

### Report of Management Board on business activities

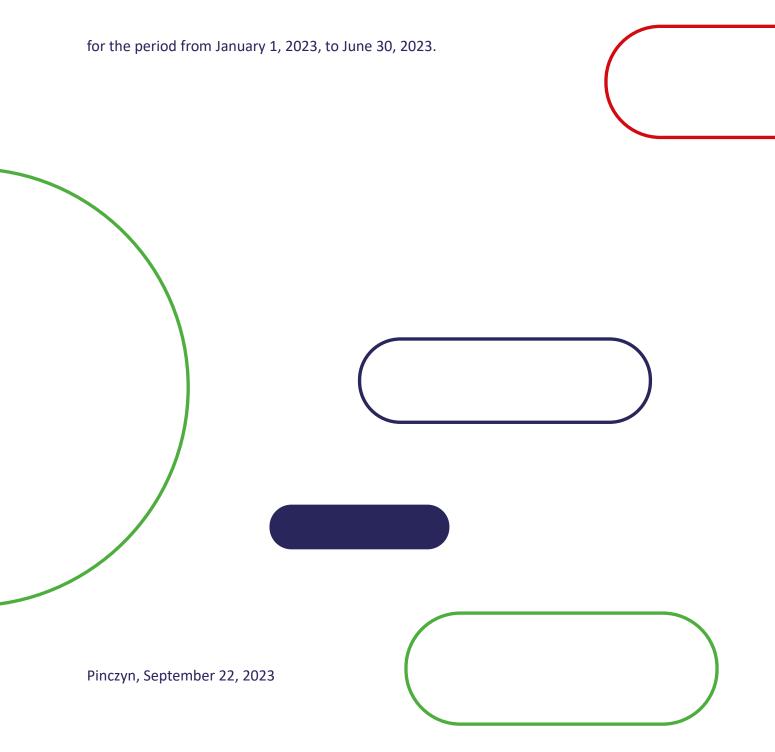
of the Dekpol Capital Group





## Report of Management Board on business activities

of the Dekpol Capital Group





## Selected achievements 2023

HY 2023

BUDOWNICTWO

PLN 1,5 billion

Pipeline value in 1HY 2023

**DEWELOPER** 

198 apartments

sold in 1H 2023.

BUDOWNICTWO

New contracts

e.g., logistic center Trefl in Rumia and environmentally friendly hall of an area >120 thousands of sq.m. for DL Invest Group



**DEWELOPER** 

Pino Resort

Commencement of execution of new investment on Sobieszewska Island



**STEEL** 

XMOR®

Dekpol Steel as the first European XMOR® Partner changes mining and earthworks industry

DEKPOL S.A.

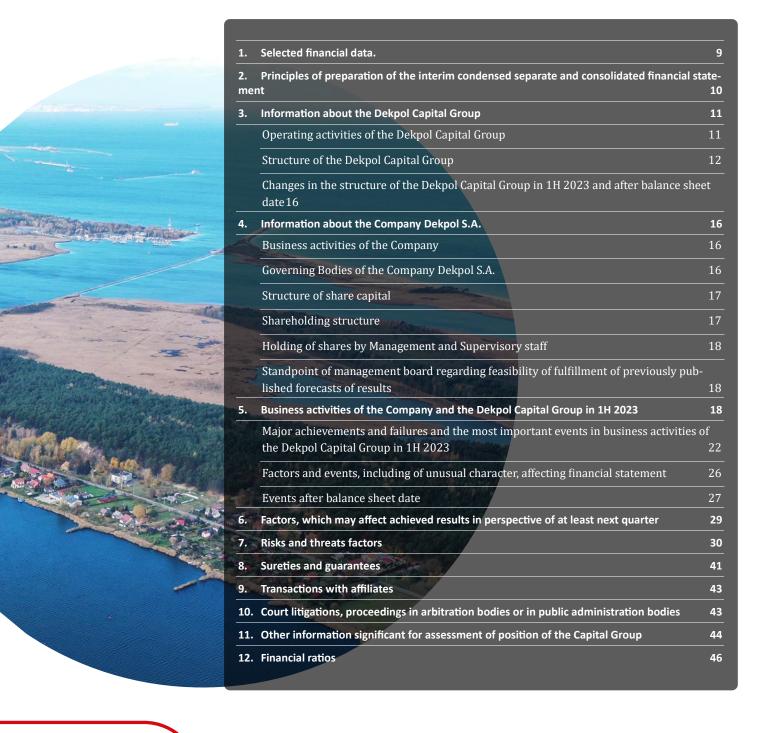
Bonds issue

KNF approved II Bonds Issue Programme Prospectus of Dekpol S.A. of a total nominal value of up to PLN 150 million



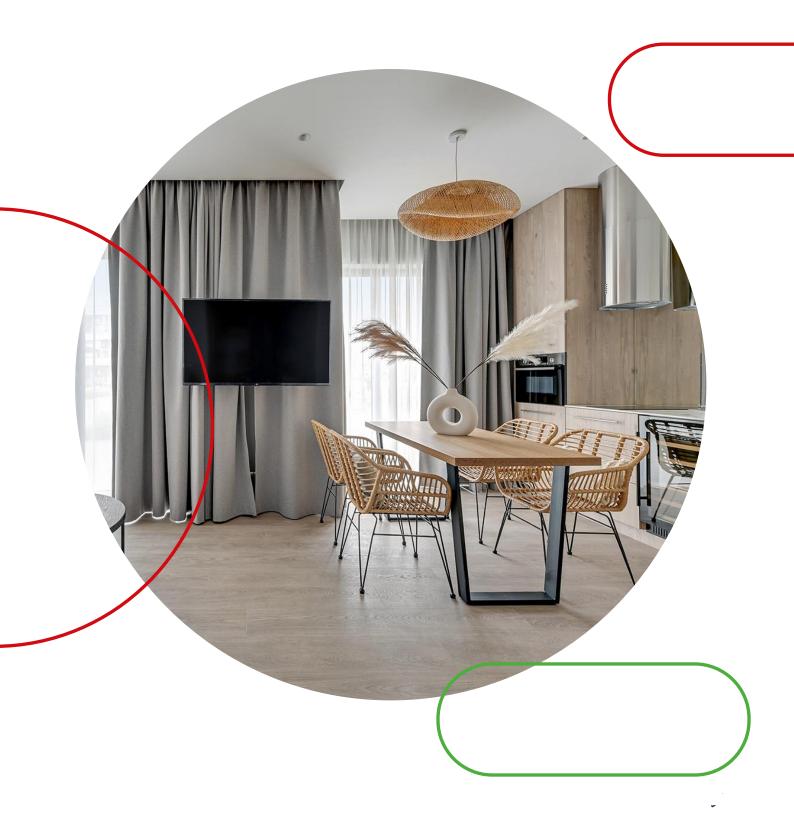


### **Table of content**





## The most important events in 2023





### The most important events in 2023

April 2023 30 years of Dekpol Capital Group



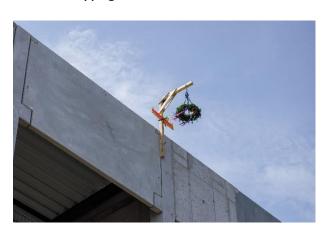
The company Dekpol was established 30 years ago as a sole proprietorship. Today, enriched by the experiences of the past years, expanded with over 1200 employees, specializing in 3 segments, operating in 5 production plants, and having completed hundreds of projects, we are entering another decade of existence with new development plans.

**April 2023 Forest planting** 



The Dekpol Capital Group cares about the environment, implementing various initiatives aimed at reducing our impact on the planet. Our work doesn't stop there – the Dekpol S.A. team combined pleasure with utility by planting over 2,000 oak trees in cooperation with Nadleśnictwo Kaliska.

June 2023 Topping out at Bims Plus



Dekpol Budownictwo accompanied by representatives of the Investor, ceremoniously hung the traditional wreath over the investment in Swadzim near Poznań. The total area will exceed 26,000 square meters – this is one of the largest contracts executed by our branch in Poznań.

June 2023 Tournament of Dreams



Dekpol Budownictwo once again supported the Tournament of Dreams organized for children with disabilities on the fields of the Gdańsk University of Technology. The event was accompanied by an incredible atmosphere filled with fun, healthy competition, and genuine football excitement. The tournament was attended by 180 young football players.



#### June 2023 Open days



The Open Days at the sales offices of Dekpol Deweloper took place at Osiedle Pastelowe, Neo Jasień, and Sol Marina. The visitors received practical advice on purchasing apartments and had the opportunity to explore these charming and unique areas as well as ready-to-sell apartments on their own. In addition to that, we prepared many additional attractions.

#### June 2023 Practical lesson for students



As a part of the cooperation between Dekpol Deweloper and the University of Gdańsk, we had the opportunity to host a group of approximately 20 students of Management Faculty at our flagship Sol Marina investment. The students learned about the company's adopted business model, the concept of condo hotels, as well as the construction management and supervision process. In the end, they could relax during a short cruise on the Martwa Wisła river.

June 2023 European Medal



Dekpol Steel has been awarded the European Medal for the hydraulic tilting connector TILTDEK®. The initiative is organized by the Business Center Club under the honorary patronage of the European Economic and Social Committee in Brussels. The European Medal is a non-commercial, nationwide project promoting the idea of the European Union among entrepreneurs.

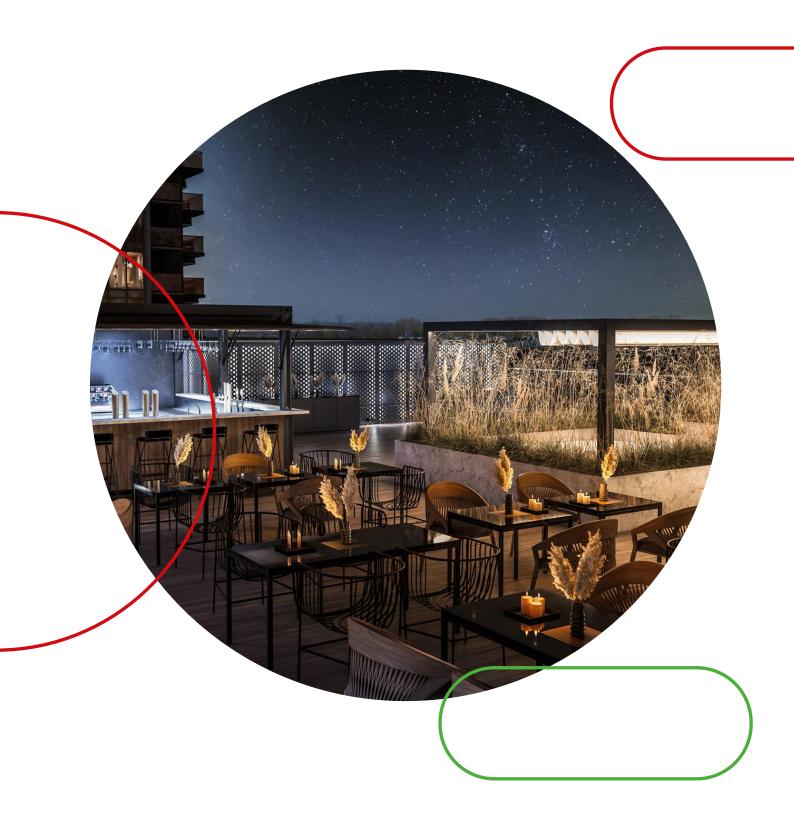
June 2023 The first XMOR® bucket



Dekpol Steel has started manufacturing of the first innovative XMOR® bucket from the BHC series, specifically designed for extreme mining conditions. We will deliver it in September to one of the largest quarries in Poland. The nearly 9-ton bucket will operate on a 155-ton machine.



## General information about the Capital Group





## 1. Selected financial data.

#### Selected consolidated financial of the Dekpol Capital Group for 1H 2023.

Item	Thousands of PLN 01.01.2023 - 30.06.2023	Thousands of PLN 01.01.2022 - 30.06.2022	Thousands of EUR 01.01.2023 - 30.06.2023	Thousands of EUR 01.01.2022 - 30.06.2022
I. Net revenue from sales of products, goods, and materials	569 565	635 015	123 470	136 777
II. Profit (loss) on operating activity	38 663	43 372	8 381	9 342
III. Profit (loss) before tax	34 259	33 367	7 427	7 187
IV. Net profit (loss)	26 290	26 324	5 699	5 670
V. Earnings (loss) per ordinary share (in PLN / EUR)	3,18	3,15	0,69	0,68
VI. Net cash flows from operating activity	(5 224)	(53 132)	(1 132)	(11 229)
VII. Net cash flows from investment activity	(2 824)	(20 666)	(612)	(4 451)
VIII. Net cash flows from financial activity	5 479	50 809	1 246	10 944
IX. Total net cash flows	(2 299)	(21 989)	(498)	(4 736)

	Thousands of PLN	Thousands of PLN	Thousands of EUR	Thousands of EUR
Item	30.06.2023	31.12.2022	30.06.2023	31.12.2022
X. Total assets	1 377 498	1 386 779	309 529	295 695
XI. Liabilities and provisions for liabilities	867 446	909 818	194 919	193 995
XII. Long-term liabilities	291 742	269 261	65 556	57 413
XIII. Short-term liabilities	575 704	640 557	129 363	136 582
XIV. Equity	510 052	476 961	114 611	101 700
XV. Share capital	8 363	8 363	1 879	1 783
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)	61	57	14	12

#### Selected financial data of the company Dekpol S.A. for 1H 2023.

	Thousands of PLN	Thousands of PLN	Thousands of EUR	Thousands of EUR
Item	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022 – 30.06.2022
I. Net revenue from sales of products, goods, and materials	28 603	168 206	6 201	36 230
II. Profit (loss) on operating activity	2 779	5 053	602	1 088
III. Profit (loss) before tax	12 360	134	2 679	29
IV. Net profit (loss)	12 623	108	2 736	23
V. Earnings (loss) per ordinary share (in PLN / EUR)	1,51	0,01	0,33	0,00
VI. Net cash flows from operating activity	(1 456)	2 601	(316)	560
VII. Net cash flows from investment activity	19 738	813	4 279	175
VIII. Net cash flows from financial activity	25 123	(238)	5 446	(51)



IX. Total net cash flows	43 405	3 176	9 409	684
Item	Thousands of PLN 30.06.2023	Thousands of PLN 31.12.2022	Thousands of EUR 30.06.2023	Thousands of EUR 31.12.2022
X. Total assets	550 924	610 494	123 795	130 172
XI. Liabilities and provisions for liabilities	249 773	321 815	56 125	68 619
XII. Long-term liabilities	173 948	148 048	39 087	31 567
XIII. Short-term liabilities	75 825	173 767	17 038	37 051
XIV. Equity	301 151	288 679	67 670	61 553
XV. Share capital	8 363	8 363	1 879	1 783
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)	36	35	8	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 June 30, 2023 (4,4503 PLN/EUR) and December 31, 2022 (4,6899 PLN/EUR). Selected items of the profit and loss account and the cash flow statement were converted into EUR at the exchange rate announced by Narodowy Bank Polski (National Bank of Poland), being the arithmetic average of exchange rates for EUR applicable on the last day of each completed month in the period of 6 months ended June 30, 2023 and 6 months ended June 30, 2022 (4,6130 PLN/EUR and 4,6427 PLN/EUR, respectively).

# 2. Principles of preparation of the interim condensed separate and consolidated financial statement

The interim condensed consolidated financial statement of the Dekpol Capital Group for the period of 6 months ended on June 30, 2023 was prepared in accordance with the International Financial Reporting Standard (IFRS) 34 - Interim Financial Reporting and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, published and in force at the time of preparing the interim consolidated financial statements using the same principles for the current and comparable period.

The Interim condensed consolidated financial statement of the Dekpol Capital Group for the period of 6 months ended June 30, 2023, was prepared under assumption, that the Group would continue its business operations in the foreseeable future. The statement presents financial situation the Dekpol Capital Group as of June 30, 2023, and December 31, 2022, results achieved on business operations by the Group as well as cash flows for six months ended June 30, 2023, and June 30, 2022.

In 1H 2023, there were no changes in accounting principles (policies) applied. In the reporting period there were also no significant changes to estimated values or principles determining the value of assets and liabilities as well as measurement of financial result.

The consolidation was prepared by use of a full method and covered all the Issuer's direct and indirect subsidiaries. Associated companies are valued by use of the equity method. The interim condensed financial statement of the Company Dekpol S.A. for the period of 6 months ended on June 30, 2023 was prepared in accordance with the International Financial Reporting



Standard (IFRS) 34 - Interim Financial Reporting and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, published and in force at the time of preparing the interim financial statements using the same principles for the current and comparable period

The Interim condensed financial statement of Dekpol S.A. for the period of 6 months ended June 30, 2023, was prepared under assumption, that the Company would continue its business operations in the foreseeable future. The statement presents financial situation of Dekpol S.A. as of June 30, 2023, and December 31, 2022, results achieved on business operations by the Company as well as cash flows for six months ended June 30, 2023, and June 30, 2022. In 1H 2023, there were no changes in accounting principles (policies) applied. In the reporting period there were also no significant changes to estimated values or principles determining the value of assets and liabilities as well as measurement of financial result.

Report of Management Board on business activities of the Dekpol Capital Group for 1H 2022 was prepared in accordance with requirements of the Regulation of the Minister of Finance on the current and periodic information provided by security issuers and on the conditions for recognizing equivalent information required by the law of a non-member state as equivalent information (consolidated text: Journal of Laws of 2018 item 757).

The functional currency of the Dekpol Capital Group and the presentation currency for the interim condensed consolidated financial statement as well as the interim separate financial statement of Dekpol S.A., is the Polish Złoty (PLN).

Both, the interim condensed separate as well as consolidated financial statements for the period of 6-months ended on June 30, 2022, were reviewed by a statutory auditor.

## 3. Information about the Dekpd Capital Group

#### Operating activities of the Dekpol Capital Group

Dekpol Capital Group conducts operational activities in three main areas:

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



The market situation is challenging, but thanks to our many years of experience, strong fundamentals, business diversification, and the high and continuously improved competencies of the Dekpol Group team, we can operate effectively and achieve our goals.

Mariusz Tuchlin



CEO

In addition, within the Dekpol Capital Group, there is an activity involving production of concrete prefabricates and steel structures in the companies: Betpref Sp. z o.o. and Kombet Sp. z o.o.

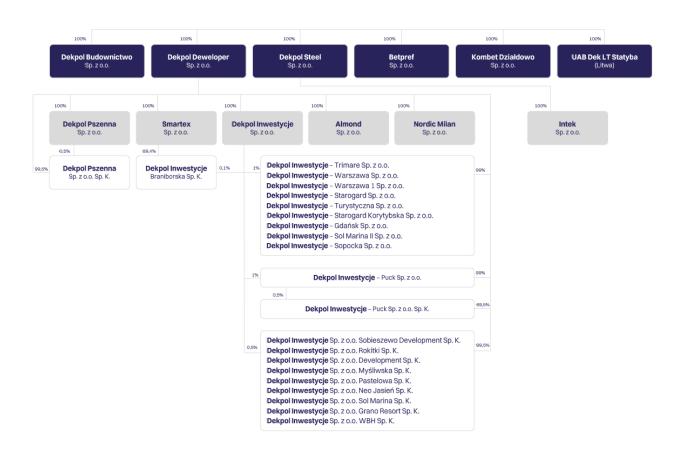
#### **Structure of the Dekpol Capital Group**

Dekpol Capital Group consists of the company Dekpol S.A. ("Company", "Dekpol", "Issuer") as the parent entity as well as direct or indirect subsidiaries of Dekpol S.A.

Operating activities of the Capital Group are conducted by subsidiaries.

The organizational structure of the Dekpol Capital Group as of June 30, 2023, as well as at publication date of this Report is presented on the diagram below:

COMPOSITION OF THE DEKPOL CAPITAL GROUP



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



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 11<sup>th</sup> of April 2014. It 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. The Company has been created as a permanent entity.

Since the beginning of 2021, Dekpol S.A., as the parent company of the Dekpol Capital Group, performs 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. Due to the fact of conducting by Dekpol S.A. of operating activities in the field of general contracting until the end of 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. However, fundamentally, the primary obligated party for general contracting activities, including contracts concluded until the end of 2020, is Dekpol Budownictwo Sp. z o.o. Additionally, Dekpol S.A. remains jointly and severally liable under the terms specified in Article 55 and subsequent articles of the Civil Code with the purchasers of individual parts of the enterprise (namely Dekpol Deweloper sp. z o.o., Dekpol Steel sp. z o.o., and Dekpol Budownictwo Sp. z o.o.) for the obligations related to the sold parts of the enterprise.

#### **General contracting activities**

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

Previously, this business activity was carried out by Dekpol S.A., with effect on January 1, 2021, it was transferred to a subsidiary by means of an in-kind contribution of an organized part of the enterprise, covering business activities of General Contracting Department. The organized part of the enterprise was organizationally, functionally, and financially separated in internal structure of Dekpol S.A. a set of intangible and tangible assets intended for business activities, including 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 Dekpol Deweloper Spółka z ograniczoną odpowiedzialnością (the Issuer owns 100% of the company's shares) and its subsidiary special purpose vehicles - limited liability companies or limited partnerships.

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

Individual projects are implemented by subsidiaries - special purpose vehicles:

- 1) Dekpol Pszenna Sp. z o.o. Sp.k. a special purpose company established to carry out the property development investment under the name Grano Hotel and Grano Residence in Gdańsk at ul. Pszenna;
- 2) Dekpol 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.
- Dekpol Inwestycje Sp. z o.o. Rokitki Sp.k. special purpose vehicle to carry out property development investments in Rokitki and Śliwiny near Tczew;
- 4) Dekpol 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) Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k. a special purpose vehicle to carry out a property development investment in Wrocław.
- 6) Dekpol 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) Dekpol 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) Dekpol 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) Dekpol 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) Dekpol Inwestycje Sp. z o.o. Sol Marina Sp. k.- a special purpose vehicle to carry out a real estate development investment in Wiślinka.
- 11) Dekpol 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) Dekpol Inwestycje Trimare Sp. z o.o. a special purpose vehicle established to carry out a property development investment in Sztutowo;
- 14) Dekpol Inwestycje Warszawa 1 Sp. z o.o. a special purpose vehicle established to carry out property development investments in and around Warsaw.
- 15) Dekpol Inwestycje Warszawa Sp. z o.o. a special purpose vehicle established to carry out property development investments in and around Warsaw.
- 16) Dekpol 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 Dekpol Group.
- 17) Dekpol 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) Dekpol Inwestycje Puck Sp. z o.o. Sp. k. general partner of a special purpose vehicle established to implement an investment in Puck.
- 19) Dekpol 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 Dekpol Granaria Sp. z o.o. on September 13, 2022.);
- 20) Dekpol 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) Dekpol 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) Dekpol 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).

Dekpol Deweloper Sp. z o.o. is the only limited partner of the special purpose vehicles specified in items 1) - 4) and 6) - 11) above, as well as the sole partner of the company specified in items 12). Dekpol 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 Dekpol Deweloper Sp. z o.o., i.e. the company Dekpol Inwestycje Sp. z o.o

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

- Dekpol Inwestycje Sp. z o.o. (general partner with a profit and loss share of 0.1%),
- Smartex Sp. z o.o. (limited partner with profit and loss share of 89.4%),
- a natural person not related to the Issuer in any other way (limited partner with a profit and loss share of 10,5%).

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

- Dekpol Inwestycje Puck Sp. z o.o. (general partner with profit and loss share of 0,5%),
- Dekpol Deweloper Sp. z o.o. (limited partner with profit and loss share of 69,5%),
- a legal person not related to the Capital Group (limited partner with a profit and loss share of 30%).



Subsidiaries of Dekpol Deweloper Sp. z o.o. (Dekpol Deweloper owns 100% of the shares of these companies) are also:

- 1) Smartex Sp. z o.o. limited partner of a special purpose vehicle established to carry out a property development investment in Wrocław at ul. Braniborska - Dekpol Inwestycje Sp. z o.o. Braniborska Sp. k indicated in point 5) in the table above;
- 2) Dekpol 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;
- Dekpol Inwestycje Sp. z o.o. general partner of limited partnerships indicated in items 2) -11) in the above table and a partner holding 1% of shares in the companies indicated in points 13) -17) and 19)-22) in the above table;
- Dekpol Inwestycje Puck Sp. z o.o. general partner of a special purpose vehicle established to implement the investment in Puck indicated in point 18) in the above table;
- 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 Dekpol 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. Dekpol S.A. holds 100% of the shares in companies Dekpol Steel Sp. z o.o. and Betpref Sp. z o.o., and since augist 5, 2022 also 100% shares in the company Kombet Działdowo Sp. z o. o. Dekpol Steel Sp. z o.o. holds 100% of shares in the company Intek Sp. z o.o.

Dekpol Steel Sp. z o.o. 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 Dekpol Steel Sp. z o.o. Additionally, the scope of activities has expanded to include steel products and offshore products. The company is still in the process of certification related to production for 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 Dekpol Capital Group

Dekpol 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 Dekpol S.A. in Lithuania and to manage future contracts in general contracting carried out in that country. Dekpol S.A. owns 100% of the shares

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

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

- 1) Mineral Group Sp. z o.o. the entity established to conduct activities related to exploration and mining of mineral resources. The entity from the Group - Dekpol Deweloper Sp. z o.o. holds 50 out of 101 shares in share capital of this company (amounting to PLN 5,050).
- Dekpol 1 SPV 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).

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

15



### Changes in the structure of the Dekpol Capital Group in 1H 2023 and after balance sheet date

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

In 1H 2023 and until publication date of this Report, there were no changes in the composition of the Capital Group.

4. Information about the Company Delepsl S.A.

#### **Business activities of the Company**

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 11<sup>th</sup> of April 2014. It 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. The Company has been created as a permanent entity.

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.

#### Governing Bodies of the Company Dekpol S.A.

#### **Management Board**

Management Board of Dekpol S.A. is composed of one or more Members, appointed, or dismissed by Supervisory Board. The Supervisory Board entrusts one of the Members of the Management Board with the function of the President of Management Board. Other Members of Management Board may be entrusted with the function of Vice Presidents of Management Board. The term of office of Members of Management Board is 5 years and is not joint.

Composition of the Management Board of Dekpol S.A. as of June 30, 2023, 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 office of the President of Management Board, Mr. Mariusz Tuchlin and Vice-President of Management Board, Mrs. Katarzyna Szymczak-Dampc, will expire on 31st of December 2024. Mandates of the above-mentioned persons will expire on the date of approval of financial statements for 2024, thus, in 2025.

In 1H 2023 and until the publication of this report, there were no changes in the composition of the Company's Management Board.

#### **Supervisory Board**

Supervisory Board consists of five to seven members. Appointment as well as dismissal of members of the Supervisory Board follows through resolution of General Meeting of Shareholders. This body elects the Chairman of Supervisory Board, may also entrust the function of Vice-president to another member. The term of office of Supervisory Board members takes 5 years and cannot be joint.

Composition of the Supervisory Board of Dekpol S.A. as of June 30, 2023, 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
Wojciech Sobczak	Member of Supervisory Board
Grzegorz Wąsacz	Member of Supervisory Board
Jacek Kędzierski	Member of Supervisory Board

The term of office of Mr. Wojciech Sobczak will end on 31st of December 2023, the terms of office of Mr. Roman Suszek, Mr. Jacek Grzywacz and Mr. Jacek Kędzierski will expire on 31st of December 2024, while the term of office of Mr. Grzegorz Wąsacz will expire on 31st of December 2027. The mandates of the mentioned persons will expire on the day of the general meeting of shareholders approving financial statements for the respective year.

In 1H 2023 and until publication of this Report, there were no changes in the composition of the Company's Supervisory Board.

#### Structure of share capital

As of June 30, 2023, and as at publication date of this report, the share capital of DEKPOL S.A. amounts to PLN 8,362,549.00 and is divided into 8,362,549 ordinary bearer shares with a par value of PLN 1 each, including:

- 6.410.000 of A-series ordinary bearer shares,
- 1.952.549 of B-series ordinary bearer shares,

which entitle jointly to 8,362,549 votes at the General Meeting of Shareholders of the Company.

#### **Shareholding structure**

Shareholders of Dekpol S.A. holding at least 5% of the total number of votes at the General Meeting of Shareholders of the Company as at publication date of this report, i.e., on September 22, 2023, according to the best knowledge of Management Board of Dekpol S.A.:



Major shareholders	Number of shares/number of votes	Share in the share capital / total number of votes
Mariusz Tuchlin	6.466.84	5 77,33%
Familiar S.A. SICAV-SIF*	679.58	3 8,13%
Other shareholders	1.216.12	1 14,54%
Total:	8.362.54	9 100%

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

In the period from the publication of the last periodic report, i.e., the Report for the first quarter of 2023 published on May 26, 2023, to the publication of this Report, the Company did not receive any notifications about changes in the shareholding structure.

#### **Holding of shares by Management and Supervisory staff**

Holding of Company's shares by Members of Management Board and Supervisory Board of Dekpol S.A. as at publication date of this Report, i.e., on September 22, 2023, and as at publication date of the previous periodic report, i.e., the Report for 1Q 2023 published on May 26, 2023:

	Number of shares as at publica- tion date of the Report for IQ		Number of shares as at publica- tion date of the report for 1Q	
Item	2023	Changes	2023	
Mariusz Tuchlin President of Management Board		6.466.845	-	6.466.845

Other members of Management Board and Supervisory Board did not and do not hold any shares of the Company in the period from submission date of the report for 10 2023 to the date of submission of this report.

To the best knowledge of the Company, Members of Management Board and Supervisory Board do not have any rights to Issuer's shares and did not have such rights in the indicated period.

#### Standpoint of management board regarding feasibility of fulfillment of previously published forecasts of results

The Company did not publish financial results forecasts of the Company and the Dekpol Capital Group for 2023.

5. Business activities of the Company and the Dekpd Capital Group in 44 2023

Summary of business activities of the Dekpol Capital Group in 1H 2023



The Group's revenues for the discussed period amounted to PLN 569.57 million, and the Group's operating profit for 1H 2023 was PLN 38.66 million. The Group concluded the first half of 2023 with a net profit of PLN 26.29 million. As of June 30, 2023, the Group's cash balance was PLN 227.16 million, and the net debt/EBITDA LTM ratio was at a safe level of 0.91.

The revenues of the general contracting segment in the discussed period amounted to approximately PLN 370 million, which was by 19% lower y/y, and the operating profit amounted to PLN 25.4 million (a decrease of 15% y/y). The decrease in revenues in the construction segment during reporting period was a result of the adopted strategy of selective contracting, which was influenced by overall market uncertainty and the slowly stabilizing market prices of raw materials and materials. Furthermore, at the beginning of 2023, investors continued to hesitate in making decisions to start new projects. However, in the second half of the reporting period, there were already signs of the market returning to activity. Dekpol Budownictwo successfully secures new contracts for implementation, which is reflected in the project pipeline that remains to be completed. The increase in contract levels is, among other things, the result of the market revival and the stabilization of construction material prices. General contracting accounted for nearly 65% of revenues in the Dekpol Capital Group.

Within the property development segment, revenues amounted to PLN 102.7 million (18% share in Group's revenues), and the operating result was at the level of PLN 20.89 million. Compared to the first half of 2022, revenues in the property development segment increased by over 72%.

The segment of production for accessories for construction machines accounted for nearly 14% of Group's revenues and was the third-largest contributor to the sales segment. Dekpol Steel's revenues for the discussed period amounted to PLN 76.7 million, indicating a decrease in revenues compared to the first half of 2022 by 22%. The operating profit as of June 30, 2023, amounted to PLN 3.5 million, which decreased by over 68% compared to the same period in 2022. In the segment of production of accessories for construction machines, the Group continues to work on rebuilding its portfolio, following challenges related to the decline in orders resulting from the war in Ukraine. Slowly, the first returning orders are visible both in the Intek production plant and in Dekpol Steel.

The Group's development strategy, based on three pillars: General Contracting (Dekpol Budownictwo), Production of accessories for construction machines (Dekpol Steel), and the property development segment (Dekpol Deweloper), allows the Group to generate solid results in an unstable and dynamically changing environment.

#### **General contracting**

As a part of the General Contracting Segment, the Capital Group had contracts in its portfolio for external clients with a total contractual value of over PLN 1,507 million net (as of the end of 2022, it was PLN 1,315 million, and as of the end of the first half of 2022, it was PLN 1,404 million). Out of this, projects with a total value of approximately PLN 885 million net remained to be executed after reporting period (as of the end of 2022, it was approximately PLN 454 million, and as of the end of the first half of 2022, it was over PLN 450 million).

In terms of internal activities for the property development segment, Dekpol Budownictwo had contracts worth nearly PLN 413 million (over PLN 420 million net as of the end of 2022, and over PLN 394 million net as of the end of the first half of 2022), out of which over PLN 113 million remained to be executed (as of the end of 2022, it was PLN 139 million net, and as of the end of the first half of 2022, it was slightly less than PLN 216 million).

Within the general contracting segment, projects include industrial, logistics, commercial, service, and residential properties, along with full external infrastructure (roads, squares, parking lots). Most of the projects are carried out on behalf of private investors.

Below is a summary of selected contracts executed by the Dekpol Group as of June 30, 2023, in the field of general contracting:

Ordering party	Description of a project	
ACE 7	Generac 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	



KARUELA ŚWIEBODZIN	Expansion of a production and warehouse building with technical infrastructure in Białystok
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
INWESTOR	Construction of a building along with accompanying infrastructure, such as squares, sidewalks, parking lots, roads with entrances/exits, external networks, connections, lighting, green areas, advertising structures, and small architecture elements in the town of Psary
THALES DIS POLSKA	Construction of a production and warehouse building, as well as a social-administrative building, along with accompanying structures, construction equipment, and technical infrastructure.
LEROY MERLIN INWESTYCJE	Retail facility with parking lots, access roads, and technical infrastructure, located in Koszalin
TREFL	Comprehensive implementation of the investment project named 'Logistics Center of Trefl S.A. in Rumia
BIAWAR PRODUKCJA	Expansion of a production and warehouse building with technical infrastructure in Białystok.

Most 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 June 30, 2023, the General Contracting Segment had 5 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. 80% - 90% of the portfolio. As of June 30, 2023, the share of industrial and logistics projects in the entire order portfolio amounted to approx. 78%.

It should be emphasized that Dekpol Budownictwo has achieved a high level of specialization in the execution of complex cubic projects, as evidenced by industry awards received by the company for recent projects, 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 and was nominated for the best industrial implementation of 2022 at the MIPIM trade fair in Cannes.

Business activities of the segment in the first half of 2023 took place in a rather demanding and complex market environment. Market capital restrictions, inflation, a reduced number of orders from the market, partly due to investors' expectations of lower prices for construction projects, have led to increased competition when acquiring new contracts. Nevertheless, the company actively worked through the first half of the year, securing many new contracts, and receiving numerous new and interesting engineering requests for proposals. It should be emphasized that the reporting period was free from significant price increases in construction materials, which is crucial for the conducted operations. In particular, prices for steel, labor, and fuels stabilized at sustainable (although not always low) levels, showing slight downward tendencies. The challenge in the first half of 2023 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 the first half of 2023, the Group observed further threats to the construction industry arising from political and macroeconomic changes, leading to economic uncertainty. At the same time, Management Board of the Company is taking active



measures to secure financial performance of Dekpol Budownictwo at a level corresponding to the established goals for 2023 and the ambitions of being a leader in the cubic construction market.

The year 2022 concluded with historically highest sales revenues in the field of general contracting, reaching a value of 1 billion PLN compared to 654 million PLN (compared to 2019), with an increase in operating margin compared to 2021. The goal for 2023 is to achieve similar results as in 2022. The results achieved in the first half of 2023 have brought the Company closer to this goal.

#### **Property development**

The property development activity of the Dekpol 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 revenues for 1H 2023, Dekpol Capital Group recognized 181 units and partial revenue (recognized in line with construction progress) from the investment carried out with an institutional entity in Wrocław on Braniborska Street. For comparison, in 1H 2022, the Company recognized 103 units.

Dekpol Capital Group maintains a stable position in the property development segment. In 1H 2023, the contract signing, including preliminary, real-estate development, and reservation agreements, ultimately reached 198 units. For comparison, in the same period of the previous year, there were 197 units.

#### In the first half of 2023, the Group primarily conducted sales for the following investments:

- 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,
- Sol Marina stage III z a complex of 16 apartment buildings with a total of 140 commercial premises, located in Wiślinka near 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 II 3 residential buildings with a total of 129 residential premises, located in Rokitki near Tczew.

#### In 1H 2023, final use permits were issued for the following investments:

- Two multifamily residential buildings with a total of 86 residential premises within investment "Osiedle Kociewskie stage II" in Rokitki near Tczew; as of June 30, 2023, approx. 78% of units were sold,
- One apartment building consisting of 20 apartments within investment "Baltic Line" in Gdańsk, as of June 30, 2023, approx. 80% of units were sold,
- nine multifamily residential buildings with a total of 189 residential premises within investment "Trimare stage I" in Sztutowo, as of June 30, 2023, approx. 28% of units were sold.

Additionally, as of publication date of this Report, a final use permit has been obtained for fifteen apartment buildings along with infrastructure, part of the second stage of the Sol Marina investment, located in Wiślinka near Sobieszewska Island (event after balance sheet date).



The plan of the Dekpol Capital Group in the property development segment for 2023 is to achieve revenues of approximately PLN 308 million, primarily composed of sales of approximately 480 units recognized in financial result and revenues from investment execution in Wrocław. The planned target for 2023 in terms of sales of units based on reservation, real-estate development, and preliminary agreements is 430 units. However, it should be noted that none of the above statements concerning the future should be understood or interpreted as a guarantee or assurance by the Company or entities within the Capital Group that such events will occur, and that sales targets specified above will be achieved. The Company provided information about sales targets for 2023 in the property development segment in current report No. 4/2023 dated January 19, 2023.

#### Segment of production of accessories for construction machines

The first half of 2023 was a period for Dekpol Steel and Intek to further strengthen their positions in new production areas and improve the efficiency of their existing production profile. Production of buckets and accessories for construction machines continues to be concentrated in production plant located in Pinczyn. In 1H 2023, Dekpol Steel obtained a license to produce innovative buckets reducing mining costs by 25%. This solution is a patent from SSAB in Sweden, which is based on the use of special steel as well as a new bucket profile. It is worth to mention, that the company obtained the license as the second one in the world among manufacturers of accessories for construction machines.

At the company Intek, on the other hand, production includes the world's largest specialized trailers for transporting oversized loads, as well as production of offshore and lifting elements. A completely new area of production is manufacturing of frames and components used in production of mining loaders.

Both companies focus on acquisition of new clients who recognize both, the quality and timeliness of production, and innovations and initiatives in the ESG area also play a significant role in their purchasing decisions.

## Major achievements and failures and the most important events in business activities of the Dekpol Capital Group in 1H 2023

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

On January 13, 2023, Dekpol Inwestycje - Sol Marina II Sp. z o.o. (Buyer) entered into a preliminary agreement with an entity outside the Dekpol 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.

#### Conclusion of an annex to the agreement for construction of warehouse halls in Koszalin

On January 20, 2023, 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, 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 construction contract in the Silesian Voivodeship

On March 1, 2023, Dekpol 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 Dekpol 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 dated March 21, 2023, and no. 10/2023 dated March 22, 2023.

#### Conclusion by subsidiary of annexes to the scheme agreement with mBank S.A.

On March 7, 2023, Dekpol Budownictwo Sp. z o.o. entered into an annex to the framework agreement with mBank S.A., as a result of which the limit of the line for financing of current operations of Dekpol Budownictwo Sp. z o.o. was increased to PLN 50 million (previously: PLN 30 million). In accordance with the annex, Dekpol Budownictwo Sp. z o.o. could use revolving credits (sublimit up to PLN 50 million) and contract guarantees (sublimit up to PLN 20 million), in PLN and EUR, within the line made available until December 2023 (the line's expiration date also being the deadline for loan repayment).

On August 7, 2023 (event after balance sheet date), Dekpol Budownictwo Sp. z o.o. entered into another annex to the aforementioned framework agreement. Under the annex, the period of availability of the line was extended until July 2024. Within the line, Dekpol Budownictwo Sp. z o.o. can use revolving credits (sublimit up to PLN 50 million) and contract guarantees (sublimit increased from PLN 20 million to PLN 30 million), in PLN and EUR. The interest rate for working capital loans is equal to the WIBOR/EURIBOR 1M rate plus the bank's margin. The agreement includes formal and legal conditions that had to be met to increase the limit, as well as commitments during the term of the agreement, including maintaining debt ratios at specified levels. The bank's receivables from the agreement are secured, among other things, by a contractual mortgage on ground properties and other collateral typical for loan agreements.

About conclusion of annexes to the agreement, the Company announced in current reports no. 7/2023 dated March 7, 2023, and no. 39/2023 dated August 7, 2023.

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

On March 21, 2023, Dekpol 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 4.5% of the Dekpol 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 dated March 21, 2023.

#### II Bonds Issue Programme and P2023A-series bonds issue

On April 24, 2023, the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego - KNF) approved the base prospectus for the II Bonds Issue Programme of Dekpol S.A., as a result of which the II Bonds Issue Programme (PEO II), established by the resolution of the Company's Management Board dated December 2022 with a total nominal value not exceeding PLN 150 million, entered into force. Within PEO II, the Company may issue bonds in accordance with provisions of Article 33, paragraph 1 of the Act of January 15, 2015, on Bonds. In total, bonds with a total nominal value not exceeding PLN 150 million may be issued. Additionally, the Company may issue one or more series of bonds within 12 months from the date of approval of the prospectus by KNF. Bonds may be issued as either unsecured or secured bonds. The interest on bonds may be variable or fixed. Obligations arising from bonds will be purely monetary in nature. The issuance of subsequent series of bonds will be made each time by a resolution of the Company's Management Board, which will specify final terms and conditions of the issuance of a given series, including, in particular, the currency of bonds of that series, the issue price, the unit and total nominal value of bonds of that series, the redemption date, the interest rate, interest periods, and the rules for applying for the introduction of bonds of that series to trading on the selected regulated market or alternative trading system Catalyst.





In April 2023, the II Bonds Issue Programme of Dekpol S.A. was approved by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego - KNF). Within the program, during transition from the first to the second half of current year, the Group successfully raised PLN 70 million through sales of bonds to finance its business operations, and the offering was accompanied by demand exceeding bonds issuance.

#### **Katarzyna Szymczak-Dampc** Vice-President of Management Board

On June 2, 2023, Management Board of Dekpol S.A. adopted a resolution regarding the issuance, within the framework of the II Bonds Issue Programme (PEO II), of up to 40,000 bearer bonds of P2023A-series with a nominal value of PLN 1,000 each, for a total nominal value of up to PLN 40,000,000. Bonds issuance was carried out based on a prospectus under the public offering regime as defined in the Act of July 29, 2005, on Public Offering (...). The subscription for bonds took place from June 5 to June 19, 2023.

On June 20, 2023, Krajowy Depozyt Papierów Wartościowych S.A. - KDPW issued a statement regarding registration of the Company's P2023A-series bonds with ISIN code PLDEKPL00149, consisting of up to 40,000 bonds. The condition for registration of Bonds was their admission to trading on a regulated market.

On June 22, 2023, Management Board of Dekpol S.A. adopted a resolution to make an initial allocation of 40,000 of P2023A-series bearer bonds with a nominal value of PLN 1,000 each, for a total nominal value of PLN 40,000,000. The allocation of P2023A-series bonds was conditional upon suspension of the final settlement of bonds acquisition transaction within the KDPW system. The bonds were issued based on Article 33(1) of the Act on Bond. The bonds were issued at an issue price of PLN 996 (in case of subscriptions submitted by June 11, 2023) per bond and PLN 998 (in case of subscriptions submitted after this date) per bond. The nominal value of bonds allocated amounted to approximately PLN 39.9 million. The subscription reduction rate was 11.2%. The bonds were allocated to 709 investors. The interest rate on bonds is variable and amounts to 5.50% + WIBOR 3M on an annual basis. Bond interest is payable every 3 months. The bonds are unsecured. The bonds will be redeemed on June 27, 2026. The bondholder has the right to demand early redemption of bonds in standard cases specified in Terms and Conditions of Bonds Issue, including, among others, in the event of exceeding certain debt ratios by the Company from among the Capital Group. The Company may demand early redemption of bonds on any interest payment date by paying a premium of 0-1% of the nominal value of bonds subject to redemption, depending on the date of redemption request. The proceeds from bonds issue will be used to finance the current business operations of the Dekpol Capital Group.

On June 23, 2023, Management Board of the Warsaw Stock Exchange (GPW) adopted a resolution regarding admission of 40,000 of P2023A-series bonds of the Company to trading on the primary Catalyst market, effective upon registration of these bonds by KDPW. The adoption of the above resolution fulfilled condition for registering the mentioned bonds in KDPW. On June 27, 2023, the Company received information about final settlement of bonds by KDPW, and thus, the issuance of P2023A-series bonds was completed. On June 28, 2023, Management Board of GPW adopted a resolution to introduce 40,000 of P2023A-series bonds of the Company to trading on the primary market on June 30, 2023, designated by KDPW with the code "PLDEKPL00149" and to list these bonds in the continuous trading system under the short name "DEK0626." Furthermore, Management Board of GPW set the last trading date for these bonds on June 22, 2026.

After balance sheet date, the Company conducted, as part of PEO II, the issuance of P2023B-series bonds, as described in point 5.4. *Events after balance sheet date*.

About PEO II the Company announced in current report no. 13/2023 dated April 24, 2023. About events related to issuance of P2023A-series bonds, the Company announced in current reports no. 16/2022 dated June 2, 2023, no.18/2023 dated June 20, 2023, no. 19/2023 dated June 22, 2023, no. 20/2023 dated June 23, 2023, no. 23/2023 and 24/2023 dated June 27, 2023, and no. 27/2023 dated June 30, 2023.

#### Ordinary General Meeting of Shareholders of Dekpol S.A.



On June 26, 2023, there was held the Ordinary General Meeting of Shareholders of Dekpol S.A. (OGM), during which were adopted resolutions, including granting of discharge to members of the Company's authorities, approval of financial statements and the report on business activities of the Company and the Dekpol Capital Group for the year 2022, as well as the allocation of the net profit for the financial year 2022, in the amount of PLN 1,208,184.52, in its entirety to the Company's reserve capital.

The content of all resolutions adopted by the OGM was published by the Company in the current report no. 21/2023 dated June 26, 2023.

#### Execution of the PINO RESORT property development project in Gdańsk

On June 27, 2023, Dekpol Inwestycje - Turystyczna Sp. z o.o. started implementation of a new real estate development project called PINO RESORT, which involves construction of an apartment complex on Sobieszewska Island in Gdańsk, Poland, at Turystyczna Street, along with associated infrastructure. The investment is being carried out on a land property covering approximately 3 hectares, which was acquired in March 2023 from an entity outside the Dekpol Capital Group based on a preliminary purchase agreement. The purchase price of the property did not represent a significant value in terms of Dekpol Group's financial position and results.

The PINO RESORT investment will be carried out in three stages. Each stage will include construction of two buildings, with a total of 61, 55, and 66 units respectively, with total usable areas of approximately 3,000 sqm, 1,800 sqm, and 2,700 sqm. Expected revenues from the investment is currently estimated at over 11% of the Dekpol Capital Group's sales revenues for the year 2022. Stage I of the investment will be executed by Dekpol Budownictwo Sp. z o.o. based on general construction agreement signed on June 27, 2023. The completion of Stage I is expected in the first quarter of 2025. Stage II is scheduled to be completed in the first quarter of 2026, while the completion date for the final stage is currently projected to be in the first quarter of 2027.

About implementation of the investment the Company announced in current report no. 25/2023 dated June 27, 2023.

#### Conclusion of an annex to the agreement on granting insurance guarantee

On June 27, 2023, Dekpol S.A. entered into an annex to the insurance guarantee agreement with CREDENDO - GUARANTEES \_ SPECIALITY RISKS SOCIÉTÉ ANONYME, increasing the provided guarantee limit. According to the annex, the guarantee limit, within which insurance guarantees can be granted, has been raised to a maximum of 18 million EUR, i.e. to approximately 80.3 million PLN at the average exchange rate of NBP on June 28, 2023 (previous limit amounted to 46 million PLN). The agreement was originally concluded in 2021. Under the agreement may be issued: insurance guarantees for payment of secured deposit, proper contract/agreement performance, proper removal of faults or defects, and advance payment refund guarantee. These guarantees may be issued for specific companies within the Issuer's Capital Group as defined in the Agreement. The limit is renewable, and the agreement is indefinite in duration. Various instruments, including blank promissory notes with promissory declarations issued by the Issuer, serve as security for claims arising from the Agreement.

The details of the amendment to the agreement were disclosed in the current report No. 26/2023 dated June 28, 2023

About conclusion of the annex to the agreement, the Company announced in current report no. 26/2023 dated June 28. 2023.

### Factors and events, including of unusual character, affecting financial statement

In 1H 2023, there were no factors or events other than those described in other sections of this Report, including those of an unusual nature, which could have a significant impact on financial statement of the Company and the Capital Group.



Factors and risks related to the situation in Ukraine are presented on page 29 of this report.

#### **Events after balance sheet date**

#### Issue of P2023B-series bonds within the II PEO

On July 4, 2023, Management Board of Dekpol S.A. adopted resolution regarding the issue of up to 30,000 of P2023B-series bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of up to PLN 30,000,000. The issue of Bonds was conducted under the II PEO, based on the prospectus in the form of a public offering within the meaning of the Act of July 29, 2005, on public offerings (...). The subscription for Bonds took place from July 5 to July 14, 2023.

On July 12, 2023, KDPW issued a statement confirming conclusion of an agreement with the Company for the registration of securities under the ISIN code PLDEKPL00156, for 30,000 of P2023B-series bearer bonds issued by the Company. The condition for the registration of Bonds was their admission to trading on the regulated market.

On July 19, 2023, Management Board of Dekpol S.A. adopted resolution regarding initial allocation of 30,000 P2023B-series bearer bonds with a nominal value of PLN 1,000 each and a total nominal value of PLN 30,000,000. The P2023B-series bonds were allocated under the suspensive condition of the final settlement of bonds acquisition transactions within the KDPW system. The Bonds were issued under Article 33(1) of the Act on Bonds. The Bonds were issued at an issue price equal to their nominal value. The subscription rate was 23.45%. The Bonds were allocated to 485 investors. The interest rate on Bonds is variable and amounts to 5.50% + WIBOR 3M on an annual basis. Interest on Bonds is payable every 3 months. The Bonds are unsecured. The redemption of Bonds will occur on June 27, 2026. The Bondholder has the right to demand early redemption of Bonds in standard cases specified in Terms and Conditions of Bonds Issue, including, among other things, in the event of the Group's exceeding certain leverage ratios. The Company may also request early redemption of Bonds on any interest payment date, paying a premium of 0-1% of the nominal value of Bonds subject to redemption, depending on the date of redemption request. The proceeds from the issuance of the Bonds will be used to finance the current business operations of the Dekpol Capital Group.

On July 21, 2023, Management Board of GPW adopted resolution to admit 30,000 of P2023B-series bonds of the Company to trading on the primary Catalyst market, effective on the registration date of these bonds by KDPW. The adoption of this resolution fulfilled the condition for registering the aforementioned bonds in KDPW. On July 24, 2023, KDPW completed final settlement of bonds, thereby finalizing the issuance of P2023B-series bonds. On July 26, 2023, Management Board of GPW adopted resolution to introduce 30,000 of P2023B-series bonds of the Company to trading on the primary market Catalyst, with effect from July 28, 2023, marked with KDPW code PLDEKPL00156, and to list these bonds in continuous trading system under the short name DKP626. Additionally, Management Board of GPW set the last trading date for these bonds for June 22, 2026.

About PEO II the Company announced in current report no. 13/2023 dated April 24, 2023. About events related to issuance of P2023B-series bonds, the Company announced in current reports no. 28/2022 dated July 4, 2023, no. 31/2023 dated July 18, 2023, no. 32/2023 dated July 19, 2023, no. 34/2023 dated July 21, 2023, no. 35/2023 and 36/2023 dated July 24, 2023, and no. 37/2023 dated July 27, 2023.

#### Conclusion of a general contracting agreement for construction of a production plant in the Kuyavian-Pomeranian Voivodeship

On July 21, 2023, Dekpol Budownictwo Sp. z o.o. (General Contractor) entered into an agreement with a third party (Ordering Party) for the general contracting of a production plant with accompanying infrastructure in the Kuyavian-Pomeranian Voivodeship. Under the agreement, the General Contractor will carry out construction works and obtain the necessary permits, including a use permit for the Investment. The remuneration for works covered by the agreement is a net lump sum equivalent to over 7% of revenues of the Dekpol Capital Group for the year 2022, however, the agreement provides for two stages of the Investment's implementation, including stage II, which corresponds to approximately 93% of the contract value. The Contract will not be assigned to the General Contractor before its activation by the Ordering Party.

If stage II is not activated by October 31, 2023, and the parties do not reach an agreement on its implementation, the subject of the agreement will be limited to the completion of stage I. The agreement also allows for the possibility of assigning certain



additional tasks to the General Contractor. The deadline for completion of all work specified in the agreement is set for the first quarter of 2025. The agreement contains provisions regarding contractual penalties in case of delays in implementation of the Investment or termination of the agreement for reasons attributable to the General Contractor. The total amount of contractual penalties imposed by the Ordering Party under the agreement may not exceed 10% of net remuneration. The Ordering Party has the right to claim damages in an amount equal to the reserved contractual penalties on general terms.

The general contracting agreement was concluded as a result of implementation of the letter of intent signed by the parties on July 11, 2023. The letter of intent expressed the willingness to continue negotiations aimed at determining the detailed conditions for implementation of the Investment as a part of proceedings conducted by the Ordering Party. The parties agreed that Dekpol Budownictwo Sp. z o.o. would commence the work covered by the Investment based on the letter of intent, which served as the basis for the cooperation between the parties until the agreement was concluded.

The Company announced about signing of the letter of intent and subsequently about conclusion of the agreement in current reports no. 30/2023 dated July 11, 2023, and no. 33/2023 dated July 21, 2023.

#### Reception of building permit on construction of the 4<sup>th</sup> stage of a multi-family residential building within the project "Osiedle Pastelowe"

On August 2, 2023, Dekpol Inwestycje Sp. z o.o. Pastelowa Sp. k. received a building permit issued by the Mayor of Gdańsk for the construction of the 4<sup>th</sup> stage of the residential multi-family buildings in the "Pastelowe" housing estate project, including underground garage halls, in Gdańsk on Pastelowa Street. The fourth stage of the investment involves construction of 5 residential buildings, which will contain 350 units with a total usable area of approximately 15,000 square meters. The estimated revenue from the implementation of this stage will amount approximately PLN 150 million net. The fourth stage of the "Pastelowe" housing estate project will be completed and ready for use in the second quarter of 2025, with the first units being handed over to customers during the same period.

About reception of the permit the Company announced in current report no. 38/2023 dated August 2, 2023.

#### Conclusion of annex to the agreement on granting contractual insurance guarantees

On August 9, 2023, Dekpol S.A. concluded an annex to the agreement for the provision of insurance contract guarantees with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE), increasing the amount of available guarantee limit. According to the annex, the limit of the renewable limit, within which guarantees can be provided, was set at PLN 70 million (previous limit amounted PLN 50 million). The agreement was concluded in 2016. Based on the agreement can be issued: insurance guarantees for tendering, payment of the deposit, proper performance of the contract, proper removal of defects and faults, as well as advance payment guarantees. Guarantees can also be issued for Dekpol Budownictwo Sp. z o.o. The agreement is concluded for an indefinite period. Collateral for claims arising from the agreement includes, among other things, blank promissory notes along with promissory note declarations.

About conclusion of the annex to the agreement, the Company announced in current report no. 40/2023 dated August 9, 2023.

#### Arrangement of the key terms of the contract for the construction of warehouse-production Halls in Swarożyn

On September 4, 2023 (event after balance sheet date), Dekpol Budownictwo Sp. z o.o. agreed with 7R S.A. (Ordering Party) on key terms of the contract to act as the general contractor for construction works, including construction of two warehouse-production halls with social and office facilities and accompanying infrastructure in Swarożyn, Tczew municipality. The investment will be carried out in two stages. The completion of the first hall with an area of approximately 44,000 m2 is scheduled for the first quarter of 2024, while construction of the second hall with an area of 13,000 m2 is optional and will be completed within 7 months from the date of initiation. The net remuneration for the execution of the Investment has been set at approximately 8% of the sales revenues of the Issuer's Capital Group for 2022, with the second hall accounting for approximately 21% of the contract value calculated at today's euro exchange rate. The parties have agreed that Dekpol Budownictwo Sp. z o.o. will commence to execution of the Investment based on the above agreements and the handover protocol signed on September 4, 2023. As of the publication date of this report, the parties are in negotiations regarding final terms of the investment implementation agreement.

For the period from 01.1.2023 to 30.6.2023  $2\mathcal{B}$ 



About arrangement of the key terms of the contract, the Company announced in current report no. 42/2023 dated September 4, 2023.

# 6. Factors, which may affect achieved results in perspective of at least next quarter

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

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

- · acquiring new construction contracts and their timely implementation,
- developing the potential of the newly acquired production plant,
- on-time delivery of products and maintaining their high quality,
- smooth obtaining of construction permits for real-estate development investments,
- timely implementation of property development projects,
- appropriate sales policy for premises in terms of prices, surface structure and expanding the services offered to clients (assistance in finding financing, design services, finishing services, troubleshooting),
- developing cooperation with financial institutions, which is to provide the Company with access to capital enabling the implementation of its objectives,
- implementation of current projects.

The factors that appeared in 1H 2023 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 "Major achievements and failures and the most important events in business activities of the Dekpol Capital Group in 1H 2023" 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.



In 1H 2023, similar as during 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.

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. Due to the high volatility and uncertainty of the situation, as of the preparation date of this report, Management Board of the Company is not able 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 a part of its business operations, the Group is exposed to interest rate risk. The positive for the construction market low cost of capital (associated with low interest rates) observed in recent years has given way to higher interest rates. As a result, this has had a significant impact on the decline in the number of housing loans granted.

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.

The actions of the National Bank of Poland (NBP) related to historical interest rate hikes aimed to reduce the amount of money in the market, which directly affects conditions for loans to businesses, and consequently, the need to analyze liquidity. As a result, some businesses will not be able to afford new commitments at all because even small increases in interest rates translate into much higher debt servicing costs. Therefore, the inability to take on new obligations will contribute to a reduction in investment activity, as few businesses are able to finance large development projects 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.

## 7. Risks and threats factors

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

#### Risks related directly to business operations of the Issuer's 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's Capital Group 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 Group'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. The staff shifts these risks towards the investor (Ordering party) informing about future and financial threats. These changes are primarily initiated on investor's side. Changes in costs during implementation relates mainly to long-term investments. As at date of publication of this report, short-term investments constitute the main share in ordering portfolio. In case of long-term investments, which are carried out primarily for Dekpol 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 organigram and unification of construction implementation processes in terms of management and technical aspects. Mistakes related to applied technical and technological solutions mainly result from poorly designed and adopted solutions by designers. In order to compensate the costs incurred, the Group launches instruments in accordance with contractual provisions aimed at project authors and suppliers.

#### Risk related to weather conditions

Conducting activity on the wider construction market, the Dekpol 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 Group, while creating a project implementation schedule, assumes typical atmospheric conditions for the given seasons. The 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 Dekpol 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. This risk increased as a result or the armed conflict in Ukraine. Limitation of materials and raw materials would entail disruption of the entire production process and delay in the completion of projects, as well as delays in completion of implemented projects. In addition, the risk of rising fuel prices, which is an important price-creating factor, must also be taken into account as the pricing risk. 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 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 Group's profitability.



#### Risk related to underestimation of contracts

The 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 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 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 Group. Despite cooperation with renowned and proven contractors and suppliers, as well as ongoing supervision over the performance of works, the 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 Group'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 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 Dekpol Group applies various methods of protection against this type of risk. Above all, established procedures to minimize delays are applied during the implementation of investments. Agreements are concluded with permanent and proven suppliers and subcontractors who provide the 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 Dekpol Group' 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. 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  $future\ contracts\ in\ Lithuania.\ Currently\ Dekpol\ Budownictwo\ Sp.\ z\ o.o.\ is\ involved\ in\ the\ process\ of\ obtaining\ certification\ that$ 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 Dekpol Group's order portfolio has significantly increased (as warehouse projects the Group qualifies: warehouse halls, production and warehouse halls, production and warehouse halls with an office building, warehouse and service halls with an office building). The focus on warehouse projects results from the fact that Dekpol has been a leading contractor of this type of agreements in Poland for many years, moreover, the dynamic development of the warehouse market in Poland can be observed and it fits well with 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 Dekpol 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 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 Group. In addition, the Group's revenues depend largely 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 Dekpol 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 Dekpol 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's Group 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 Group's financial liquidity and, in extreme cases, lead to financial losses. The Dekpol Group 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 Group monitors the receivables on an ongoing basis. It is also important that this type of risk is limited to a certain extent by the provisions of the Civil Code regarding payment guarantees for construction works.

#### Risk related to the implementation of real-estate development projects

The property development project cycle is a long-term cycle (over 24 months), characterized by the need to incur significant financial outlays and the total return of incurred expenses only after the minimum of 2 years. In line with adopted strategy, Dekpol Deweloper buys ground properties for multi-stage projects (e.g. Neo Jasień, Osiedle Pastelowe, Osiedle Kociewskie, 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 as:

- necessity to incur additional costs (also as a result of their incorrect estimation) or occurrence of circumstances causing
  a significant change in costs;
- changes in the scope of the project and changes in architectural design project;
- · failure in performance of works by contractors within agreed deadlines and to the agreed standard;
- delay in obtaining 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 Dekpol Group operates, among others in the property development industry, selling premises largely to consumers. In relations with consumers, the Dekpol Group uses usually developed contract templates. There is a risk of accusation against the Issuer that the formulas used contain prohibited contractual provisions, which, pursuant to Art. 385 (1) §1 of Civil Code it is understood as such unconcerned individual clauses that shape its rights and obligations in a manner contrary to good customs, grossly violating its interests. This may have a negative impact on the Group's operations, financial position or results. It should be explained that the Dekpol Group negotiates contracts with clients and provides the possibility to individually agree their provisions. So far, there have been no proceedings against the Group regarding recognition of the provisions of the template as prohibited.

#### Risk of accidents at construction site

The Dekpol Group, as conducting construction works as a general contractor during the implementation of individual projects, is responsible for its employees. Exclusion is subject to liability for employees of subcontractors, except for cases resulting from misconduct, negligence on the part of the Group. Minimizing the indicated risk takes place through appropriate organization of work and strict compliance with health and safety at work regulations. However, the risk associated with possible claims for damages in case of an accident at the construction site, which may also affect the timeliness of the work carried out, cannot be excluded.

.



#### Risk related to subcontractors

One of factors having a significant impact on proper course of contract implementation is cooperation with subcontractors. In the process of contract execution, the Issuer's Group, apart from its own human resources, takes advantage of services of subcontractors, at the same time taking over from the ordering parties (investors) the risk related to improper performance of terms of contract or untimely performance of the subject of contract by subcontractors. This may result in Group's breach of the contract with the ordering party and lead to claims against the Group and expose it to loss of the reputation of a reliable contractor, which will adversely affect the Group's financial result. The Group tries to reduce this risk by increasing executive resources, appropriate selection of subcontractors and taking steps to build a database of reliable, proven and regularly cooperating subcontractors with appropriate certificates and experience. In addition, the Group, when constructing contracts with subcontractors, specifies terms and conditions, trying to protect them against non-performance or improper performance of contract terms by these entities, mitigating this risk to the subcontractor or supplier.

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

#### Risk associated with acquisition of new contracts

The nature of the business activity conducted by the Dekpol Group means that a significant number of contracts is obtained through a tender. The Companies from the Dekpol Group prepare offers, define and optionally negotiate the terms of bids, and prepare the Company for the implementation of these contracts, however, it does not affect the criteria for the assessment of bids, which are the basis for their selection. One of the key factors contributing to the success of the Dekpol Group is the consistent implementation of the development strategy focused on acquiring contracts with the highest profitability. The Group has developed an effective contract valuation system, which, combined with strict cost control, means that the Dekpol Group is currently executing contracts at assumed profitability and achieving good financial results. The Group pays attention to the restructuring and minimization of all cost elements, both at individual stages of the contract execution as well as the general administrative expenses. It cannot be ruled out that changing market conditions will negatively affect the Group's ability to acquire new contracts and achieve a satisfactory level of margin. In order to minimize this risk, the Dekpol 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 many business entities, both domestic and foreign, including significant European groups / construction companies. In terms of competition, the 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 Dekpol Group implements industrial construction facilities in the general contracting system. The 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 Dekpol 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 on page 29 of this Report, below by segments.

#### **General Contracting segment**

The armed conflict in Ukraine is a potential risk for the construction industry in 2023. 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.



### The risk related to the macroeconomic situation

The results obtained by the Dekpol Group depend on the macroeconomic situation and the pace of economic growth in the markets on which its operations are conducted. Due to the fact that the Group operates mainly on the Polish market, the shaping of the economic and political situation in Poland has a significant impact on the financial results achieved and the implementation of the strategy. Unfavorable changes, including in particular a slowdown in economic growth, may negatively affect the level of investment expenditures in the economy, lead to a deterioration of the construction market, including through a smaller supply of projects for general contracting, and cause a slowdown in development and deterioration of Group's profitability.

According to expectations, the domestic economy experienced a slowdown, as evidenced by a decline in GDP (Gross Domestic Product) growth rate of -0.3% in the first quarter of 2023 and -0.5% in the second quarter of 2023, according to preliminary estimates provided by the Central Statistical Office (GUS). Economists point out that a significant factor in the decline of GDP was the decrease in private consumption. They also indicate that in the second half of 2023, a gradual and slow recovery of the domestic economy can be expected, although the data presented in the first half of the year turned out to be worse than initially assumed. The National Bank of Poland, in its communication dated March 8, 2023, provided details of the March GDP and inflation projection in Poland. According to the central forecast, real GDP is expected to increase by 0.9% in 2023, 2.1% in 2024, and 3.2% in 2025. The current estimate for the inflation rate in 2023 suggests it will be around 11.9%, while in the following two years, the mid-year CPI inflation is expected to be around 5.7% and 3.5%, respectively. The NBP forecast was prepared under assumption of unchanged interest rates. In September 2023, the Rada Polityki Pieniężnej (monetary Policy Council) decided to reduce interest rates by 0.75 percentage points, to a level of 6.00%. Therefore, according to the Central Bank's estimates, inflation is expected to return to the NBP's inflation target range (1.5%-3.5%) in about two years. In June 2023, as expected by economists, inflation continued to decline, reaching 11.1% y/y, with the CPI dropping by 11.5% during the analyzed period. June marked the fourth consecutive month of a decrease in the annual dynamics of the CPI indicator in Poland (16.1% in March, 14.7% in April, 13% in May)

According to available macroeconomic data, the unemployment rate in Poland is decreasing and is currently one of the lowest in Europe (second only to the Czech Republic). In June 2023, the unemployment rate stood at 5.0%, a decrease of 0.1 percentage point compared to the previous month and a decrease of 0.2 percentage points compared to the previous year. Data from the Central Statistical Office (GUS) indicates that the average monthly salary has increased, reaching PLN 7,335.2 in June 2023, representing a 2.1% increase compared to May 2023 and an 11.9% increase compared to the previous year.

### Risk of instability of the Polish tax system

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

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

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

### Risk associated with construction regulations

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

### Risk related to initiatives of public authorities regarding condo hotels and 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 (MIR) 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. The issuer indicates that it participated in market research conducted by the President of the Office of Competition and Consumer Protection (UOKiK), during which it, among other things, provided information about the principles of cooperation and presented standard contractual patterns used. No proceedings have been initiated against the issuer by the President of UOKiK. 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 Dekpol Group finances its activities, among others with variable rate debt (including working capital loans and bonds). Therefore, it is exposed to interest rate risk. In case of a significant increase in interest rates, the Group's financial results may deteriorate due to increase in financial costs. In addition, high exposure associated with this risk and inappropriate assessment of this risk may adversely affect the Group's financial results. 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 indicates many challenges. Until August 2023, the central bank's reference rate remained at 6.75% and had been unchanged since September 2022. According to the NBP's communication after meeting in September of the Monetary Policy Council, the reference rate was reduced by 0.75 percentage points to 6.00%. The Monetary Policy Council assesses that the global economic outlook remains weak, while inflation remains elevated, although gradually decreasing. According to the MPC's opinion, "data suggest reduced demand pressure compared to earlier expectations, which may contribute to a faster return of inflation to the NBP's inflation target".

### **Currency risk**

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

The currency situation in Poland has been characterized by significant volatility recently. Analyzing the currency situation at the end of December 2022 compared to the end of 2021, the Polish zloty weakened by 2% against the euro and 8.4% against the US dollar. In the first half of 2023, there was a strengthening of the polish zloty. However, in September, following the MPC's decision to lower interest rates by 0.75 percentage points, the trend of zloty strengthening was interrupted. Additionally, the ongoing war on the eastern border creates uncertainty among investors. It is also important to consider the interest rate hikes in the US and the eurozone, which generate demand for the US dollar and the European currency. Furthermore, internal factors such as high inflation and the expansionary fiscal policy of the government negatively affect the exchange rate of the Polish currency.

#### Inflation risk

Dekpol 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.

According to the NBP (National Bank of Poland) inflation report from July 2023, price-setting processes continue to be influenced by supply-side factors related to the consequences of Russia's aggression against Ukraine. Inflation in the global economy has decreased but remains at a high level. Many central banks have raised interest rates in recent months, but in a lesser extent than in previous months, or have kept rates unchanged. In Poland, interest rates remained unchanged until August 2023, but in September 2023, the Monetary Policy Council (RPP) decided to lower them to 6.00%. In Poland, over the past few months, the annual dynamics of consumer goods and services prices have decreased from 18.4% in February to 11.5% in June 2023, based on data from the Central Statistical Office (GUS). This was primarily driven by a decrease in the annual dynamics of energy prices and, to a lesser extent, by a declining annual dynamic of food and non-alcoholic beverage prices, as well as a decrease in core inflation. According to the Central Bank's position, areas of uncertainty that will affect 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, the ongoing military aggression by Russia against Ukraine, anti-inflationary measures by the Polish government, and EU transfers.

### 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' current assets. Nor can it be ruled out that, in case of non-payment of obligations, bondholders - creditors may exercise their right to apply to court to declare bankruptcy. As at the date of publication of this document, the Group has no problem with timely debt bond service. The Group, as at the date of publication of this document, does not identify real risks related to bonds issued. However, taking into account all the risks directly related to the operating activity, the Group does not rule out that in the future there may be problems in the timely repayment of liabilities.



### Risk related to financing the current business activities

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

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

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

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

### Risk associated with the possibility of discontinuing financing through bond issue

In the Group, the companies finance their business activities primarily through equity, bonds, and loans. As of June 30, 2023, the share of equity financing in the Company's liability structure amounted to 54.7% (PLN 301,151 thousand), while the share of debt financing amounted to 45.3% (PLN 249,773 thousand). As of December 31, 2022, the share of equity financing in the Company's liability structure amounted to 47.3% (PLN 288,679 thousand), and the share of debt financing amounted to 52.7% (PLN 321,815 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 20<sup>th</sup> 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. Sureties and guarantees

In the first half of 2023, the Company and its subsidiaries did not grant any sureties or guarantees regarding financial liabilities of entities other than those listed in tables below. At the same time, it should be noted that the mentioned guarantees are, in fact, a continuation of previously granted securities. In the first half of 2023, the Company and its subsidiaries did not provide significant guarantees in terms of amounts for companies outside the Dekpol Capital Group.

The companies within the Dekpol Capital Group provided and received guarantees related, among other things, to construction works performed. Significant guarantees for one entity within the Dekpol Capital Group are indicated below:



### Sureties of loan or borrowing of companies from the Dekpol Capital Group granted in 1H 2023

Beneficiary	Product	Amount of surety product in thousands	Currency	Debt / usage of a limit as at 30.06.2023 in thousands	Currency	Value of surety	Type of collateral	Contractual re- payment date / validity of the limit
Dekpol Budownictwo Sp. z o.o.	Multiline agreement no. K00029/23	55 000	PLN	18 049	PLN	82 500	Surety of Dekpol S.A.	2024-02-14
Dekpol Budownictwo Sp. z o.o.	Scheme agreement no. 10/013/22/Z/PX - annex no. 2	50 000	PLN	0	PLN	50 000	Surety of Dekpol S.A.	2023-12-291
Dekpol Budownictwo Sp. z o.o.	Scheme agreement no. 10/003/22/Z/LF- annex no. r 2	20 000	PLN	0	PLN	20 000	Surety of Dekpol S.A.	2024-06-28
Dekpol Budownictwo Sp. z o.o.	Scheme agreement no. 10/031/19/Z/PX- annex no. 8	25 000	PLN	0	PLN	25 000	Surety of Dekpol S.A.	2024-06-28

 $<sup>^{1}\</sup>text{As}$  at publication date, the agreement was extended to July 2024

### **Guarantees of companies from the Dekpol Capital Group of significant value granted in 1H 2023**

Beneficiary	Principal	Guarantee issuer	Product	Guarantee amount (in thousands of PLN)	Currency	Guarantee valid- ity period
DL Invest Group PM S.A.	Dekpol Budownictwo Sp. z o. o.	Bank Ochrony Środowiska S.A.	Performance guarantee	28 250	PLN	2024-04-28



## 9. Transactions with affiliates

In the first half of 2023, the Company and its subsidiaries did not conclude any transactions with related parties on terms other than market terms.

# 10. Court litigations, proceedings in arbitration tion bodies or in public administration bodies

In 1H 2023, 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, the court is in the process of selecting an expert who will prepare an opinion on the matter. The next hearing date will be set ex officio.

### Tax proceedings with Dekpol S.A. following a customs and treasury inspection

On June 16, 2023, Dekpol S.A. received the result of an inspection conducted based on Article 54(1)(1) and Article 82(1) and (2) of the Act of November 16, 2016, on the National Tax Administration, as a part of customs and treasury control carried out in the Company by the Pomeranian Customs and Tax Office in Gdynia (the "Authority"), regarding the accuracy of declared tax bases and the correctness of calculating and paying corporate income tax for the year 2019. In the letter, it was indicated that the difference between the corporate income tax calculated by the Authority for the year 2019 and the value indicated by the Company in the CIT 8 declaration amounts PLN 22.8 million, consisting mainly of the tax on acquisition of shares by Dekpol S.A. in exchange for non-monetary contributions in Dekpol Deweloper Sp. z o.o. amounting to PLN 22.6 million. According to the Authority's assessment, the non-monetary contribution did not constitute an organized part of the enterprise (ZCP) of Dekpol S.A.

The Company strongly disagrees with the assessment made. The interpretation of tax law provisions regarding the factual and legal situation presented in the protocol does not find justification in the light of the provisions of applicable law and the case



law of administrative courts concerning cases with a similar factual and legal situation. Furthermore, on December 27, 2018, the Company obtained an individual interpretation issued by the Director of the National Tax Information on the grounds of the provisions on goods and services tax in the same factual situation, from which it unambiguously follows that the contributed non-monetary contribution constitutes an Organized Part of the Enterprise (ZCP). Evidence of the organizational separation of property development activities is evident from both the financial statements submitted and the information provided in current reports. The organizational separation of property development activities was clearly indicated by the Company's structure, which had been pointing to it for many years before the contribution was made, and the financial separation had been communicated publicly and to tax authorities multiple times.

On August 3, 2023, a tax proceeding involving the Company was initiated by the decision of the Head of the Pomeranian Customs and Tax Office in Gdynia, which was a consequence of the inspection mentioned above. The subject of the proceeding is the verification of accuracy of declared tax base and correctness of calculating and paying corporate income tax for legal entities for the year 2019 in the context of non-monetary contribution of the Organized Part of the Enterprise (ZCP) by Dekpol S.A. and acquisition of newly created shares in Dekpol Deweloper Sp. z o.o. The value of the subject of the dispute (the amount of the tax liability determined by the authority as a result of the inspection) is PLN 22.6 million plus interests.

The Company still completely disagrees with the authority's position regarding non-fulfillment of criteria for the Organized Part of the Enterprise (ZCP) by assets contributed as a non-monetary contribution to Dekpol Deweloper Sp. z o.o. In the Company's opinion, all criteria ensuring tax neutrality for non-monetary contribution transaction have been met, particularly that the set of assets contributed constitutes, financially, organizationally, and functionally, an an organized part of Dekpol S.A.'s enterprise. Currently, the tax proceeding is in its early stages. The Company is submitting additional arguments and evidence in its procedural documents to the authority, confirming validity of its position. At the same time, the Company questions the justification of reasons cited by the authority in formulating its final conclusions as a result of inspection.

About reception of information about inspection, the Company announced in current report no. 17/2023 dated June 16, 2023. The inspection result does not constitute a binding decision on the tax matter for both the Company and the authority. Before obtaining binding resolutions, the event has no impact on financial situation of the Group.

11. Other information significant for assessment of position of the Capital Group

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

### Conclusion of annexes to orders from CTP Invest Poland Sp. z o.o.

In January 2023 were concluded annexes for two orders placed under the framework agreement from April 2022 for construction works with CTP Invest Poland Sp. z o.o., involving implementation of production-warehouse buildings in Łomna-Las and Zabrze, about which the Company announced in current reports no. 20/2022 dated April 5, 2022, and no. 23/2022 dated April 14, 2022, and later in the annual report for 2022 published on April 28, 2023. Under the annexes, the parties agreed to change the deadline for completion of works to the first quarter of 2023 (previously: December 2022). The work has been completed. The net lump sum remuneration for the implementation of both orders amounted to approximately 13.5% of the Group's revenues for 2022.

Annex to the multipurpose premium credit line agreement of the subsidiary with BNP Paribas Bank Polska S.A.



On January 16, 2023, Dekpol Budownictwo Sp. z o.o. concluded an annex to the agreement from 2021 on multi-purpose premium credit line with BNP Paribas Bank Polska S.A. Based on the annex to the agreement, the subsidiary is entitled to use the multi-purpose line in the amount of PLN 40 million (previously PLN 30 million). Within the available limit, the subsidiary can use the credit in current account, issue bank guarantees, and letters of credit. The limit is available until January 16, 2024.

### Conclusion of factoring agreement by the subsidiary with Santander Faktoring Sp. z o.o.

On January 26, 2023, Dekpol Steel Sp. z o.o. entered into a factoring agreement with Santander Faktoring Sp. z o.o. Under the agreement, the company can utilize a factoring limit of PLN 2.2 million. The company is authorized to use this limit until October 31, 2023.

### Purchase of a ground property in Sopot

On January 30, 2023, Dekpol Inwestycje-Sopocka Sp. z o.o. entered into a preliminary agreement to purchase a ground property measuring 0.4752 hectares in Sopot for land bank purposes. The purchase price of the property does not represent a significant value in terms of Dekpol Group's financial situation and results.

### Conclusion of multiline agreement by subsidiary with Santander Bank Polska S.A.

On February 28, 2023, Dekpol Budownictwo Sp. z o.o. concluded a multi-line agreement with Santander Bank Polska S.A. According to this agreement, the subsidiary company is authorized to utilize a credit facility of up to 55 million PLN, which includes access to current account credit and the ability to provide bank guarantees. This credit limit is available until February 14, 2024.

### Annex to the current account credit agreement with PKO BP S.A.

On April 18, 2023, Intek Sp. z o.o. entered into an annex to the 2022 multi-purpose credit limit agreement with Bank Polska Kasa Opieki S.A. As per the annex to the agreement, the subsidiary company is entitled to use a current account credit of up to 7 million PLN and issue bank guarantees. The limit is available until April 27, 2024.

### Annex to the current account credit agreement with PKO BP S.A.

On April 18, 2023, Betpref Sp. z o.o. entered into an annex to the 2021 current account credit agreement with Bank Polska Kasa Opieki S.A. As per the annex to the agreement, the subsidiary company is entitled to use a current account credit of up to 5 million PLN. The limit is available until April 19, 2025

### Construction permit for a project located in Starogard Gdański

On April 20, 2023, Dekpol Inwestycje Starogard Korytybska Sp. z o.o. received a construction permit issued by the Starosty of Starogard for the construction of a residential complex as part of the "Osiedle Chabrowe" project, including surface parking, in Starogard Gdańsk on Korytybska Street. The investment includes construction of 2 residential buildings with a total of 130 apartments and utility rooms with a total usable area of approximately 6,000 square meters. The estimated revenue from implementation of the investment is approximately 3.6% of the Dekpol Group's sales revenue for 2022. As of the date of this report, it is estimated that the "Osiedle Chabrowe" project will be completed and ready for use in the third quarter of 2027, with the first apartments being handed over to customers during the same period. Investment outlays will be financed partially from equity and partly from external capital.

### Conclusion by a subsidiary the current account credit agreement with mBank S.A.

On July 25, 2023 (event after balance sheet date), Dekpol Inwestycje Sp. z o.o. Pastelowa sp.k. entered into a revolving credit agreement with mBank S.A. to finance and refinance expenses related to the "Osiedle Pastelowe – stage 2B" project located on Pastelowa Street in Gdańsk. The credit was granted in the amount of PLN 30.4 million, with the repayment date set for May 30, 2025. Collateral for the bank's receivables arising from the agreement includes, among other things, a contractual mortgage on the real estate property and other typical collateral for credit agreements.



### Reception of use permit of the II stage of Sol Marina investment

In August 2023 (event after balance sheet date), Dekpol Inwestycje Sp. z o.o. Sol Marina Sp.k. received use permits issued by Powiatowy Inspektor Nadzoru Budowlanego in Gdańsk district for fifteen apartment buildings along with infrastructure, which are part of the second stage of the Sol Marina investment located in Wiślinka near Sobieszewska Island.

### Conclusion of a preliminary agreement of purchasing of a ground property in Milanówek

In August 2023 (event after balance sheet date), Dekpol Deweloper Sp. z o.o. entered into a preliminary agreement, based on which, after fulfilling certain suspensive conditions specified in the agreement, it will acquire a ground property of approximately 1.4 hectares in Milanówek. The purchase price does not constitute a significant value from the perspective of financial situation and results of the Dekpol Group. The ground acquisition will be made with the intention of adding it to the bank of land of the Dekpol Group.

### Introduction of bonds issued by Dekpol Deweloper Sp. z o.o. to trading on the ASO Catalyst

On August 31, 2023, Management Board of the Warsaw Stock Exchange (GPW) adopted a resolution to introduce 10,000 of B-series bearer bonds issued by Dekpol Deweloper Sp. z o.o. with a nominal value of PLN 1,000 each to the alternative trading system on Catalyst. The resolution came into force on the date of its adoption. Subsequently, on September 12, 2023, Management Board of GPW adopted a resolution designating September 14, 2023, as the first day of trading for aforementioned bonds on the alternative trading system on Catalyst. The bonds are listed for continuous trading under the short name 'DDW0824.' According to GPW's announcement, the last trading day for these bonds is scheduled for July 23, 2024.

### 12. Financial ratios

Debt to EBITDA ratio - meaning the ratio of the total value of net debt (total balance sheet value of consolidated interest-bearing liabilities of the Dekpol Capital Group less cash and cash equivalents) to EBITDA (the sum of operating result and depreciation) amounts as at June 30, 2023: 0,91

Debt to equity ratio - denoting the ratio of the total value of net debt (as above) to equity of the Dekpol Capital Group amounts as at June 30, 2023: 0,24.

### **Signatures of Members of Management Board:**

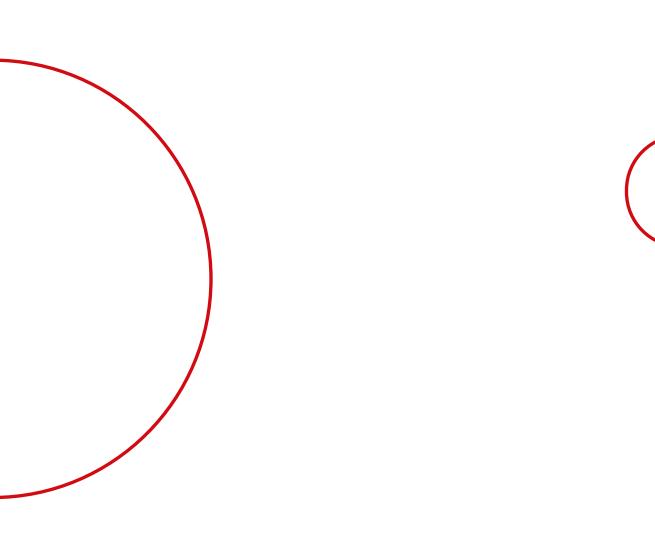
**Mariusz Tuchlin** 

President of Management Board Dekpol S.A.

Katarzyna Szymczak-Dampc

Vice-President of Management Board Dekpol S.A.





### Dekpol Capital Group S.A.

ul. Gajowa 31, Pinczyn +48 58 560 10 60 dekpol@dekpol.pl www.dekpol.pl

NIP: 592-21-37-980 REGON: 220341682 KRS: 0000505979 BDO: 000002512

