioned events the Company announced in current reports no. 9/2022 dated 24th of February 2022, no. 10/2022 dated 9th of March 2022, no. 12/2022 dated 18th of March 2022, no. 13/2022 dated 24th of March 2022, no. 14/2022 dated 25th of March 2022, no. 15/2022 dated 28th of March 2022, no. 16/2022 and 17/2022 dated 29th of March 2022, as well as no. 19/2022 dated 31st of March 2022.

Issue of 2022AC-series bonds

On 29th of September 29, 2022, Depol S.A. issued 2022-AC-series bonds in the amount of EUR 2.4 million with final maturity date on 29th of March 2027. The issued bonds will be subject to partial redemption in the amount of EUR 360 thousand on 29th of March 2026 as well as in the amount of EUR 360 thousand on 29th of September 2026. The bonds are secured and bear interest according to the EURIBOR6M interest rate increased by margin. The funds from the bond issue will be used to grant an intra-group loan to Depol Deweloper Sp. z o.o. in order to make a partial early redemption of company's C-series bonds. 2022AC series bonds will not be traded on organized market.

Furthermore, on September 30, 2022, the Company entered into interest rate swap (IRS) transactions with PKO BP S.A., aiming to limit the adverse impact of market interest rate fluctuations on cash flows and minimize financial costs.

Issue of 2022BC-series bonds

On October 6, 2022, Depol S.A. issued series 2022BC bonds for the amount of 3.8 million EUR with a final redemption date on March 29, 2027. The issued bonds will be subject to partial redemption in the amount of 570,000 EUR on March 29, 2026, and 570,000 EUR on September 29, 2026. The bonds are secured and bear interest at the EURIBOR 6M rate plus a margin. The funds from the bond issue were allocated to provide an intra-group loan to the subsidiary company, Depol Deweloper Sp. z o.o., to finance the company's operational activities. Series 2022BC bonds will not be traded on an organized market.

II Bonds Issue Programme

On December 7, 2022, Management Board of Depol S.A. adopted a resolution on the Second Bonds Issue Programme with a total nominal value not exceeding PLN 150 million (PEO II). The PEO II established by Management Board came into effect together with the approval on April 24, 2023 (an event after balance sheet date) by the Polish Financial Supervision Authority (KNF) of the basic prospectus of the Second Bonds Issue Programme of Depol S.A. Under the PEO II, the Company may issue bonds in the manner specified in Article 33(1) of the Act of January 15, 2015 on bonds. Bonds with a total nominal value not exceeding PLN 150 million may be issued in one or more series within 12 months from the date of approval of the prospectus by the KNF. Bonds may be issued both as unsecured and secured bonds. The interest on bonds may be variable or fixed. The bond payments will be in cash only. The issuance of subsequent series of bonds will be made each time by a resolution of the Company's Management Board, which will specify the final Terms and Conditions of the issue of a given series, including in particular the currency of the bonds of a given series, the issue price, the unit and total nominal value of the bonds of a given series, the redemption date, the interest rate, the interest periods, and the rules for applying for the introduction of the bonds of a given series to trading on a regulated market or an alternative trading system Catalyst. As of the date of publication of this report, no bond issuances have taken place under the PEO II.

4.5 Evaluation of financial resources management

The management of the Depol'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.



Financial situation is stable.

5. Economic and financial results of the Dekpol Capital Group



Economic and financial results of the Dekpol Capital Group

5.1 Preparation principles of consolidated financial statement

Financial statement of Dekpol S.A. for 2022 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations (hereinafter referred to as IFRS).

Financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. The statement presents the financial position of the Capital Group as at 31st of December 2022 and 31st of December 2021, the results achieved on the operations of the Group and cash flow for the 12 months ended 31st of December 2022 and 31st of December 2021.

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 29th 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).



We aim to ensure optimal conditions for the growth of our core businesses in order to make the best use of market opportunities. A key factor in achieving a new level of Group revenues, which have already approached 1.4 billion PLN, has been a significant investment in higher working capital.

Katarzyna Szymczak-Dampc
Vice-President of Management Board

5.2 Current and predicted financial situation of the Depol Capital Group

5.2.1 Analysis of financial situation

CALCULATION VARIANT

Description	01.01.-31.12.2022	01.01.-31.12.2021
Revenue from sales	1 386 848	1 255 783
Costs of goods sold	1 182 208	1 090 125
Gross profit (loss) from sales	204 640	165 658
Selling costs	45 272	33 913
General administrative expenses	38 958	31 308
Other operating income	19 616	30 305
Profit from a bargain purchase	7 076	20 229
Other operating expenses	19 976	17 754
Operating profit (loss)	120 050	112 988
Financial revenues	13 597	2 532
Financial expenses	35 760	25 882
Profit (loss) before tax	97 887	89 638
Income tax	18 978	13 912
Profit (loss) from continuing operations	78 909	75 726
Profit (loss) from discontinued operations	0	0
Net profit (loss)	78 909	75 726
Total income attributable to non-controlling shareholders	118	-72
Total income attributable to shareholders of the parent entity	78 791	75 798

Despite the ongoing difficult market situation caused by the war in Ukraine and persistent inflation, Depol Capital Group achieved its highest level of sales revenue and profit in its history in 2022. This applies to both gross profit from sales and profit from operating activities, as well as net income.

Sales revenues of the Depol Capital Group reached approximately PLN 1,387 million, representing an increase of over PLN 131 million, which translates to a growth of 10.44% compared to 2021. The general administrative expenses and sales costs amounted to PLN 84.2 million compared to PLN 65.2 million in 2021. At the level of operating profit, the Group generated a profit of around PLN 120 million, compared to just under PLN 113 million in 2021. The main factor contributing to the Group's revenue growth was an increase in sales in the general contracting segment. This was achieved through leveraging a high level of specialization in industrial projects and a strategy focused on acquiring primarily short-term contracts. Additionally, the segment of production of accessories for construction machines achieved record sales revenue, while the property development segment achieved satisfactory sales revenue despite unfavorable market factors. The record sales revenues of the Depol Capital Group resulted in a net profit increase of PLN 3.18 million, representing a growth of over 4% compared to 2021.



Sales revenue increased by approximately 131 million PLN compared to the year 2021.

5.2.2 Analysis of material situation

Description	31.12.2022	31.12.2021
Fixed assets	282 275	279 532
Property, plant and equipment	148 754	122 387
Intangible assets	6 745	5 750
Goodwill	0	0
Investment properties	80 817	98 022
Stocks and shares	40	40
Trade and other long-term receivables	17 583	13 079
Other long-term financial assets	4 281	8 497
Deferred income tax assets	24 055	31 757
Current assets	1 104 504	1 077 617
Inventory	396 497	263 187
Receivables due to contracts with clients	0	110 006
Trade receivables and other short-term receivables	459 990	513 797
Receivables due to current income tax	409	0
Other short-term financial assets	18 150	0
Cash and cash equivalents	229 458	190 627
including cash on escrow accounts	12 724	17 383
Current assets other than fixed assets or disposal groups classified as held for sale	1 104 504	1 077 617
Assets classified as intended for sale	0	0
Assets in total	1 386 779	1 357 149

Description	31.12.2022	31.12.2021
Equity	476 961	387 268
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	7 572	-2 308
Retained earnings:	415 793	336 225
Other equities	0	0

Equity attributable to shareholders of the parent entity	458 037	368 589
Non-controlling shares	18 924	18 679
Liabilities	909 818	969 881
Long-term liabilities	269 261	282 261
Deferred income tax provision	28 631	45 975
Liabilities and provisions on employee benefits	334	337
Other long-term provisions	0	0
Long-term credits, borrowings and debt instruments	184 922	200 316
Other long-term financial liabilities	0	0
Long-term lease liabilities	11 814	5 824
Liabilities from deliveries and services and other long-term liabilities	43 560	29 809
Short-term liabilities	640 557	687 620
Liabilities and provisions on employee benefits	368	100
Other short-term provisions	51 267	68 377
Short-term credits, borrowings and debt instruments	123 443	113 786
Other short-term financial liabilities	0	7 214
Short-term lease liabilities	6 557	4 537
Liabilities due to contracts with clients	12 795	0
Liabilities from deliveries and services and other short-term liabilities	425 825	489 662
Liabilities due to current income tax	20 302	3 944
Short-term liabilities other than those related to assets held for sale	640 557	687 620
Liabilities connected to assets intended for sale	0	0
Liabilities in total	1 386 779	1 357 149

The value of the Group's assets at the end of 2022 amounted to over PLN 1,386 million, which was higher by over PLN 29.6 million compared to 2021, mainly due to an increase in current assets by around PLN 26.8 million.

The asset structure still indicates significant flexibility, with fixed assets accounting for approximately 20% of the Group's total assets. The value of the Group's fixed assets at the end of 2022 was PLN 282.2 million, which was similar to the value of fixed assets at the end of 2021. Their share in the total balance sheet amounted to 20%, compared to 21% at the end of 2021.

Current assets at the end of 2022 amounted to PLN 1,104.54 million, representing an increase of approximately PLN 26.8 million compared to the end of 2021. Inventories accounted for 36% of current assets, compared to 24% the previous year, while receivables accounted for 42% compared to 58% the previous year, and cash and cash equivalents accounted for 21% compared to 18%. In nominal terms, the value of inventories amounted to PLN 396.5 million on December 31, 2022, indicating an increase of PLN 133 million, or nearly 51%, compared to the end of 2021.

Short-term receivables decreased by PLN 164 million compared to 2021. The decrease resulted from an increase in the share of advance projects and client portfolio diversification within the Group.

At the end of 2022, the Group recorded a significant increase in cash and cash equivalents. Their balance at the end of 2022 increased by PLN 38.8 million compared to the situation in 2021, reaching a level of PLN 229.46 million. The current liquidity ratio (calculated as current assets/short-term liabilities) improved from 1.57 at the end of 2021 to 1.72 at the end of 2022.

The equity value at the end of 2022 amounted to PLN 477 million, indicating an increase of nearly PLN 90 million compared to the end of 2021. The temporal structure of liabilities improved due to the refinancing of bond debt and the staggered maturity of new issuances. The level of short-term liabilities decreased, primarily as a result of a reduction in short-term trade payables.



The equity value at the end of 2022 amounted to 477 million PLN, indicating an increase of nearly 90 million PLN compared to the end of 2021.

5.2.3 Cash-flow analysis

INDIRECT METHOD

Description	01.01.-31.12.2022	01.01.-31.12.2021
Profit (loss) before tax	97 887	89 638
Adjustments:	20 549	-26 415
Depreciation	15 519	11 991
Change of fair value of investment properties	-510	408
Change in the fair value of financial assets (liabilities) measured through profit and loss	0	0
Revaluation write-offs recognized in the financial result	0	0
Profit (loss) on the sale of fixed assets	-419	-1 862
Profits (losses) from foreign exchange differences	-5 426	1 667
Interest expenses	32 750	14 701
Interest income	-358	-242
Dividend income	0	0
Income tax on profit before tax	-747	13 912
Other adjustments	593	0
Change in inventories	-133 310	25 968
Change in receivables	167 713	-317 385
Change in liabilities	-21 066	177 951
Change in reserves	-34 190	46 476
Cash flow from activities (used in activities)	118 436	63 223
Income tax paid	-15 655	-7 404
Net cash from operating activities	102 781	55 819
Expenses related to acquisition of intangible assets	-1 468	-1 168

Inflows from sales of intangible assets	0	0
Expenses related to acquisition of property, plant and equipment	-6 627	-2 969
Inflows from sales of property, plant and equipment	2 397	1 081
Expenses related to acquisition of investment properties	-12 507	0
Inflows from sales of investment properties	0	0
Net expenses for the acquisition of subsidiaries	-16 206	-9 712
Net inflows from acquisition of subsidiaries	0	0
Loans granted	0	-4 613
Repayments received from loans granted	0	3 150
Interest received	30	11
Expenses related to acquisition of other financial assets	0	0
Inflows from sales of other financial assets	0	0
Other inflows (outflows) from investing activities	0	-1 498
Net cash from investment activities	-34 381	-15 718
Net inflows from issue of shares	0	16 750
Purchase of own shares	0	0
Inflows from issue of debt securities	29 835	91 033
Redemption of debt securities	-25 622	-67 451
Inflows from loans and borrowings taken out	51 437	48 015
Repayment of loans and borrowings	-48 829	-75 116
Repayment of liabilities under finance lease	-6 987	-5 001
Interest paid	-27 332	-15 197
Dividends paid	0	0
Inflows from received grants	0	0
Other inflows (expenses) from investment activities	-1 402	0
Net cash from financial activities	-28 900	-6 967
Change in net cash and cash equivalents without exchange differences	39 500	33 134
Change in cash and cash equivalents due to exchange differences	-669	0
Net change in cash and cash equivalents	38 831	33 134
Cash and cash equivalents at the beginning of the period	190 627	157 493
Cash and cash equivalents at the end of the period	229 458	190 627
Including cash of limited disposal right	13 625	17 383

Cash flows from operating activities in 2022 amounted to PLN 102.8 million, compared to PLN 55.5 million in 2021.

Net cash flows from investment activities amounted to PLN -34.4 million in 2022, compared to PLN -15.7 million in 2021, primarily due to expenses on acquisition of shares in Kombet Działdowo and the purchase of fixed assets for further development of the integrated system (ERP - IFS).

Net cash flows from financial activities amounted PLN -28.9 million in 2022, compared to PLN -6.97 million.

The generated cash flows resulted in an increase in cash balance at the end of 2022 compared to PLN 38.8 million in 2021.



The generated cash flows resulted in an increase in the cash balance at the end of 2022 compared to 2021.

5.2.4 Significant off-balance sheet items

Type of guarantee - Balance as of 31.12.2022	Granted (in thousands of PLN)	Received (in thousands of PLN)
Contractual - insurance guarantee	157 848	5 6780
Contractual - bank guarantee	64 471	6 715
Guarantee PLG-FGP BGK	-	96 800
Total:	222 319	109 193

Other	Limit (in PLN thousand)	Balance as of 31.12.2022 (in thousands of PLN)
Full factoring BFF Polska SA	14 000	0
Total:	14 000	0

5.2.5 Key financial and non-financial indicators

Indicator	Recommended	2022	2021	change
Profitability of sales				
Profit on sales*/sales revenues	max	8,68%	8,00%	+0,68 p.p
Gross profitability of sales				
Gross profit/ sales revenues	max	7,06%	7,14%	-0,08 p.p.
Net profitability of sales				
Net profit / sales revenues	max	5,69%	6,03%	-0,34 p.p.
Profitability of net assets				
Net profit/assets	max	5,69%	5,58%	+0,11 p.p.
Net return on equity				
Net profit / equity	max	16,54%	19,55%	-3,01 p.p.
Current liquidity				
Current assets / short-term liabilities	1,4-2,0	1,72	1,57	+0,16
Fast liquidity				
Current assets - inventories / short-term liabilities	0,8-1,0	1,11	1,18	-0,07
Debt to EBITDA				
Net debt ** / Ebitda ***	Max 4,5	0,72	1,13	-0,41
Debt to equity				
Net debt ** / equity	Max 1,1	0,2	0,36	-0,16

* profit on sales = gross profit on sales - selling costs - general administrative expenses

** 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 2022, the Company did not change the methodology for determining the ratios, therefore the ratios are comparable to 2021.

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 face of economic and political risks, one should take into account the probability of their fluctuations in future periods.

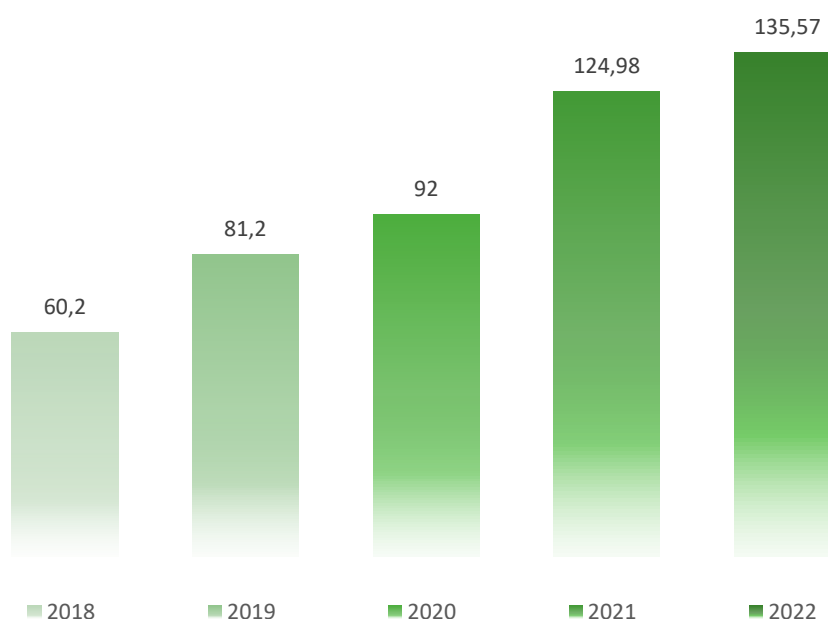
Historically, the Depol Group has been characterized by a higher level of indebtedness, which was associated with rapid business growth pursued in practically every segment of its business operations. This was accompanied by high investment expenditures and increased working capital requirements. In the past two years, positive effects of these investments can be observed, reflected in high positive cash flows from operating activities (PLN 55.8 million in 2021, PLN 102.78 million in 2022) and a declining level of debt.

In 2022, due to the improvement associated with the inflow of receivables, the Group was able to manage its debt capital in a more efficient manner, resulting in a low level of debt at the end of the period. The debt ratios at the end of 2022 remained at safe levels:

- Net Debt / Equity ratio decreased from 1.17 on December 31, 2018, to 0.75 on December 31, 2019, further declining to 0.36 on December 31, 2020, and reaching 0.2 on December 31, 2022,
- Net Debt / EBITDA LTM ratio decreased from 3.73 on December 31, 2018, to 2.24 on December 31, 2019, further declining to 1.15 on December 31, 2020, and reaching 1.13 on December 31, 2021 (1.35 without the effect of gain from the bargain acquisition of the company Intek). It further decreased to 0.72 on December 31, 2022.

As a result of systematic development, the Group has been achieving better operational results over time: in 2018, the EBITDA result amounted to PLN 60.2 million, in 2019, PLN 81.2 million, in 2020, PLN 92 million, in 2021, PLN 124.98 million (PLN 104.75 million without the effect of gain from the bargain acquisition of the company Intek), and in 2022, PLN 135.57 million. The above has contributed to the decrease in net debt to EBITDA ratio since the end of 2018.

EBITDA RESULT IN 2018-2022 (MILLION OF PLN)



5.2.6 Projection of financial results

Depol S.A. did not publish projections of financial results of the Depol Capital Group for 2022.

5.3 Issue of securities

Information on the issue of securities carried out by Depol S.A. can be found in point 4.4 of this report. Other companies within the Depol Capital Group did not issue securities in 2022.

Early voluntary redemption of A-series bonds by Depol Deweloper Sp. z o.o.

On August 1, 2022, Depol Deweloper Sp. z o.o. carried out an early voluntary redemption of 7,600 units of A-series bonds, totaling approximately PLN 7.5 million. Subsequently, on August 31, 2022, the remaining 4,900 units of A-series bonds were also voluntarily redeemed, amounting to approximately PLN 4.9 million. As a result, all A-series bonds of Depol Deweloper Sp. z o.o. were redeemed prior to the redemption schedule. The redemption of the bonds was approved by way of resolution the company's Management Board.

Early voluntary redemption of C-series bonds by Depol Deweloper Sp. z o.o.

On September 29, 2022, Depol Deweloper Sp. z o.o. carried out a partial early voluntary redemption of C-series bonds, totaling approximately PLN 11.45 million. Subsequently, on October 3, 2022, Depol Deweloper Sp. z o.o. completed the early voluntary redemption of the remaining portion of the C-series bonds, amounting to approximately PLN 3.81 million. As a result, all C-series bonds of Depol Deweloper Sp. z o.o. were redeemed prior to the redemption schedule and subsequently canceled by way of resolution the company's Management Board.

5.4 Evaluation of financial resources management

The financial resources management of Depol Group is based on long-term sources of financing. The companies within the Group finance their business operations through external capital, including loans, credit facilities, advances, factoring, and leasing. Diversification is emphasized within the Group to ensure that the debt financing is diversified in terms of financial products and institutions providing financing. The main objectives of financial resources management and liquidity within the Group are continuous monitoring of the Group's debt level, ensuring stable and efficient financing of business operations, and effective management of working capital. This is achieved by responding to changing economic and business conditions through effective management of credit risk, currency risk, and interest rate risk. The strategy envisions a gradual transition from short-term debt financing individual construction contracts to long-term financing in upcoming years, with a particular focus on advance payments from Investors, as well as a long-term goal of reducing debt gradually.

Furthermore, it should be acknowledged that the financial resources management is conducted appropriately. The financial situation is stable, as evidenced by the liquidity and profitability ratios presented in section 4.2.5 of this report.

Free funds in the Group are used to support the ongoing operations of subsidiary companies as well as to repay current financial obligations.

The Depol Group is capable of fulfilling its obligations, and as of the publication date of this report, the Management Board of Depol S.A. does not foresee any future threats in this regard.

6. Development perspectives of the Company and the Dekpol Capital Group



Development perspectives of the Company and the Depol Capital Group

6.1 Strategy and development directions

Key assumptions of the strategy at the level of the Group and segments.

Dekpol Capital Group

One of the priorities for 2022, both for Depol S.A. and for companies belonging to the Depol 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.



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

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.

Dekpol Budownictwo Sp. z o.o., as a part of its short- and medium-term business strategy, will focus its acquisition efforts on short-term projects related to industrial-logistics construction and volumetric public utility facilities. According to the Company's Management Board, these projects are expected to account for approximately 70-80% of the anticipated turnover for the year 2023. Despite a decrease in its value on the balance sheet date, the ordering backlog of Dekpol Budownictwo Sp. z o.o. for 2023 is filled at a high level, allowing for an optimistic outlook on results to be achieved in current accounting period. In planning for 2023, the company aims to be highly active in acquiring new projects to execute, with a goal of expanding into new market areas, whether in terms of geographical scope or by taking on projects that go beyond its core business. The company's focus will be on the execution of more technically advanced projects. Additionally, the company will undertake assignments from its sister company, Dekpol Deweloper Sp. z o.o.

Despite the negative impact of the COVID-19 pandemic and the Russia-Ukraine war on many sectors of the economy, the influence on the number of evaluated projects, especially related to industrial-logistics construction, is significantly limited as of the date of this report. Furthermore, there is an observable process of rebuilding the disrupted supply chains based on investments made in Poland, which remains a country offering a relatively high level of security due to its membership in geopolitical alliances such as the EU and NATO.

Similarly to previous years, in 2023, Management Board of the company will pay significant attention to internal processes in order to align them as closely as possible with the economic environment. Efficient control of internal processes and striving for organizational excellence are a priority for the company. An example of this is the implementation of modern IT solutions. The year 2021 was a period of introducing and testing a new ERP system, and the second year of adapting this system within the company will be dedicated to continuous improvement processes.



Efficient control of internal processes and a commitment to ensuring organizational excellence are a priority for 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 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 2027. In 2023, the intention of the Company is to start construction of 6 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 Deweloper maintains a leading position on the market. On the land bank it has, the Company may offer approx. 5 thousand. premises with about 263 thousand m2 of usable floor space.



Expanding into other markets will enable the Company to continue its dynamic growth and enhance its visibility.

Segment of production of accessories for construction machines

Creation of the brand of Dekpol Steel Sp. z o.o. is a primary goal of the company's Management Board. Through diversification of its activities, the company will continue to strengthen its position in the production of accessories for construction machines, as well as aim to become a leader in the production of mining and excavation machinery.

The main area of operations is production of buckets and accessories for construction machiners, expanded to include the construction of complete loader frames and other mining machinery. By actively participating in major construction machinery fairs in Europe and the Middle East, the company is expanding its presence in production of equipment for open-pit mines as well as underground mining.

The company's goal is to take over the production of buckets for the world's largest mines, where supplies of buckets from Russia have been halted. In addition to Arab countries, the company places great emphasis on establishing trade contacts in South America and Canada.

Thanks to the strong brand recognition of Dekpol Steel Sp. z o.o., the company has been chosen as the second manufacturer in the world to produce XMOR buckets (which are innovative buckets with increased capacity patented by SSAB). The company will produce these buckets for the European and African markets.

Dekpol Steel Sp. z o.o. is continuously striving to improve production process and reduce the weight of buckets by using HARDOX 500 TUF material. This special steel reduces the weight of the equipment, which has a significant impact on fuel consumption reduction, as well as significantly increased wear resistance. Another important change that the company aims to gradually introduce to the market is the reduction of painting on the buckets. This solution helps limit the CO2 emissions into the environment during production process and highlights high quality of welds as well as types of steel used for manufacturing of equipment.

The strategic goal of the Company is to increase the production of specialized buckets for the mining industry on a global scale.



The strategic goal of the Company is to increase the production of specialized buckets for the mining industry on a global scale.

Intek Sp. z o.o., by becoming a part of the Dekpol Capital Group, also adopts its implemented strategies and directions for development.

Among the main objectives of the company's strategy for 2023, the core business of manufacturing buckets and equipment for construction machiners continues to be a priority. However, as a part of expansion and diversification efforts, the company plans to broaden its scope of activities in 2023 to include offshore projects, the production of heavy steel structures, as well as specialized transport and lifting equipment.

The above diversification of production aims to ensure stability within the company and enable swift response to trends in the global economy.

6.2 Implementation of the strategy of the Company and the Depol Capital Group in 2022

In the financial year 2022, as part of the implementation of the adopted development strategy, the following actions were taken:

General Contracting Segment

HUMAN CAPITAL

The company places great importance on development and growth of its Human Capital as a key factor shaping both financial and non-financial results. In 2022, developmental activities were continued for all team members, with a particular emphasis on the Depol Budownictwo Academy initiative, which serves as a platform for knowledge exchange between experienced experts and aspiring individuals. Additionally, the "From Engineer to Manager" program was implemented, which defines career paths for young engineers. Furthermore, in the upcoming year, the company will implement programs such as "We Care About Development," "We Care About the Environment," "We Care About Children," and "We Care About Health." Throughout the fiscal year, Depol Budownictwo sp. z o.o. has dynamically pursued the development of its soft HR practices, resulting in processes aimed at shaping competency values, team motivation, and employee evaluations. As a paramount element in fulfilling the organizational vision of being the "General Contractor of Choice," the company adopts a personnel strategy focused on creating and retaining a competent team with diverse experiences, capable of proactive and engaged actions. This approach is based on building strong relationships with business stakeholders, accountability, professionalism, integrity, and mutual trust. Depol Budownictwo sp. z o.o. has welcomed dozens of experienced engineers on board, significantly enhancing its technical and operational 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;
- increasing the overall quality of the Company's offer, in particular the Design and Build projects.

EXPERTISE

Over the years (including the period before ZCP was separated from Depol S.A.), the Depol Group has achieved a leading position among general contractors in the field of civil engineering projects, as confirmed by its ranking in PwC's list of the top 15 construction companies. Depol Budownictwo is an expert in constructing various types of buildings, ranging from factories, logistics centers, commercial and retail centers, car showrooms, hotels, and economic and premium residential projects to non-standard projects. One of the company's strengths lies in its ability to adapt its offerings to the current market situation. Depol Budownictwo strives to retain engineering expertise within the company during the construction process, without dispersing it among other participants. This allows them to deliver services to customers utilizing the full spectrum of experience gained over nearly 30 years of operation and the comprehensive nature of their services. In collaboration with its sister company, Betpref sp. z o.o. (a manufacturer of prefabricated elements and steel structures), the company implemented numerous internal projects in 2022 aimed at reducing project costs while maintaining quality. To achieve this, the R&D department was established in 2021, which will implement new solutions for the Group's assigned construction projects. The department employs structural and industry designers.

Property Development segment

The Group's property development segment operates within the framework of the newly established company Dekpol Deweloper 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 Deweloper 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.



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 property handovers in 2022, the building permits for upcoming projects, and the sales of units recognized in financial results, including signed reservation, development, and preliminary agreements, in February 2022, sales targets for 2022 were adopted (current report 7/2022 dated February 9, 2022, published by Dekpol S.A.). According to these targets, the Group's intention in the development segment was to achieve sales based on reservation, development, and preliminary agreements for a total of 460 units, as well as sales of units recognized in the Group's financial results for a total of 540 units. The revenue to be recognized in the financial results was estimated at PLN 250 million, comprising the sale of 540 units and revenue from investment projects in Wrocław.

On October 3, 2022, an update was made to the sales targets for 2022 (current report 36/2022 dated October 3, 2022), reducing the target for sales of apartments based on reservation, development, and preliminary agreements to 320 units, and the revenue target to PLN 190 million. These targets were expected to include the sale of approximately 390 units recognized in the financial results, as well as revenue from investment projects in Wrocław. All the targets set by the Group in October 2022 were achieved. The share of sales of higher-standard and premium units accounted for 51.8% (in relation to the number of units sold, this share represents 33%). The average value of the units increased by over 10% year-on-year. Ultimately, in the development segment, the Group sold 341 units in 2022, compared to 490 units sold in 2021 (based on concluded reservation, development, and preliminary agreements). The number of units recognized in the financial results of the Group amounted to 380 units, compared to 406 units recognized in 2021. As of December 31, 2022, the Group had a total of 667 units available for sale. The value of apartments sold in 2022 based on concluded reservation, development, and preliminary agreements was PLN 148 million, while the value of sales recognized in the financial results of the Group in 2022 amounted to PLN 188 million.

Production Segment of accessories for construction machines

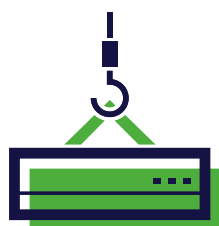
In 2022, Dekpol Steel Sp. z o.o. successfully implemented most of its plans based on budget assumptions and achieved steady growth. It was a record-breaking year in terms of revenues.

During the first half of 2022, Dekpol Steel Sp. z o.o. successfully conducted the bidding and production processes in an efficient and appropriate manner, benefiting from a relatively stable global economy. However, the situation changed due to market fluctuations in the steel industry and significant volatility in indirect costs such as electricity, technical gases, welding wire, and paints. This led to a halt in orders for construction machinery equipment as customers adopted a defensive approach, waiting for price stabilization of the end product. In response, the management of Dekpol Steel sp. z o.o. decided to diversify

its production. Additionally, a groundbreaking meeting at the BAUMA trade fair in Munich resulted in the resumption and initiation of new projects for the world's largest manufacturer of oversized trailers. Production for the vertical transportation industry was also launched. These new projects helped achieve the planned revenue; however, the margin was reduced due to the need to restructure the production flow to meet the new customer expectations.

Due to high inflation and the war in Ukraine, Dekpol Steel sp. z o.o. had to develop and implement procedures that would facilitate operations in such situations in the future.

The company's actions have strengthened its position in the Polish and European markets. Increased production capacity has allowed for shorter lead times, which is crucial for all customers. Optimization of production processes and the development of robotics and automation will be the next step in increasing the company's production capabilities



The Betpref and Kombet Działdowo plants are areas within the Dekpol Group that have great potential for development in the perspective market of prefabrication.

The prefabrication sector has gained significance within the Dekpol Capital Group. Thanks to the successful execution of contracts in 2022, the company's own production of concrete and steel prefabricated elements has yielded tangible results. Since its acquisition in 2018, Betpref has been continuously developed and equipped with new technological lines. In 2022, the company focused on fulfilling orders for external construction firms. Furthermore, recognizing the prospects and growth of the prefabrication market, in the third quarter of 2022, we acquired the Kombet plant in Działdowo. Our intention is to further expand in the field of prefabrication, as we see significant potential in it.

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 Deweloper, 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.



The high percentage of returning customers, which has exceeded 75% over the past 4 years, serves as evidence of trust and confidence in our services.

In 2023, 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.

Property Development Segment

According to the sales targets set in January 2023 for the year 2023, the Group aims to achieve revenues of 308 million PLN in the development segment. This will primarily consist of the sale of approximately 480 units recognized through financial reporting, as well as revenues from the implementation of an investment project with an institutional entity located in Wrocław, specifically at Braniborska Street. As for the target for 2023 regarding the sale of units based on reservation, development, and preliminary agreements, it is set at 430 units.

The sales targets for 2022 were provided by the Company in the current report No. 4/2022 of 19th of January 2023, 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 the year 2023, Dekpol Deweloper sp. z o.o. aims to further increase its share in the overall sales of projects with an elevated standard and premium projects. Additionally, by continuously expanding its land bank with additional plots in locations such as Puck, Starogard Gdański, Mierzeja Wiślana, Warsaw, and Wrocław, the company intends to tap into new markets and acquire new clients for its offered products..



Dekpol Deweloper continues to expand its land bank.

The expected stabilization of interest rates in 2023 and the planned introduction of the new government program "Bezpieczny kredyt 2%" (Safe 2% Loan), in the Group's assessment, may have an impact on increasing the demand for residential properties. At the same time, thanks to the Group's diversified offer, especially the increasing share of projects in the higher standard and premium segment, the Group assumes that it will achieve its set goals.

Production Segment of accessories for construction machines

In 2023, Dekpol Steel Sp. z o.o. plans to at least maintain the revenue level from 2022. Furthermore, actions will be taken to optimize production and construction solutions in terms of their time and cost effectiveness, which is expected to be reflected in the financial results. Enhanced efforts have been made to verify new projects in terms of profitability and risk assessment. This allows for production to be carried out based on full technology and ensuring the achievement of the planned margin.

Dekpol Steel Sp. z o.o. has included new high-margin products in its order portfolio in the railway industry as well as for the mining sector, which provides optimism for achieving the expected margin. Additionally, the company is seeking a military concession that will allow for the execution of contracts for NATO, with the expected completion of the process in the beginning of the second half of 2023. The year 2023 will be focused on stabilizing production processes and returning to the appropriate level of production and margin. The company expects that the aforementioned projects will be carried out with margins that will allow for a return to the level of profitability demonstrated in previous years. The effects and results of the new cooperation are expected to become visible from the second quarter of 2023.



Dekpol Steel is seeking a military concession that will allow for the execution of contracts for NATO.

Dekpol Steel Sp. z o.o. continues to strive for increased sales volume in foreign markets, specifically in the Arab countries, South America, and Canada, while maintaining its status as a market leader domestically.

In addition to increasing production, parallel efforts are being made to optimize production and design solutions, which will significantly reduce fuel consumption and increase the durability of equipment. It is also important to limit CO2 emissions into the environment during the production process.

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 Depol 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 2022 and after its end that have or may have an impact on the results of the Company and the Group in subsequent periods should also include the events listed in point 3.4 of this report.

In addition, external and macroeconomic factors such as the overall condition of the Polish economy, inflation, GDP growth, tax policy, interest rates, investment level, demand on the domestic market, exchange rates, government programs supporting the development of housing, the level of prices of construction materials and services, the availability of qualified employees, and the level of wages will also have an impact on the results achieved. GDP growth, wealth of the society and the development of enterprises have an impact on the increase in demand for construction services both in the field of housing and industrial construction. All this has a positive impact on the financial results of the Issuer and its Capital Group.

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

The armed conflict between Russia and Ukraine has a significant impact on the construction and manufacturing market in Poland. According to many specialists, the difficulties seem to be greater than the economic consequences caused by the COVID-19 pandemic. The situation in the east is very dynamic, and most companies are analyzing the potential impact on their operations in the near and distant future.

In the opinion of the Company, the main areas that may indirectly be affected by current situation include: 1) availability of employees, 2) raw materials, their prices and availability, 3) fluctuations on currency market, 4) situation on banking and financial market.

During, as well as at the end of 2022, there were observed some symptoms of a slowdown in the economy. The world economies, including Polish economy, were adversely affected, among others, by restriction of gas supplies to Europe via Russia, disturbances in trade with Ukraine, Russia and Belarus, as well as a marked increase in uncertainty, reflecting in decisions of business entities. Economic situation in upcoming months will strongly be correlated with further course of Russia's invasion

of Ukraine. In the field of labor forces, the consequences related to the return of some employees of Ukrainian origin to their home country are still being identified. Within the Capital Group, employment position is stable, while in construction industry, the progressive outflow of these employees may affect timely execution of orders. The challenge in terms of labor forces is still, in the opinion of the Company, identified in the majority of construction and production companies on the Polish market.

Furthermore, the future economic situation in the country is primarily dependent on the mentioned armed conflict and its effects, including disrupted logistics chains and disruptions in the global economy. According to macroeconomic forecasts published by the National Bank of Poland (NBP) in July 2022, "the domestic economic outlook will continue to be influenced by a negative supply shock, resulting in a slowdown in the development of the Polish economy. After a period of visible economic recovery in 2021, the pace of GDP growth will decrease in the coming quarters. GDP growth in Poland in 2022 and 2023 is projected to reach 4.7% and 1.4% year-on-year, respectively. According to the NBP projection, the average annual inflation is estimated at 14.2% and 12.3% in 2022 and 2023, respectively. The average unemployment rate estimated by the NBP is expected to reach 3.1% in 2022 and 3.9% in 2023. Projections indicate that unemployment is expected to gradually increase in the following quarters of 2024, reaching 4.7% in the fourth quarter".

As a result of the ongoing conflict in Ukraine and actions taken by the aggressor, the factors described above may have an impact on Group's development perspectives, results and financial position. Nevertheless, at the moment it is not possible to predict the scale of this impact on the Group, which depends largely on duration of the conflict and further developments in Ukraine and Central and Eastern Europe. However, the Management Board continuously monitors the impact of the political and economic situation in Ukraine and Russia on its operations. The Group takes into account the risk of rising prices, particularly the prices of materials and labor, in its cost calculations. Furthermore, the diversification of the Group's activities by segment helps to mitigate the negative impact in a volatile market and geopolitical situation.

Impact related to an increase in interest rates

As part of its operations, the Group is exposed to interest rate risk. The low cost of capital (associated with low interest rates), which has been favorable for the construction market in recent years, has given way to higher interest rates. The cycle of rate increases announced by the Monetary Policy Council has led to a reference rate of 6.75% by the end of 2022. Consequently, this has had an impact on a significant decrease in the number of granted housing loans.

Condition of the Polish economy, as well as world markets, depends mainly on three mutually influencing elements, which are: levels of economic growth, interest rates and inflation.

In addition, limitation of the amount of money on the market corresponds to conditions of corporate loans, and thus the need in analyzing of liquidity. Thus, the inability to incur new liabilities will contribute to limitation of investment activities, as few enterprises are able to finance significant development expenditures from their own resources. Banks approach assessment of loan applications more rigorously, which means that only enterprises that are prepared for difficult times will have a chance to implement their investments.

Risk related to coronavirus pandemic (COVID-19)

COVID-19 and its subsequent variants continue to be a factor that affects the global and Polish economy to some extent, despite ongoing vaccination efforts. The company identifies potential risks that may affect specific areas of its operations directly or indirectly due to the current situation.

The Group, however, stipulates that due to unprecedented scale of phenomenon and dynamics of events, it is difficult to predict further development of situation and to estimate the impact of potential effects of pandemic, as well as to assess possible scenarios of behavior of major investors, customers, suppliers and subcontractors. Management Board conducts activities aimed at adapting the Group's business operations to changing conditions, so as to safely ensure continuation of business operations. Management Board also undertakes necessary preventive actions in the scope of projects implemented by it, as well as educational activities in relation to employees. At the same time, the Group reacts 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. Risks and threats factors



Risks and threats factors

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

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

Risk related to the construction process

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

- current design and executive changes at almost every stage of the process,
- incorrect initial estimation of project implementation costs,
- significant change in costs during the project implementation (increase in the costs of material purchase, increase in employment costs),
- mistakes made in managing the entire construction process,
- errors related to the applied technical and technological solutions,
- rising prices of construction materials and utilities as well as labor costs as compared to the assumptions,
- lacks in the field of construction materials and human resources necessary for implementation of 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 Depol Deweloper, increase in costs is also reflected in increase in sales per 1 m² of apartments space, which gives the way to partial recovery of costs. Offers prepared by the Group are updated when the client extends decision time regarding choice of offering party and commencement to construction works. In the event of drastic increases during construction phase, the Group attempts to talk to investors on participation in increase of costs. Such discussions often have a positive effect on construction result.

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

Risk of changes in prices and availability of materials, raw materials and goods

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

Risk related to underestimation of contracts

The Capital Group's contracts are based on their previous cost estimation. There is a risk that some of the works may be omitted from incomplete or incorrect recognition, and in the light of the lump-sum character of remuneration for work - the necessity of bearing their costs by the Capital Group itself, and as a result - losses on the investment. This may have a negative impact on the Issuer's operations, financial position or results. It should be explained that the Capital Group makes due diligence in the preparation of offers and employs qualified and experienced cost estimators, while during the implementation of the investment, it verifies the costs incurred in relation to the assumed ones.

Risk related to the contracts being performed, including defects and failures

Due to the fact that the construction process is very complex, in itself it can be a source of risk for the Capital Group. Despite cooperation with renowned and proven contractors and suppliers, as well as ongoing supervision over the performance of works, the Capital Group is not able to fully guarantee the absence of failures or defects in the completed investments. The disclosure of failures or defects may have a negative impact on the Issuer's market image and its financial result due to the need to incur additional costs related to the removal of the defect or failures. In addition, long-term removal of defects and failures may lead to failure to meet project deadlines, which will also adversely affect the Capital Group's financial situation, due to the need to pay potential contractual penalties to clients with whom term contracts or payment of amounts resulting from claims for damages have been concluded. It cannot be ruled out that materials used to carry out construction works will have hidden defects that may affect the quality of the investment. In connection with the above, the Issuer applies various methods of protection against this type of risk. First of all, the implemented procedures minimizing delays are applied in the implementation of the investment. Agreements are concluded with permanent and proven suppliers and subcontractors who provide the Capital Group with high quality and timely work as well as deferred payments. Also, important here are the efficient procedures for ongoing internal control and monitoring of individual orders. It is worth emphasizing that in the Issuer's current operations such events have occurred sporadically.

Risk related to the concentration of business activities on the local market

The majority of investments carried out by the Issuer in the scope of property development activities are located in the area of the Pomeranian Voivodship. Within general contracting segment, this concentration does not occur permanently over a long period of time, but there are periods when concentration on a local market is visible. Such concentration causes dependence on economic situation on the local market, as a result of which the Issuer's Group has to compete with large number of domestic and foreign business entities servicing real-estate development market. Such local limitations cause that Issuer's

revenues largely depend on the level of investors' activity on residential market in the region. The multiplicity of competitive housing investments may have an impact on reduction of Issuer's Group revenues. This may directly translate into financial result and development perspectives of the Issuer's Group in the future.

For mitigation of this risk, the Issuer actively looks for new investment opportunities throughout the country, which will increase independence from the situation on a local market and contribute to Issuer's development. In the structure of the Group, the Issuer owns company UAB DEK LT Statyba, which has historically been established to 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. Currently Depol Budownictwo Sp. z o.o. is involved in the process of obtaining certification that enables independent implementation of construction projects in the territory of the Republic of Lithuania. Moreover, the companies from the Issuer's Group own land outside the Pomeranian Voivodeship (Warsaw, Wrocław). 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 results from the fact that Depol has been a leading contractor of this type of agreements in Poland for many years, moreover, the dynamic development of the warehouse market in Poland can be observed and it fits well with 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, ranges from 6-9 months).

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

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 stage of work, the principal fails (or does not meet his / her agreed dates) from the agreed payments, which may lead to limitation of the Capital Group's financial liquidity and, in extreme cases, lead to financial losses. The Issuer tries to limit the above risk by signing contracts with reliable contractors, however, it cannot guarantee that such losses may incur in the future. In addition, all customers who are interested in using the trade credit are subject to verification procedures, and the Issuer monitors the receivables on an ongoing basis. It is also important that this type of risk is limited to a certain extent by the provisions of the Civil Code regarding payment guarantees for construction works.

Risk related to the implementation of real-estate development projects

The property development project cycle is a long-term cycle (over 24 months), characterized by the need to incur significant financial outlays and the total return of incurred expenses only after the minimum of 2 years. In line with adopted strategy, Depol Deweloper buys ground properties for multi-stage projects (e.g. Neo Jasień (formerly Osiedle Zielone), Osiedle Pastelowe, Osiedle Kocięskie (formerly Nowe Rokitki), Sol Marina, Grano Resort in Sobieszewo). The subsequent stages of projects are initiated once a certain percentage of sales progress in the currently implemented stage is achieved. Companies within the Issuer's Group typically need to fully pay for the land, and the complete development of the land may occur even several years after its acquisition date. Prolonged delays in sales, particularly in an unfavorable macroeconomic situation, may result in the partial or complete non-recovery of the invested funds. As a result, the timing of revenue generation can be significantly postponed relative to the incurred expenses for the execution of a given project.

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

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

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

The Depol Group operates, among others in the property development industry, selling premises largely to consumers. In relations with consumers, the Depol 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 Depol 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 co-operating subcontractors with appropriate certificates and experience. In addition, the Group, when constructing contracts with subcontractors, specifies terms and conditions, trying to protect them against non-performance or improper performance of contract terms by these entities, mitigating this risk to the subcontractor or supplier.

Limited availability of external subcontractors may also result in an increase in costs incurred on behalf of subcontractors, and thus adversely affect results and financial situation of the Group. It should also be noted that if the Group takes advantage of services of subcontractors without obtaining the consent of the investor or contractor, it is exposed to contractual risk provided for in some contracts. Moreover, in such cases, provision of Art. 6471 of the Civil Code providing for joint and several liability of the entity concluding contract with subcontractor (contractor) and the investor for payment of remuneration for services provided by subcontractor. Being aware of this risk, the Group always strives to obtain appropriate approvals from ordering entities.

Risk associated with acquisition of new contracts

The nature of the business activity conducted by the Depol 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 Depol 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 Depol 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 Depol 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 Depol Group focuses on strengthening its market position and increasing its competitive advantage by providing high quality services and timeliness, as well as offering comprehensive solutions for both private investors and investors representing international concerns developing their operations in Poland. In order to minimize the risk associated with competition, the Group carries out his work with the utmost diligence, building the best possible relations with clients. In addition, the Group limits the risk in question by diversifying its operations (implementation of investments as part of general contracting, property development activities, steel structures and elements of construction machines).

Risk of small availability of mortgages / housing loans

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

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

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 point 6.4 of this report, below by segments.

General Contracting segment

The armed conflict in Ukraine is a potential risk for the construction industry in 2022. First of all, it should be taken into account: (1) an outflow of employees from Ukraine returning to fight in the defense war, and (2) an increase in prices and (3) a deterioration in availability of materials due to an increase in prices of raw materials. The situation of Russia's economic blockade and the war in Ukraine itself may also have an impact on construction industry in Poland, however, as at the date of the report, it is not possible to assess possible effects of, for example, embargoes or concerns on financial markets. The outflow of employees is a phenomenon that occurs on a varied scale at Company's subcontractors. Adding to the above the expected increases in prices of raw materials, construction materials, fuels and utilities, it causes necessity to exercise great caution in offers submitted to customers - deadlines binding the Company with offers to 7-14 days, and sometimes even 2 days are shortened, as a part of offers are submitted also expectations regarding advance payments to secure prices of materials at an early stage of project implementation, special bidding procedures are also introduced, etc. Rising energy and utility prices may also be a challenge. The company will look for new sources of obtaining metallurgical and insulation materials: in Turkey, in the Far East, in countries in southern Europe.

Property Development segment

Entire property development industry is closely following 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 further development of events. On the one hand, an increase in demand can be expected due to rapidly decreasing number of apartments for rent available on the market, on the other hand, it should take into account possible delays in implementation of projects caused

by the outflow of employees from Ukraine employed in the construction segment and a reduction in supply of construction materials. Investment apartments segment should not be at risk, as the monetary situation of the Polish economy continues to encourage investment in real estate to a degree that exceeds potential slowdown caused by investors' concerns about further escalation of the conflict.

Segment of production of accessories for construction machines

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

Risk related to coronavirus pandemic (COVID-19)

The risk affecting the global and Polish economy is the still prevailing COVID-19 virus pandemic and its subsequent variants, despite ongoing vaccinations. The Dekpol Group identifies potential risks that may affect the Group, arising directly or indirectly from current situation.

In relation to the industry of production of accessories for construction machines, these are primarily: limited availability of administrative and production employees as well as limitation or suspension of production in plants supplying materials or components for production. It cannot be ruled out that in this situation there may be delays in project implementation due to occurrence of force majeure circumstances. Possible delays may result in disputes over payment of remuneration for works performed by entities from Issuer's Group, related in particular to charging of contractual penalties or damages by contractors for failure to perform contracts on time. On the other hand, the economic crisis caused by Covid-19 pandemic may have an impact on financial situation of the Issuer's contractors or entities from the Issuer's Group, which may result in delays in payment of receivables due to the Issuer or entities from Issuer's Group, or even complete insolvency of these contractors.

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

The risk related to the macroeconomic situation

The results obtained by the Depol 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.

According to preliminary estimates from the Central Statistical Office (GUS), at the end of 2022, real gross domestic product (GDP) in the fourth quarter of 2022 increased by 2.0% year on year, compared to a growth of 8.5% in the same quarter of 2021. The data indicate a slowdown in the Polish economy, influenced by the global trend of economic growth weakening. For comparison, the real GDP dynamics in the first three quarters of 2022 were 8.6%, 5.8%, and 3.6% respectively. The restriction of consumer demand is affecting the reduction of economic growth (a decline of 1.5% compared to the previous year's fourth quarter). However, investments continue to grow (by 4.9% year on year). Economic results have been influenced by companies' accumulation of inventories. Economists point out that the industrial sector is performing relatively well. On the other hand, the construction sector is slowing down, and trade is experiencing stagnation. Preliminary data published by GUS indicate a slowdown in the economy after a period of "post-pandemic" growth. Despite the slowdown in economic activity, the labor market remains in good shape, including low unemployment. The number of employed individuals remains high, although a decrease is observed in the private sector.

According to the National Bank of Poland (NBP) in its communication on March 8, 2023, the first details of the March projection for GDP and inflation in Poland were released. According to the central path of the GDP forecast, real GDP is expected to increase by 0.9% in 2023, 2.1% in 2024, and 3.2% in 2025. The current estimation for the inflation rate in 2023 suggests that it will be around 11.9%, while the mid-year CPI inflation in the following two years is expected to be 5.7% and 3.5% respectively. The NBP's forecast is prepared assuming unchanged interest rates during the projection period, so according to the Central Bank's estimates, inflation is expected to return to the NBP's inflation target range (1.5%-3.5%) in approximately two years.

Additionally, according to data from the Statistical Office, the overall consumer price index in the average annual terms for 2022, compared to 2021, was 114.4, indicating a price increase of 14.4% (while the average annual inflation in 2021 was 5.1%). The largest increases, reaching around 20%, were observed in the baskets of housing/utilities and energy carriers, as well as transportation, which is related to the rise in fuel prices. At the beginning of February, the European Commission revised its GDP forecast for Poland, lowering the projected GDP growth for 2023 from 0.7% to 0.4% compared to the autumn projection. The EC report indicated that GDP growth would return to a level of 2.5% in 2024, accompanied by easing inflation and accelerated global economic growth. Regarding inflation, estimates indicate 11.7% in 2023 and 4.4% in 2024..

Risk of instability of the Polish tax system

Regarding the Polish tax system, there are frequent amendments, incoherence and lack of uniform interpretation of tax law. These inaccuracies entail significant risks related to the tax environment in which the Group operates. Questioning by the tax authorities of tax settlements made by the Issuer, due to discrepancies or changes in interpretation or non-uniform application of tax law by various tax administration authorities, may result in imposing relatively high penalties or other sanctions on the Group. Considering the relatively long period of limitation of tax liabilities, the assessment of tax risk is particularly difficult, however the fulfillment of the risks described above may have a material adverse effect on the Group's operations, financial position or results.

Risk related to the lack of stability of the Polish legal system

The Polish legal system is subject to numerous changes that have a huge impact on the Depol Group's operations. The most important for him are changes made in the following legal provisions: - construction law, - commercial law, - tax law, - labor and social insurance law, - law established by local government units. Introduced legal changes can potentially create a risk related to interpretation problems, lack of case-law practice, unfavorable interpretations adopted by courts or public administration bodies. It should also be remembered that currently interpretation of the provisions is made not only by Polish courts and public administration bodies, but also by the courts of the European Community. These changes may cause problems resulting directly from the lack of a uniform interpretation of the law. Since the knowledge of Community jurisprudence is not common in Poland, and the Polish courts do not always apply it, a situation may arise where the sentence pronounced in

Poland will be repealed as incompatible with European law. Changes in legislation or various interpretations of the law can pose a certain risk. Inconsistency, lack of uniform interpretation of laws, frequent amendments, and contradictions between statutes and implementing acts entail significant risks in conducting business activities. Potential changes in regulations may lead to negative consequences for the Group's operations. The implementation of new economic regulations can be associated with interpretational problems, inconsistent court rulings, unfavorable interpretations adopted by public administration authorities, and so on.

Additionally, on May 20, 2021, a new law on the protection of the rights of purchasers of residential premises or single-family houses and the Developer Guarantee Fund was adopted. The new law came into effect on July 1, 2022. The newly established provisions impose new requirements on the developer, including the obligation to transfer a contribution to the Developer Guarantee Fund. The contribution amount has been set at 0.45% of the price of the premises in the case of an open escrow account and 0.1% of the value of the premises in the case of a closed escrow account.

Changes in law related to this may affect the legal environment of business operations, including the Depol Group's. In order to minimize the above-described risk, the Depol Group monitors the changes of the law on an ongoing basis and uses professional legal assistance.

Risk associated with construction regulations

Due to the type of activity conducted by the Depol 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 Depol Group was or is a party, contain provisions in accordance with the provisions of the Civil Code.

Risk related to initiatives of public authorities regarding condo hotels and aparthotels

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

Risks related to financial position

Interest rate risk

The Depol 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. The risk is mitigated through the use of interest rate hedging transactions such as Caps (Interest Rate Caps) and IRS (Interest Rate Swaps).

The current macroeconomic situation in the area of the discussed risk poses many challenges. According to the decision of the Monetary Policy Council, the central bank's reference rate remained at 6.75% in March 2023, with the last change occurring in September 2022 (an increase from 6.5%). According to the NBP's communication after the MPC meeting on March 7-8, 2023, the Council assessed that the weakening economic conditions in the Polish economy, along with the decline in commodity prices, will continue to have a limiting effect on global inflation, which will also impact lower price dynamics in Poland. Additionally, it can be assumed that the slowdown in GDP growth, including consumption, accompanied by a significant decrease in credit dynamics, will contribute to the decline in domestic inflation. As a result, the Council believes that the significant monetary tightening implemented by the NBP earlier (increasing rates from 0.1% in September 2021 to 1.75% by the end of 2021, and gradually to 6.75% by September 2022) will lead to a decrease in inflation in Poland towards the inflation target. Furthermore, representatives of the MPC are of the opinion that due to the persistence and scale of the previous external disturbances, which remain beyond the influence of domestic monetary policy, the return of inflation to the inflation target will occur gradually, consistent with the assessment resulting from the inflation and GDP projection prepared by the central bank. The strengthening of the Polish zloty would support a faster decline in inflation and, according to the MPC's assessment, would be in line with the fundamentals of the Polish economy.

Currency risk

The Depol Group operates mainly in Poland; however, a growing part of the GW segment contracts are concluded in the currency (EUR). In this respect and in the area of export activities, the Group is therefore exposed to the risk of exchange rate fluctuations. Strengthening the exchange rate of the Polish currency against the currencies of the countries to which the Group's products are exported will lead to a decrease in sales revenues, which in turn will have a negative impact on the financial results achieved by the Group. The risk is limited by concluding of forward contracts.

Analyzing the currency situation at the end of December 2022 compared to the end of 2021, there has been a weakening of the Polish zloty against the euro by 2% and against the US dollar by 8.4%. The ongoing conflict between Russia and Ukraine, with the war at the eastern border, has created uncertainty among investors. It's also important to consider the interest rate hikes in the US or the eurozone, which generate demand for the dollar and the European currency. Additionally, internal factors such as high inflation and the expansionary fiscal policy of the government negatively impact the exchange rate of the Polish currency.

Inflation risk

Depol Group also identifies the risk of inflation fluctuations, which refers to unpredictable changes in the general level of prices of goods and services in the economy. Fluctuations in inflation have a negative impact on the economy in several aspects. Firstly, inflationary fluctuations lead to uncertainty about future costs and profits, making it difficult for businesses and consumers to make investment decisions. Secondly, inflation erodes the purchasing power of money, which in turn leads to a decline in people's standard of living. Thirdly, inflation fluctuations affect trade as currency fluctuations impact the prices of exports and imports. The conclusion is that the risk of inflation fluctuations poses a serious threat to economic stability and requires appropriate monetary and fiscal policies to mitigate it, which ultimately affects economic entities.

Price-setting processes, according to the NBP's inflation report from November 2022, are under pressure from supply-side changes, which are also associated with the effects of Russia's aggression against Ukraine. This is reflected in high prices of energy and agricultural commodities in global markets, increased prices of CO2 emissions allowances, and prolonged tensions in global supply chains. Demand-side factors also contribute to the high level of inflation we are currently observing. The NBP indicates that the strong increase in energy prices in global markets resulting from the war in Ukraine continues to translate into higher fuel prices for private transportation and higher bills for gas and electricity in Poland. According to the Central Bank's stance, areas of uncertainty that will impact the pace of price growth in the economy include the future shape of anti-

inflation policies by central banks and governments in the world's largest economies, further developments in Russia's armed aggression against Ukraine, anti-inflationary actions by the Polish government, EU transfers, and the further course of the COVID-19 pandemic worldwide.

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 Depol 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 Depol Group companies with repayment of their obligations under loan agreements. However, the risk of such problems arising in the future cannot be completely eliminated. In extreme cases, in order to meet its liabilities, the Group may be forced to sell some of its assets, which could adversely affect Group's financial position and the possibility of further development.

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

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

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

In order to prevent the occurrence of indicated circumstances, the Issuer performs on an ongoing basis assessment of debt status and controls the compliance with covenants contained in the loan agreements and terms and conditions of bond issue.

Risk associated with the possibility of discontinuing financing through bond issue

In the Group, companies finance their activities through equity, primarily in the form of bonds and loans. As of December 31, 2022, the share of equity financing in the company's liabilities structure amounted to 47.2% (PLN 288,679 thousand), while the share of debt financing amounted to 52.8% (PLN 321,815 thousand). As of September 30, 2022, the share of equity financing in the company's liabilities structure was 26.6% (PLN 423,464 thousand), while the share of debt financing was 73.4% (PLN 1,170,448 thousand).

The company utilizes funds from bonds primarily to finance the ongoing activities of the Group, including the purchase of new land for development projects and as equity contribution to ongoing projects. In the event of limitations on bond issuance (including a decline in demand for bonds, less competitive bond interest rates compared to bank deposits, increased investor aversion to risk and bond investment, lack of bond repurchases by other issuers in the market, limited availability of funds for bond investment), there is a risk associated with the possibility of discontinuing financing through bond issuance for the company. This would necessitate a focus on debt financing, credit financing, or, in the event of external factors preventing such

options, a reduction in the scale of operational activities. These factors can have a negative impact on the company's operations, financial position, or results, ultimately affecting the company's ability to meet its obligations related to the bonds.

Risk related to overdue liabilities

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

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

The risk of the cyber attack

The risk of a cyber attack has emerged in recent years, particularly following the outbreak of the armed conflict in Ukraine. Currently, companies are exposed to hackers and the threat of cyber attacks. According to Forbes magazine, Poland ranks 20th among countries most vulnerable to cyber attacks. Available information indicates that the energy and transportation sectors are among the main industries at risk of cyber attacks, which often involve data theft, particularly personal information. In response to these challenges, the Management Board of the Company has decided to conduct due diligence in this area and purchase a cyber insurance policy to mitigate the consequences of cyber attacks. All companies within the Group adhere to a unified IT policy.

8. Corporate governance statement



Corporate governance statement

8.1 Indication of a set of corporate governance principles applicable at the Issuer

In 2022, the Company adhered to the principles of corporate governance outlined in the document "Good Practices of Companies Listed on the Warsaw Stock Exchange 2021," adopted by the Warsaw Stock Exchange Council under Resolution No. 13/1834/2021 on March 29, 2021, which came into effect on July 1, 2021. The text of the "Good Practices of Companies Listed on the Warsaw Stock Exchange 2021" is publicly available on the Warsaw Stock Exchange's website: <https://www.gpw.pl/dobre-praktyki2021>.

The company Depol 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 Indicating the corporate governance principles deviated from

In 2022, Depol S.A. company adhered to all corporate governance principles outlined in the document "Good Practices for Companies Listed on the Warsaw Stock Exchange 2021," with the exception of the following principles that were not applied or did not apply to the company:

Principle 1.3.1. In its business strategy, the company also considers ESG (Environmental, Social, and Governance) topics, particularly encompassing environmental issues that include metrics and risks associated with climate change, as well as sustainable development issues.

Principle not applied. The company does not have a formalized document describing the company's strategy in the context of ESG factors. However, the company incorporates elements of ESG policy in its daily operations, and awareness of environmental aspects has been established within the company for a long time. Many elements related to ESG factors have practical application in the company's current activities. For example, the Integrated Management System implemented and maintained according to the requirements of EN ISO 9001:2015, EN ISO 14001:2015, and EN ISO 45001:2018 enables monitoring and continuous control of processes in terms of quality, environment, and occupational health and safety. Additionally, to meet quality requirements related to welding of metal materials and production of steel and aluminum structures for construction, the Depol Capital Group has implemented and maintains certification according to the PN-EN ISO 3834-2:2007 and PN-EN ISO 1090-2:2012 standards. The company declares its intention 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,
- 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. 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 yet have a formalized ESG strategy, but in 2022, a team was established to set the goals of this strategy. An analysis of all areas of the company's activities was conducted, as well as benchmarking against other entities in the industry and ratings. Currently, work is underway to set goals and define metrics for their achievement. Therefore, the company declares its intention to apply this principle in the near future (as also mentioned in point 6.1). The company will publish the above information regarding the implemented ESG strategy on its website. However, issues related to climate change are already taken into account in the decision-making processes within the Depol Group through adopted environmental policies and procedures within the ISO 14001:2015 certification.

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 Depol 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. Depol 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 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 Depol 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. Depol 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. Depol 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.

After the balance sheet date, i.e., in February 2023, following the aforementioned changes in the organizational structure, the Company started implementing Principle 3.6.

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 Depol S.A. acts as the managing holding company of the Capital Group and provides services to entities from the Depol 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, Depol 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. Depol 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. Depol S.A. there are no plans to provide real-time broadcasts of general meetings, unless such expectations are expressed in large numbers by shareholders.

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 Depol S.A. holding at least 5% of the total number of votes at the General Meeting of the Company as at 31st of December 2022 and as at the date of publication of this report:

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

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

8.4 Indication of holders of any securities, which provide special control rights, together with descriptions of rights

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

8.5 Indication of any restrictions referring to voting rights

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

8.6 Indication of any limitations concerning transferring of Issuer's securities' property rights

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

8.7 Bodies of the Company

8.7.1 Management Board

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

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

Composition of the Management Board of Dekpol S.A. in the financial year 2022 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 terms of the President of the Management Board, Mariusz Tuchlin, and the Vice President of the Management Board, Katarzyna Szymczak-Dampc, will expire on December 31, 2024. Their mandates will expire on the approval date of the financial report for the year 2024, in 2025.

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

In the financial year 2022 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

Shareholders or for Supervisory Board, fall within the competence of the Management Board. Acquisition and disposal of real estate property, perpetual usufruct or interest in real estate property or a share in perpetual usufruct does not require a resolution of the General Meeting of Shareholders. Purchase of real estate property, perpetual usufruct or interest in real estate property as well as a share in perpetual usufruct for a price higher than PLN 25,000,000 require the consent of the Supervisory Board expressed in the form of a resolution (§15 paragraph. 4 of the Statute). Internal organization and manner of operations performed by Management Board determines the Regulations of the Management Board, adopted by the Supervisory Board (available on <https://depol.pl/en/corporate-governance/#corporate-documents>).

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

Supervisory Board of Depol S.A. 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 Depol S.A. in financial year 2022 and as at the date of publication of this report:

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

The term of Wojciech Sobczak will expire on December 31, 2023. The terms of Roman Suszek, Jacek Grzywacz, and Jacek Kędzierski will expire on December 31, 2024. The term of Grzegorz Wąsacz will expire on December 31, 2027. The mandates of these individuals will expire on the date of the General Meeting approving the financial report for the respective years mentioned.

Changes in the composition of the Supervisory Board of Depol S.A.

In 2022 and until the publication of this report, there were no changes in the composition of Company's Supervisory Board.

On June 30, 2022, Grzegorz Wąsacz was reappointed by the Ordinary General Meeting of Shareholders of Depol S.A. to the Supervisory Board of the Company for another five-year term. The Company announced this appointment in the current report No. 33/2022 dated June 30, 2022.

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 Report of Management Board on business activities of the Issuer 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 the Articles of Association of Management Board;
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 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 <https://depol.pl/en/corporate-governance/#corporate-documents>).

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

8.7.3 Audit Committee

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

In financial year 2022 in the Supervisory Board of Depol 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, 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 7 and 8,
10. 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 2022, the principles of Best Practice for WSE Listed Companies 2021 also applied to the members of the Audit Committee.

In 2022 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 2022, there were no changes to the composition of the Audit Committee.

In 2022, the Audit Committee held 9 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 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 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 re-structurisation, valuation and due diligence of enterprises, financial liquidity management, corporate credit policy management, financial controlling, financial analysis of investment projects. The main scope of Jacek Grzywacz's activity was and is the assessment of financial statements of various entities as well as acquisition and analysis of financial and accounting data and, on this basis, presenting applications / recommendations to Management Boards / Supervisory Boards / Owners. In the years 1999-2010, the Vice-Chairman of Supervisory Board acted as a staff member of other organizations, and from December 2009, as part of JKG Finanse Spółka z ograniczoną odpowiedzialnością, of which he is a partner and president of management board.

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

Roman Suszek

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

Cooperation principles with statutory auditor's company

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

1. the entity authorized to audit financial statements is selected by the Supervisory Board, based on the recommendation of the Audit Committee. The selection is made as a result of conducting the procedure specified in the Procedure for selecting an audit firm.
2. selection should take place within a period that enables the audit firm to participate in the inventory of significant assets.
3. 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. 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.

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 2022, an auditing company examining the financial statements of Depol S.A. and the Depol Capital Group did not provide permitted non-audit services to the Company (table in point 10.3). The recommendation regarding the selection of the auditing company to conduct the audit met the applicable conditions and was prepared following the selection procedure organized by the Company meeting the applicable criteria.

There is no remuneration committee in the Supervisory Board, 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 Shareholder and Shareholders rights

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 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 <https://depol.pl/en/corporate-governance/#corporate-documents>) indicates ways to verify the notification of granting power of attorney in an electronic form. The proxy is entitled to grant further power of attorney, if it results from power of attorney. A proxy may represent more than one shareholder. Shareholders whose shares are registered on the collective account, are eligible to establish separate proxies to exercise the rights from shares, registered on this account. Also, in case of possessing of shares registered in more than one securities account, it is possible to establish separate proxies to exercise the rights from shares, registered on each account.

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

Regulations of General Meeting of Shareholders allow recording of the proceedings by means of electronic information carriers. Recordings of the proceedings of the General Meeting of Shareholders are archived in the Company's registered office and access to them can be provided on the Company's website. Regulations of the General Meeting of Shareholders also allows broadcasting of the proceedings of the General Meeting of Shareholders via Internet and sharing to the public on the Company's website. The General Meeting of Shareholders, in a resolution adopted by an absolute majority of votes, decides on the possible presence at the meeting of media representatives, the recording of their meeting or taking pictures or filming.

General Meeting of Shareholders Authority

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

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

Shareholder's rights and the way of their exercise

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

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

Financial rights:

1. the right to participate in profits. Shares of A- and B-series 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.
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3. 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.
4. 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.
5. 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:
 - a. the right to convene the General Meeting of Shareholders,
 - b. the right to request the convening of the General Meeting of Shareholders,
 - c. the right to request certain issues on the agenda of the next General Meeting of Shareholders,
 - d. 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,
 - e. 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,
11. the 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 Articles 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.

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.

In September 2022, Management Board of Dekpol S.A. established the position of Internal Auditor within the Company and its Capital Group. By the end of 2022, the Internal Audit Procedure and the Quality Assurance Program were developed. The newly appointed Internal Auditor, in collaboration with the top management of entities within the Dekpol Capital Group, also conducted a risk assessment, based on which the Internal Audit Plan for 2023 was prepared. At the end of December 2022, both the Management Board of Dekpol S.A. and the Audit Committee of the Supervisory Board of Dekpol S.A. approved the prepared documents. Therefore, starting from 2023, internal audit, through the conducted audit tasks, will support the Highest Supervisory Authorities in the Group in ensuring that the internal control system operates properly, which in turn translates into the reliability of the data contained in the financial reporting.

8.10 Diversity policy

In the company it has not been developed any formal diversity policy in relation to management staff of the Company and its key managers. Functions of members of management and supervisory bodies have been entrusted to particular persons

independently of their gender, age or education, and according to their professional background and experience. The key personal decisions concerning election of members of company's bodies are made by General Meeting of Shareholders and Supervisory Board, and in relation to top managers – Management Board.

9. Remuneration policy



Remuneration policy

9.1 Remuneration system

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

The remuneration policy is available on the Company's website at: <https://depol.pl/en/corporate-governance/#corporate-documents>.

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 Depol S.A."

The value of salaries, bonuses or benefits paid, due or potentially due to Members of Management Board for the year 2022 shows the below table:

Gross remuneration of management staff of the Issuer in thousands of PLN in 2022

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	PLN 183 600	PLN 234 691 zł	PLN 8 776	-
Katarzyna Szymczak-Dampc	entire year	PLN 358 979	PLN 94 747	PLN 29 702	-
TOTAL		PLN 542 579	PLN 329 438	PLN 38 478	-

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

In 2022, managing persons did not receive any other awards, benefits or financial benefits (including conditional or deferred ones). In 2022, 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 2022, shows the below table:

Gross remuneration of persons supervising the Issuer in thousands PLN for 2022

Item	Term of office	Fixed remuneration for serving a function in Supervisory Board	Fixed remuneration for Audit Committee meetings	Other revenues*
Roman Suszek	entire year	PLN 40 476	PLN 6 837	721
Wojciech Sobczak	entire year	PLN 35 200	-	536
Jacek Grzywacz	entire year	PLN 35 097	PLN 6 837	639
Jacek Kędzierski	entire year	PLN 33 823	PLN 6 613	-
Grzegorz Wąsacz	entire year	PLN 35 200	-	536
TOTAL		PLN 179 795	PLN 20 286	PLN 2 431

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

In 2022, supervising staff did not receive any awards, other benefits or additional financial benefits for performing their functions (including conditional or deferred ones). In 2022, 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 2022, 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



Other information

10.1 Court litigations, proceedings in arbitration bodies or in public administration bodies

In 2022, there were no significant 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. 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. construction works for a third party - the investor. The proceedings are pending before the District Court in Gdańsk. Currently, witnesses are being examined at successive trial dates. Two additional trial dates have been scheduled for April and June 2023.

10.2 Information on employment

The size of the average employment in the structures of the Issuer in the period 2021-2022, broken down into white-collar and physical employees, shows the following table:

Employment in the structures of the Issuer in the period 2021 - 2022 (average annual employment in period, in persons)

Dekpol S.A.

Item	2022	2021
White-collar employees	91	82
Blue-collar employees	0	0
TOTAL	91	82

Dekpol Capital Group

Item	2022	2021
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White-collar employees	480	354
Blue-collar employees	459	432
TOTAL	938	786

The employment size within the structures of the Issuer's Group during the period 2021-2022, at the end of each respective period including employees under employment contracts, is presented in the table below:

Employment in the structures of the Issuer's Group in the period 2021-2022 (as at the end of the period, in persons)

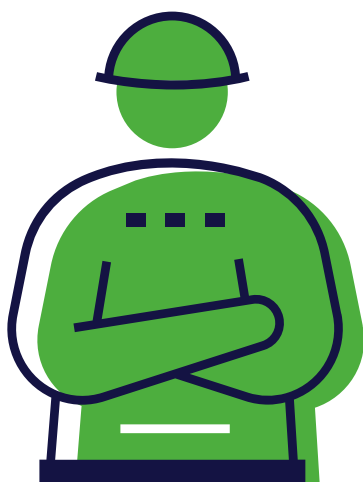
Dekpol S.A.

Item	31.12.2022	31.12.2021
Employments (persons)	98	84

Dekpol Capital Group

Item	31.12.2022	31.12.2021
Employments (persons)	898	839

Moreover, the Issuer informs that as of 31.12.2022, in direct or indirect subsidiaries of the Issuer, employment status amounted:



- Dekpol S.A – 119 people
- Dekpol Budownictwo Sp. z o.o. – 387 people,
- Dekpol Deweloper Sp. z o.o. 71 people,
- Dekpol Steel Sp. z o.o. – 208 people,
- Intek Sp. z o.o. – 171 people,
- Betpref Sp. z o.o. – 190 people,
- Kombet Działdowo Sp. zo.o. - 76 people.

At the end of 2022, the Dekpol Capital Group team consisted of nearly 1200 individuals.

10.3 Auditing company

The auditing company selected to audit the separate financial statement of Depol S.A. and the consolidated financial statement of the Depol 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 recommendation of the Audit Committee. The agreement was concluded on 23rd 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 Depol Capital Group for the period from 1st of January to 30th of June 2021 and from 1st of January to 30th of June 2022,
- audit of the annual financial statements of the Company and the consolidated financial statements of the Depol 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 29th of July 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and Public Companies, together with the Attestation Report.

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

Item	2022	2021
Remuneration paid outstanding for the financial year:		
Audit of financial statement (separate)	40	49
Audit of financial statement (consolidated)	54	21
Audit of condensed financial statement	55	42
Other attestation services	54	9
Tax consultancy services		
Other services		
TOTAL	203	121

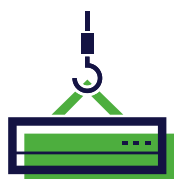
10.4 Major achievements on R&D field

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.

In the second quarter of 2022, the R&D department was established in Depol Budownictwo Sp. z o.o. Within the R&D department, the first projects of composite structures were implemented, and the first elements of this type were already produced at the Betpref Sp. z o.o. precast plant in Toruń. The idea of prefabricating stacked walls in residential construction was implemented as a part of the projects for Depol Deweloper Sp. z o.o. The implementation of prefabricated walls in residential construction was preceded by series of consultations on similar projects and an analysis of the construction needs to shorten the time of project completion in residential buildings. Technical equipment designs were prepared for the precast plants in Toruń and Działdowo, necessary for implementation of composite structures and prefabricated walls in residential construction. Further work was carried out in relation to standardizing the projects executed by Depol Budownictwo Sp. z o.o. The

ongoing development of a catalog of typical structural solutions, including standardizing principles and execution of steel, reinforced concrete, and composite structures, is a priority. The catalog of typical solutions and standardization are consulted with all relevant departments of Dekpol Budownictwo Sp. z o.o., from the bidding process, through design, coordination, and construction, incorporating the best solutions and ideas. The catalog of typical solutions and the increasingly applied standardization allow for coordinating projects in the construction industry carried out by external designers, aiming to unify the solutions used in Dekpol Budownictwo Sp. z o.o. The R&D team also continuously works on implementing innovative structural connections in both industrial-warehouse and residential construction and carries out independent design projects.

Dekpol Steel Sp. z o.o. continuously carries out activities aimed at the development of existing products as well as the creation of new solutions. Currently, the main area of focus is reducing the CO2 emissions both in the production process and in the operation of the manufactured equipment.



Within the R&D department, the first projects of composite structures were implemented.

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; • 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.

Dekpol Budownictwo Sp. z o.o. has implemented and certified the Integrated Management System ISO 9001:2015 - Quality Management System; ISO 14001:2015 - Environmental Management System; ISO 45001:2018 - Occupational Health and Safety Management System; Eco Vadis certificate (sustainable development assessment); BREEAM certificate (building efficiency assessment in terms of ecological and quality aspects). In 2023, further certifications are planned, including EMAS (Eco-Management and Audit Scheme)

Dekpol Steel Sp. z o.o. has obtained the following certifications: ISO 9001:2015 - Quality Management System; ISO 14001:2015 - Environmental Management System; ISO 45001:2018 - Occupational Health and Safety Management System; EN 3834 (quality requirements for fusion welding of metallic materials). In February 2023, Dekpol Steel Sp. z o.o. also obtained the EN 15085 standard (welded components for railway vehicles) for the trade and sale of Intek, a standard that they previously possessed and renewed for production.

Intek Sp. z o.o. has obtained the following certifications: ISO 9001:2015 - Quality Management System; ISO 14001:2015 - Environmental Management System; ISO 45001:2018 - Occupational Health and Safety Management System; EN 15085 certification (quality management system for welding - welding of railway vehicles and their components); qualification certificate for the production of bridge structures (Research Institute of Roads and Bridges); EN 3834 (quality requirements for fusion welding of metallic materials); EN 1090 (technical requirements for steel structures).

At the Betpref Sp. z o.o. facility in Pinczyn, the following certifications have been obtained: ISO 9001:2015 - Quality Management System; ISO 14001:2015 - Environmental Management System; ISO 45001:2018 - Occupational Health and Safety Management System; ISO 3834-2:2021 - Quality requirements for fusion welding of metallic materials; EN 1090-2:2018 - Technical requirements for steel structures.

At the Betpref Sp. z o.o. facility in Toruń, the following certifications have been obtained: ZKP certificates - Certificates of Compliance of the In-House Production Control in the scope of manufacturing slab elements for composite floor systems (EN 13747:2005 + A2:2010), bar structural elements (EN 13225:2013), wall elements (EN 14992:2007 + A1:2012) and retaining wall elements (EN 15258:2008) as well as staircases (EN 14843:2007) - testing report conducted in March 2022.

By implementing good practices in its field of operation, the Group carries out activities aimed at preserving existing natural values and minimizing the negative impact of investments on the environment.

Dekpol Steel Sp. z o.o., in its operations, uses high-quality Hardox 500 TUF steel sheets in the production process, which ensure a longer lifespan for excavator buckets. The Swedish steel mill, SSAB, consistently adheres to rigorous standards in the emission of harmful substances. The level of carbon dioxide emissions is 1.5 tons per ton of steel produced, making the Swedish company significantly surpass its competitors in environmentally friendly practices, where CO2 emissions can reach up to two tons. Furthermore, the use of modern painting systems, utilizing polyurethane paints from Baril, has a positive effect on reducing the emission of harmful substances to trace amounts. In the coming years, the factory in Pinczyn and Lubawa will produce buckets using "green steel" that is manufactured with zero carbon dioxide emissions. Currently, this is being produced in laboratory conditions.

Dekpol Steel Sp. z o.o. prioritizes the reduction of energy consumption and harmful emissions throughout its production process, while also minimizing waste generation. This is achieved through various initiatives such as optimizing steel cutting processes, utilizing steel pallets instead of wooden ones, and implementing LED lighting in production halls, among others. The company also plans to implement a cleaning system for paint containers, which will not only eliminate hazardous waste but also allow for the recovery of approximately 40-50% of solvents for reuse. In Dekpol Steel Sp. z o.o., approximately 95% of the waste is suitable for recycling.



In the Dekpol Group, we carry out activities aimed at protecting natural values and minimizing the negative impact of our investments on the environment.

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 2022 is presented below.

List of expenditure of the Dekpol Capital Group incurred in 2022 related to supporting culture, sport, charities, media and social organizations

Company	amount (thousand of PLN)	Category
Dekpol S.A.	143,8	Supporting charitable institutions and social organizations, providing donations to support refugees from Ukraine
Dekpol S.A.	141,3	Supporting sport
Dekpol S.A.	45,3	Supporting culture
Dekpol Steel Sp. z o.o.	174,8	Supporting sport

Dekpol Steel Sp. z o.o.	5,0	Supporting culture
Dekpol Steel Sp. z o.o.	5,0	Other
Dekpol Deweloper sp. o.o.	31,5	Supporting sport
Dekpol Deweloper sp. o.o.	8,0	Supporting culture
Dekpol Deweloper sp. o.o.	35,1	Other
Dekpol Budownictwo sp. z o.o.	210,8	Supporting charitable institutions and social organizations, providing donations to support refugees from Ukraine
Dekpol Budownictwo sp. z o.o.	60,3	Supporting sport
Dekpol Budownictwo sp. z o.o.	15,0	Other
Kombet sp. z o.o.	4,0	Supporting sport and culture
Total	879,9	

10.8 Report on non-financial information

Based on Article. 49b paragraph 9 of the Accounting Act, the Depol Group decided to prepare a Report on non-financial information of the Depol 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.depol.pl.

10.9 Contact for investors

Company name (firm):	Dekpol Spółka Akcyjna
Short name:	Dekpol S.A.
Headquarter:	ul. Gajowa 31, 83-251 Pinczyn
Phone number:	(58) 560-10-60
Fax:	(58) 560-10-61
Website address:	http://www.depol.pl/
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