

DOM DEVELOPMENT S.A. CAPITAL GROUP

**INTERIM CONDENSED
CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2022**



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1 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY

These interim condensed consolidated financial statements for the three-month period ended on 31 March 2022, comprising:

- interim condensed consolidated balance sheet as at 31 March 2022,
- interim condensed consolidated income statement for the three-month period ended 31 March 2022,
- interim condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2022,
- interim condensed statement of changes in consolidated shareholders' equity for the three-month period ended 31 March 2022,
- interim condensed consolidated cash flow statement for the three-month period ended 31 March 2022,
- additional notes to the interim condensed consolidated financial statements,

were prepared and approved by the Management Board of Dom Development S.A. on 20 May 2022.

The Management Board of Dom Development S.A. declares that to the best of its knowledge, these interim condensed financial consolidated statements for the three-month period ended 31 March 2022 with comparative data have been prepared in accordance with the applicable accounting policies, and reflect a true and fair economic and financial position of the Dom Development S.A. Capital Group and its financial result.

Jarosław Szanajca

President of the Management Board

Leszek Stankiewicz

Vice President of the
Management Board

2 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.03.2022 (unaudited)	31.12.2021
Fixed assets			
Intangible assets		19 628	20 193
Tangible fixed assets	7.5	35 659	35 266
Deferred tax assets		23 338	31 583
Long-term receivables		7 818	11 499
Other long-term assets		25 929	11 652
TOTAL FIXED ASSETS		112 372	110 193
Current assets			
Inventory	7.6	3 188 482	3 025 168
Trade and other receivables		111 065	66 685
Corporate income tax receivables		451	822
Other current assets		13 135	5 174
Loans granted		-	-
Short-term financial assets	7.7	134 654	62 560
Cash and cash equivalents	7.8	448 729	607 041
TOTAL CURRENT ASSETS		3 896 516	3 767 450
TOTAL ASSETS		4 008 888	3 877 643
EQUITY AND LIABILITIES			
	Note	31.03.2022 (unaudited)	31.12.2021
Shareholders' equity			
Share capital	7.9	25 548	25 398
Share premium	7.9	264 208	258 358
Other capital (supplementary capital)		626 902	626 738
Reserve capital from valuation of cash flow hedges		15 715	7 647
Reserve capital on account of the obligation to redeem non-controlling interests		-	(10 568)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		474 105	332 367
Equity attributable to the shareholders of parent company		1 406 988	1 240 450
Non-controlling interests		69	8 728
TOTAL SHAREHOLDERS' EQUITY		1 407 057	1 249 178
Long-term liabilities			
Loans, long-term portion	7.10	15 868	31 414
Bonds, long-term portion	7.11	310 000	310 470
Deferred tax provision		39 134	26 952
Long-term provisions		44 459	26 573
Lease liabilities, long-term portion	7.13	19 668	21 014
Other long-term liabilities		107 017	106 260
TOTAL LONG-TERM LIABILITIES		536 146	522 683
Short-term liabilities			
Trade payables, tax and other liabilities		397 673	345 021
Loans, short-term portion	7.10	513	-
Bonds, short-term portion	7.11	51 070	51 263
Accrued interest on loans and bonds	7.12	3 417	1 598
Lease liabilities, short-term portion	7.13	64 138	69 474
Corporate income tax payables		61 906	46 915
Short-term provisions		38 188	35 996
Deferred income	7.14	1 448 780	1 555 515
TOTAL SHORT-TERM LIABILITIES		2 065 685	2 105 782
TOTAL LIABILITIES		2 601 831	2 628 465
TOTAL EQUITY AND LIABILITIES		4 008 888	3 877 643

All amounts in PLN '000.

3 INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three-month period ended 31.03.2022 (unaudited)	Three-month period ended 31.03.2021 (unaudited)
Sales revenue	7.16	726 979	807 913
Cost of sales	7.16	(493 226)	(545 057)
Gross profit on sales	7.16	233 753	262 856
Selling costs		(17 072)	(15 628)
General administrative expenses		(33 135)	(29 691)
Other operating income		1 252	954
Other operating expenses		(10 911)	(2 638)
Operating profit		173 887	215 853
Financial income		5 787	2 550
Financial costs		(1 710)	(2 323)
Profit before tax		177 964	216 080
Income tax	7.17	(36 183)	(41 599)
Net profit from continued operations		141 781	174 481
Net profit from discontinued operations*)		-	-
Net profit		141 781	174 481
Net profit attributable to:			
Shareholders of the parent company		141 738	174 482
Non-controlling interests		43	(1)
Earnings per share attributable to shareholders of the parent company			
Basic (in PLN)	7.18	5.57	6.90
Diluted (in PLN)	7.18	5.56	6.85

*) In the three-month periods ended 31 March 2022 and 2021 the Group did not discontinue any of its activities.

All amounts in PLN '000 unless stated otherwise.

4 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended 31.03.2022 (unaudited)	Three-month period ended 31.03.2021 (unaudited)
Net profit	141 781	174 481
Other comprehensive income:		
Net change to cash flow hedges	9 960	1 287
Items to be accounted for in the income statement	9 960	1 287
Items not to be accounted for in the income statement		
Other net comprehensive income / (loss), before tax	9 960	1 287
Income tax on other net comprehensive income to be accounted for in the income statement	(1 892)	(244)
Other net comprehensive income	8 068	1 043
Total net comprehensive income	149 849	175 524
Net comprehensive income attributable to:		
Shareholders of the parent company	149 806	175 525
Non-controlling interests	43	(1)

All amounts in PLN '000.

5 INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Three-month period ended 31.03.2022 (unaudited)	Three-month period ended 31.03.2021 (unaudited)
Cash flow from operating activities			
Profit before tax		177 964	216 080
Adjustments:			
Depreciation		4 151	3 692
(Profit)/loss on foreign exchange differences		(226)	1
(Profit)/loss on investments		25	(6)
Interest cost/(income)		5 427	5 128
Cost of the valuation of management option programmes		164	1 049
Changes in the operating capital:		0	
Changes in provisions		(515)	1 979
Changes in inventory		67 553	156 876
Changes in receivables		(21 723)	(9 710)
Changes in short-term liabilities, excluding loans and bonds		10 711	(28 998)
Changes in prepayments and deferred income		(179 205)	(280 630)
Other adjustments		336	165
Cash flow generated from operating activities		64 662	65 626
Interest received		122	-
Interest paid		(1 404)	(1 314)
Income tax paid		(19 169)	(19 831)
Net cash flow from operating activities		44 211	44 481
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		219	51
Proceeds from borrowings granted		-	5 500
Bank deposits with a maturity over three months		-	-
Borrowings granted		-	(25 000)
Acquisition of intangible and tangible fixed assets		(4 088)	(4 299)
Acquisition of financial assets and additional contributions to the capital		(186 643)	(12 312)
Net cash flow from investing activities		(190 512)	(36 060)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)	7.9	6 000	7 500
Proceeds from contracted loans and borrowings	7.10	4 028	-
Proceeds from commercial papers issued	7.11	-	-
Repayment of loans and borrowings	7.10	(20 865)	-
Redemption of commercial papers	7.11	(1 127)	-
Dividends paid		-	-
Payment of lease liabilities		(47)	(50)
Net cash flow from financing activities		(12 011)	7 450
Increase / (decrease) in net cash and cash equivalents		(158 312)	15 871
Cash and cash equivalents – opening balance	7.8	607 041	585 664
Cash and cash equivalents – closing balance	7.8	448 729	601 535

All amounts in PLN '000.

6 INTERIM CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Capital reserves on account of the obligation to redeem non-controlling interests	Reserve capital from valuation of cash flow hedges	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2022	25 398	258 358	626 738	510	(10 568)	7 647	332 367	1 240 450	8 728	1 249 178
Share capital increase by exercising share options (note 7.9)	150	5 850	-	-	-	-	-	6 000	-	6 000
Transfer of profit to supplementary capital	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-
Creation of reserve capital from the valuation of the share options (note 7.20)	-	-	164	-	-	-	-	164	-	164
Change in non-controlling interests and reserve capital as a result of the acquisition of shares in a subsidiary (note 7.1)	-	-	-	-	10 568	-	-	10 568	(8 702)	1 866
Net profit for the reporting period	-	-	-	-	-	-	141 738	141 738	43	141 781
Other net comprehensive income	-	-	-	-	-	8 068	-	8 068	-	8 068
Total net comprehensive income	-	-	-	-	-	8 068	141 738	149 806	43	149 849
Increase / (decrease) in equity capital	150	5 850	164	-	10 568	8 068	141 738	166 538	(8 659)	157 879
Balance as at 31 March 2022	25 548	264 208	626 902	510	-	15 715	474 105	1 406 988	69	1 407 057

All amounts in PLN '000.

	Share capital	Share premium	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Capital reserves on account of the obligation to redeem non-controlling interests	Reserve capital from valuation of cash flow hedges	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2021	25 218	251 038	614 804	510	-	(3 591)	269 454	1 157 433	38	1 157 471
Share capital increase by exercising share options	180	7 320	-	-	-	-	-	7 500	-	7 500
Transfer of profit to supplementary capital	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-
Creation of reserve capital from the valuation of the share options (note 7.20)	-	-	1 049	-	-	-	-	1 049	-	1 049
Change in non-controlling interests and reserve capital as a result of the acquisition of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	-	-	174 482	174 482	(1)	174 481
Other net comprehensive income	-	-	-	-	-	1 043	-	1 043	-	1 043
Total net comprehensive income	-	-	-	-	-	1 043	174 482	175 525	(1)	175 524
Increase / (decrease) in equity capital	180	7 320	1 049	-	-	1 043	174 482	184 074	(1)	184 073
Balance as at 31 March 2021	25 398	258 358	615 853	510	-	(2 548)	443 936	1 341 507	37	1 341 544

All amounts in PLN '000.

7 ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



7.1 GENERAL INFORMATION ABOUT THE PARENT COMPANY OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP AND THE GROUP

GENERAL INFORMATION ABOUT THE PARENT COMPANY OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP

Name:	Dom Development S.A.
Registered office:	Plac Piłsudskiego 3, 00-078 Warszawa
Legal form:	Spółka Akcyjna (public limited company)
Country of registration:	Poland
Registered address of the office:	Plac Piłsudskiego 3, 00-078 Warszawa
Principal place of business:	Poland

There have been no changes to the name of the reporting entity or other identification data since the end of the previous reporting period.

The parent company of Dom Development S.A. Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") entered into the National Court Register under number 0000031483, maintained by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the scope of activity of the Company and companies operating within the Group is the development of building projects – PKD 4110Z (NACE F41.1). The Company conducts its activities mainly in Warsaw. The Group's companies also operate in the Tricity, Wrocław and Cracow markets.

The Company is a majority-owned subsidiary of Groupe Belleforêt S.à r.l. with its registered office in Luxembourg (see note 7.9). As at 31 March 2022 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. which held 55.41% of the Company's shares.

GENERAL INFORMATION ABOUT THE GROUP

The Group's structure and the parent company interest (direct and indirect) in the share capital of the entities comprising the Group as at 31 March 2022 is presented in the table below:

COMPANY	Country of registration	% of the share capital held by the parent company	% of the votes held by the parent company	Consolidation method
Subsidiaries				
Dom Development Grunty Sp. z o.o.	Poland	46%	100%	full consolidation
Dom Development Kredyty Sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Wrocław Sp. z o.o.	Poland	100%	100%	full consolidation
Dom Land Sp. z o.o.	Poland	-	-	full consolidation
Euro Styl S.A.*	Poland	100%	100%	full consolidation
Euro Styl Development Sp. z o.o.*	Poland	100%	100%	full consolidation
Mirabelle Investments Sp. z o.o.	Poland	100%	100%	full consolidation
Dom Construction Sp. z o.o.	Poland	100%	100%	full consolidation
Sento S.A.**	Poland	100%	100%	full consolidation
Buma Management Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development 8 Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development 12 Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development 20 Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development 21 Sp. z o.o.	Poland	100%	100%	full consolidation
Buma Development 22 Sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Kraków Sp. z o.o.	Poland	100%	100%	full consolidation

* Euro Styl S.A. is the parent company of the Euro Styl S.A. Capital Group, with non-controlling interests held by Euro Styl Development Sp. z o.o. As a result of the acquisition of both these companies, Dom Development S.A. has full control over the Euro Styl S.A. Capital Group.

** The Company directly held 77% of the shares in Sento S.A. As a result of the transactions described below, as at 31 March 2022, the Company holds, directly and indirectly, 100% of the shares in Sento S.A.

The main area of activity of the Group is the construction and sale of residential real estate.

Dom Development Grunty Sp. z o.o. is fully consolidated (with 46% share in the share capital held by the parent company) as its financial and operational policy is managed by members of the management board nominated by Dom Development S.A. The area of activities of this subsidiary is the purchase of real estate to be further developed by the Group.

Dom Development S.A. does not have a stake in the Dom Land Sp. z o.o., but it controls this company through the persons holding office in the management board of the company. Dom Land Sp. z o.o. holds 54% shares in Dom Development Grunty Sp. z o.o.

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies, with the unlimited duration.

In the three-month period ended 31 March 2022 the Group did not discontinue any of its activities.

MATERIAL CHANGES TO THE GROUP STRUCTURE, INCLUDING AS A RESULT OF A MERGER, ACQUISITION OR SALE OF THE COMPANIES OPERATING WITHIN THE CAPITAL GROUP, LONG-TERM INVESTMENTS, DEMERGER, RESTRUCTURING OR DISCONTINUATION OF ACTIVITIES.

In Q1 2022, the Group expanded its activities on the Cracow market through the creation of Dom Development Cracow Sp. z o.o., the acquisition of BUMA Group companies and the indirect acquisition of other non-controlling interests in Sento S.A.

- Establishment of Dom Development Kraków Sp. z o.o.

On 1 February 2022, the Company established Dom Development Kraków Sp. z o.o., with share capital of PLN 5k, in which it acquired 100% of shares paid up in cash.

Dom Development Kraków Sp. z o.o. was created in order to concentrate our property development operations on the Cracow market within a single business entity. The Company intends to carry out the merger of the development companies acquired from the BUMA Group and the Sento Group with its subsidiary, Dom Development Kraków Sp. z o.o. As at the date of preparation of these condensed financial statements, the process of merging the companies Buma Development 8 Sp. z o.o. and Buma Development 20 Sp. z o.o. (as acquired companies) with Dom Developer Kraków Sp. z o.o. (as acquiring company) is ongoing.

- Acquisition of BUMA Group companies

On 28 February 2022, the Company signed sale agreement with Giovanni Fundusz Inwestycyjny Zamknięty with its registered office in Cracow (hereinafter the "Seller"), whereby the Company acquired 100% of the shares in the following BUMA Group companies: Buma Development Sp. z o.o., Buma Management Sp. z o.o., Buma Development 22 Sp. z o.o., Buma Development 21 Sp. z o.o., Buma Development 20 Sp. z o.o., Buma Development 12 Sp. z o.o., Buma Development 8 Sp. z o.o., while Dom Construction Sp. z o.o., a 100% subsidiary of the Company, acquired 100% of the shares in Buma Contractor 1 Sp. z o.o. (hereinafter the "Transaction").

Prior to the said Transaction, both the Company and the Group did not hold any shares in the aforementioned BUMA Group companies.

Total Transaction's value was PLN 209.5m, of which PLN 151.4m as the total sale price of the shares in the aforementioned companies and PLN 58.1m for the subrogation of loans extended by the Seller to the companies acquired in the Transaction. The assets of the companies subject to the Transaction include investment land in Cracow with the potential to develop 1 370 units, projects under construction with 224 units, and PLN 51.4m in cash, with the PLN 1.9m debt under bank loans.

Through this acquisition, Dom Development S.A. Capital Group expanded its real estate development operations in the Cracow market, where the Group have already operated through the Sento Group acquired in 2021, with a desire to ensure the long-term growth of the consolidated income and profits of the Company.

The Company and Dom Construction Sp. z o.o. paid for the shares in these companies the initial sale price (PLN 151 401k), calculated according to the formula in the share sale agreement. In the agreement, the parties also agreed the manner of calculating the final sale price to account for the revaluation of its net assets at the date of the Transaction. The procedure of setting the adjusted sale price has not yet been completed until the date of the preparation of these condensed consolidated financial statements. The Company preliminarily identified assets and liabilities of the acquired companies and recognised them as at the date of acquisition in these condensed consolidated financial statements in the predetermined amounts.

Details of the roughly estimated fair value of net assets and the initial purchase price as at the date of taking over control have been presented below, however that these figures were estimated prior to the completion of sale price adjustment procedure and therefore that are still subject to change.

VALUES OF IDENTIFIABLE ASSETS AND LIABILITIES AT THE ACQUISITION DATE, AT THEIR FAIR VALUE (AT THE PREDEFINED VALUES)

Assets:	
Fixed assets, less deferred tax assets	777
Deferred tax assets	9 398
Inventory	222 617
Short-term financial assets (funds in open-end escrow accounts)	245
Cash and cash equivalents and other short-term financial assets	51 424
Other current assets	22 708
Total	307 169

Liabilities:	
Deferred tax provision	19 478
Loans and borrowings, long-term portion	59 392
Other long-term liabilities and provisions	12 798
Loans and borrowings, short-term portion	625
Other short-term liabilities and provisions	43 114
Deferred income	20 361
Total	155 768
Net assets at fair value	151 401

Initial purchase price of shares in the BUMA Group companies (according to the agreement)	151 401
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CASH FLOWS IN SHARE ACQUISITION TRANSACTIONS

Cash acquired by the Group (including with restrictions on disposal)	51 424
Cash paid for the shares (as the initial sale price)	(151 401)
Cash paid in respect of the subrogation of loans granted by the Seller to the companies acquired as a result of the Transaction (under the share sale agreement)	(58 085)
Net cash outflow	(158 062)

Impact of the Transaction on the Group's revenue

Between 1 March and 31 March 2022, the BUMA Group's sales revenue disclosed in the Group's consolidated income statement was PLN 9 128k.

The BUMA Group's sales revenue for the three-month period ended 31 March 2022 was PLN 16 598k.

Acquisition costs

The acquisition costs in the amount of PLN 3 614k paid by the Group in relation to the aforementioned Transaction were directly disclosed in the consolidated income statement as "other operating expenses".

In addition to this, the Company and the Seller entered into a conditional preliminary agreement for the purchase of 100% of the shares in RSKK Sp. z o.o. for PLN 9.6m, according to which the final agreement for the transfer of title to RSKK Sp. z o.o. may be signed by 30 June 2022, subject to conditions precedent.

- Settlement of the final purchase price of 77% of shares in Sento S.A. and acquisition of the remaining 23% of shares in Sento S.A.

Settlement of the final purchase price of 77% of shares in Sento S.A.

On 1 July 2021, the Company acquired 77% of the shares in Sento S.A., a company with its registered office in Cracow, from Reno Sp. z o.o., another company with its registered office in Cracow. The Company paid PLN 35 379k as the initial sale price for the shares, as calculated according to the formula defined in the share sale agreement.

On 16 March 2022, the parties to the transaction signed an annex to the agreement of 1 July 2021, in which they confirmed that the sale price as in the agreement is final. At the same time, the management of the Company confirmed that the pre-estimated fair value of net assets acquired on 1 July 2021 and disclosed in the Company's financial statements for the twelve-month period ended 31 December 2021 has not changed and is final.

Indirect acquisition of the remaining 23% of shares (a non-controlling interest) in Sento S.A.

On 11 March 2022, Dom Development Kraków Sp. z o.o. acquired 2 014 949 shares of Sento S.A. (representing 6.3% of shares in Sento S.A.) from minority shareholders of that company for a total price of PLN 2 418k.

On 16 March 2022, Sento S.A. acquired 5 289 851 treasury shares (representing 16.7% of shares in Sento S.A.) from Reno Sp. z o.o. for the price of PLN 7 036k for voluntary redemption.

As a result of the above transactions, the Company became the owner, directly and indirectly, of 100% of the share capital of Sento S.A.

GROUP'S INTEREST IN THE SHARE CAPITAL OF SENTO S.A.

Group's interest in the share capital of Sento S.A. as at 1 January 2022	77%
Group's interest in the share capital of Sento S.A. as at 31 March 2022	100%

Put and call share options of minority shareholders of Sento S.A.

Under the agreement to purchase 77% of shares in Sento S.A., the remaining 23% of the shares (hereinafter the "Remaining Shares") controlled by the executives in that company (the "Shareholders") were subject to put and call options. In connection with the said acquisition of the remaining 23% of shares in Sento S.A., a memorandum of understanding was concluded whereby the rights to exercise these options by minority shareholders expired together with the waiver of any claims by them.

Under the memorandum of understanding entered into with Reno Sp. z o.o. as minority shareholder, the Company was bound to pay the compensation of PLN 3 902k to Reno Sp. z o.o. in exchange for the waiver of a claim arising under the put option.

The put option incorporated Company's obligation to redeem non-controlling interests. The obligation to redeem non-controlling interests required to be recognised as liability as at 1 July 2021 in accordance with IAS 32. This liability was recognised in the balance sheet as the acquisition of non-controlling interests was to be paid for either in cash (if the Company exercises the Bad Leaver call option) or by issuing own equity instruments by the Company (if the Bad Leaver call option was not exercised) with the "fixed for fixed" condition not satisfied. This liability was measured at the date of initial recognition, i.e. at the date of acquisition of control over Sento, in the amount of PLN 10 568k.

The effect of the above-mentioned memoranda signed with the minority shareholders was the expiry of put options, which translated into a reversal of the reserve capital on account of the obligation to redeem non-controlling interests, as shown in the table below.

RESERVE CAPITAL AND OBLIGATION TO REDEEM NON-CONTROLLING INTERESTS IN SENTO S.A. - REVERSAL

Reserve capital on account of the obligation to redeem non-controlling interests	10 568
Other long-term liabilities (Liability on account of the obligation to redeem non-controlling interests)	(10 568)

Save for the aforementioned transactions, within the three-month period ended 31 March 2022, the Group did not make any other material changes in the structure of investing in subsidiaries, associates and joint ventures.

7.2 BASIS FOR THE PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared on a historical cost basis.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union (EU) are normally included in annual consolidated financial statements, have been condensed or omitted in these interim condensed financial statements pursuant to International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34).

The interim condensed consolidated financial statements have been prepared on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future.

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Company and its subsidiaries operate exclusively in Poland. The Company's Management Board believes that the war in Ukraine may mostly affect the demand for dwellings, construction costs, and the availability of subcontractors. As at the date of the preparation of these interim condensed consolidated financial statements all of the Company's development projects were progressing as planned or more quickly than planned. The Company's Management Board continuously monitors the situation and analyses its potential impact from the perspective of individual projects, the Company as a whole and the Group, and its long-term objectives. In the opinion of the Management Board of the Company no circumstances that would indicate that there is a threat to the continued activity of the Group are known as at the date of the approval of these interim condensed consolidated financial statements.

The functional currency of the parent company and other companies incorporated in these interim condensed consolidated financial statements is Polish zloty (PLN). The interim condensed consolidated financial statements are stated in Polish zloty. Financial data included in the interim condensed consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The presented interim condensed consolidated balance sheet, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed statement of changes in consolidated shareholders' equity are unaudited and they have not been the subject of review by an independent certified auditor. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required from annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Group and the notes thereto for the year ended 31 December 2021.

The Company also prepares interim condensed financial statements for Dom Development S.A. for the three-month period ended 31 March 2022. These statements were approved by the Management Board of the Company on 20 May 2022.

7.3 ACCOUNTING POLICIES

Polish law requires the Group to prepare its interim condensed consolidated financial statements in accordance with IFRS, applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34). At this particular time, due to the endorsement of IFRS by the EU and the activities of the Group, there are no differences in the IFRS policies applied by the Group and IFRS that have been endorsed by the EU.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable in the interim financial reporting (IAS 34) and all applicable IFRS that have been adopted by the EU.

These interim condensed consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2021, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 01 January 2022:

- Annual improvements to IFRS 2018 - 2020 introduce improvements to the following standards: IFRS 1 *first-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial instruments*, IAS 41 *Agriculture*, and examples illustrating IFRS 16 *Leases*. The amendments include clarifications and fine tune guidelines for standards in respect of recognition and measurement. These improvements have not been endorsed by the EU as at the date of these interim condensed financial statements.
- Amendments to IFRS 3 "Business Combinations". The amendments to this Standard published in May 2020 are intended to update the relevant references to the IFRS Conceptual Framework, without making any substantive changes to the accounting of mergers.
- Amendments to IAS 37 "Provisions, Contingent liabilities and Contingent assets". The amendments to IAS 37 provide clarifications regarding the costs that an entity is to consider when assessing whether a contract is an onerous contract.

The introduced amendments were scrutinised by the Management Board of the Company and they do not materially affect the Group's financial position, operating results or the scope of information presented in these interim condensed consolidated financial statements.

The Group has not decided for earlier adoption of any standard, interpretation or improvement/amendment, which was published and has not yet come into force.

The following standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee that have not come into force or been endorsed by the EU:

- Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture. They remove the existing inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-cash assets sold or contributed to an associate or a joint venture constitute a business. If the non-cash assets constitute a business the investor discloses a full gain or loss on the transaction. If the assets cannot be classified as a business the investor recognises the gain or loss only in the scope of the shares of other investors therein. The approval of this amendment has been postponed by the European Union as at the date of these interim condensed financial statements,
- IAS 1 *Presentation of Financial Statements*, Amendments to IAS 1 *Presentation of Financial Statements*. The IASB published amendments to IAS 1 which clarify the presentation issue of long-term and short-term liabilities. The published amendments are effective for financial statements for the periods beginning on or after 1 January 2023. These amendments have not been endorsed by the EU as at the date of these interim condensed financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* and the IFRS Advisory Council's guidance on disclosure of accounting policies in practice. The amendment to IAS 1 requires disclosure of material information on accounting policies as defined in the standard. The amendment clarifies that information on accounting policies is material if, in the absence of such information, users of financial statements would not be able to understand other material information in the financial statements. Moreover, the Advisory Council's guidance on the application of the materiality concept have also been amended to provide guidance on the application of the concept of materiality to disclosures of accounting policies. The amendment is effective from 1 January 2023.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In February 2021, the Council published an amendment to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors in the Definition of Estimates. This amendment to IAS 8 explains how entities should distinguish changes in accounting policies from changes in accounting estimates. The amendment is effective from 1 January 2023.
- Amendments to IAS 12 "Income Taxes". The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to this amendment, there were uncertainties as to whether the exemption concerning recognition of deferred tax recognised for the first time applied to such transactions, i.e. for which both assets and deferred tax liabilities are recognised. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for financial statements for the periods beginning on or after 1 January 2023. These amendments have not been endorsed by the EU as at the date of these interim condensed financial statements.

The Management Board is verifying effect of the above standards on the Group's financial position, operating results or the scope of information presented in the Group's interim condensed consolidated financial statements. It is not expected by the Management Board of the Company that new standards and amendments to the existing standards could have a significant impact on the interim condensed consolidated financial statements of the Group for the period, when they are adopted for the first time.

7.4 KEY FIGURES BASED ON PROFESSIONAL JUDGEMENT AND BASIS FOR ESTIMATES

In addition to the accounting estimations, when applying the accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

BUDGETS OF THE DEVELOPMENT PROJECTS

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

- verification of their profitability and any potential inventory impairment write down,
- preparation of financial forecasts, annual budgets and medium-term plans.

RECOGNITION OF REVENUE FROM THE SALE OF PRODUCTS

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

SEASONALITY

The operating activity of the Group is not subject to any major seasonality.

7.5 TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	31.03.2022 (unaudited)	31.12.2021
Tangible fixed assets, including:		
Technical equipment and other tangible fixed assets	5 435	5 371
Vehicles	6 159	4 455
Land and buildings	906	926
Right-of-use of office space*)	23 159	24 514
Total	35 659	35 266

*) Right-of-use of office space results from the application of IFRS 16 Leases. This asset is amortised over the lease term.

As at 31 March 2022 there were no circumstances that would require the Group to create revaluation write downs for its tangible fixed assets.

No collaterals have been established on fixed assets.

7.6 INVENTORY

INVENTORY	31.03.2022 (unaudited)	31.12.2021
Advances on deliveries	226 646	216 621
including: at purchase prices/production costs	226 646	216 621
write down to the net realisable value	-	-
Semi-finished goods and work in progress	2 818 693	2 549 641
including: at purchase prices/production costs	2 794 018	2 519 135
rights of perpetual usufruct of land (lease)	52 997	58 828
write down to the net realisable value	(28 322)	(28 322)
Finished goods	143 143	258 906
including: at purchase prices/production costs	149 572	265 335
write down to the net realisable value	(6 429)	(6 429)
Total	3 188 482	3 025 168

INVENTORY REVALUATION WRITE DOWNS	01.01.-31.03. 2022 (unaudited)	01.01.-31.03. 2021 (unaudited)
Opening balance	34 751	36 741
Increments	-	-
(Decrease)	-	-
Closing balance	34 751	36 741

The value of inventory revaluation write downs have resulted from the impairment tests and analysis performed by the Group.

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.03.2022 (unaudited)	31.12.2021
MORTGAGES - value of mortgages to secure liabilities under:		
Real estate purchase agreements	-	-
Loan agreements of the Company and Group companies	704 250	577 500

7.7 SHORT-TERM FINANCIAL ASSETS

SHORT-TERM FINANCIAL ASSETS	31.03.2022 (unaudited)	31.12.2021
Bank deposits with a maturity over three months	-	-
Cash in open-end residential escrow accounts	86 703	40 991
Other short-term financial assets	47 951	21 569
Total	134 654	62 560

Bank deposits with a maturity over three months as of the date when they are made are presented in *Bank deposits with a maturity over three months*.

Cash received from the Group's customers as advances for the sale of products which is deposited in open-end residential escrow accounts until the relevant requirements specified in the "Act on the Protection of Rights of a Dwelling Unit or House Buyer" are met, is presented in *Cash in open-end residential escrow accounts*.

Funds accumulated in escrow accounts intended for the joint infrastructural project on development projects completed by the Company are included in *Other short-term financial assets*.

7.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are represented by cash at bank and cash in hand, including short-term bank deposits with up to three months maturity on the date when they are made. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	31.03.2022 (unaudited)	31.12.2021	31.03.2021 (unaudited)
Cash in hand and at bank	429 923	600 214	531 477
Short-term deposits	18 805	6 797	70 058
Other	1	30	-
Total	448 729	607 041	601 535

7.9 SHARE CAPITAL

DESCRIPTION OF CHANGES TO THE SHARE CAPITAL IN THE COMPANY IN THE PERIOD FROM 1 JANUARY UNTIL 31 MARCH 2022

CHANGE IN THE REPORTING PERIOD	Share capital: Number of shares	Share capital: Value at the nominal value	Share premium
Balance as at 01.01.2022	25 398 422	25 398	258 358
Change	150 000	150	5 850
Balance as at 31.03.2022 (unaudited)	25 548 422	25 548	264 208

EXERCISE OF COMPANY'S SHARE OPTIONS

On 27 January 2022, the Management Board increased Company's share capital from PLN 25 398 422.00 to PLN 25 548 422.00, i.e. by PLN 150 000.00, by issuing 100 000 series AE ordinary bearer shares with PLN 1.00 nominal each and 50 000 series AF ordinary bearer shares with PLN 1.00 nominal each. The issue price of AE and AF series shares was set at PLN 35.00 and PLN 50.00 per share, respectively. The issue of series AE and AF shares took place through a private placement. The purpose of issuing series AE and series AF shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from:

- Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board - Chief Executive Director, concerning 500 000 shares in Dom Development S.A., and

- Management Option Programme V for Mikołaj Konopka, Member of the Management Board, concerning 250 000 shares in Dom Development S.A. (see note 7.22).

The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AE shares and 50 000 series AF shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AE shares is addressed only to Ms Małgorzata Kolarska, as the Participant in Programme IV, while the issue of series AF shares is addressed only to Mr Mikołaj Konopka, as the Participant in Programme V to enable them to exercise their rights under the subscription warrants.

On 1 February 2022:

- Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for 100 000 shares. The issue price for the new series AE shares was PLN 35.00 per share.
- Mr Mikołaj Konopka exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 50 000 shares. The issue price for the new series AF shares was PLN 50.00 per share.

On 3 February 2022, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AE shares to Ms Małgorzata Kolarska and 50 000 series AF shares to Mr Mikołaj Konopka.

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 2 March 2022.

SHARE CAPITAL STRUCTURE FOR THE COMPANY AS AT 31 MARCH 2022

Series/ issue	Type of share	Number of shares	Nominal value of series/issue (in PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	925	925	cash	31.10.2013	23.12.2013
R	Bearer	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	17 075	17 075	cash	20.03.2014	02.05.2014
T	Bearer	1 000	1 000	cash	14.01.2015	27.03.2015
U	Bearer	10 320	10 320	cash	17.05.2016	01.06.2016
V	Bearer	1 000	1 000	cash	17.05.2016	01.06.2016
W	Bearer	85 830	85 830	cash	10.01.2017	10.03.2017
Y	Bearer	100 000	100 000	cash	29.03.2018	21.05.2018
Z	Bearer	100 000	100 000	cash	28.02.2019	24.04.2019
AA	Bearer	100 000	100 000	cash	31.03.2020	28.05.2020
AB	Bearer	50 000	50 000	cash	31.03.2020	28.05.2020
AC	Bearer	100 000	100 000	cash	18.02.2021	23.04.2021
AD	Bearer	80 000	80 000	cash	18.02.2021	23.04.2021
AE	Bearer	100 000	100 000	cash	02.03.2022	
AF	Bearer	50 000	50 000	cash	02.03.2022	
Total number of shares		25 548 422				
Total share capital			25 548 422			

Each share in Dom Development S.A. has a nominal value of PLN 1.

None of the Company's shares are preference and restricted shares.

LIST OF SHAREHOLDERS WHO HOLD, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING ("GSM") AS AT THE DATE THAT THESE FINANCIAL STATEMENTS ARE PREPARED AND APPROVED BY THE COMPANY'S MANAGEMENT BOARD.

	Status as at the date of preparing of these financial statements				Change in the period from 31.12.2021
	Shares	% shares	Number of votes at the GSM	% votes at the GSM	Shares
Groupe Belleforêt S.à r.l.	14 155 491	55,41	14 155 491	55,41	-
Aviva OFE*	no data	5.00-10.00	no data	5.00-10.00	no data
Jarosław Szanajca	1 454 050	5.69	1 454 050	5.69	-
Grzegorz Kiełpsz	1 280 750	5.01	1 280 750	5.01	-

*) The shareholding by Aviva Otwarty Fundusz Emerytalny Aviva Santander (open end pension fund) is 1 313 383 shares in the Company as per the latest notice prepared as at 11 July 2011. It corresponds to 5.14% of the share capital of the Company and of votes in the General Meeting of Shareholders of Dom Development S.A.

THE SHARES OF DOM DEVELOPMENT S.A. OR RIGHTS THERETO (OPTIONS) OWNED BY THE PERSONS PERFORMING MANAGEMENT AND SUPERVISORY FUNCTIONS AT DOM DEVELOPMENT S.A. AS AT THE DATE THAT THESE FINANCIAL STATEMENTS ARE PREPARED AND APPROVED BY THE COMPANY'S MANAGEMENT BOARD.

	Status as at the date of preparing of these financial statements				Change in the period from 31.12.2021	
	Shares	Nominal value of the shares (in PLN '000)	Share options	Shares and options, total	Shares	Share options
MANAGEMENT BOARD						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska	403 544	404	-	403 544	100 000	(100 000)
Leszek Stankiewicz	-	-	-	-	-	-
Mikołaj Konopka	138 981	139	100 000	238 981	50 000	(50 000)
Terry R. Roydon	58 500	59	-	58 500	-	-
SUPERVISORY BOARD						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Janusz Zalewski	300 000	300	-	300 000	-	-
Marek Moczulski	-	-	-	-	-	-
Mark Spiteri	900	1	-	900	-	-
Markham Dumas	-	-	-	-	-	-
Krzysztof Grzyliński	-	-	-	-	-	-
Dorota Podedworna-Tarnowska	-	-	-	-	-	-

The Members of the Management Board and the Supervisory Board of the Company did not hold any shares in other companies operating within the Group, except for in Dom Land Sp. z o.o., in which Jarosław Szanajca, Grzegorz Kiełpsz and Mark Spiteri held 20% of the shares each at 31 March 2022.

7.10 LOANS

DESCRIPTION OF MATERIAL CHANGES IN THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

On 25 January 2022, Sento 21 Sp. z o.o. Sp.k. discontinued its available credit limit of up to PLN 32 500k to be used as partial finance and refinance of the net cost of the SenToTu, stage 1 and the VAT loan of up to PLN 2 000k to be used to finance output value added tax (VAT) accrued in connection with supplies of goods and services, which were costs of the SenToTu project, stage 1, granted by Getin Noble Bank S.A. under the agreement dated 25 March 2020.

The structure of loan liabilities in terms of their maturity has been presented in the table below.

LOANS DUE WITHIN	31.03.2022 <i>(unaudited)</i>	31.12.2021
Less than 1 year	513	-
More than 1 year and less than 2 years	15 868	10 250
More than 2 years and less than 5 years	-	21 164
Over 5 years	-	-
Total loans	16 381	31 414
including: long-term	15 868	31 414
short-term	513	-

As at 31 March 2022 and 31 December 2021 all the loans taken by the Group were expressed in Polish zloty.

BANK LOANS AS AT 31.03.2022

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
PKO BP	Warsaw	150 000	PLN	-	PLN	26.02.2023
PKO BP	Warsaw	38 500	PLN	1 904	PLN	31.10.2023
PKO BP	Warsaw	1 000	PLN	513	PLN	31.10.2023
mBank	Warsaw	185 000	PLN	-	PLN	31.01.2023
Millennium	Warsaw	50 000	PLN	-	PLN	18.12.2022
Getin Noble Bank	Warsaw	45 000	PLN	13 964	PLN	20.12.2023
Total bank loans				16 381	PLN	

CORE DETAILS CONCERNING CREDIT LINES HELD BY THE COMPANY

- **PKO BP loans**

Revolving loan in the credit facility account up to PLN 150 000k. Pursuant to the agreement with the bank, Euro Styl S.A. may use up to PLN 50 000k of this credit limit. As at 31 March 2022, no funds were drawn from this credit line either by Dom Development S.A. or Euro Styl S.A.

On the terms of the agreement of 23 December 2020, the bank undertook to make available to Buma Development 12 Sp. z o.o. an investment loan of up to PLN 38 500k to be used to finance and refinance net costs related to the construction of two residential buildings as part of the "Przestrzenie Banacha" project, stage 2 (up to PLN 37 392k), to pay accrued interest, as well as to finance or refinance commissions and fees on the above-mentioned loan and the revolving working capital loan, which was granted to finance VAT in accordance with the agreement of 23 December 2020 (up to PLN 1 108k).

On the terms of the agreement of 23 December 2020, the bank undertook to make available to Buma Development 12 Sp. z o.o. a revolving working capital loan of up to PLN 1 000k to be used to finance output value added tax (VAT) accrued in connection with net costs related to the construction of two residential buildings the "Przestrzenie Banacha" project, stage 2.

- **mBank loan**

Revolving loan in the credit facility account up to PLN 185 000k. Under the said agreement, Dom Development Wrocław Sp. z o.o. may use up to PLN 60 000k of this credit limit, and Euro Styl S.A. may use up to PLN 100 000k of this credit limit. As at 31 March 2022, no funds were drawn from this credit line either by Dom Development S.A. or other Group companies.

- **Millennium Bank loan**

Revolving loan up to PLN 50 000k. As at 31 March 2022 Dom Development S.A. has not drawn any funds from the said credit limit.

- Getin Noble Bank loans

The bank agreed, on the terms set out in the agreement dated 9 April 2021, to extend to Sento 21 Sp. z o.o. Sp.k. an investment loan of up to PLN 43 500k to partially finance and refinance the net costs of the SenToTu, stage 2 (phases 1 and 2) project and a VAT loan of up to PLN 1 500k to finance output VAT liabilities accrued in connection with supplies of goods and services, which were costs of the SenToTu, stage 2 (phases 1 and 2) project financed by the said investment loan.

The Group recognises the nominal value of the liability under *Loans*, and the interest charged as at the balance sheet date is presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the loans taken by the Group approximately equals their book value, including accrued interest.

7.11 BONDS

BONDS	31.03.2022 (unaudited)	31.12.2021
Nominal value of the bonds issued, long-term portion	310 000	310 470
Nominal value of the bonds issued, short-term portion	51 070	51 263
Nominal value of the bonds issued	361 070	361 733

The Group recognises the nominal value of the bond liabilities under *Bonds*, and the interest charged as at the balance sheet date are presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the bonds is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the bonds issued by the Group approximately equals their book value, including accrued interest.

CORE DETAILS CONCERNING THE BONDS ISSUED

- Agreement with Trigon Dom Maklerski S.A. and Trigon Investment Banking Spółka z ograniczoną odpowiedzialnością & Wspólnicy S.K.

Pursuant to the agreement, Dom Development S.A. may issue bonds with a total value of up to PLN 400m, understood as the nominal value of all outstanding bonds. The limit of the Programme is renewable. In accordance with the agreement, bonds may be issued by the Company as various series by 17 November 2027.

- Bonds issued by Sento S.A.

The bonds were issued by Sento S.A. under agreements concluded by that company with respective private investors, without a third-party acting as an agent.

DESCRIPTION OF MATERIAL CHANGES IN THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

- Bonds issued by Dom Development S.A.

The total bond issue liabilities in the three-month period ended 31 March 2022 and their maturity dates have not changed.

- Bonds issued by Sento S.A.

On 8 March 2022, Sento S.A. prematurely redeemed for cancellation all of the GF14 series Bonds, as requested by that company. The company was entitled to prematurely redeem the Bonds at its own request, pursuant to § 4 par. 11 of the Terms and Conditions for the Issue of GF14 Series Registered Bonds dated 8 June 2017. The premature Bond redemption was carried out in compliance with the terms and conditions of the issue of these Bonds.

BONDS ISSUED AS AT 31.03.2022

Series	Issuer	Issue date	Amount	Currency	Maturity date
DOMDET1151222	Dom Development S.A.	15.12.2017	50 000	PLN	15.12.2022
DOMDET2091023	Dom Development S.A.	09.10.2018	50 000	PLN	09.10.2023
DOMDET3121224	Dom Development S.A.	12.12.2019	50 000	PLN	12.12.2024
DOMDET4250925	Dom Development S.A.	25.09.2020	100 000	PLN	25.09.2025
DOMDET5120521	Dom Development S.A.	12.05.2021	110 000	PLN	12.05.2026
GF12	Sento S.A.	12.05.2017	600	PLN	01.06.2022
GF20	Sento S.A.	09.02.2018	470	PLN	09.03.2023
Total			361 070	PLN	

7.12 ACCRUED INTEREST ON LOANS AND BONDS

ACCRUED INTEREST ON LOANS AND BONDS	31.03.2022 (unaudited)	31.12.2021
Accrued interest on bonds	3 289	1 598
Accrued interest on loans	128	-
Total accrued interest on loans and bonds	3 417	1 598

7.13 LEASE LIABILITIES

The following material assets that meet the criteria of IFRS 16 Leases have been recognised in the Group's balance sheet. These are:

- right-of-use of office space (on the basis of lease agreements),
- rights of perpetual usufruct of land.

The Group as lessee recognises lease liabilities as measured at the present value of unavoidable future lease payments, discounted at the marginal interest rates of the Group, and recognises assets arising from the right-of-use at an amount equal to the lease liabilities.

All liabilities arising from perpetual usufruct of land are reported as short-term liabilities as they are to be reconciled through the transfer of title (along with the ownership title to a unit located on that land) to the unit buyer in the period of the "operating cycle". At the date of ownership transfer to the buyer, land-related lease liabilities are reversed from the accounting records.

LEASE LIABILITIES	31.03.2022 (unaudited)	31.12.2021
Lease liabilities, short-term portion, including:	64 138	69 474
liabilities on account of perpetual usufruct right of land	57 821	63 126
liabilities on account of the right of use of office space	6 220	6 220
Other	97	128
Lease liabilities, long-term portion, including:	19 668	21 014
liabilities on account of the right of use of office space	19 452	20 783
Other	216	231
Total	83 806	90 488

In the case of perpetual usufruct right, fees resulting from the period, for which such right to the specific property has been granted (up to 99 years), are discounted. This period does not depend on the period of time during which the Group expects to remain the holder of such perpetual usufruct right, that is on the planned use of these properties for development projects.

As estimated by the Management Board based on property development projects planned on specific land to which the Group held the perpetual usufruct right as at 31 March 2022, out of PLN 57 821k of the land-related lease liabilities recognised as short-term:

- PLN 3 489k is payable by the Group within 12 months following the balance sheet date,
- PLN 4 956k is payable by the Group later than 12 months following the balance sheet date,
- PLN 49 367k is to be transferred to the respective buyers of units.

7.14 DEFERRED INCOME

Payments from customers on account of the purchase of apartments and parking spaces are recorded as deferred income until the time that they are delivered to the buyer and are recognised in the income statement as “sales revenue”. This balance sheet item is closely dependent over time on the relationship between the sales rate (which as it increases, increases this item) and the deliveries rate (which as it decreases, decreases this item).

DEFERRED INCOME	31.03.2022 (unaudited)	31.12.2021
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement	1 447 868	1 554 711
Other	912	804
Total	1 448 780	1 555 515

7.15 SEGMENT REPORTING

The operations of the Group are generally in a single segment and involve mainly the development and sale of residential and retail (commercial) units and related support activities. The Company operates only in the Warsaw market, while Dom Development S.A. Capital Group with the Company as the parent, also operates on the Tricity and Wroclaw markets, and in the Cracow market since 1 July 2021. The operations on the Wroclaw, Tricity and Cracow markets are carried out through the Group's subsidiaries.

The results of activities in the individual markets are assessed mainly on the basis of sale revenues and profit, and gross margin on sales generated by the individual markets.

In view of the above, segmentation for reporting purposes was made within the Group on the basis of the geographical location:

- the Warsaw segment
- the Tricity segment
- the Wroclaw segment
- the Cracow segment

Financial data grouped together on the basis of the geographical location of the Group's real property development projects have been presented below.

FIGURES FOR THE THREE-MONTH PERIOD ENDED 31.03.2022 (unaudited)	Warsaw segment	Wroclaw segment	Tricity segment	Cracow segment	Total
Sales revenue	590 974	1 080	82 254	52 671	726 979
Gross profit on sales, before the allocation of purchase price *)	203 540	2 137	29 606	10 799	246 082
Allocation of Euro Styl Group and Sento Group purchase price **)	-	-	(267)	(12 062)	(12 329)
Gross profit on sales after the allocation of purchase price	203 540	2 137	29 339	(1 263)	233 753
Selling costs, and general administrative expenses					(50 207)
Other operating income and expenses, net					(9 659)
Operating profit					173 887
Financial income and costs, net					4 077
Profit before tax					177 964
Income tax					(36 183)
Net profit					141 781

FIGURES FOR THE THREE-MONTH PERIOD
ENDED 31.03.2021
(unaudited)

	Warsaw segment	Wroclaw segment	Tricity segment	Cracow segment	Total
Sales revenue	620 734	130 119	57 060	-	807 913
Gross profit on sales, before the allocation of purchase price *)	211 711	32 505	20 366	-	264 582
Allocation of the Euro Styl S.A. Capital Group purchase price **)	-	-	(1 726)	-	(1 726)
Gross profit on sales after the allocation of purchase price	211 711	32 505	18 640	-	262 856
Selling costs, and general administrative expenses					(45 319)
Other operating income and expenses, net					(1 684)
Operating profit					215 853
Financial income and costs, net					227
Profit before tax					216 080
Income tax					(41 599)
Net profit					174 481

*) For the Tricity and the Cracow markets, the gross profit on sales results from the financial data of the Euro Styl S.A. Group and Sento Group and does not include the cost of the Euro Styl S.A. Capital Group and Sento Group acquisition that was additionally allocated in the consolidation as resulting from the measurement of inventory as at the purchase date at fair value (see also the comments below).

**) The additional cost resulting from the allocation of the Euro Styl Group and Sento Group acquisition prices. This cost is the difference between the carrying value of the Euro Styl S.A. Capital Group's and Sento Group's inventory and the fair value assessed as at the date when these groups were acquired by the Company. This cost in the consolidated financial statements is adequately recognised as production cost of products sold that was accounted for in the income statement in the specific financial period.

7.16 SALES REVENUE AND COST OF SALES

ANALYSIS OF SALES REVENUE AND COST OF SALES

	01.01.- 31.03. 2022 <i>(unaudited)</i>	01.01.- 31.03. 2021 <i>(unaudited)</i>
Sales of finished goods	713 407	800 531
Sales of services	13 557	7 369
Sales of goods (land)	15	13
Sales revenue, total	726 979	807 913
Cost of finished goods sold	(480 941)	(539 248)
Cost of services sold	(12 283)	(5 805)
Cost of goods sold	(2)	(4)
Inventory write down to the net realisable value	-	-
Cost of sales, total	(493 226)	(545 057)
Gross profit on sales	233 753	262 856

7.17 INCOME TAX IN THE INCOME STATEMENT

INCOME TAX	01.01.- 31.03. 2022	01.01.- 31.03. 2021
	(unaudited)	(unaudited)
Current income tax	(32 211)	(29 757)
Deferred tax in the income statement	(3 972)	(11 842)
Total	(36 183)	(41 599)

7.18 EARNINGS PER SHARE

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01.- 31.03. 2022	01.01.- 31.03. 2021
	(unaudited)	(unaudited)
BASIC EARNINGS PER SHARE		
Profit for calculation of the basic earnings per share	141 738	174 482
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	25 446 755	25 300 422
Basic earnings per share (in PLN)	5.57	6.90
DILUTED EARNINGS PER SHARE		
Profit for calculation of the diluted earnings per share	141 738	174 482
Potential diluting shares related to the Management Share Option Programme	46 768	166 351
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	25 493 523	25 466 773
Diluted earnings per share (in PLN)	5.56	6.85

As the Group has no discontinued operations, the earnings per share from the continued operations equal the earnings per share calculated above.

7.19 TRANSACTIONS WITH RELATED ENTITIES

In the three-month periods ended 31 March 2022 and 2021, the Company was a party to transactions with related entities, as listed below.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:			
Counterparty	Transaction description	01.01.-31.03. 2022	01.01.-31.03. 2021
		(unaudited)	(unaudited)
Woodsford Consulting Limited	Consulting services as per the agreement dated 27.06.2007 as annexed	450	496
Hansom Property Company Limited	Consulting services as per the agreement dated 02.01.2001 as annexed	142	136
M&M Usługi Doradcze M. Kolarski	Consulting services	76	34
Doradztwo w zakresie infrastruktury technicznej Rafał Kierski (technical infrastructure consulting)	Cooperation Agreements	230	390

BALANCES WITH RELATED ENTITIES - AS ACCOUNTED FOR IN THE BOOKS OF THE COMPANY

	Receivables from related entities		Liabilities to related entities	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Other entities	15 748	2 292	142	1 883
Dom Land Sp. z o.o.	13 556	100	-	-
Hansom Property Company Limited	1 120	1 120	142	143
Woodsford Consulting Limited	580	580	-	-
Doradztwo w zakresie infrastruktury technicznej Rafał Kierski (technical infrastructure consulting)	492	492	-	1 740

The transactions with the related entities are based on the arm's length principle.

7.20 COMPANY'S SHARE OPTIONS

COMPANY'S SHARE OPTIONS ON ACCOUNT OF THE OPTION TO ACQUIRE NON-CONTROLLING INTERESTS IN SENTO S.A.

On 1 July 2021, the Company acquired a 77% majority stake in Sento S.A. At the same time, pursuant to the share sale agreement, put and call options were granted in respect of the remaining 23% of the shares.

Under the said agreement the Company has a call option to Bad Leaver shares exercisable at any time if a minority shareholder terminates their cooperation with Sento S.A., which means that it is possible for the Shareholder to receive the Company's shares as a result of exercised "ordinary" call/put option only when the Shareholder continues to cooperate with Sento S.A. until the "ordinary" put/call option becomes exercisable. This means that the 'normal' put/call option included an employee benefit item for the minority shareholder, consisting of a payment based on equity accounted shares (i.e. shares of the Company) and that it falls within the scope of IFRS 2. The value of share-based payment transactions in accordance with IFRS 2 was determined as PLN 9 933k.

As described in note 7.1, in March 2022, the existing minority shareholders (whom the said options related to) disposed their shares in Sento S.A. in favour of Dom Development Kraków Sp. z o.o. and Sento S.A. itself.

In connection with the acquisition of the remaining 23% of shares in Sento S.A., a memorandum of understanding was concluded whereby the rights to exercise these options by minority shareholders expired together with the waiver of any claims by them.

In view of the above, the said options have expired and the above-mentioned set value of share-based payment transactions will not be charged to the income statement.

Along with the acquisition by Sento S.A. of treasury shares (for the purpose of their redemption) from Reno Sp. z o.o., the Company also concluded a memorandum of understanding with that minority shareholder on the basis of which, in exchange for the waiver of a claim arising from the offer of the put option included in the agreement of 1 July 2021, the Company undertook to pay a fee of PLN 3 902k to Reno Sp. z o.o.

INCENTIVE PLAN – MANAGEMENT OPTION PROGRAMMES

As at 31 March 2022 there was only one active Management Option Programme adopted as part of the Incentive Scheme for the executives in the Company. The last share options under Programme IV were exercised in Q1 2022.

MANAGEMENT OPTION PROGRAMMES		31.03.2022 <i>(unaudited)</i>		31.12.2021		
Name of the Programme	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)
Programme IV	500 000	500 000	500 000	500 000	500 000	400 000
Programme V	250 000	250 000	150 000	250 000	250 000	100 000

Grant of new share options under the management option programme

In the three-month periods ended 31 March 2022 and 2021 the Company did not grant any new share options.

Exercise of share options under the management option programme

On 27 January 2022, the Management Board increased Company's share capital by issuing 100 000 series AE ordinary bearer shares and 50 000 series AF ordinary bearer shares. The issue price of AE and AF series shares was set at PLN 35.00 and PLN 50.00 per share, respectively.

The AE series shares were issued in a private placement addressed to Ms Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV and the AF series shares were issued in a private placement addressed to Mr Mikołaj Konopka, Member of the Management Board as a participant in Management Options Programme V (which was described in detail in note 7.9).

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 2 March 2022.

Expiry of share options under the management option programme

In the three-month periods ended 31 March 2022 and 2021 no share options expired in the Company.

Cost of Management Option Programmes accounted for in the income statement and the shareholders' equity

In the three-month periods ended 31 March 2022 and 2021 the amounts of PLN 164k and PLN 1 049k respectively, for the management options granted were accounted for in the income statement and in the supplementary capital.

SHARE OPTIONS GRANTED AND EXERCISABLE AS AT RESPECTIVE BALANCE SHEET DATES, AND CHANGES IN THE PRESENTED PERIODS:

		01.01.-31.03. 2022	01.01.-31.03. 2021
		(unaudited)	(unaudited)
Unexercised options at the beginning of the period	Number of options	250 000	550 000
	Total exercise price	11 000	24 500
Options granted in the period	Number of options	-	-
	Total option exercise value	-	-
Options expired in the period	Number of options	-	-
	Total option exercise value	-	-
Options exercised in the period	Number of options	150 000	180 000
	Total option exercise value	6 000	7 500
	Weighted average exercise price per share (PLN per share)	40.00	41.67
Unexercised options at the end of the period	Number of options	100 000	370 000
	Total exercise price	5 000	17 000
Exercisable options at the beginning of the period	Number of options	150 000	180 000
	Total exercise price	6 000	7 500
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

7.21 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	31.03.2022	31.12.2021
	(unaudited)	
Guarantees	42 567	17 324
Sureties	6 682	15 605
Total	49 249	32 929

Additionally, some liabilities of the companies operating within the Group are secured with promissory notes:

COLLATERALS FOR LIABILITIES	31.03.2022 <i>(unaudited)</i>	31.12.2021
Promissory notes, including:		
- promissory notes as other security	3 400	3 400
- promissory notes as a security for lease agreements	-	-
Total	3 400	3 400

In the three-month period ended 31 March 2022 the companies operating within the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one related entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

7.22 MATERIAL COURT CASES AS AT 31 MARCH 2022

As at 31 March 2022 the companies operating within the Group were not a party to any material court cases.

7.23 FACTORS AND EVENTS WITH MATERIAL IMPACT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

IMPACT OF THE ECONOMIC SITUATION ON THE ONGOING COMPANY'S OPERATIONS

During Q1 2022, the Group's operations continued smoothly and all investment projects proceeded according to schedule, despite numerous challenges in the market environment.

Demand was under pressure from a tightening monetary policy, with interest rate increases negatively affecting credit availability. At the same time, due to rising inflation real interest rates remained deeply negative, encouraging investment of savings in real estate.

A factor which dampened the demand for real estate was Russia's invasion of Ukraine on 24 February 2022. Surprise and mobilisation to provide assistance to war refugees have made many people postpone important decisions. This has also translated into a drop in interest in buying a dwelling. However, the initial shock has quickly passed and since mid-March demand for housing has recovered.

The influx of people fleeing from war has led to a surge in demand for housing, which became visible first in the rental market and in rents, slowly translating into the secondary market. In the longer term, the influx of such a large population will strongly boost the demand for housing also in the primary market, especially in large cities, where the Dom Development S.A. Capital Group has a well-established position.

In the face of sales slowdown in the market, the supply of housing on the market of the Group's operations has slightly improved and the market has moved closer to equilibrium after many quarters of the shortage of supply. The structural challenges in the residential market relate to the shortage of investment land and, from the first quarter of the year, strong inflation affecting construction costs. A striking example of price increases could be seen on the steel market, which reached historic prices with significantly reduced availability, due inter alia to the disruption of supply chains from Ukraine and Russia.

The priority in the Group's business is its profitability. In anticipation of stabilisation of construction material prices, the Company's Management Board decided to shift the start of construction for some projects from Q1 to Q2 2022. Already in the second half of March, the mood in the market became visibly more relaxed and the availability of key components improved. With the situation calming down, the Group companies contracted the supply of construction materials for the planned projects under conditions which ensure satisfactory profitability. As compared to the industry as a whole, the Group has successfully reduced the impact of increased costs of implementing its real estate projects, thanks to its in-house general contractor companies, which enable cost optimisation without compromising the quality of housing projects developed.

Detailed information on the projects in progress and completed by the Dom Development S.A. Capital Group in Q1 2022 has been presented below.

CHANGES TO THE PORTFOLIO OF ONGOING PROPERTY DEVELOPMENT PROJECTS CARRIED OUT BY THE GROUP IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2022

DEVELOPMENT PROJECTS COMMENCED FROM 1 JANUARY 2022 UNTIL 31 MARCH 2022:

PROJECT	COMPANY	LOCATION	NUMBER OF APARTMENTS AND RETAIL UNITS
Apartamenty Solipska, stage 1	Dom Development S.A.	Warsaw	96
Apartamenty Solipska, stage 2	Dom Development S.A.	Warsaw	91
Dom na Służewcu	Dom Development S.A.	Warsaw	108
Dzielnica Mieszkaniowa Metro Zachód, stage 4 phase 2	Dom Development S.A.	Warsaw	172
Dzielnica Mieszkaniowa Metro Zachód, stage 11 phase 1	Dom Development S.A.	Warsaw	148
Konstelacja, buildings C1, C2	Euro Styl S.A.	Tricity	82
Osiedle Perspektywa, stage 3	Euro Styl S.A.	Tricity	204
Osiedle Zielna, stage 2	Dom Development Wrocław Sp. z o.o.	Wrocław	146
Osiedle przy Malborskiej, stage 1	Dom Development Kraków Sp. z o.o.	Cracow	90
DOM DEVELOPMENT S.A. CAPITAL GROUP			1 137
IN TOTAL: UNITS WITH CONSTRUCTION STARTED IN Q1 2022	DOM DEVELOPMENT S.A.	Warsaw	615
	EURO STYL S.A.	Tricity	286
	DOM DEVELOPMENT WROCŁAW SP. Z O.O.	Wrocław	146
	DOM DEVELOPMENT KRAKÓW SP. Z O.O.	Cracow	90

DEVELOPMENT PROJECTS COMPLETED FROM 1 JANUARY 2022 UNTIL 31 MARCH 2022:

PROJECT	COMPANY	LOCATION	NUMBER OF APARTMENTS AND RETAIL UNITS
Osiedle Perspektywa, stage 1 phase 3	Euro Styl S.A.	Tricity	70
Beauforta, building 10	Euro Styl S.A.	Tricity	32
Nasze miejsce, building C	Euro Styl S.A.	Tricity	34
Zielony Południk, buildings 18, 19	Euro Styl S.A.	Tricity	44
Zielony Południk, buildings 20, 21	Euro Styl S.A.	Tricity	44
DOM DEVELOPMENT S.A. CAPITAL GROUP			224
IN TOTAL: UNITS WITH CONSTRUCTION ENDED IN Q1 2022	DOM DEVELOPMENT S.A.	Warsaw	-
	EURO STYL S.A.	Tricity	224
	DOM DEVELOPMENT WROCŁAW SP. Z O.O.	Wrocław	-
	DOM DEVELOPMENT KRAKÓW SP. Z O.O.	Cracow	-

INFORMATION ON DELIVERIES OF RESIDENTIAL AND RETAIL UNITS

Number of residential and commercial units delivered to customers in the three-month period ended 31 March 2022 has been presented in the following table:

NUMBER OF APARTMENTS AND RETAIL UNITS DELIVERED			
COMPANY	LOCATION	Q1 2022	Q1 2021
Dom Development S.A.	Warsaw	829	906
Euro Styl S.A.	Tricity	179	150
Dom Development Wrocław Sp. z o.o.	Wrocław	1	310
Grupa Sento oraz Spółki z Grupy Buma	Cracow	85	-
Total		1 094	1 366

*) Figures for Cracow include deliveries by BUMA Group companies after the acquisition of 28 February 2022

7.24 DIVIDEND AND PROFIT DISTRIBUTION

In the three-month period ended 31 March 2022 the Company did not pay any dividends.

Due to the increased volatility in the Company's market environment in Q1 2022, the Management Board decided to issue a recommendation as regards the amount of dividend no later by the end of May 2022.

The 2020 dividend in the amount of PLN 253 984 220 (i.e. PLN 10 per share) was paid on 28 June 2021.

7.25 CHANGES IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

No changes in the composition of the Management Board and the Supervisory Board of the Company took in the three-month period ended 31 March 2022.

7.26 MATERIAL POST-BALANCE SHEET EVENTS

No material post-balance sheet events occurred in the three-month period ended 31 March 2022.

7.27 FORECASTS

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning both, the parent company and the Group.

7.28 SELECTED FINANCIAL DATA TRANSLATED INTO EURO

In accordance with the financial reporting requirements the following financial data of the Group have been translated into EURO:

SELECTED DATA FROM THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	31.03.2022 in EUR '000 (unaudited)	31.12.2021 in EUR '000
Total current assets	837 510	819 118
Total assets	861 663	843 076
Total shareholders' equity	302 430	271 596
Long-term liabilities	115 238	113 642
Short-term liabilities	443 995	457 838
Total liabilities	559 233	571 480
PLN/EURO exchange rate as at the balance sheet date	4.6525	4.5994

SELECTED DATA FROM THE INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	01.01.-31.03. 2022 in EUR '000 (unaudited)	01.01.-31.03. 2021 in EUR '000 (unaudited)
Sales revenue	156 434	176 705
Gross profit on sales	50 300	57 491
Operating profit	37 418	47 211
Profit before tax	38 295	47 261
Net profit	30 509	38 162
Average PLN/EURO exchange rate for the reporting period	4.6472	4.5721