MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF

DOM DEVELOPMENT S.A.

IN 2019

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APPROVAL BY THE MANAGEMENT BOARD OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2019

This Management Board's report of activities of Dom Development S.A. in 2019 was prepared and approved by the Management Board of the Company on 4 March 2020.

The Management Board of the Company represents that this Report of activities of Dom Development S.A. in 2019 presents a true view of the development, achievements and situation of the Company, including the description of key threats and risks.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Małgorzata Kolarska,
Vice President of the Management Board

Terry R. Roydon,
Member of the Management Board.

Mikołaj Konopka,
Member of the Management Board

INTRODUCTION

The joint stock company Dom Development S.A. (the "Company") is the parent company of Dom Development S.A. Capital Group (the "Group"). The Company has been 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. The registered office of the Company is in Warsaw (00-078 Warsaw, pl. Piłsudskiego 3).

Dom Development was established in 1995 by a group of international investors, and Polish management staff joined it in November 1996. Participation of the international investors guaranteed implementation of Western European experience and standards as regards housing developments in the market where the Company operates.

As at 31 December 2019 the Company was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 56.47% shares of the Company.

1. GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A.

1.1. Group's Structure

The Group's structure and the Company's interest in the share capital of the entities comprising the Group as at 31 December 2019 is presented in the table below.

Entity	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
M2 Biuro sp. z o.o. **	Poland	100%	100%	full consolidation
M2 Hotel 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.

** On 31 January 2019, the Company entered into a preliminary agreement sale for all shares in the share capital of M2 office sp. z o.o.,

*** On 11 February 2019, the Company entered into a preliminary agreement sale for all shares in the share capital of M2 Hotel sp. z o.o.

1.2. Activities of the Company and the Group

The main area of activity of the Company and the subsidiaries operating within the Group is the construction and sale of residential real estate. The Company has been operating, directly or through its subsidiaries, in the three markets of Poland. These are: Warsaw and Tricity with their surroundings, and Wrocław.

The development projects of the Group in Warsaw are carried out directly by Dom Development S.A. Since 2018, some investment projects of the Company have been carried out by Dom Construction sp. z o.o., which runs construction as a general contractor through the engagement of specialised subcontractors for specific types of construction works. As at 31 December 2019, Dom Construction Sp. z o.o. was the general contractor for 6 projects in Warsaw, which account for 46% of units under construction by Dom Development S.A. on that market. The construction of other projects of the

Company is run under a general contracting system with the execution contracted to professional third-party building companies.

In the twelve-month period ended 31 December 2019:

- The Company and the Group did not discontinue any of its activities.
- The Group did not make any other material capital investments within the framework of the Capital Group. All free cash was invested by the companies operating within the Group in short-term bank deposits.

1.3. Information on core products

The main aim of the Company has always been the construction of affordable flats in the so-called popular segment (mid-market). The Company's offer is supplemented with other market segment products.

Currently, product assortment of the Company comprises multi-family buildings (flats and apartments), which can be divided into the following market segments:

- *Popular flats* (mid-market) – flats in residential buildings and housing estates are usually located outside of the immediate city centre, normally with at least 200 flats.

- *Apartments* (high-end) – apartments in residential buildings or small groups of buildings located in prime city centre locations and in popular residential districts, e.g. Żoliborz, Mokotów and Ochota.

Flats and apartments are offered in two standards: "turn-key" and unfinished. The unfinished flats/apartments are finished by buyers on their own account. Various finishing options are available for "turn-key" flats/apartments.

- Commercial space – mainly shops constructed by the Company as part of residential buildings. The revenues from the sale of such space account for an insignificant part of the total revenue but they enable the possibility to offer such facilities as shops, which increases the attractiveness of a given project.

In addition to this, the Company's tasks include the management of some housing estates constructed under development projects conducted by the Company. Management will be performed only through a limited period of time, i.e. until the final management company is chosen by the common hold associations which take over the managerial duties from the Company.

In 2019, the Company's revenue from the sale of products and services related to real estate management were as follows:

REVENUE STRUCTURE	01.01- -31.12.2019 in thousand PLN	01.01- -31.12.2018 in thousand PLN	Change 2019/2018
Revenue from the sale of flats/apartments, houses and commercial space	1 324 264	1 246 724	6%
Revenue from the sale of real estate management services	9 546	10 542	(9)%
Revenue from other sales	19 770	10 373	91%
Total	**1 353 580**	**1 267 639**	**7%**

1.4. Information on the markets, customers and sources of supply of production materials

In 2019, the activity of the Company was concentrated in Warsaw, and this activity was dominant in the operational structure of the entire Group. The share in the Warsaw market in respect of the number of units sold and delivered by the Group in 2019 was 64% and 80% respectively The 6% decrease in the share of the Warsaw market in the Group's sales in comparison to 2018 is a result of the diversification strategy of the Group's operations through the development of the companies operating in Wrocław and in the Tricity.

The portfolio of offered apartment products and projects that were being prepared, was predominantly made up of investments in the popular segment, likewise in 2018. This has already been reflected in both, the sales structure in 2019 and the structure of planned investment projects.

1.4.1 Dom Development S.A. sales structure

NUMBER OF PRODUCTS SOLD BY PRODUCT GROUPS	2019	2018	Change
Popular (mid-market) units	2 197	2 448	(10)%
High-end apartments and retail units (including luxury apartments)	150	140	7%
Total	2 347	2 588	(9)%

The Company does not depend on any of its customers because the sales are dispersed amongst a large, varied and changing group of buyers of residential and commercial units. The majority of the Company's customers are natural persons.

The sales in the table above covers signed preliminary agreements (including withdrawals) that are the measure for current scale of the Company's operations.

1.4.2 Major contractors

The main costs incurred by the Company in the real estate development activity are the costs of construction services provided by third parties, not related to the Company, under a general contracting system and the purchase costs of land for the investment projects.

As regards the land, despite individual transactions of significant value, the Company does not depend on one supplier.

As regards the construction services, contractors are chosen in internally organised tender procedures. The Company primarily engages Dom Construction Sp. z o.o. and other reputable general contractors.

In 2019, the Company reported turnover with a value of at least 10% of total sales revenue with the following business partners:

CONTRACTOR	01.01--31.12.2019 in thousand PLN
DOM CONSTRUCTION SP. Z O.O.	293 148
BUDIMEX S.A.	175 349

2. OPERATIONS OF DOM DEVELOPMENT S.A.

2.1. Operations of Dom Development S.A. in 2019

In 2019 the Company continued its development activities, being the construction and sale of residential real estates. Construction projects were run predominantly under a general contractor system, with the works contracted to Dom Construction Sp z o.o. operating within the Group, as well as specialist third-party building companies.

As at 31 December 2019, there are fifteen development projects that are simultaneously conducted by the Company. The Management Board of the Company regularly reviews and gives its opinion on:

- current projects during their implementation in relation to both, the progress of construction works, and current and anticipated sales revenue,
- the best possible manner in which the plots of land from the land-bank may be used and adjustment of the product offer to best meet the expectations and demand in the market,
- the potential plots of land which may be purchased for further development projects to be carried out in the following years, also in major Polish cities other than Warsaw,
- optimization of financing of the Company's operating activities.

2.1.1 Development projects commenced and completed

In 2019, the following material changes in the portfolio of the Company's real estate development investments under construction took place:

Projects where the construction commenced in the period from 1 January 2019 until 31 December 2019:

Project	Standard	Number of apartments	Number of commercial units	Started in
Żoliborz Artystyczny, phase 11	Popular	372	9	Q1 2019
Żoliborz Artystyczny, phase 12	Popular	95	11	Q1 2019
Apartamenty Ogrodowa	Apartments	155	5	Q1 2019
Wilno VI, phase 3/1	Popular	197	-	Q1 2019
Apartamenty Włodarzewska 70	Popular	102	-	Q2 2019
Port Żerań, phase 3	Popular	152	-	Q2 2019
Wilno VI, phase 3/2	Popular	225	3	Q3 2019
Dzielnica Mieszkaniowa Metro Zachód, phase 1	Popular	128	6	Q4 2019
Total		**1 426**	**34**	

Projects where the construction was completed in the period from01 January 2019 until 31 December 2019:

Project	Standard	Number of apartments	Number of commercial units	Completed in
Amsterdam, phase 2	Popular	307	7	Q1 2019
Cybernetyki 17, phase 3	Popular	240	-	Q2 2019
Regaty, phase 2	Popular	198	2	Q2 2019
Forma, stage 2 phase 2	Popular	210	3	Q2 2019
Port Żerań, phase 2	Popular	330	-	Q3 2019
Amsterdam, phase 3	Popular	188	14	Q4 2019
Apartamenty Dolny Mokotów	Apartments	148	5	Q4 2019
Wille Taneczna 2	Popular	81	-	Q4 2019
Żoliborz Artystyczny, phase 10	Popular	261	12	Q4 2019
Total		**1 963**	**43**	

2.1.2 Current and future development projects

As at 31 December 2019, there are 15 projects under development at the Company, with 2 536 units (apartments and retail units) to be built in total. The new development projects with the potential of 3 148 units in total are defined and planned by the Company.

2.1.3 Agreements significant for the business activity of the Company

Suppliers, with whom substantial value agreements were entered into in the financial year

In the financial year 2019 the Company concluded agreements of a substantial value with the following entities:

- Dom Construction Sp z o.o., a subsidiary of the Company - agreements with a value of PLN 349 100 thousand for the general contractorship of Company's projects.

Other major agreements

In the financial year 2019 the Company did not enter into any other major agreements.

2.1.4 Agreements with shareholders

Dom Development S.A. has no information on any possible agreements between the shareholders concluded in 2019.

2.1.5 Cooperation agreements

On 9 December 2019, Dom Development S.A. signed a cooperation agreement with Warszawska Spółdzielnia Mieszkaniowa (Warsaw Housing Cooperative) (hereinafter "WSM") in Warsaw. Under the agreement, the Company as the general project manager is to carry out a residential development project on a property owned by WSM. The value of the agreement is not significant considering the scale of operations of the Company and of the Group.

2.1.6 Transactions with related entities

All transactions made by the Company or its subsidiaries with related entities are based on the arm's length principle.

Transactions with the related entities are presented in note 7.43 to the financial statements for the period ended 31 December 2019.

2.1.7 Litigations

As at 31 December 2019 the Company was not a party to any material court cases.

2.2. Risk factors, development strategy, and prospects for the Company

2.2.1 Significant risk factors and factors important for development of the Company

External and internal factors essential for the development of the Company, and the associated risks.

Macroeconomic factors

The Company's business activities are significantly affected by global developments, and in particular by their impact on the Polish economy. The most important macroeconomic factors for the Company's financial condition and results include: economic growth rate (risk of growth deceleration), unemployment rate (risk of growing unemployment), position of financial institutions (risk of a deterioration of the financial standing of these institutions). The business activities of the Company are affected by the following macroeconomic factors, which have an impact on the state of the Polish economy: GDP, level of investments, household income, interest rates, inflation, unemployment, and the condition of the real estate market.

In 2019, the macroeconomic environment had a positive effect on the Company's activities. The key positive factors for the housing market were the continuing record-low interest rates and the very good situation in the labour market. In Warsaw the unemployment rate was around the natural rate, while salaries were gradually increasing. The economic slowdown expected in 2020 should not affect significantly the operations of the Company, as the market on which Dom Development S.A. operates is in the region with the strongest economy in Poland. Unemployment below the natural rate recorded in 2019 in Warsaw is a strong premise to expect further migration to the capital city, driving demand for residential units.

According to economists' forecasts, interest rates in 2020 are to remain at a low level, which should continue to support the housing market - cheap credit improves the purchasers' credit rating and low interest rates for bank deposits encourages investing in real estate.

Situation in the construction industry

Real estate development is inextricably linked to the construction sector. In 2018, the Management Board of Dom Development S.A. decided to set up an in-house construction company - Dom Construction Sp. z o.o. In 2019, nearly half of property development projects by Dom Development S.A. were carried out by Dom Construction Sp. z o.o. Having an in-house general contractor provides the Company with increased control over the course of the project, cost optimization through engaging Dom Construction's specialists starting from the planning stage and improvements to the return on projects. An in-house general contractor also removes the risk of bankruptcy of the general contractor, which could have a material adverse effect on the project quality, timeline and costs.

The year 2019 was a period of stability for the construction sector. Compared to 2018, the availability of workers improved and costs remained at 2018 levels. This facilitated the timely completion of all the Company's projects and generated healthy margins.

The situation in the construction industry is the source of the following risks related to the activities of the Company: the risk of increased costs, the risk of delays in the implementation of development projects and the risk of lowered quality of the units offered. In the opinion of the Management Board, the expected economic slowdown should have a positive effect on the availability of construction services and translate to a further stabilisation of material prices.

Availability of mortgages

In 2019, banks somewhat tightened their lending criteria and increased their margins, but the impact of the stricter lending policy was neutralised by the continued wage increases. As a result, the availability of credit decreased slightly.

Despite the tightening of the criteria and margin increases, in 2019, lending continued to increase, setting new records. The mortgage grew both in the number and in the value of new mortgages granted. The increase in the average value of mortgage was mainly due to the rising real estate prices and higher wages. Although the majority of real estate purchases were still made by cash. At Dom Development S.A., cash transactions accounted for approximately 40% of sales in the previous year.

The Company has been limiting its risk exposure associated with the availability of mortgage loans via Dom Development Kredyty Sp. z o.o., an intra-group credit agent, owing to which we have been able to offer to our customers financing conditions significantly better than those generally available on the market.

Another factor that has limited the Company's exposure to the risk of reduced availability of mortgage loans is the structure of our offer, which includes primarily high-standard apartments and suites. Our customers are often individuals whose main focus is on quality, with lower sensitivity to price and good credit rating or significant cash reserves.

An improved labour-market situation as well as the signals coming from the NBP that the historically low interest rates will be maintained during the next quarters suggest that the mortgage availability in 2020 will remain at a level close to the existing one.

Foreign exchange risk

As Recommendation S issued by the Polish Financial Supervision Authority came in effect early in January 2014, foreign exchange loans are to be provided only when majority of income is earned in a specific currency. This is to prevent speculations and reduce foreign exchange risk.

The historic foreign currency loans that were taken at lower exchange rates than they are at the present due to PLN depreciation against EUR or CHF, often exceed the real value of the properties bought that constitute security for mortgages. Nevertheless, the rising real property values and the persistence of the exchange rate of the Swiss franc at a level close to PLN 4 had significantly improved the ability of persons with loans denominated in this currency to pay off their mortgage in Swiss francs or euros with the proceeds from the sale of the encumbered property and the purchase of a dwelling corresponding to their current needs.

Concentration of operations in the Warsaw market

The Company's present activity is concentrated in the Warsaw market. This makes the Company's results highly dependent on the situation in this market. However, the Management Board of the Company is of the opinion that in the long-term this will be the most dynamic residential real estate market in Poland, and the Company already has a well-established position and therefore the possibility of further development.

The current situation in the Warsaw market featured a limited availability of land for new investment projects, due to exorbitant offer prices of plots and their complicated legal status, as well as protracted procedures relating to the acquisition of administrative permits. All these interfere with the smooth running of property development business in this market. These difficulties may translate into reduced supply of new dwellings, which in the conditions of strong demand aided by migration can result in a further surge in real property prices in the Warsaw market.

Opportunity to purchase land for new projects

The future success of the Company is founded on the ability to continually and effectively acquire attractive land for new development projects at the right times and competitive prices. This will allow the generation of satisfactory project contributions. A limited supply of land in prime locations where the legal status is not a hindrance means that the ability to acquire new land is a significant source of competitive advantage in the real estate development market.

The housing market upturn resulted in an increased demand for land, therefore in order to maintain the volume and quality of the offer, developers must regularly replenish their land banks. Land prices went up driven by fierce competition for investment properties. The Management Board places great emphasis on acquiring affordable land for new investments so that the Company has broad and varied real estate reserves that secure its activity and allowing for seamless replenishment of the offer for at least the next two years. The Company's success in securing the land bank for the purpose of new projects is predominantly due to the experience of the Company's personnel and significant cash resources that allow for the quick closing of even the largest transactions.

Administrative decisions

The nature of real estate development projects requires a number of licenses, approvals and arrangements to be obtained by the Company at every stage of the development process. Despite significant caution applied in the project execution schedules there is always a risk of delay in their obtainment, challenges of decisions which have already been issued (also due to appeals with no consequences for appellants) or even failing to obtain them. All these affect the ability to conduct and complete the executed and planned projects.

The fundamental activity adopted by the Company so as to reduce the exposure to market risks is proper assessment of potential and control of current development projects based on investment models and decision-making procedures developed in the Company. The adherence to such procedures is closely monitored by the Management Board of the Company.

The activities of the Company are also affected by the administrative decisions at the central level.

Legislative changes

Potential future changes in the legislation also constitute a risk that could directly or indirectly affect the Company's activities and results. In particular, these risks include the announced amendments to the Developer's Act, with the possible introduction of compulsory contributions to the Developer Guarantee Fund and other provisions delaying inflow funds from payments made by customers to developer account. The Management Board considers, however, that the possible introduction of such regulations is likely to impact the Company's activities to a lesser extent than the other market players, mainly due to the comfortable liquidity position of the Company, and also because they operate in high-margin markets and address their offering to buyers with relatively low price flexibility.

2.2.2 Strategy and growth potential of the Company

The Management Board of the Company has the following strategic goals:

- **Reduced project construction costs** while gaining greater control over maintaining the quality and timeliness of the execution of construction process by increasing the share of investment projects carried out in the framework of intra-group general contractor services.

  The main action taken by the Management Board towards this strategic objective in 2019 was the dynamic development of Dom Construction Sp o.o., which since 2019 has been the general contractor not only for the development projects carried out by the Company in Warsaw, but also in Wrocław projects carried out by the Group. In 2019, Dom Construction Sp. z o.o. completed its first two projects - the prestigious Apartamenty Dolny Mokotów project and phase 10 of the Osiedle Artystyczny Żoliborz. In both cases, the company completed its projects in a timely manner while maintaining the highest standards and cost efficiency. As at 31 December 2019, Dom Construction was carrying out six property development projects in Warsaw with 1 174 units.
- **Maintaining low debt and comfortable liquidity position.** Significant financial resources of the Company give it strong position to service its current liabilities and have the capability to respond swiftly to emerging investment opportunities by ensuring the availability of cash or credit lines and to raise long term financing in the form of bank loans and issue of bonds.

  The Company's Management Board takes proactive measures with a view to ensuring high liquidity and access to financing for the Company. As at 31 December 2019, the Company had PLN 220 111 thousand in cash and PLN 299 986 thousand in available credit lines, with the ratio of interest bearing debt to shareholders' equity at 12%. The liquidity position of the Company and their debt structure is positively assessed by the Management Board. In this respect the Dom Development S.A. stands out against the rest of the sector, as reflected in the relatively low cost of financing for its operations.
- **Maximised return on equity** through carefully selecting for implementation development projects that guarantee a satisfactory margin and sustain a scale of operations appropriate for the Company's size.

The Management Board of the Company intends that the Company continues the current scope of operations. In order to ensure a proper offer structure, the Company will continue to develop its land bank and balance the proportions between land owned on the left and right bank of the Vistula river in Warsaw. The Company's offering will continue to be dominated by dwellings from the popular (mid-market) segment, which makes it possible to achieve the scale of operations relevant for the Company's organisational capacities.

When faced with a difficult situation and rising costs in the construction industry, the Company's Management Board increased the scale of operations of Dom Construction Sp. z o.o., which is a general contractor operating within the Group However, the Management Board of the Company intends to continue to engage third-party general contractors, as long as the cost efficiency and quality criteria are met.

The above-mentioned measures taken by the Management Board will be continued in 2020. In addition to this, in the next twelve months Dom Development S.A. will focus on the further maximisation of the margin, expecting sales volume at the Company to stabilise.

3. FINANCIAL SITUATION OF THE COMPANY, FINANCE MANAGEMENT

3.1. Basic economic and financial figures disclosed in the annual financial statements of the Company for 2019

3.1.1 Selected data from the balance sheet

Assets

Structure of the Company's assets as at 31 December 2019, and changes as compared to the figures as at the end of 2018.

ASSETS	31.12.2019 in thousand PLN	Share in assets	31.12.2018 in thousand PLN	Change 2019/2018
Total fixed assets	**516 467**	**21%**	**386 462**	**34%**
Current assets				
Inventory	1 736 487	69%	1 622 336	7%
Trade and other receivables	26 531	1%	27 017	(2)%
Other current assets	3 085	<1%	4 083	(24)%
Cash and cash equivalents and Short-term financial assets	229 622	9%	229 894	<1%
Total current assets	**1 995 725**	**79%**	**1 883 330**	**6%**
Total assets	**2 512 192**	**100%**	**2 269 792**	**11%**

Structure of the Company's assets has not materially changed as compared to the figures as at the end of 2018. The largest difference between the situation as at the end of 2018 and as at 31 December 2019 concerns the level of tangible fixed assets. The 34% increase in the value of fixed assets results mainly from loans granted to related parties in the amount of PLN 95 000 thousand and the implementation of IFRS 16 *Leases* from 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of right-of-use of office space was recognised in the balance sheet. This asset, with a value of PLN 26 187 thousand, has been recognised in the balance sheet under Tangible fixed assets.

The implementation of IFRS 16 *Leases* from 1 January 2019 also resulted in an increase in the value of inventory. As a result of the application of this standard, as at 1 January 2019, an asset in the form of the right of perpetual usufruct of land was recognised in the balance sheet. This asset, with a value of PLN 71 901 thousand, has been recognised in the balance sheet under Inventory.

Equity and liabilities

Structure of the Company's shareholders' equity and liabilities as at 31 December 2019, and changes as compared to the figures as at the end of 2018.

EQUITY AND LIABILITIES	31.12.2019 in thousand PLN	Share in equity and liabilities	31.12.2018 in thousand PLN	Change 2019/2018
Shareholders' equity				
Share capital	25 068	1%	24 968	<1%
Share premium less treasury shares	245 188	10%	241 788	1%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	846 729	34%	763 855	11%
Total shareholders' equity	**1 116 985**	**44%**	**1 030 611**	**8%**

EQUITY AND LIABILITIES	31.12.2019 in thousand PLN	Share in equity and liabilities	31.12.2018 in thousand PLN	Change 2019/2018
Liabilities				
Total long-term liabilities	361 018	14%	396 423	(9)%
Total short-term liabilities	1 034 189	41%	842 758	23%
Total liabilities	**1 395 207**	**56%**	**1 239 181**	**13%**
Total equity and liabilities	**2 512 192**	**100%**	**2 269 792**	**11%**

The structure of the Company's liabilities did not change significantly throughout the year in 2019. The biggest change pertained to the Company's current liabilities, which increased by 23% compared to the end of 2018. That resulted mainly from the first-time implementation of IFRS 16 *Leases* from 1 January 2019. In the Company's balance sheet as at 31 December 2019, short-term lease liabilities were disclosed, including resulting from perpetual usufruct of land (PLN 76 881 thousand) and from the right-of-use of office space (PLN 4 327 thousand).

Liability arising from the lease of office space was also included in the Company's long-term liabilities, amounting to PLN 22 388 thousand as at 31 December 2019.

3.1.2 Selected data from the income statement

Income statement of the Company for the year ended 31 December 2019 as compared to 2018.

	01.01- -31.12.2019 in thousand PLN	sale %	01.01- -31.12.2018 in thousand PLN	Change 2019/2018
Sales revenue	1 353 580	100%	1 267 639	7%
Cost of sales	951 786	70%	895 843	6%
Gross profit on sales	401 794	30%	371 796	8%
Operating profit	272 234	20%	243 057	12%
Profit before tax	358 898	27%	262 133	37%
Net profit	**304 665**	**23%**	**214 098**	**42%**
Basic earnings per share (in PLN)	12.16		8.58	42%

In 2019, the Company recognised sales revenue of PLN 1 353 580 thousand, i.e. at the level 7% higher than in the previous year. The gross profit on sales and operating profit of the Company, which were recorded at 8% and 12% respectively, were higher than these generated in 2018.

Substantial increases were recorded by the Company's gross profit and net profit, with the latter reaching a record-high PLN 304 665 thousand. A significant contribution to the result of the Company for 2019 was attributable to the dividend from Euro Styl S.A. for 2018, which was PLN 87 694 thousand, compared to the dividend of PLN 18 050 thousand that was paid to the Company in the preceding year.

3.1.3 Selected information from the cash flow statement

	(in thousand PLN)		Change
	2019	2018	
Cash and cash equivalents – opening balance	209 393	202 083	4%
Net cash flow from operating activities	256 480	219 041	17%
Net cash flow from investing activities	-22 393	-25 471	n/a
Net cash flows from financing activities	-223 369	-186 260	n/a
Cash and cash equivalents – closing balance	220 111	209 393	5%

Cash balances amounted to PLN 209 393 thousand at the beginning of 2019 and they amounted to PLN 220 111 thousand at the end of the year. Therefore, in the period from 1 January until 31 December 2019 the balance of cash increased by PLN 10 718 thousand.

In 2019, the Company recorded a net inflow of cash from the operating activities in the amount of PLN 256 480 thousand that is 17% more than in the preceding year.

As regards investment activities, the Company recorded a net cash outflow of PLN 22 393 thousand, i.e. at a level close to this in 2018. The largest inflow from investment activities were dividends from subsidiaries in the amount of PLN 88 266 thousand (including PLN 87 694 thousand from Euro Styl S.A.). The highest expense in that area were loans extended, amounting to PLN 98 000 thousand, as described in Note 3.4.4. to this report.

The largest difference compared to 2018 as regards the structure of the Company's cash flow statement concerns financial activities and resulted mainly from the increase in the amount of dividends paid by the Company by PLN 37 109 thousand - from PLN 189 760 thousand in 2018 to PLN 226 869 thousand in 2019.

3.2. Forecasts

Both, Dom Development S.A. Capital Group and the parent company did not publish financial forecasts for 2019.

3.3. Finance management in the Company

In 2019, the finance management of Dom Development S.A. in respect of construction of residential buildings was focused on seeking and structuring sources of external financing for the projects under construction and on maintaining a safe level of liquidity. The Management Board analyses the current and plans the future optimum financing structure on a regular basis in order to achieve planned ratios and financial results, and at the same time, to ensure liquidity and the comprehensive financial security of the Company. In 2019, the activities of the Company generated a positive result at each level of the income statement, thus reinforcing financial condition of the Company.

The Management Board is of the opinion that the net assets and financial results of Dom Development S.A. at the end of 2019 demonstrate the strong and stable financial position of the Company. This results from the well-established position of the Company in the housing market, appropriate operational experience and potential in place, both in terms of execution of residential development projects, and the sale and financing of these projects. The net assets and financial standing of the Company has been demonstrated by liquidity and debt ratios presented further in this report.

Having considered the situation in the Polish real estate market in recent years, the financial results achieved by the Company in 2019 can be considered very good. In 2019, the Company delivered 2 798 units (including apartments and retail units), i.e. 7% more as in 2018, when 2 611 units had been delivered. The net financial result for 2019 is significantly higher (by 42%) than the result recorded in 2018.

3.3.1 Profitability ratios

All ratios showing profitability of the business activity pursued by the Company in 2019 have improved compared to the previous year. The main factor behind the fast growth of the above metrics was the 42% increase of the Company's net profit compared to 2018. The key factor behind such a rapid increase was primarily the dividend of PLN 87 694 thousand (compared to PLN 18 850 thousand in 2018) received from Euro Styl S.A., which was recorded as Financial income in the Company's income statement.

PROFITABILITY RATIOS	2019	2018
Operating profit margin *EBITDA / net sales revenue*	20.9%	19.7%
Net profit margin *Net profit / net sales revenue*	22.5%	16.9%
Return on assets (ROA) *Net profit / total assets*	12.1%	9.4%
Return on equity (ROE) *Net profit / shareholders' equity*	29.6%	21.4%

3.3.2 Liquidity ratios

Having considered the specifics of the real estate development industry with its long production cycle and tighter funding requirements for the companies operating in this sector, the Company has been in a comfortable financial position. This is due to a number of long-term decisions and actions taken by the Company's Management Board. These high ratios to a high extent result from the relevant financing structure applied, that is predominantly medium-term and long-term, as opposed to short-term financing. The liquidity ratios are driven by decisions around financing of current investments (including decisions when to commence the construction of individual estates and concerning the product mix offered for sale) and the strategy of acquiring new land.

The Management Board considers the Company's liquidity to be very good. All the liquidity ratios presented below stood at the end of 2019 at a level lower than these in the previous year, however they were still satisfactory. The Management Board is of the opinion that the credibility of the Company in the financial market is high which is reflected by relatively low cost of finance and diversified financing structure and by good relationships with banks and other financial institutions in the form of them providing the Company with loans and other forms of long-term finance (bonds).

LIQUIDITY RATIOS	2019	2018
Current ratio *current assets / short-term liabilities less deferred income*	4.17	5.14
Quick ratio *current assets less inventory / short-term liabilities less deferred income*	0.54	0.71
Cash ratio *cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income*	0.46	0.57

3.3.3 Leverage ratios

Appropriate operating policy (i.e. proper commencement and pace of projects as well as controlled purchases of land) and financing policy (the financing structure) ensured that the leverage ratios were maintained at very safe levels to support the business activity and maintain the Company's creditworthiness. The leverage ratios with values similar at the end of 2019 to those at the end of 2018 reflect the conservative approach of the Company's governing bodies to the sources of finance for operations.

LEVERAGE RATIOS	2019	2018
Equity ratio *shareholders' equity / total assets*	44.5%	45.4%
Liabilities to equity ratio *total liabilities / shareholders' equity*	124.9%	120.2%
Liabilities to assets ratio *total liabilities / total assets*	55.5%	54.6%
Interest bearing debt to equity ratio *interest bearing liabilities (including accrued interest) / shareholders' equity*	32.3%	35.0%
Net interest bearing debt to equity ratio *interest bearing liabilities (including accrued interest) less cash and cash equivalents, funds in escrow accounts, and bank deposits with a maturity of over 3 month / shareholders' equity*	11.8%	12.7%

3.4. Information on loans, bonds, borrowings, sureties and guarantees

3.4.1 Borrowings contracted or terminated

As at 31 December 2019 and 31 December 2018 the Company did not have any borrowings. The Company did not take or repay any borrowings in 2019 and 2018.

3.4.2 Loans contracted or terminated

On 21 January 2019, mBank S.A. and Dom Development S.A. entered into annex to the loan agreement for a revolving credit facility in PLN, dated 18 May 2015. Under this annex, a new loan repayment date was fixed, falling on 22 January 2019. The said agreement expired on 22 January 2019.

On 22 January 2019, mBank S.A. and Dom Development S.A., Dom Development Wrocław Sp. z o.o. and Euro Styl S.A. entered into annex to the "Umbrella Wieloproduktowa" Agreement of multi-product line for group companies. As a result of the signed annex, the availability period of credit limit was extended until 31 January 2023 and the credit limit amount was increased, which currently stands at PLN 185 million. Under the said agreement, Dom Development S.A. may now use the credit up to the credit limit of PLN 185 million, and Dom Development Wrocław Sp. z o.o. may use part of this credit limit, up to PLN 60 million, and Euro Styl S.A. may use part of this credit limit, up to PLN 100 million.

On 27 February 2019, PKO Bank Polski S.A. and Dom Development S.A. and Euro Styl S.A. entered into annex to the overdraft facility agreement, dated 27 July 2015. As a result of the signed annex, the availability period of credit limit was extended until 26 February 2023 and the credit limit amount was increased, which currently stands at PLN 150 million. Under the said agreement, Dom Development S.A. may now use the credit up to the credit limit of PLN 150 million, and Euro Styl S.A. may use part of this credit limit, up to PLN 50 million.

On 18 December 2019, Bank Millennium S.A. and Dom Development S.A. signed a multi-currency credit line agreement under which Bank Millennium S.A. extend a revolving (working capital) loan up to PLN 50 million. This loan matures on 18 December 2022.

Details of the loans contracted by the Company have been presented in note 7.19 to the financial statements of the Company for 2019.

3.4.3 Bonds

On 12 December 2019, the Company issued 50 000 unsecured bonds with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 50 000 thousand. The maturity date for these bonds is 12 December 2024. The issue value equals nominal value of the bonds. The interest rate is set at WIBOR 6M plus margin and will be paid semi-annually. No purpose for the bond issue was specified. The funds from the issue have been designated for current operations of the Company.

Details of the bonds issued and redeemed by the Company have been presented in note 7.20 to the financial statements of the Company for 2019.

3.4.4 Borrowings provided

On 26 February 2019, the Company signed a borrowing agreement with its subsidiary Euro Styl S.A. for an amount up to PLN 150 000 thousand at a fixed interest rate, with the repayment date set at 31 December 2022. Up until 31 December 2019, a borrowing of PLN 70 000 thousand was drawn under the said agreement.

On 11 June 2019, the Company signed a borrowing agreement with Spółdzielnia Mieszkaniowa KOŁO of Warsaw for the amount of PLN 3 000 thousand with a variable interest rate based on the WIBOR 3M rate plus a margin. Pursuant to the annex of 27 January 2020 to the above mentioned agreement, the repayment date of this borrowing was set at 29 February 2020.

On 27 September 2019, the Company signed a borrowing agreement with its subsidiary Dom Development Wrocław sp. z o.o. for the amount of PLN 100 000 thousand with a variable interest rate based on the WIBOR 3M rate plus a margin, with the repayment date set at 31 December 2022. Up until 31 December 2019, a borrowing of PLN 25 000 thousand was drawn under the said agreement.

The interest rate for the all the above borrowings was determined at an arm's length.

3.4.5 Sureties provided and received

In 2019, the Company received a surety from CONECTA Plus Sp. z o.o. Sp. k. with its registered office in Warsaw in respect of NEVI Spółka z ograniczoną odpowiedzialnością spółka komandytowa (NEVI Sp. z o.o. sp. k.; formerly NAILSEA Sp. z o.o.) for the return of advance received in the amount of PLN 2 596 thousand.

The sureties provided by the Company in 2019 are presented in the table below.

Counterparty	Surety amount in thousand PLN
Surety for contractual obligations of Dom Construction Sp z o.o., a Company's subsidiary	
Konsorcjum Stali S.A.	5 000
BUDOKRUSZ S.A.	4 500
Thyssenkrupp Materials Poland S.A.	3 329
CEMEX Polska Sp. z o.o.	3 000
Górażdże Beton Sp. z o.o.	3 000
KELLER Polska Sp. z o.o.	2 871
ULMA Construccion Polska S.A.	1 800
Bokaro Szeligowscy Sp. J.	1 150
BETARD Sp. z o.o.	1 000
FORBUILD S.A.	1 000
Lafarge Cement S.A.	1 000
PERI Polska Sp. z o.o.	1 000
Przedsiębiorstwo Produkcyjno-Handlowe ABET Sp. z o.o.	1 000
Other sureties to 8 counterparties of Dom Construction Sp z o.o.	3 597
Surety for contractual obligations of Dom Development Wrocław Sp. z o.o., a Company's subsidiary	
Eko Okna S.A.	515
VOLKSWAGEN LEASING GmbH	296

3.4.6 Guarantees provided and received

The performance guarantees and retention bonds for defects and faults, and on account of other security interests as received in 2019 are presented in the table below:

Company	Guarantee type	Guarantee amount in thousand PLN
FUNDAMENTAL GROUP S.A.	Bank guarantee	7 058
OTIS Sp. zo.o.	Bank guarantee	50

In 2019, on instruction from the Company, mBank SA granted a bank guarantee to Skanska S.A., with its registered office in Warsaw, for the amount of 200 thousand PLN, securing the performance by the Company of its guarantee commitments arising from agreement no. 003/DWL006/7458/2019 of 15 May 2019 concluded between the Company and Skanska S.A., with its registered office in Warsaw.

In 2019, on instruction from the Company, mBank SA granted a bank guarantee to the City of Warsaw, Bemowo District, with its registered office in Warsaw, for the amount of PLN 762.6 thousand, securing the performance by the Company of its guarantee commitments arising from agreement no. UD-I-WND-B/304/2019 concluded on 7 August 2019 and concerning the determination of the conditions for the construction of a public road by the City of Warsaw, Bemowo District.

3.5. Use of proceeds from the issue of securities

In 2019, the Company issued 100 000 ordinary bearer Z series shares with a nominal value of PLN 1.00 each. These shares were issued in a private placement as a result of the fulfilment of the commitments under Management Options Programme IV for Ms Małgorzata Kolarska, Vice President of the Management Board, which is described in more detail in note 4.9 to this report. Proceeds raised from the said shares issue, in the amount of PLN 3 500 thousand, will be used for financing current activities of the Company.

The Company issued new bonds to the amount of PLN 50 000 thousand in 2019. Information concerning the issue is presented in note 3.4.3 of this report. The proceeds from the issue of bonds will be used for the financing of current operations of the Company.

3.6. Assessment of the possibility to implement investment projects

Assessment of the possibility to implement investment projects, including capital investment versus the resources held, with consideration of possible changes in the financing structure of investment activity

Dom Development S.A. is fully capable of financing the currently executed investment projects. The Company intends to finance the execution of real estate development projects from the shareholders' equity, issue of commercial papers and bank loans. The Management Board attempts to adapt the maturity structure of the commercial papers issued and bank loans mainly to the duration of individual development projects, with particular consideration given to gradual replenishment of the land bank for future development projects.

The Company's capacity to implement investment projects was confirmed in 2019. The Management Board of the Company brought about the payment of PLN 226.9 million in the form of dividends to shareholders while maintaining at the same time a high level of cash and a low ratio of net interest bearing debt to shareholders' equity. Dom Development S.A. has significant financial resources and has a very good opinion at banks and bondholders, which results in high availability of external funding.

Currently, almost all activities of the Dom Development S.A. Capital Group are conducted directly in Dom Development S.A. The intensive growth of land reserves in the Tricity and Wrocław in 2018 has resulted in a significant increase in the scale of operations of the Group on those markets in 2019, visible both in terms of the number of projects under development and in the volume of sales. The Company's development projects planned for the upcoming year mostly focus on maintaining the scale of operations in Warsaw while further developing the subsidiaries operating in the Tricity and Wrocław. A key step required to achieve these objectives will involve the effective acquisition of new land for the land reserves, in particular on the Warsaw market.

An increased contribution of Euro Styl S.A. and Dom Development Wrocław Sp. z o.o. to the results of the Group should be expected in the upcoming years. The Management Board of the Company does not exclude the possibility of executing the projects through subsidiaries or jointly-controlled entities with the financing (special-purpose loans) for these projects being provided directly by those companies or through Dom Development S.A.

The year 2019 was also a period of intensive development of Dom Construction Sp. z o.o. - the general contractor for the Warsaw and Wrocław projects of the Group. In over little more than a year, we have established an efficient organization, whose rapid growth was accompanied by the high quality and timely implementation of the projects. The Management Board of the Company expects that over future periods, the effects of the establishment of an in-house general contractor at all the Group's companies will be reflected both in financial results and a high level of satisfaction of our customers.

The Management Board of the Company expects that in future years, in-house internal general contractorship will become the predominant method of carrying out the Company's and Group's property development projects, however, it intends to also engage third-party general contractors, as long as their offer is competitive compared to the capabilities of Dom Construction Sp. z o.o.

3.7. Evaluation of factors and non-typical events affecting the result for the financial year

Evaluation of factors and non-typical events affecting the result for the financial year, including the extent to which these factors or non-typical events affected the generated result

There were no unusual events affecting the Company's result for the year 2019.

Factors affecting the result generated by the Company on operations in 2019 have been discussed in point 3 of this report.

3.8. Capital expenditures of the Company and the Group

Identification of major domestic and foreign investments, in particular in securities, financial instruments, intangible assets and real estate, including capital investments made outside the group of related parties and a description of the funding methods

Dom Development S.A. and other companies operating within the Group do not perform investment activities, which would involve the placement of financial resources in financial instruments, securities and intangible assets.

Real properties acquired by the Company and another Group companies are closely linked to operational activities of the Company and the Group and do not have the nature of capital investment. For this reason, they are disclosed in the assets of the Company and the Group as a component of the inventory, and the measures intended to finance them are recognised in the cash flow from operating activities.

4. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE

Company's corporate governance rules and the location, where the text of corporate governance rules is publicly available

In 2019, Dom Development S.A. followed the corporate governance rules described in the Code of Best Practice for WSE Listed Companies 2016, adopted by the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015 pursuant to Resolution No. 26/1413/2015.

In 2019, the recommendation described in Chapter IVR.2 in items 12) and 3) of the Good Practices for Listed Companies did not apply to the Company. The above mentioned recommendation stipulates that in cases justified by the shareholding structure or by the expectations of the shareholders communicated to the company, provided that the company is able to provide the technical infrastructure necessary for the proper conduct of the general meeting with the use of electronic means of communication, the company should allow the shareholders to participate in the general meeting with the use of such means, in particular by: 2) two-way communication in real time thus allowing the shareholders to speak during the proceedings of the general shareholders meeting while being away from the place of the meeting, 3) exercise the voting rights at the general shareholders meeting in person or by proxy. The Management Board of the Company decided that the possibility of holding a general meeting with the use of electronic means of communications is not justified on account of the shareholding structure of the Company and the lack of such communicated expectations of the shareholders of the Company. Moreover, the Company did not enable participation in the general shareholders meeting in line with the above described procedure due to the higher risk of irregularities in the general shareholders meeting proceedings. The Company's Management Board decided that the above mentioned recommendation would not be complied with due to the potential issues related to, inter alia, identification of Shareholders, the choice of the best media of the remote two-way communication, and the Company's inability to guarantee compliance with the hardware requirements on the part of a Shareholder.

The Company's Management Board believes that issues of legal, logistical and technical nature which are related with providing the option of real-time two-way communication where the shareholders may take the floor and exercise voting rights during a general meeting from a location other than the general meeting are greater than the potential benefits for the Shareholders. In the opinion of the Company's Management Board the existing rules of participating in the general meeting assure correct exercise of the rights related to the holding of the Company's shares by all the Shareholders, while a possible interruption of the general meeting in consequence of disruption of the remote bilateral communication would create material inconvenience of for the Shareholders or their attorneys present at the meeting.

The Company's Management Board does not rule out the possibility of complying with the above recommendation in the future, and the Management Board's decision to implement it depends on the development of proper standards of its application in practice."

In 2019, the Company did not apply principle VI.Z.2 of the BPWSE (Best Practice for WSE Listed Companies) prescribing that "to tie in the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years."

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 21 dated 25 May 2017 by the Ordinary General Shareholders Meeting of the Company, adopted the Provisions of Senior Management Option Programme IV for Małgorzata Kolarska, the Vice President of the Management Board and the CEO, concerning 500 000 shares in Dom Development S.A. ("Programme IV"). Mrs Małgorzata Kolarska have received one-off options authorising her to subscribe for 500 000 shares in Dom Development S.A. the price of PLN 35.00 per share. The exercise of these options is limited to 100 000 shares in any 12-month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027. The Management Board of the Company represents the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE. Program IV is designed in a way so as to tie the remuneration of Mrs Małgorzata Kolarska, who holds the function of Vice President of the Management Board and the CEO, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than these specified in principle VI.Z.2 of the BPWSE. Consequently, the adopted solution is the incentive program for a period longer than two years which results from principle VI.Z.2 of the BPWSE. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Program IV adequately protect the interests of the Shareholders of the Company by tying benefits of the exercise of options under Program IV with the long-term development and growth in the value of the Company.

On 29 November 2019, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 26 dated 30 May 2019 by the Ordinary General Shareholders Meeting of the Company, adopted the Provisions of Senior Management Option Programme IV for Mikołaj Konopka, Member of the Management Board of Dom Development S.A., concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of the Programme, Ms Mikołaj Konopka received a one-off options authorising her to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options will be limited to 50 000 shares in any 12-month consecutive period, starting from 1 January 2020, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2029. The Management Board of the Company represents the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE 2016. Program V is designed in a way so as to tie the remuneration of Mr Mikołaj Konopka, who holds the function of Management Board member, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE 2016 only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than these specified in principle VI.Z.2 of the BPWSE 2016. Consequently, the adopted solution is the incentive program for a period longer than two years which results from principle VI.Z.2 of the BPWSE 2016. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Program V adequately protect the interests of the Shareholders of the Company by tying benefits of the exercise of options under Program V with the long-term development and growth in the value of the Company.

The Code of Best Practice for Warsaw Stock Exchange Listed Companies is publicly available on: https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf. The statement on the status of application of the recommendations and rules of Good Practice for WSE Listed Companies 2016 was posted by the Company on: https://inwestor.domd.pl/pl/lad-korporacyjny

Company's corporate governance rules adopted voluntarily and the location, where the text of such corporate governance rules is publicly available

In 2019, Dom Development S.A. followed the corporate governance rules published in the Code of Best Practice for Customer-Developer Relations drafted by Polski Związek Firm Deweloperskich (the Polish Union of Developers).

The Code of Best Practice for Customer-Developer Relations is publicly available on: http://www.warszawa.pzfd.pl/strefa-klienta/kodeks-dobrych-praktyk

Dom Development S.A. has adhered to all of the rules described in the Code of Best Practice for Customer-Developer Relations.

4.1. Share capital, shareholders

4.1.1 Shareholders

As at 31 December 2019 the Company was controlled by Groupe Belleforêt S.à r.l. which held 56.47% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, significant shareholdings as at 31 December 2019:

	Balance as at 31 December 2019				Change in the period from 31 December 2018
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Groupe Belleforêt S.à r.l.*	14 155 941	56.47	14 155 941	56.47	-
Jarosław Szanajca	1 454 050	5.80	1 454 050	5.80	-
Aviva Otwarty Fundusz Emerytalny Aviva Santander**	1 313 383	5.24	1 313 383	5.24	no data
Grzegorz Kiełpsz	1 280 750	5.11	1 280 750	5.11	-

*) Formerly SCOP Poland S.à r.l,

**) Shareholding of Aviva OFE Aviva Santander (formerly Aviva OFE Aviva BZ WBK) has been presented as per the latest notice as of 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A. (formerly Aviva PTE Aviva BZ WBK S.A.)

4.1.2 Special control rights

Persons holding any securities with special control rights, and description of these rights

Pursuant to paragraph 6.2.2 of the Articles of Association of Dom Development S.A., a shareholder holding at least 50.1% of shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice President of the Management Board who is responsible, pursuant to the Management Board bylaws, for the Company's finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a 5-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving written statement to the Company on appointment or dismissal of a given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

Pursuant to paragraph 7.4 of the Articles of Association of Dom Development S.A. a shareholder holding at least 50.1% of shares in the Company is vested with the personal right to appoint and dismiss half of the members of the Supervisory Board, including 1 Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% shares in the Company is authorised to appoint, accordingly: three (for a 5-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving written statement to the Company on the appointment or dismissal of a given Supervisory Board member.

As at 31 December 2019, Groupe Belleforêt S.à r.l., a limited liability company with its registered office in Luxembourg (formerly: SCOP Poland S.à r.l.) was the shareholder holding at least 50.1% of the Company's shares.

4.1.3 Limitation of right in shares

Indication of restrictions on voting rights, such as restricted voting rights by persons holding a specific portion or number of votes, and temporary restrictions on voting rights or provisions, according to which, in cooperation with the Company, capital rights attached to securities are separated from possession of securities

Pledgees and beneficial owners of shares of Dom Development S.A. are not entitled to exercise voting rights attached to shares.

Indication of any restrictions on the transfer of ownership title to the issuer's securities

No other restrictions have been in place in Dom Development S.A. regarding the transfer of ownership title to shares in Dom Development S.A.

4.2. The General Shareholders' Meeting

The procedure for and major rights of a General Shareholders' Meeting, and description of the rights of shareholders and manner for these rights being exercised, in particular the rules resulting from General Shareholders' Meeting bylaws, if such bylaws were adopted and if the rules in this respect do not directly result from legal regulations

The General Shareholders' Meeting holds its sessions as Ordinary or Extraordinary General Shareholders' Meetings, and as a governing body of the Company it acts pursuant to the provisions of the Code of Commercial Companies Act dated 15 September 2000 (consolidated text of Journal of Laws of 2013 item 1030, as amended), the Articles of Association of the Company and provisions of unclassified and publicly available General Shareholders' Meeting Bylaws dated 5 September 2006 as amended by resolution No. 27 by the Extraordinary General Shareholders' Meeting of Dom Development S.A. dated 15 May 2008 and resolution No. 31 by the Extraordinary General Shareholders' Meeting of Dom Development S.A. dated 21 May 2009.

An Ordinary General Shareholders' Meeting is convened by the Management Board. It takes place in Warsaw within 6 months following the end of each financial year. Shareholders are entitled to participate in the General Shareholders Meeting provided that they were shareholders of the Company 16 days before the date of the General Shareholders Meeting (registration date for participation in a general shareholders' meeting). No invitations are required for members of the Company's Management Board and the Supervisory Board to participate in a General Shareholders' Meeting. Other persons, in particular statutory auditors and experts, as invited by the Management Board, may participate in a session or an appropriate part thereof, should their participation be justified by the need to have their opinions on the discussed matters presented to the participants in the General Shareholders' Meeting. A statutory auditor should be present at a session of the General Shareholders' Meeting where Company's financial matters are addressed.

The General Shareholders' Meeting is valid and may adopt resolutions only if shareholders holding at least 50.1% of all votes are represented at the Meeting. Resolutions are adopted by an absolute majority of validly cast votes, unless the Code of Commercial Companies or the Articles of Association of the Company provide otherwise. An electronic system for casting and calculating votes may be used for voting. Pledgees and beneficial owners of shares are not entitled to exercise voting rights attached to shares.

A resolution on the removal of certain matters from the agenda of the General Shareholders' Meeting or the abandonment of certain matters included in the agenda or placed on the agenda by a motion of shareholders requires a majority of three-fourths of the votes cast and the express prior consent of all present shareholders who have filed such motion, for it to be valid.

The Chairman puts the agenda to vote, having the attendance list signed and checked. The General Shareholders' Meeting may adopt the suggested agenda without changes, change the order of debate or remove certain matters from the agenda, subject to the provisions of the Articles of Association of the Company. The General Shareholders' Meeting may also put new matters on the agenda and discuss them, however without adopting any resolutions on such matters. The Chairman of the Meeting has no right to remove matters from the agenda or alter the same without the consent of the General Shareholders' Meeting.

Each participant in the General Shareholders' Meeting may speak on matters included in the adopted agenda which are currently brought up for discussion. Each participant of the General Shareholders' Meeting may submit a formal motion. The Chairman gives the floor to a participant willing to lodge a formal motion out of turn. Formal motions are the motions concerning debate and voting procedure.

The General Shareholders' Meeting adopts resolutions on matters included in the agenda by voting. Voting is open and is subject to relevant provisions of the Articles of Association of the Company and the Code of Commercial Companies.

In 2019, the Ordinary General Shareholders' Meeting of Dom Development S.A. was held on 30 May 2019 in Warsaw in the registered office of the Company. The General Shareholders' Meeting had been convened upon a motion of the Management Board of the Company, and shareholders of the Company did not file their motions for the General Shareholders' Meeting to be convened.

The course of the General Shareholders' Meeting was in line with the provisions of the Code of Commercial Companies, the Company's Articles of Association, unclassified and publicly available General Shareholders' Meeting Bylaws of Dom Development S.A. and the Code of Best Practice for WSE Listed Companies. The shareholders had the possibility to review the content of draft resolutions included in the agenda, in each case not later than 26 days prior to the planned date of the General Shareholders' Meeting. The Company did not question the correctness of documents submitted by shareholders and their attorneys in support of their right to represent a shareholder when verifying shareholders' IDs being the proof of their entitlement to participate in the General Shareholders' Meeting.

The Chairman of the General Shareholders' Meeting ensured that the session proceeded in an orderly and efficient manner. Sessions of a General Shareholders' Meeting have never been cancelled or discontinued. Members of the Management Board and the Supervisory Board present at the General Shareholders' Meeting readily explained all matters within their competences and as required by the law.

The circumstances for adopting resolutions of the General Shareholders' Meeting enabled for the protection of the rights of minority shareholders, including for voicing reservations and objections against the resolutions. None of the resolutions adopted was appealed against in court.

The Ordinary General Shareholders' Meeting of Dom Development S.A. was held within the time limit set forth in article 395 of the Code of Commercial Companies, and the documentation concerning the financial statements for the financial year 2018 was published on the website of the Company more than 2 months before the date of the Ordinary General Shareholders' Meeting.

All resolutions adopted by the General Shareholders' Meeting in 2019 were passed in the best interest of the Company and took into account the rights of other stakeholders. Resolutions adopted by the General Shareholders' Meetings are posted on: https://inwestor.domd.pl/pl/wza

4.3. Principles for the amendment of the articles of association

Pursuant to article 430 § 1 and art. 415 § 1 of the Code of Commercial Companies and Partnerships, an amendment to the Articles of Association of Dom Development S.A. requires a resolution by the General Shareholders' Meeting adopted by the three-fourths majority of votes and court registration. For a resolution that is to amend the Articles of Association as to benefits of the shareholders or limit the rights granted personally to individual shareholders under art. 354 of the Code of Commercial Companies and Partnerships, the consent of all the shareholders affected by the resolution is required. An amendment to the Articles of Association is to be filed with the court of registration by the Management Board of Dom Development S.A. The General Shareholders' Meeting of Dom Development S.A. may authorize the Supervisory Board to determine a revised and reinstated text for the amended Articles of Association or to make such other editorial changes as defined in the resolution by the General Shareholders' Meeting.

4.4. The Management Board

4.4.1 Principles for the appointment or dismissal of the Management Board

Description of the principles for the appointment or dismissal of managing persons and their rights, in particular the right to decide on the issue or repurchase of shares

In accordance with the Company's Articles of Association, the Management Board of Dom Development S.A. shall comprise of 4 to 8 members, including the President, with a three-year term of office. The Supervisory Board shall determine the number of members of the Management Board. A shareholder who holds at least 50.1% of the shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice President of the Management Board who is responsible, pursuant to the Management Board bylaws for the Company's finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a 5-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving written statement to the Company on appointment or dismissal of a given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

The Management Board represents the Company in and out of court. For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy.

Pursuant to paragraph 3.2.8 of the Company's Articles of Association, the Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 1 700 000 (in words: one million seven hundred thousand) by way of one or several share capital increases within the limits specified above (authorised capital). The Management Board's right to increase share capital and issue new shares within the limits of the authorised capital up to PLN 1 700 000 shall expire 3 years from the date of the amendment to the Articles of Association made by resolution No. 27 dated 30 May 2019 by the General Shareholders' Meeting being entered in the register of entrepreneurs.

The right to increase the share capital referred to in the foregoing sentence, includes the issue of subscription warrants with subscription rights that expire after the above mentioned period.

Upon the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or a part of its pre-emptive rights in relation to shares issued within the limits of the authorised capital.

A share capital increase by the Management Board within the limits of the authorised capital is conditional upon obtaining a positive opinion in this respect from the Supervisory Board. In other cases, unless otherwise provided by the Code of Commercial Companies, the Management Board may decide on any and all matters related to share capital increases within the limits of the authorised capital.

Pursuant to paragraph 3.2.6. of the Articles of Association of the Company, a purchase of treasury shares by the Company for redemption does not require the consent of the General Shareholders' Meeting (subject to art. 393 item 6 of the Code of Commercial Companies and Partnerships) and only requires the consent of the Supervisory Board.

4.4.2 Composition of the Management Board

In the period from 1 January until 31 December 2019 the Management Board of the Company was composed of the following five members:

- Jarosław Szanajca, President of the Management Board
- Małgorzata Kolarska, Vice President of the Management Board
- Janusz Zalewski, Vice President of the Management Board
- Terry Roydon, Member of the Management Board
- Mikołaj Konopka, Member of the Management Board

As the mandates of the members of the Management Board of Dom Development S.A. expired on 30 May 2019, Groupe Belleforêt S.à r.l. limited liability company with its registered office in Luxembourg (previous name: SCOP Poland S.à r.l. spółka z ograniczoną odpowiedzialnością), acting pursuant to section 6.2.2 of the Articles of Association of Dom Development S.A. appointed Mr Jarosław Szanajca as a Member and the President of the Management Board of the Company, Mr Janusz Zalewski as a Member and Vice President of the Management Board of the Company and Mr Terry Roydon as a member of the Management Board of the Company, effective as of 30 May 2019. Moreover, on 30 May 2019, the Supervisory Board of the Company appointed Ms. Małgorzata Kolarska as a Member and the Vice President of the Management Board of the Company and Mr Mikołaj Konopka as a Member of the Management Board of the Company. All these members of the Management Board have been appointed for a joint three-year term.

4.4.3 Principles governing the functioning of the Management Board

The Company's Management Board acts pursuant to the provisions of the Code of Commercial Companies, the Articles of Association and unclassified and publicly available Management Board Bylaws approved by the Supervisory Board's resolution, and in accordance with the Code of Best Practice for WSE Listed Companies.

The Management Board is an executive body of the Company. It manages the current operations of the Company and represents the same towards third parties. The Management Board decides in all matters concerning the Company not reserved for the General Shareholders' Meeting and/or the Supervisory Board under legal regulations, the Articles of Association of the Company or a resolution of the General Shareholders' Meeting.

For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy. Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a voting deadlock, the President of the Management Board has the casting vote.

When defining strategic and current objectives for the Company, the Management Board always acted in the underlying interest of the Company and in line with the legal regulations, and taking into account the interests of the shareholders, employees and creditors of the Company.

In order to ensure transparency and efficiency of the management system, the Management Board followed the principles of professional conduct within the limits of reasonable economic risk, and took into consideration a wide range of available information, analyses and opinions.

The amount, form and structure of remuneration for the Members of the Management Board have been determined by the Supervisory Board in line with the applicable remuneration policy and on the basis of clear-cut procedures, and have corresponded to the scope of their responsibilities and competences and have taken into account the economic performance of the Company. This remuneration has also corresponded to remuneration of Management Boards in comparable companies in the real estate development market.

4.5. The Supervisory Board

4.5.1 Principles for the appointment or dismissal of the Supervisory Board

The Supervisory Board shall comprise of 5 to 9 members appointed for a three-year term of office.

The General Shareholders' Meeting shall determine the number of members of the Supervisory Board. In addition to this, the General Shareholders' Meeting shall appoint and dismiss Members of the Supervisory Board, subject to the personal right of a Shareholder holding at least 50.1% of shares to appoint and dismiss half of the Members of the Supervisory Board, including 1 Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% shares in the Company is authorised to appoint, accordingly: three (for a 5-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving written statement to the Company on the appointment or dismissal of a given Supervisory Board member.

At least two Members (and their relatives, in particular spouses, descendants or ascendants) of the Supervisory Board appointed by the General Shareholders' Meeting should meet the criteria of the so-called Independent Members, defined in paragraph 7.7 of the Articles of Association of the Company.

4.5.2 Composition of the Supervisory Board

In the period from 1 January until 31 December 2019 the Supervisory Board of the Dom Development S.A. was composed of seven members as follows:

- Grzegorz Kiełpsz, Chairman of the Supervisory Board,
- Markham Dumas, Vice Chairman of the Supervisory Board,
- Marek Moczulski, Vice Chairman of the Supervisory Board (Independent Member)
- Mark Spiteri, Member of the Supervisory Board
- Michael Cronk, Member of the Supervisory Board,
- Dorota Podedworna-Tarnowska, Member of the Supervisory Board (Independent Member),
- Krzysztof Grzyliński, Member of the Supervisory Board (Independent Member)

As the mandates of the members of the Supervisory Board of Dom Development S.A. have expired on 30 May 2019, Groupe Belleforêt S.à r.l. limited liability company with its registered office in Luzembourd (previous name: SCOP Poland S.à r.l. spółka z ograniczoną odpowiedzialnością), acting pursuant to section 7.4 of the Articles of Association of Dom Development S.A. appointed Mr Markham Dumas as a Member and Vice President of the Supervisory Board of the Company and Mr Grzegorz Kiełpsz, Mr Michael Cronk and Mr Mark Spiteri as Members of the Supervisory Board of the Company, effective as of 30 May 2019. Moreover, on 30 May 2019 the Annual General Shareholders' Meeting of Dom Development S.A. appointed Ms Dorota Podedworna-Tarnowska, Mr Marek Moczulski and Mr Krzysztof Grzyliński as Members of the Supervisory Board. All these members of the Management Board have been appointed for a joint three-year term. On 30 May 2019, the Supervisory Board of the Company acting pursuant to point 7.1 of the Articles of Association of the Company appointed Mr. Grzegorz Kiełpsz as Chairman of the Supervisory Board and Mr. Marek Moczulski as Vice Chairman of the Supervisory Board.

4.5.3 Principles governing the functioning of the Supervisory Board

The Supervisory Board acts pursuant to the provisions of the Code of Commercial Companies, the Articles of Association and unclassified and publicly available Supervisory Board Bylaws, approved by the Supervisory Board's resolution, that set forth its organisation and manner of operation, and in accordance with the Code of Best Practice for WSE Listed Companies.

The Supervisory Board is a permanent supervisory body of the Company for all areas of its operation.

The Supervisory Board adopts resolutions or issues opinions in the matters reserved for the Supervisory Board under the Company's Articles of Association and in the manner as provided for in the Articles of Association or relevant legal regulations.

The Supervisory Board held its meetings regularly. The meetings were attended by the Members of the Management Board. In 2019 the Supervisory Board held 13 sessions including 9 teleconferences. The Management Board provided the Supervisory Board with exhaustive information on all important matters concerning the operations of the Company.

The Supervisory Board complied with the requirement of having among its members at least two independent members in line with the criteria of independence set forth in the Company's Articles of Association.

Resolutions of the Supervisory Board concerning: (i) the consent for the Company or a related entity of the Company to make any considerations on any account whatsoever for the benefit of the Members of the Management Board, (ii) the consent for the Company or a related entity of the Company to conclude a material agreement with a related entity of the Company, a Member of the Supervisory Board or the Management Board, or entities related to such members, (iii) the choice of a statutory auditor for the audit of the Company's financial statements, were all adopted upon the consent of the majority of the independent Members of the Supervisory Board.

The remuneration of the Members of the Supervisory Board was determined in a transparent manner and did not constitute a considerable share in the Company's costs affecting its financial result. The amount of the remuneration was approved by a resolution of the General Shareholders' Meeting and was disclosed in the annual report.

The Supervisory Board presented to the Ordinary General Shareholders' Meeting of the Company which was held on 30 May 2019 the following documents prepared in line with the Code of Best Practice for WSE Listed Companies:

- assessment of the situation of the Company in 2018, including the system of internal control, risk management, compliance and internal audit,
- report of activities of the Supervisory Board in 2018,
- assessment of the company's compliance with the duty of disclosure in respect of applying the principles of corporate governance as specified in the Stock Exchange Rules, and the regulations concerning current and periodic submissions by security issuers,
- assessment of the soundness of the sponsorship, charity and other similar policies in place at the Company.

4.5.4 The Supervisory Board Committees

Two committees, the Audit Committee and the Remuneration Committee, were established within the structure of the Supervisory Board.

Audit Committee

In the period from 01 January 2019 until 31 December 2019 the Audit Committee was composed of the following members:

- Dorota Podedworna-Tarnowska, Chairwoman of the Audit Committee,
- Mark Spiteri, Member of the Audit Committee
- Marek Moczulski, Member of the Audit Committee

The Audit Committee is a permanent committee at the Supervisory Board. The Audit Committee is composed of at least three Members appointed by the Supervisory Board from amongst its Members, with at least two members of the Audit Committee, including the chairperson, also being an Independent Member of the Supervisory Board as defined in art. 129 par. 3 of the Act on statutory auditors, audit firms and public supervision of 11 May 2017 (Dz.U. 2017 item 1089) and article 7.7 of the Company's Articles of Association, and at least one of whom should have expertise and qualifications in accountancy or financial audit. At least one Member of the Audit Committee must have expertise and qualifications in the segment where the Company operates.

The statutory criteria of independence were met by the Chairperson of the Audit Committee, Ms Dorota Podedworna-Tarnowska and a member of the Audit Committee, Mr Marek Moczulski.

All members of the Audit Committee have knowledge of and skills in accounting or auditing. The Chairperson of the Audit Committee, Ms Dorota Podedworna-Tarnowska completed tertiary education in finance and banking and holds the degree of doctor of economic sciences. In her professional work she makes use of her knowledge in such areas as economics, finance, accounting, auditing and the audit of financial statements. A Member of the Audit Committee Mr Marek Moczulski completed post-graduate studies in the field of financial management and in his professional activities he makes use of his practical expertise in such areas as economics, finance, auditing and the audit of the financial statements. A Member of the Audit Committee Mr Mark Spiteri is a chartered accountant.

The knowledge and skills pertinent to the sector in which the Company operates i.e. real estate development, are held by Mark Spiteri, Member of the Audit Committee, who employs in his professional activities his working knowledge of property development projects and of the real estate market.

The duties and competences of the Audit Committee have been set forth in unclassified and publicly available Audit Committee Bylaws approved by the Supervisory Board.

The duties of the Audit Committee include, in particular (i) supervision of the Company's Management Board as regards the Management Board's compliance to relevant laws and other regulations, in particular the Accounting Act dated 29 September 1994, supervision of the preparation of financial information by the Company, in particular in respect of the choice of the accounting policy adopted by the Company, supervision of the application and assessment of the consequences of new legal regulations, supervision of the information on the manner in which estimated items, forecasts etc., are presented in annual reports and supervision of the compliance to recommendations and findings of a statutory auditor appointed by the Supervisory Board, (ii) issuing recommendations to the Company's Supervisory Board concerning the appointment and dismissal of the statutory auditor, (iii) control of independence and objectivity of the statutory auditor, in particular in respect of a possible replacement of the statutory auditor, and their remuneration, (iv) verification of the statutory auditor's work.

In executing its duties, the Audit Committee works with the Supervisory Board, the Management Board, middle management and the external and internal audit unit.

The Vice President of the Management Board responsible for finance, Deputy Financial Director, Financial Controller and representatives of the external and internal audit teams may attend the Audit Committee meetings, if invited. In 2019, the Audit Committee held 6 meetings, including 2 teleconferences.

The audit firm that audited the Company's financial statements did not provide any permissible non-audit services to the Company in 2019.

Under the auditor selection policy in effect at the Company, the choice of the audit firm to carry out the audit is made by the Supervisory Board of Dom Development S.A., acting on the basis of a recommendation made by the Audit Committee. Transparent and non-discriminatory selection criteria were defined to be used to evaluate the bids submitted by audit firms, which the Audit Committee shall be guided by during the preparation of the recommendation and the Supervisory Board during the selection of the audit firm. These are:

a. independence and impartiality of the audit firm as a prerequisite, assuming that the audit firm submits by the date of the statutory audit of financial statements written confirmation of its independence from Dom Development S.A. and the companies of Dom Development S.A. Capital Group once a year to the Audit Committee. The above-mentioned entity shall also discuss with the Audit Committee all risks to its independence as well as the security measures used to mitigate those risks;

b. fee for the audit, which cannot be based on any form of contingency, this includes not being subject to the results of the audit and being dependant or contingent on the provision of additional non-audit services for the audited company or an affiliated entity by the audit firm, an affiliated entity or a member of its network, and one of the basic criteria for the selection of an audit firm to statutory audit of financial statements is the quality and reliability of the services provided;

c. experience gained and potential of the entity in the audit of statements of public interest entities and audit of the statements of entities with similar profile of activity, specifically in the property development or real estate sector;

d. ability to conduct audit throughout the country and to ensure the provision of services within the required scope;

e. ability to monitor ongoing changes in legislation;

f. checking the professional qualifications and experience of persons directly involved in the audit.

In accordance with the policy, as prevailing at the Company, concerning permitted non-audit services rendered by audit firm that provides statutory audit of financial statements, by an affiliate to such audit firm or by a member of the audit firm's network, no audit firm appointed for statutory audit of financial statements, entity affiliated with the audit firm or any member of audit firm's network may provide directly or indirectly to Dom Development S.A. nor to its affiliated entities any prohibited services other than non-audit services nor services which are related to financial review, from the first day of the period covered by the audit to the release of the audit report. In the case of internal audit, risk management, information system procedures, this restriction is effective in the financial year immediately preceding the audited period. The prohibited services are not the services listed in Article 136(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. The services may be provided only insofar as such services are unrelated to the tax policy of Dom Development S.A. after the Audit Committee has assessed threats to independence and the safeguards applied, and after the consent of the Audit Committee is being granted. Where the auditor or audit firm provides services for Dom Development S.A. or the Dom Development S.A. Capital Group companies for a period of at least three consecutive financial years, the total fee for such services will be limited to not more than 70% of the average fee paid in the subsequent three financial years for the audit of financial statements of Dom Development S.A. and consolidated financial statements of Dom Development S.A. Capital Group.

The recommendation of the Audit Committee of 30 November 2017 concerning the selection of the audit firm complies with the conditions set out in Article 130(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, and was drawn up following the procedure organised by the Company and satisfying the applicable criteria.

Remuneration Committee

In the period from 1 January 2019 until 31 December 2019 the Remuneration Committee was composed of the following members:

- Marek Moczulski, Chairman of the Remuneration Committee
- Mark Spiteri, Member of the Remuneration Committee
- Krzysztof Grzyliński, Member of the Remuneration Committee.

The Remuneration Committee is a permanent committee at the Supervisory Board. It is composed of at least three members appointed by the Supervisory Board from amongst its members, with at least two members of the Remuneration Committee being Independent Members of the Supervisory Board within the meaning of paragraph 7.7 of the Articles of Association. The Supervisory Board appoints one member of the Remuneration Committee to the position of the Chairman of the Remuneration Committee. This member serves concurrently as an Independent Member of the Supervisory Board within the meaning of paragraph 7.7 of the Articles of Association. The Supervisory Board may dismiss any Member of the Remuneration Committee at any time.

The duties and competences of the Remuneration Committee have been set forth in unclassified and publicly available Remuneration Committee Bylaws approved by the Supervisory Board

The duties of the Remuneration Committee include, in particular (i) a periodic assessment of the remuneration principles for the members of the Management Board and providing the Supervisory Board with relevant recommendations in this respect, (ii) preparation of suggestions as regards remuneration and additional benefits for individual members of the Management Board, including in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) to be reviewed by the Supervisory Board, (iii) submission of projects concerning the Company's remuneration policy.

The President of the Management Board may attend the meetings of the Remuneration Committee, if invited. In 2019, the Remuneration Committee held 5 meetings.

4.6. Remuneration policy report

4.6.1 Remuneration system at the Company

The purpose of the remuneration policy for members of the management and supervisory bodies, and for key managers at Dom Development S.A. (hereinafter referred to as: the Remuneration Policy) is to support the Company's strategy and its short and long term objectives.

Coherent and organised principles have been created to allow the Company to operate against the Remuneration Policy in place at the Company in such a way so that the remunerations are based on the realities in the market and the financial condition of the Company. The remuneration policy implemented at the Company allows us to stimulate business development and attract, motivate and retain top-class specialists in their respective areas of expertise.

The Remuneration Policy for the members of the Management Board of the Company and key managers at Dom Development S.A. is linked to the long-term interests and economic results of the Company through a system of long-term incentives.

The Remuneration Policy for the members of the corporate bodies of the Company and key managers at Dom Development S.A. is determined in accordance with generally applicable laws and internal regulations in force in the Company, including, but not limited to, the Code of Commercial Companies, the Articles of Association, the Supervisory Board By-laws, the Management Board By-laws and the Remuneration Committee Rules and Regulations.

In the financial year 2019 there were no significant changes in the Remuneration Policy of the Company.

4.6.2 Non-financial components of remuneration for the Members of the Management Board and key managers

The remuneration of the Members of the Management Board, the Members of the Supervisory Board and key managers also consists of fringe benefits such as private health care or a company car that can also be used for private purposes.

4.6.3 Assessment of the Remuneration Policy operation

The Management Board of the Company is of the opinion that the Remuneration Policy in place that is linked with economic performance, while meeting business objectives, is the strong foundation for maintaining the viability of the company and the long-term increase in value for shareholders.

4.6.4 Terms and amounts of remuneration, bonuses and benefits received by individual members of the Management Board

In accordance with the Articles of Association of the Company, the terms of contracts and the remuneration for the President of the Management Board and the other members of the Management Board is the responsibility of the Supervisory Board, upon the recommendation of the Remuneration Committee in this regard.

The Remuneration Committee reviews the remuneration principles for the members of the Management Board periodically and provides the Supervisory Board with relevant recommendations in this respect, suggests amounts of remuneration and additional benefits for individual members of the Management Board, in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) for individual members of the Management Board, to be reviewed by the Supervisory Board.

The remuneration for the Members of the Management Board of the Company and key managers stems from the Remuneration Policy adopted and consists of a fixed part (base salary), a variable part based on results (bonus system) and fringe benefits. In 2019, the principles of the remuneration system were similar to these applied in previous years, i.e. the remunerations were based on the incentive system linked with financial performance, business and financial objectives of the Company. The granting of the annual discretionary bonus was contingent on the degree of implementation of individual annual targets associated with the business objectives of the Company.

In 2019, the amount of remuneration (including bonuses) paid, accrued or potentially accrued to individual members of the management bodies for serving on these bodies at the Company and at the subsidiaries, was as follows:

Remuneration and bonuses (in thousand PLN)	In Dom Development S.A.		
	Fixed remuneration items	Variable remuneration items	Non-pay benefits
The Management Board			
Jarosław Szanajca	1 319	1 450	31
Małgorzata Kolarska	1 200	2 291	29
Janusz Zalewski	1 080	1 065	15
Mikołaj Konopka	80	-	-

Terry Roydon	72	701	-

Remuneration and bonuses (in thousand PLN)	**In subsidiaries of Dom Development S.A.**			
	Entity name	**Fixed remuneration items**	**Variable remuneration items**	**Non-pay benefits**
Zarząd Dom Development S.A.				
Jarosław Szanajca	Euro Styl S.A.	40	-	-
Jarosław Szanajca	Dom Development Wrocław Sp. z o.o.	40	-	-
Małgorzata Kolarska	-	-	-	-
Janusz Zalewski	-	-	-	-
Mikołaj Konopka	Euro Styl S.A.	560	1 736	23
Mikołaj Konopka	Euro Styl Construction Sp. z o.o.	4	-	-
Terry Roydon	-	-	-	-

In 2019, there was no distributions from profit to members of the management bodies of the Company, except for the dividend.

In addition to the amounts presented above, in 2019, the Company recognized the costs of executive option schemes, which were as follows:

- PLN 2 722 thousand under Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board, comprising: 12/25ths of the costs arising from options exercisable in 2020, 12/37ths of the costs arising from options exercisable in 2021 and 12/49ths of the costs arising from options exercisable in 2022;
- PLN 2 369 thousand under Management Option Programme V for Mikołaj Konopka, Member of the Management Board, comprising: the total costs arising from options exercisable in 2020, 12/13ths of the costs arising from options exercisable in 2021, 12/25ths of the costs arising from options exercisable in 2022, 12/37ths of the costs arising from options exercisable in 2023 and 12/49ths of the costs arising from options exercisable in 2024.

4.6.5 The amount of remuneration, bonuses and benefits received by individual members of the Supervisory Board

In 2019, the amount of remuneration paid, accrued or potentially accrued to individual members of the supervisory bodies was as follows:

Remuneration and bonuses	**In the Company in thousand PLN**	**In other companies operating within the Group in thousand PLN**
The Supervisory Board		
Grzegorz Kiełpsz	624	-
Mark Spiteri	110	-
Markham Dumas	116	-
Michael Cronk	110	-
Dorota Podedworna-Tarnowska	110	-
Marek Moczulski	110	-
Krzysztof Grzyliński	121	-

In 2019, there was no distributions from profit to members of the supervisory bodies of the Company, except for the dividend.

4.6.6 Agreements with the members of the Management Board in the event of their resignation or dismissal

The agreements concluded between the Company and the members of the management which provide for the compensation in the event of their resignation or dismissal from office

Members of the Management Board of the Company: Jarosław Szanajca, Janusz Zalewski and Małgorzata Kolarska were employed by the Company under contracts of employment until April 2019. As of May 2019, all members of the Company's Management Board have been remunerated on the basis of the resolutions of the Supervisory Board.

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members: Jarosław Szanajca, Małgorzata Kolarska and Mikołaj Konopka, in the case of dismissal for reasons other than the violation of their fundamental obligations or no re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations is entitled to the payment equal to the full one month salary as calculated for the period from the day following the expiry of the term of office to 1 October 2021.

4.6.7 Liabilities arising from retirement pensions for former Members of the Management Board and Supervisory Board of the Company

The Company has no liabilities arising from retirement pensions or similar benefits for its former management or supervisory executives.

4.7. Application of the Diversity Policy in relation to the Management Board and the Supervisory Board

In the opinion of the Management Board of the Company, the composition of the Management Board and the Supervisory Board of Dom Development S.A provided the diversity of age, education and professional experience necessary to achieve a multidimensional perspective supporting the activities of and supervision over the Company.

In 2019, the Company's Management Board was composed of 5 members: 4 men and 1 woman. All members of the Management Board have been with the Group for many years, and their appointment was determined by their expertise and qualifications. The Management Board of Dom Development S.A. includes people who have degrees in law, economics and property management. All members of the Company's Management Board have many years of experience in the real estate development industry, both in the Polish and foreign markets. Their track record and broad perspective allow the Management Board to make strategic decisions effectively.

In order to safeguard the development of the Company and of the Group, the Management Board has emphasised the development of key managers and its diversity. The directors and vice-directors of the individual divisions and departments include women and men of different educational backgrounds, professional experience and age.

The Supervisory Board of the Company includes persons with experience in various industries, also in the property development sector. The Members of the Supervisory Board include persons that have been with Dom Development S.A. for many years, namely Mr Grzegorz Kiełpsz, the Chairman of the Supervisory Board and a co-founder of the Company as well as the representatives of Groupe Belleforêt S.à r.l. as the majority shareholder. There are also three independent members on the Supervisory Board, with a high degree of proven competence in business and financial reporting, who warrant the highest standard of supervision over the Company. Such diversification provides a wide perspective on the operation of the Management Board of the Company and the undertaken development paths. As at 31 December 2019, the Company's Supervisory Board was composed of 6 men and 1 woman.

4.8. Shares held by the members of the Management Board and the Supervisory Board

Total number and nominal value of all shares in the Company as well as the shares and stocks in the companies operating within the Group held by the members of the management and supervisory bodies of the Company

The ownership structure of shares and share options in the Company held by the Members of the Management Board and the Supervisory Board as at 31 December 2019 was as follows:

	Balance as at 31 December 2019				Change in the period from 31 December 2018	
	Shares	**Nominal value of the shares in thousand PLN**	**Share options**	**Total number of options and shares**	**Shares**	**Share options**
The Management Board						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska*	181 500	182	300 000	481 500	50 000	(100 000)
Janusz Zalewski	350 000	350	-	350 000	-	-
Mikołaj Konopka*	1 292	1	250 000	251 292	-	250 000
Terry Roydon	58 500	59	-	58 500	-	-
The Supervisory Board						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Mark Spiteri	900	1	-	900	-	-

*) On 3 February 2020 Malgorzata Kolarska and Mikolaj Konopka subscribed respectively, for 100 000 and 50 000 shares in Dom Development S.A. in the exercise of the Company's share options. Detailed information about the said transaction has been presented in note 7.51 of the Financial Statements of Dom Development S.A.: Material post-balance sheet event.

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.

4.9. Management Option Programmes

4.9.1 Existing employee share schemes

Information on the agreements that are known to the Company and that were concluded in the last financial year which may result in future changes in the proportions of shares held by the current shareholders

There are two management option programmes in place at the Company.

On 1 December 2017 the Company's Supervisory Board adopted resolution no. 01/12/17 concerning the adoption of the provisions of the Senior Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board – Executive Director, concerning 500 000 shares of Dom Development S.A. ("Programme IV). In accordance with Programme IV, Ms Małgorzata Kolarska was awarded options entitling her to acquire a total of 500 000 shares of Dom Development S.A. for the price of PLN 35.00 (in words: thirty five zlotys only) per share. The exercise of these options is limited to 100 000 shares in any 12-month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

On 29 November 2019, the Supervisory Board of the Company adopted resolution no. 02/11/19 concerning the approval of the provisions of the Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A., concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of Programme V, Mr Mikołaj Konopka received a one-off options authorising her to subscribe for 500 000 shares in

Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options will be limited to 50 000 shares in any 12-month consecutive period, starting from 1 January 2020, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

Share options granted and exercisable as at respective balance sheet dates, and changes in 2019 and 2018 has been presented in the table below.

SHARE OPTIONS		01.01-31.12.2019	01.01-31.12.2018
Unexercised options at the beginning of the period	**Number of options**	**400 000**	**500 000**
	Total exercise price	**14 000**	**17 500**
Options granted in the period	Number of options	250 000	-
	Total option exercise value	12 500	-
Options expired in the period	Number of options	-	-
	Total option exercise value	-	-
Options exercised in the period	Number of options	100 000	100 000
	Total option exercise value	3 500	3 500
	Weighted average exercise price per share (PLN per share)	35,00	35,00
Unexercised options at the end of the period	**Number of options**	**550 000**	**400 000**
	Total exercise price	**23 000**	**14 000**
Exercisable options at the beginning of the period	Number of options	100 000	100 000
	Total exercise price	3 500	3 500
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

The Management Option Programmes have been described in detail the financial statements of the Company for 2019 in note 7.44.

4.9.2 Employee share scheme control system

The management option programmes in place at the Company were adopted by the Company's General Meeting of Shareholders which also authorised the Supervisory Board of the Company to adopt specific rules for the implementation of the schemes.

On 30 May 2019, the Company's Management Board was authorised by the General Shareholders' Meeting of the Company to increase its share capital within the authorised capital and to issue warrants allowing to subscribe for shares by the participant in Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board and the CEO, for 500 000 Shares in Dom Development S.A. and Management Option Programme V for Mikołaj Konopka for 250 000 Shares in Dom Development S.A., Member of the Management Board. The Management Board is then entitled to adopt a resolution concerning the increase of the share capital upon the consent of the Supervisory Board.

4.10. Changes in the basic management principles of the Company and its Capital Group

In 2019, there were no major changes in the basic principles of management of the Company and its Capital Group.

4.11. Policy for sponsoring, charity and other activities of a similar nature

The Company has been actively engaged in sponsorship, which combines support for cultural, art, sports and education institutions with the promotion of the Dom Development S.A. brand. The partners to be involved with as a sponsor or on a similar basis have been selected with high ethical standards in place and with particular regard for projects having a positive effect in the areas where the property development projects of the Company are located.

The policy implemented by the Company in 2019 in the scope of sponsorship and charity activities have included the involvement in projects supporting those in need, culture, promoting sport and healthy lifestyle, and the development of local communities, in particular near the residential projects run by the Company.

In 2019, the Company continued its efforts aimed at the improvement of the quality of public space. This has been done through the Dom Development City Art Foundation funded by the Company. The Foundation has been implementing it mission by integrating residential architecture with art, and also by actively promoting art as an important factor with a favourable effect on the quality of life of city inhabitants. The objective of the Dom Development City Art Foundation is to stimulate debate concerning the quality of public space. In addition to cooperation with artists and the implementation of selected projects at new Dom Development S.A. residential estates, the Foundation intends to organise competitions for designers and also to undertake research and educational activities. One of the Foundation's priorities is also to support the events promoting art in city space. For detailed information on the activities of the Dom Development City Art Foundation visit www.fddca.pl.

Last year, the Company continued to support the Podkarpacka Foundation for the Development of Culture (*Podkarpacka Fundacja Rozwoju Kultury*) by sponsoring the Charity Concert "Help the Children – Jazz Stars charity for the Paediatric Transplant Centre at the Children's Memorial Health Institute."

As part of its support for local communities, in 2019 the Company became involved in numerous projects in the areas where its investment projects are carried out, for example, for the benefit of the residents of Targówek, where it is pursuing a multi-stage Osiedle Wilno development, and also in the vicinity of the Żoliborz Artystyczny housing estate and in the district of Ursynów. The Company has engaged among others in the organization of: the Second Jerzy Ficowski Żoliborz Declamation Contest, the Jędruś Szwajkert Football Tournament, the Żoliborz Historical Picnic, the Easter Targówek Children and Youth Meeting and the 2019 Ursynów Days.

4.12. Internal control and risk management systems

Description of the basic features of the internal control and risk management systems in place in the Company for the preparing of standalone and consolidated financial statements

The Company's Management Board is responsible for the internal control system in the Company and its effectiveness in the preparing of financial statements and periodic reports prepared and published in accordance with the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers.

The effectiveness of the Company's internal control and risk management systems in financial reporting was ensured through the following means:

- **The structure and scope of financial reporting applied by the Company**

The medium- term plan (covering a period of at least 3 years) is updated on a yearly basis in the Company. In addition to this, a detailed operating and financial budget which implements the assumptions of the medium-term plan are prepared every year. The process is managed by the Management Board and the middle and executive management of the Company is also involved. The budget, which is prepared annually for the following year, is approved by the Company's Management Board.

During any specific year, the Company's Management Board reviews the current financial results versus the adopted budget. The management reporting methodology applied in the Company is used for this purpose. This reporting is based on the accounting policy adopted by the Company (in line with the International Financial Reporting Standards) and takes into account the form and level of detail of financial data presented in the financial statements of the Company and the Group.

Consistent accounting policies are applied by the company for presenting its financial details in the financial statements, periodic financial reports and management reports.

- **Clear division of duties and competences in the process of preparing financial information**

The financial division headed by the Vice President of the Management Board as the Company's CFO is responsible for the preparing of financial statements, periodic financial reports and current management reports of the Company.

The Company's finance statements are prepared by a team of highly qualified employees from the finance and accounting division, with the assistance of the planning and analysis unit. The entire process is supervised by middle management from the financial division. The financial statements, when ready, are verified and reviewed in detail by the financial controller (responsible for the accounting department and planning and analysis unit) and then by the Vice President of the Management Board as the Company's CFO, prior to being submitted to the independent statutory auditor.

- **Regular assessment of the Company's operations based on its management reporting**

The figures used in the financial statements and periodic reports and in the monthly management reporting (financial and operating reports) come from the Company's financial and accounting system. Detailed financial and operating management reports are prepared, having all predefined book-closing procedures completed at the end of each month. These reports, in addition to historical financial data, are supplemented with quantitative operating data and forecasts by the planning and analyses unit. These reports are scrutinized by middle and executive management of individual organizational units of the Company and by the Management Board. As regards closed reporting periods, the Company's financial results are scrutinized versus the budgets and forecasts made in the month preceding the reporting period subject to scrutiny. In view of the specific nature of the industry, we analyse not only the aggregated groups of costs and revenues, but specifically the financial and operating data for the respective property development projects are analysed separately.

Any identified deviations and errors are clarified and corrected in the Company's books on an ongoing basis, in accordance with the adopted accounting policy.

- **Verification of the Company's financial statements by an independent statutory auditor**

Pursuant to the applicable legal regulations, the Company's financial statements are reviewed or audited, respectively, by an independent statutory auditor. This is always a prime and highly qualified statutory auditor.

A so-called Audit Life Cycle has been developed in the Company. This is a cyclical schedule of communication between the Management Board, the statutory auditor and the Audit Committee of the Supervisory Board. The purpose of this schedule is to ensure appropriate interaction and communication between the Audit Committee and the statutory auditor as well as appropriate presentation of the results of the above mentioned review and audit.

- **Formalised process for significant assessments that considerably affect the Company's financial statements**

The fundamental activity adopted by the Company so as to reduce the exposure to market risks is proper assessment of potential and control of current development projects based on investment models and decision-making procedures developed in the Company. The adherence to such procedures is closely monitored by the Management Board of the Company.

As implied by the accounting policy adopted by the Company in this respect, detailed budgets for individual development projects that are prepared in accordance with the best practice and experience of the Company constitute the grounds for the calculation of revenue from the sale of products and costs of products sold. The budgets for all development projects are updated at least once every three months, during the execution of the projects. The update is based on the formalised principles in place in the Company and is scrutinized by the Management Board, in particular by the Vice President of the Management Board as the Company's CFO.

- **Risk management process and internal audit**

There has been a formalised risk management procedure in operation within the Company since 2000. Under this procedure the risk is managed through the identification and assessment of the risk areas for all aspects of the activities, in which the Company and the Group are involved, together with defining activities required to reduce or eliminate such risks (including through the procedures and internal audit system) The risk management procedure is subject to periodic revision and is updated by the Management Board jointly with the key management staff and third party advisers.

The internal audit unit that is in place in the Company also participates in the process of risk identification and assessment of the control measures. The schedule of internal audits is created based on the risk assessment made in cooperation with the Management Board under the supervision of the Audit Committee. In addition to scheduled audits, there are verification audits to check implementation of recommendations formulated in the previous audits and non-scheduled audits. The findings of internal audits are reported to the Audit Committee and to experts appointed by this Committee.

4.13. Auditor

Information on the agreement for the audit and review of the financial statements and the consolidated financial statements concluded with the authorized auditor

On 1 December 2017, in accordance with the powers granted under article 7.12.3 of the Company's Statutes and the applicable regulations and professional standards, the Supervisory Board of the Company on the basis of the recommendation made by the Company's Audit Committee, contained in its Resolution 01/11/17 of 30 November 2017, selected PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) with its registered office in Warsaw, to audit the annual financial statements of Dom Development S.A. for the year ended 31 December 2018 and 31 December 2019 and the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended 31 December 2018 and 31 December 2019 and to review the condensed financial statements of Dom Development S.A. for the period of six months ended 30 June 2018 and 30 June 2019, and the condensed consolidated financial statements of the Dom Development S.A. Capital Group, prepared for the period of six months ended 30 June 2018 and 30 June 2019.

PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw at al. Polna 11 is registered as an entity licensed to audit financial statements under reg. no. 144.

The agreement with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw was concluded on 16 April 2018 for the period necessary to carry out the review and audit of the said financial statements.

The Company had previously used the services of PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2002 and 2011 and of certain companies affiliated with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2013 and 2014 and legal services in 2012-2015.

The financial statements for 2018 and 2019 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.

Information on remuneration due to the audit firm for 2019 and 2018 is presented in Note 7.53 to the Company's Financial Statements for the year 2019.

In accordance with the statement of the Supervisory Board of the Company, the Company's Management Board reports that: the selection of the audit firm to conduct the audit of annual financial statements for the year 2019 has been carried out in line with laws, including the provisions on selection of and the selection procedure for an audit firm; the audit firm and the members of the team performing the assignment fulfilled the prerequisites for preparing an impartial and independent audit report concerning the annual accounts in accordance with applicable laws, professional best practice and the rules of professional conduct; the existing provisions related to the rotation of the audit firm and the key statutory auditor and the compulsory withdrawal periods are respected, and the Company has a policy in place regarding the choice of the audit firm and the policy in respect of the provision of additional non-audit services, including services conditionally exempted from the prohibition of the provision thereof by the audit firm, to the Company by the audit firm, an affiliate of the audit firm or a member of its professional network.