

DOM DEVELOPMENT S.A. CAPITAL GROUP

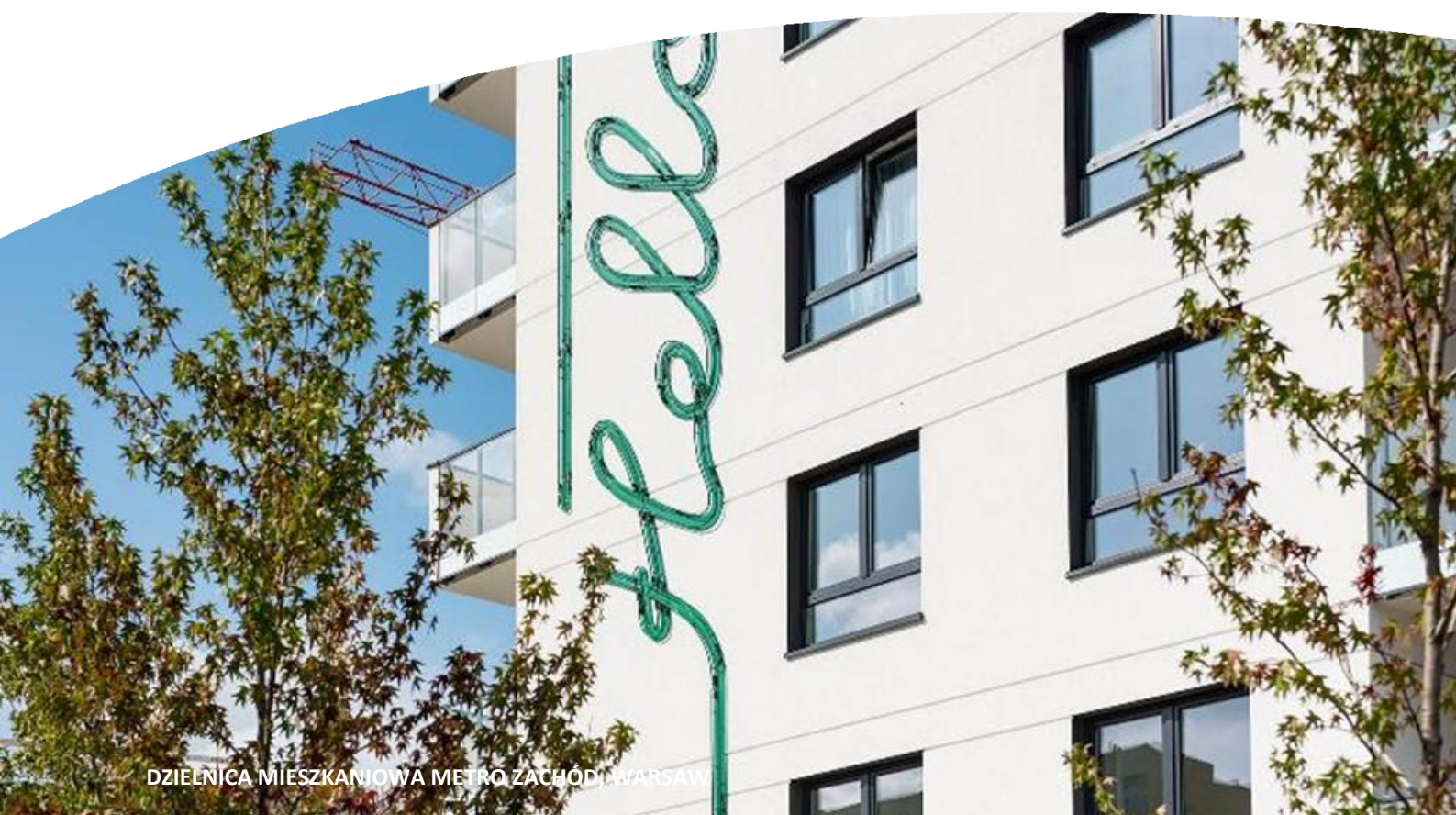
MANAGEMENT BOARD'S REPORT OF ACTIVITIES IN THE FIRST HALF OF 2022



CONTENTS

1	GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A. CAPITAL GROUP	3
1.1	GROWTH STRATEGY OF THE COMPANY AND THE CAPITAL GROUP	5
1.2	DOM DEVELOPMENT S.A. SHAREHOLDER STRUCTURE	6
1.3	MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.	6
1.4	SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.	7
1.5	SHAREHOLDING OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD	7
2	SUMMARY OF ACTIVITIES IN THE FIRST HALF OF 2022	8
2.1	MAJOR EVENTS IN H1 2022	9
2.2	OPERATIONAL RESULTS OF THE GROUP IN H1 2022	10
2.3	RISK FACTORS AND THREATS TO THE BUSINESS ACTIVITY OF THE COMPANY IN THE SECOND HALF OF 2022	13
3	OVERVIEW OF FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP	17
3.1	BASIS FOR THE PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	18
3.2	OVERVIEW OF THE INCOME STATEMENT OF DOM DEVELOPMENT S.A. CAPITAL GROUP	19
3.3	CONSOLIDATED BALANCE SHEET	20
3.4	CASH FLOWS	21
3.5	RATIO ANALYSIS	21
3.5.1	PROFITABILITY RATIOS	21
3.5.2	LIQUIDITY RATIOS	22
3.5.3	LEVERAGE RATIOS	22
3.6	FORECASTS	23
3.7	LOANS, SURETYSHIPS AND GUARANTEES GRANTED	23
3.8	TRANSACTIONS WITH RELATED ENTITIES	23
3.9	MATERIAL LEGAL PROCEEDINGS	23
4	APPROVAL OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN THE FIRST HALF OF 2022	24

1 GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A. CAPITAL GROUP





Dom Development S.A. has operated since 1996 and is the leader of the residential market in Poland. The Group offers apartments in multi-family buildings located in the main agglomerations of the country: in Warsaw, Tricity, Wrocław and Cracow.

Since 2006 the Company has been listed on the Warsaw Stock Exchange (ticker: DOM) and is a part of the mWIG40 index. Since its stock exchange début, the Company has combined low debt with dividend payments.

The joint stock company Dom Development S.A. (the "Company", the "parent 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 S.A. is a developer in the segment of upper-standard flats in Warsaw.

Dom Development S.A. Capital Group is the largest residential developer in Poland and it operates in three markets: Warsaw, Tricity, Wrocław, and in Cracow.

The Group's activities are concentrated in the main agglomerations of Poland, where it offers flats in all market segments – from popular, through to upper-standard to luxury apartments. The premium segment

dominating the Group's portfolio allows both the Company and the Group to achieve above-average margins while maintaining a large scale of business.

For 25 years the Company's founders have managed and supervised it: Jarosław Szanajca holding 5.69% shares in Dom Development S.A. since its inception has been the President of the Management Board, while Grzegorz Kiełpsz, the former CEO is now the Chairman of the Company's Supervisory Board holding 5.01% shares.

As at the date of the approval of this report, the Company was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.41% of the shares in the Company. The representatives of the main shareholder have been members of the Company's Management Board and the Supervisory Board since the beginning, supporting the Company by sharing their extensive international experience in the real estate development market.

STRUCTURE OF DOM DEVELOPMENT S.A. CAPITAL GROUP AS AT 30 JUNE 2022

COMPANY	% OF THE SHARE CAPITAL HELD BY THE PARENT COMPANY	% OF THE VOTES HELD BY THE PARENT COMPANY
Subsidiaries		
Dom Construction Sp. z o.o.	100%	100%
Dom Development Kredyty Sp. z o.o.	100%	100%
Dom Development Wrocław Sp. z o.o.	100%	100%
Euro Styl S.A.*	100%	100%
Euro Styl Development Sp. z o.o.*	100%	100%
Dom Development Kraków Sp. z o.o.	100%	100%
Sento S.A.**	100%	100%
Buma Management Sp. z o.o.	100%	100%
Buma Development Sp. z o.o.	100%	100%
Buma Development 12 Sp. z o.o.	100%	100%
Buma Development 21 Sp. z o.o.	100%	100%
Buma Development 22 Sp. z o.o.	100%	100%
Mirabelle Investments Sp. z o.o.	100%	100%
Dom Development Grunty Sp. z o.o.	46%	100%
Dom Land Sp. z o.o.	-	-

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

** The Company directly held 93.7% of the shares in Sento S.A. As a result of the transactions described below, as at 30 June 2022, the Company held, directly and indirectly, 100% of the shares in Sento S.A.

All the Dom Development S.A. Capital Group companies are registered in Poland and are fully consolidated by the Company.

The description of the organisation of Dom Development S.A. Capital Group with an indication of the consolidated entities, and the changes in the organisation of the Group are presented in note 7.1 of the Consolidated Financial Statements of Dom Development S.A. Capital Group for the six-month period ended 30 June 2022.

1.1 GROWTH STRATEGY OF THE COMPANY AND THE CAPITAL GROUP

The strategic goal of the Dom Development S.A. Management Board is to maximise the value of the Company and its Group in the long term by maintaining the leading position in the residential market and operating in the main agglomerations of the country. The implementation of this strategy is based on the following pillars:

SUSTAINABLE GROWTH

As the leader of the housing market in Poland, the Dom Development S.A. Capital Group has a significant influence on spatial governance and quality of life in the agglomerations, where it operates. The Company's Management Board supports sustainable urbanisation by implementing internal standards of investment planning that go well beyond the regulatory requirements. Starting from apartments, through common areas of residential projects, to architectural solutions, including green areas – each of these aspects of development projects is carefully planned to create a friendly place to live in and forming high-standard urban fabric.

On June 28, 2022, the Company's Management Board adopted the DOM 2030 Strategy, which sets the ESG (environmental, social and corporate governance) objectives for the Company and the Group for the coming years. The DOM 2030 Strategy is discussed in more detail in note 2.1 of this Report.

GEOGRAPHICAL DIVERSIFICATION

The Dom Development S.A. Capital Group is a high-quality organisation with significant development potential. The Company's Management Board recognises the numerous opportunities associated with the further growth of the Group in the main agglomerations of the country. In the coming years, increasing diversification of the Group's activities is expected.

Dom Development S.A. is an undisputed market leader in Warsaw with a market share exceeding 10% for many years. The Company's Management Board expects that the scale of its operations will gradually increase in the coming years owing to the strong brand, an attractive land bank and experience that allows the efficient development of further investment projects in this demanding market.

In the past year, Euro Styl S.A. has significantly expanded its potential and has grown into a leader in the Tricity market. The Group's activities in this region are expected to grow in the coming years.

For over 10 years, the Group has been steadily increasing the scale of its operations in Wrocław, which placed Dom

Development Wrocław Sp. z o.o. among the property developers with the largest market share.

In H1 2022, the Group continued its expansion to the Cracow market, which it had started in the middle of the previous year. The acquisition of BUMA Group companies on 28 February 2022 significantly increased the Group's potential on that market, while the consolidation of activities within Dom Development Kraków Sp. z o.o. will enable to build on the strength of the Dom Development brand and harmonise the processes and standards of projects developed from the land banks of the acquired companies from the BUMA and Sento S.A. Groups.

The Company's Management Board highly values the potential of the Cracow market and the Group's competitive advantage. The major objective in that market now is to transform the acquired companies into an effective organisation, which will be able to significantly increase its scale of operations and to optimise the structure of the Cracow land bank with the land owned by the acquired companies.

STRONG BALANCE SHEET

The Company's Management Board puts particular emphasis on the strong balance sheet of the Company and the Group, and safe liquidity position. Significant financial resources paired with low debt allow the Management Board to respond with confidence to changing conditions in the real estate development and construction sectors, which are highly cyclical in nature. At the same time thanks to significant cash resources and secured credit lines, the Group companies have an advantage in land market transactions, often requiring multi-million payments in a short period of time.

In view of the ongoing tightening of monetary policy and the increase in the cost of debt finance, the strong balance sheet and high liquidity are, in the opinion of the Management Board, a fundamental competitive advantage that will enable the Company and its Group to strengthen its market position.

ROE MAXIMISATION

The Company's Management Board focuses on the long-term maximisation of the return on equity for shareholders by focusing on the profitability of the implemented projects, maintaining the adequate scale of the Group's activities to the size of its organisation with regular payments of dividend from the Company's profit.

1.2 DOM DEVELOPMENT S.A. SHAREHOLDER STRUCTURE

As at the date of this report, the Company was controlled by Groupe Belleforêt S.à r.l. which held 55.41% of the Company's shares. The Dom Development S.A. shareholder structure has been relatively stable. Representatives of Groupe Belleforêt S.à r.l., who were co-founders of Dom Development S.A., serve on both the Management Board and the Supervisory Board of the Company. They are a valuable source of expertise and support for the management of the Company and its subsidiaries.

The long-term involvement of shareholders is a support for the activities of Dom Development S.A. thus enabling its sustainable development, optimised operations and building the goodwill of the Company and the Group. In the opinion of the Company's Management Board, a transparent and stable ownership structure has a positive effect on the Company's operations as the exceptionally long production cycle in the development sector, spread over the years, requires a long-term perspective.

Shares of Dom Development S.A. are held in the portfolios of numerous Open-End Pension Funds, of which shareholding by Aviva OFE Aviva Santander exceeded the threshold of 5% in the total number of votes and the share capital of the Company in 2011. Over the period from the date of the latest notice, the shareholding of Dom Development S.A. by Aviva OFE Aviva Santander has ranged between 5% and 10% of the Company's share capital.

Detailed information on shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders' Meeting ("GSM") as at the date of this report, and on the change in their shareholding in the period from the publication of the interim financial statements for the six-month period ended 30 June 2022, are presented in the table below.

	STATUS AS AT THE THE DATE OF THIS REPORT				CHANGE FROM THE PUBLICATION OF THE Q1 2022 REPORT
	Shares	% shares	Number of votes at the GSM	% votes at the GSM	Shares
Groupe Belleforêt S.à r.l.	14 155 941	55.41	14 155 941	55.41	-
Aviva OFE*	no data	5.00 – 10.00	no data	5.00 – 10.00	no data
Jarosław Szanajca	1 454 050	5.69	1 454 050	5.69	-
Grzegorz Kiełpsz	1 280 750	5.01	1 280 750	5.01	-

*) The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared as at 11 July 2011. It corresponds to 5.17% of the share capital of the Company and of votes in the General Meeting of Shareholders of Dom Development SA

1.3 MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.

In the period from 1 January 2022 until 30 June 2022 the Management Board of Dom Development S.A. was composed of five members as follows:

- Jarosław Szanajca,
President of the Management Board,
- Małgorzata Kolarska, Vice President of the
Management Board, Chief Executive Officer
- Leszek Stankiewicz, Vice President of the
Management Board, Chief Financial Officer
- Terry Roydon,
Member of the Management Board
- Mikołaj Konopka,
Member of the Management Board.

1.4 SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.

In the period from 1 January 2022 until 30 June 2022 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

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

1.5 SHAREHOLDING OF 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 the date of this Report was as follows:

STATUS AS AT THE DATE OF THIS REPORT					CHANGE FROM THE PUBLICATION OF THE Q1 2022 REPORT	
	Shares	Nominal value of the shares (in PLN '000)	Share options	Shares and options, total	Shares	Share options
The Management Board						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska	403 544	404	-	403 544	-	-
Leszek Stankiewicz	-	-	-	-	-	-
Mikołaj Konopka	138 981	139	100 000	238 981	-	-
Terry Roydon	58 500	59	-	58 500	-	-
The Supervisory Board						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Janusz Zalewski	300 000	300	-	300 000	-	-
Marek Moczulski	-	-	-	-	-	-
Mark Spiteri	900	1	-	900	-	-
Markham Dumas	-	-	-	-	-	-
Krzysztof Grzyliński	-	-	-	-	-	-
Dorota Podedworna - Tarnowska	-	-	-	-	-	-

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

2 SUMMARY OF ACTIVITIES IN THE FIRST HALF OF 2022



2.1 MAJOR EVENTS IN H1 2022

EXPANSION IN THE CRACOW MARKET

In the first half of 2022, following the acquisition of 77% of shares in Sento S.A. on 1 July 2021 which marked its presence in the Cracow market, the Company continued to expand its operations in this market.

On 28 February 2022, the Company acquired 100% of the shares in the following BUMA Group companies: Buma Development sp. z o.o., Buma Management sp. z o.o., Buma Development 22 sp. z o.o., Buma Development 21 sp. z o.o., Buma Development 20 sp. z o.o., Buma Development 12 sp. z o.o., Buma Development 8 sp. z o.o., while Dom Construction Sp. z o.o., a 100% subsidiary of the Company, acquired 100% of the shares in Buma Contractor 1 sp. z o.o. The transaction value was PLN 209.5m, of which PLN 151.4m as the total sale price of the shares in the aforementioned companies and PLN 58.1m for taking over loans granted by the seller to the companies acquired in the transaction.

The assets of the acquired companies include investment land in Cracow with the potential to develop 1 370 units, projects under construction with 224 units, and PLN 51.4m in cash, with the PLN 1.9m debt under bank loans.

Furthermore, on 30 March 2022, as a result of the acquisition of remaining 23% of shares in Sento S.A. by Dom Development S.A. Capital Group, the Company has full control over Sento S.A. and its group companies. The total value of the transaction was PLN 9.5m.

As a result of the two acquisitions described above, as at 30 June 2022, the land bank controlled by the Company has the capacity of 1 795 new units and 550 units already under construction. Due to the high concentration of the properties in the land bank in the area of Górka Narodowa (projects are being prepared for approx. 1 260 units), the Management Board of the Company decided to optimise the structure of the Group's land in Cracow and to resell some of the plots in that area.

The Group's operations in Cracow were consolidated in H1 2022. Now, the Company is proceeding with the merger of the development companies acquired from the BUMA Group and the Sento Group with its subsidiary, Dom Development Kraków Sp. z o.o. formed for this purpose on 1 February 2022.

The Cracow market is one of the largest residential markets in Poland both in terms of transaction volume and price level. At the same time it is a highly fragmented market compared to other major agglomerations in Poland. In the opinion of the Management Board of the Company, Cracow is a very forward-looking location with great potential for consolidation in the primary housing market.

DOM 2030 ESG STRATEGY

On 28 June 2022, the Management Board of Dom Development S.A. approved the DOM 2030 sustainable development strategy, which defines the ESG (environmental, social and corporate governance) objectives for the Dom Development S.A. Capital Group up until 2030.

The DOM 2030 Strategy reflects the importance that the Management Board attributed to the sustainable development of the Group. It features measurable objectives planned to be achieved in the coming years. They include the Group's commitment to 30% reduction of CO2 emissions per unit under construction by 2030 compared to 2021 as part of SCOPES 1 and 2, and to meeting the 15-minute city criteria, i.e. the accessibility of

key infrastructure within walking distance in 90% of the Group's projects by 2030. In addition, in order to increase the diversity of the Company's corporate bodies, the proportion of women in the Management Board and the Supervisory Board will increase to at least 30% in the coming years.

The entire DOM 2030 Strategy is available on the Company's website at: <https://inwestor.domd.pl/pl/esg>.

The next step in the communication of activities for the sustainable development of the Company and of the Group will be the publication of a non-financial report compliant consistent with the international GRI standard for 2022.

RECORD-HIGH DIVIDEND

On 30 June 2022, the General Meeting of Shareholders of Dom Development S.A. resolved to pay a record-high dividend of PLN 10.50 per share as recommended by the Management Board of the Company. The date of record was set to be 15 July 2022 and the dividend distribution date was set to be 16 August 2022.

The Company paid a total of PLN 268 258k to its shareholders, i.e. 82% of the Group's consolidated net profit for 2021 and 87% of the Company's net profit for 2021. The dividend rate in relation to the share price of the Company on the in-dividend date was 10.8%.

The remainder of the Company's net profit in the amount of PLN 10 232k was allocated to the Company's supplementary capital.

The dividend paid is in line with the dividend policy of Dom Development S.A. published on 3 April 2013, which assumes increases in the amounts of dividends paid in subsequent years. The Management Board maintains its intention to pay the highest possible dividends to the Company's shareholders while maintaining a strong balance sheet and high liquidity.

In the opinion of the Management Board, the high return on equity (ROE) of the Company and its Group will allow them to remain among the top companies listed on the WSE in terms of dividend rate, while also allocating part of profits to strengthen its balance sheet and further develop its activities.

2.2 OPERATIONAL RESULTS OF THE GROUP IN H1 2022

SALES

In H1 2022, the Capital Group sold 1 559 units, i.e. 26% less than in the record-high H1 2021, and only 4% less than in H1 2020. In the opinion of the Company's Management Board, this is a very good result having considered the estimated 50% decrease in overall sales of apartments in Poland.

This significant decline in the transaction volume resulted predominantly from decreased availability of mortgages due to increased interest rates and tighter credit rating criteria introduced from 1 April 2022 as a consequence of the PFSA recommendation.

Rising interest rates and tightening up of creditworthiness criteria have adversely affected the demand for housing in so called popular segment. The large proportion of upper-standard apartments in the Group's offer translated into a relatively low decrease in sales volume.

The Warsaw market remained dominant in the Group's sales structure. Dom Development S.A. - the leader in the Warsaw housing market sold 833 units in the first six months of 2022, increasing its market share to approx. 13% (estimated based on the JLL market sales data). The Warsaw market has also proved to be the most resilient to the slowdown among all the markets, where the Group operates.

In Tricity, following the record-high results in H1 2021, sales fell to 439 units, i.e. by 35% YoY, while in Wrocław 176 units were sold, which represents a 40% decrease YoY. The Management Board of the Company holds the view

SALES OF UNITS	H1 2022	H1 2021	CHANGE
Warsaw Dom Development S.A.	833	1148	(27)%
Tricity Euro Styl S.A.	439	674	(35)%
Wrocław Dom Development Wrocław Sp. z o.o.	176	294	(40)%
Cracow Dom Development Kraków Sp. z o.o.*	111	-	N/A
Dom Development S.A. Capital Group	1 559	2 116	(26)%
Number of apartments and retail units			

*The Group has been operating in the Cracow market since 1 July 2021. The figures for Cracow also include the sales of the Sento S.A. Group and BUMA Group companies (from 1 March 2022).

that these results are satisfactory considering the market environment. The Group strengthened its competitive position in H1 2022 by increasing its market share. It should also be noted that 2021 was the record year in the history of the Group.

In the recent period, the strong brand and financial security have gained in importance and made the Group stand out in the sector. These are the advantages of particular value to customers, who have decided to buy an apartment to protect their capital against inflation. In H2 2022, cash purchases exceeded 70% of Group's transactions, compared to approx. 40% in the previous year.

GROUP OFFER

As at 30 June 2022, Dom Development S.A. Capital Group had 2 657 units available for sale. This is 50% more than at the end of the first half of 2021. This growth represents a reinstatement of the market equilibrium after a long-lasting supply shortage. This shortage was the result of a combination of strong demand and supply-side difficulties, mainly due to delays in administrative decisions and the poor availability of land necessary for projects to be carried out quickly.

The Management Board assesses the size and structure of the Group's offer at the end of H1 2022 as healthy, given the current market situation. A supply at the level of annual sales is usually considered as optimal in the housing market. By that measure, the offer of the Dom Development S.A. Capital Group, despite the increase by 50%, is still below equilibrium.

UNITS OFFERED	30.06. 2022	30.06. 2021	CHANGE
Warsaw Dom Development S.A.	1 160	564	+106%
Tricity Euro Styl S.A.	855	802	+7%
Wrocław Dom Development Wrocław Sp. z o.o.	376	405	(7)%
Cracow Dom Development Kraków Sp. z o.o.*	266	-	N/A
Dom Development S.A. Capital Group	2 657	1 771	+50%
Number of apartments and retail units			

*The Group has been operating in the Cracow market since 1 July 2021. The figures for Cracow also include the projects offered by the Sento S.A. Group and BUMA Group companies.

UNITS UNDER CONSTRUCTION

The Group finished the first half of 2022 with a record-high number of units under construction. 7 245 units in 57 ongoing projects translate into great potential for future results.

In H1 2022, the Group started 21 projects with 2 304 units. In Warsaw, where administrative difficulties and the situation on the land market were the greatest of all Polish agglomerations, Dom Development S.A. increased its scale of operations by 30%. In the first half of the year, the Company started 12 new projects with 1 304 units in Warsaw, of which 5 projects are in new locations.

The scale of construction projects in Tricity was stable compared to the situation at the end of June 2021. Maintaining that scale is the result of the sound management policy of Euro Styl S.A. and a significant increase in the number of apartments under construction in the previous year.

In Wrocław, the Group reinforced its position and increased the scale of projects under development by 14% YoY, to reach 846 units at the end of June 2022.

550 units under construction in Cracow at the end of H1 2022 account mainly for projects prepared and developed by companies belonging to the Sento S.A. and BUMA groups.

UNITS UNDER CONSTRUCTION	30.06. 2022	30.06. 2021	CHANGE
Warsaw Dom Development S.A.	3 532	2 718	+30%
Tricity Euro Styl S.A.	2 317	2 344	(1)%
Wrocław Dom Development Wrocław Sp. z o.o.	846	742	+14%
Cracow Dom Development Kraków Sp. z o.o.*	550	-	N/A
Dom Development S.A. Capital Group	7 245	5 804	+25%
Number of apartments and retail units			

*The Group has been operating in the Cracow market since 1 July 2021. The figures for Cracow also include the projects by the Sento S.A. Group and BUMA Group companies.

All construction works went as scheduled and with satisfying return despite a significant increase in the price of building materials in H1 2022. The major competitive advantage in the construction operations is mainly owing to the Group's general contractors. The in-house general contractorship companies carried out construction work according to the high quality standards of the Group at a competitive price while maintaining the profitability of their business.

DELIVERIES

In the first half of 2022 Dom Development S.A. Capital Group delivered 2 178 units to buyers which means an increase by 13% year over year. Warsaw has dominated the deliveries structure with 1 294 units handed over. In Tricity, 548 units were delivered which is nearly twice as many as a year before. The volume of deliveries in Wrocław fell by 47% to 236 units, following the record-high first half of 2021, while the Cracow companies operating within the Group delivered 100 units.

The deliveries of completed units is a key factor affecting the results of the Company and of the Group. The year 2022, just like 2021, was not normal in terms of the timing of distribution of deliveries by quarter – usually most construction works finish in Q4 and consequently the majority of the Group's annual result is recognised in that quarter. This year most deliveries took place in Q1 as many flats from projects completed in the last months of 2021 were handed over to buyers already in the new year.

The volume of deliveries is closely linked to the project timelines. In the first half of the year, the Group completed the construction of 15 projects totalling 1 123 units. In

DELIVERY OF UNITS	H1 2022	H1 2021	CHANGE
Warsaw Dom Development S.A.	1 294	1 201	+8%
Tricity Euro Styl S.A.	548	277	+98%
Wrocław Dom Development Wrocław Sp. z o.o.	236	444	(47)%
Cracow Dom Development Kraków Sp. z o.o.*	100	-	N/A
Dom Development S.A. Capital Group	2 178	1 922	+13%

Number of apartments and retail units

*The Group has been operating in the Cracow market since 1 July 2021. The figures for Cracow also include deliveries by the Sento S.A. Group and BUMA Group companies (from 1 March 2022).

addition the Group started the year 2022 with a record delivery potential of 5 030 units sold and not yet handed over, 1 192 of which were in completed projects. As at 30 June 2022, the Group recorded 4 510 units sold and not delivered with a value of PLN 2 861m.

LAND BANK

The Group's land bank means land for projects in preparation. Units planned to be built on plots already purchased and controlled plus units under construction translate to the potential result of the Company and of the Group in the coming years.

Land markets vary significantly across agglomerations. The most difficult situation with regard to the availability of plots for property development projects is in Warsaw, as a result of historic developments and title issues affecting some properties coupled with the high competition and difficulties in obtaining administrative permits. Accordingly, a significant share of the land bank of Dom Development S.A. in Warsaw comprised 'controlled land', the acquisition of which has been secured by the Company, but the title transfer and payment of the entire purchase price are deferred pending the obtaining of the required administrative permits and decisions. Owing to that purchasing strategy, the Company has been able to start its new property development projects shortly following the completion of the purchase of the land. In H1 2022, this was the case for Osiedle Jagiellońska and Apartamenty Solipska which development started three months of the land purchase.

The Tricity area and Wrocław are relatively easier markets in terms of securing land for future projects. Euro Styl S.A.'s land bank decreased by 12% compared to the end of June 2021 but it was the result of an exceptionally high land portfolio built through major land acquisitions in previous years. At present, the Group has a high-quality land bank in

UNITS IN THE LAND BANK – PLOTS PURCHASED AND CONTROLLED	30.06. 2022	30.06. 2021	CHANGE
Warsaw Dom Development S.A.	9 171	9 688	(5)%
Tricity Euro Styl S.A.	4 849	5 522	(12)%
Wrocław Dom Development Wrocław Sp. z o.o.	2 056	1 837	+12%
Cracow Dom Development Kraków Sp. z o.o.*	1 795	-	N/A
Dom Development S.A. Capital Group	17 871	17 047	+5%

Number of apartments and retail units

*The Group has been operating in the Cracow market since 1 July 2021. The figures for Cracow also include the projects by the Sento S.A. Group and BUMA Group companies.

the Tricity area, which in the opinion of the Management Board will allow Euro Styl S.A. to maintain its position as the local market leader in the coming years.

Dom Development Wrocław Sp. z o.o. expanded its land bank by 12% compared to the resources at the end of H1 2021. In the opinion of the Management Board of the Company the size of the land bank in Wrocław will allow the Group to further develop its activities organically and to remain one of largest-selling property developers on that market.

In the course of the year, the Group built a relatively large land bank in Cracow. The Group acquired properties with a potential for 727 units by acquiring Sento S.A. on 1 July 2021, and the Krakow land bank grew by another 1 370

units following the purchase of the BUMA Group on 28 February 2022. The land owned by these two companies was mainly located in the area of Górka Narodowa. As at 30 June 2022, this location accounted for approx. 70% of the Group's land bank in Cracow. With a view to optimising the structure of the land bank, the Company's Management

decided to resell some of the properties located in the area of Górka Narodowa.

The Management Board of the Company has a positive opinion on the scale and quality of land in the Group's land bank, which size and structure are key factors for the Group to maintain its leading position in the Polish housing market.

2.3 RISK FACTORS AND THREATS TO THE BUSINESS ACTIVITY OF THE COMPANY IN THE SECOND HALF OF 2022

DESCRIPTION OF THE MAJOR THREATS AND RISKS RELATED TO THE REMAINING MONTHS IN THE FINANCIAL YEAR.

INTEREST RATES

It is traditionally assumed that the residential market is inversely correlated to interest rates: low interest rates attract capital to the real estate market and increase the availability of credit, while high interest rates cool it down.

In October 2021, the era of interest rate reductions, which began in 2012 and brought the reference rate to its all-time minimum of 0.10%, ended. During H1 2022, the reference rate increased from 1.75% at the beginning of the year to 6.00% at the end of June, and the market consensus assumed the continuation of tighter monetary policy also in H2 2022. The three increases made by the Monetary Policy Council caused the reference rate to reach 1.75% at the end of 2021, while WIBOR 3M was 2.54%, indicating the continuation of stricter trend in monetary policy.

The Company's Management Board believes that the interest rate increases were a reasonable step to stabilise the situation in a very hot residential market. Rising interest rates have reduced the activity of mortgage-backed customers, especially those at the credit worthiness limit, who are mainly buying flats in popular segment.

There is demand, however, for upper-standard units, which dominate in the Group's offer. The customers' interest in this segment results from their desire to protect the accumulated capital from inflation and from lower sensitivity to the increase in the cost of mortgage.

In the opinion of the Company's Management Board, tightening of monetary policy through interest rate increase will continue in H2 2022 as reflected by WIBOR 3M, being the base rate for most mortgages, which reached 7.05% at the end of June 2022.

As a result of the tighter monetary policy in H1 2022, demand for housing decreased, which, given the supply shortage in the Group's markets, should result in a market equilibrium and stabilisation of prices, as adjusted for inflation. It could be expected that Dom Development S.A. and its Group companies will be relatively resistant to the cooling of this sector of the economy in the next months of this year, as in the first half of the year, thanks to their established position in the segment of upper-standard flats as in the first half of the year.

INFLATION

In the last half of the year, inflation has significantly exceeded expectations in many countries, reaching a pace unseen since the 1970s. In Poland, the increase in prices of goods and services per annum reached 15.5% June, which is the highest figure in 25 years, despite the wide-ranging anti-inflation efforts by the government. Real estate is considered one of the more effective forms of capital protection against inflation, so in the opinion of the Company's Management Board, the expected further inflation is a factor supporting demand for housing, although consideration should be given to the emergence of alternatives in H1 2022 such as anti-inflation bonds and the increased interest rates on deposits, still greatly lagging behind base interest rates, with deposits however still having deeply negative interest rates when adjusted for inflation.

Despite the emergence of alternative methods of capital protection against inflation, the Group has been observing a significant increase in cash sale transactions. In Q2 2022, cash purchases exceeded 70% of total sales compared to approx. 40% a year before.

Inflation also affected the supply side of the Group's activities. The increase in prices of building materials was mainly observed in Q1 2022. In Q2 2022, the prices of some raw materials and building goods stabilised, or even fell. Thanks to in-house general contractor, the Group optimises the construction process from a project planning stage by utilising the economies of scale and ensuring regular jobs for trusted subcontractors, while developing long-term relationships based on trust. All of these advantages have indeed gained in importance

recently, and are expected to form key competitive advantages also in H2 2022. The Company's Management Board believes that it will be a period when the returns of many developers may decrease due to cost pressure exceeding price growth. In particular it may occur in the case of projects in the popular segment, where the

buyer's price sensitivity is the highest and the demand is the most responsive to interest rate increases. Thanks to the developed business model it may be expected that the Company and its Group will be largely able to mitigate the risk of increased project development costs thus ensuring satisfactory profitability of operations.

THE IMPACT OF THE WAR IN UKRAINE

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Group operates exclusively in Poland. The Company's Management Board believes that the war in Ukraine may mostly affect the demand for dwellings and construction costs, and specifically building materials and energy. The influx of refugees has had the greatest impact on the rental market in the major Polish cities as the growing demand has resulted in sharp rent increases, consequently increasing

the return on investment from rental apartments. In the longer term, it can be expected that the existing tenants will seek to buy apartments, thus driving demand in the largest cities.

Due to highly volatile situation and uncertainty as at the date of this Report the Company's Management Board is unable to estimate the scale of the impact of the war in Ukraine on the Group's operations.

AVAILABILITY OF CAPITAL

The property development business requires large and long-term capital involvement, hence the particular focus of the Management Board of the Company on the liquidity level of the Company and the Group. The willingness of banks to lend money is also an important factor for housing demand.

In the opinion of the Management Board of the Company, Dom Development S.A. Capital Group has little exposure to the risk of insufficient availability of capital. Furthermore, having hedged 80% of the issued bonds with CAP and IRS instruments, the Company's exposure to the increase in financial costs resulting from rising interest rates is negligible.

As at 30 June 2022, Dom Development S.A. Capital Group had PLN 575m cash (of which PLN 77m in open-end escrow accounts) and PLN 407m in available credit lines. With interest bearing debt of PLN 362m, of which just PLN 51m is short-term debt, the Group held consolidated

net cash of PLN 214m. These figures confirm the strength of the Group's balance sheet, which made it stand out in the sector for many years.

The capital availability is a factor also significantly affecting demand for housing. According to analyses by Biuro Informacji Kredytowej, a credit information bureau, rising interest rates and tightening up of the creditworthiness criteria since 1 April 2022, have resulted in the decreased availability of mortgages by approx. 50% by June 2022. In the opinion of the Company's Management Board, this situation, which predominantly affects housing demand in the popular segment, will continue in the second half of this year, negatively affecting the situation in the housing market. When compared to the rest of the sector, this situation has an impact on the results of the Dom Development S.A. Capital Group to a relatively small extent as the majority of the Group's sales is in the upper-standard segment.

LABOUR MARKET SITUATION

The situation on the housing market is closely linked to the situation on the labour market. Despite the great volatility in the economic environment, the unemployment rate in Poland remained very low, and contrary to unemployment growth forecasts due to the influx of people fleeing Ukraine, the unemployment rate recorded in Poland in June 2022 reached the historically low result of 4.9%. The employment markets in the cities, where the Group operates, are attractive when compared to the national average and have unemployment rates below or at the level of natural unemployment.

The first half of 2022 was also a period of high growth in nominal wages. Unfortunately, the rising inflation

resulted in the 2.2% fall, when adjusted for inflation, of average wages in the business sector in June 2022, with nominal wage increases of 13.3% and the inflation rate of 15.5%. If the situation continues in longer time perspective, it might negatively affect consumers' purchasing power, especially for less well-off persons, who spend a greater share of their income on food and energy bills.

Employment stability and real wage growth are strong demand drivers in the housing market. In the opinion of the Management Board of the Company, the labour market situation may be crucial for development sector in H2 2022, in particular in the popular segment.

ECONOMIC GROWTH

The housing market is considered to be a cyclical sector of the economy and it is traditionally believed that the situation in the property development sector is highly correlated with the dynamics of gross domestic product.

In the first quarter of the year, the Polish economy grew by as much as 8.5%, and the European Commission forecasts a growth of Poland's real GDP by 5.2% over the entire 2022.

However, reports of the looming recession in the US and the predictions of a global crisis may also affect the economic situation in Poland. In particular, fuel and electricity prices

going up and the further development of the situation in Ukraine may have a significant impact here.

The possible future negative impact of an economic downturn in Poland on the activities of the Group depends primarily on the extent to which the crisis will affect the agglomerations in which the Group operates. However, in the opinion of the Management Board of the Company Dom Development S.A. and its Group are, owing to their significant financial resources and efficient organisation, relatively resistant to a possible economic downturn compared to the sector average.

PANDEMIMIC

The COVID-19 pandemic so far has had no negative impact on construction works carried out by the Group. All the works have gone on according to their schedule and budget. However, obtaining administrative permits and decisions required to complete the purchase of new land and to carry out further projects has become more difficult, thus reducing supply.

The COVID-19 pandemic remains a risk factor in many spheres of life and its intensification may also affect the Company's and the Group's activities. A sudden increase in COVID cases and the possible return of epidemic restrictions may also affect the day-to-day activities of the Company and of the Group.

LEGISLATION

The enactment of the Development Guarantee Fund Act was a significant change in the Groups regulatory environment. The said Act imposes mandatory contributions at 0.45% of the gross value of each payment to an open-end escrow account towards the purchase of a flat in projects put on sale after 30 June 2022. The Company conducts extensive analyses aimed at minimising the negative impact of the legislative changes described above on the operating activities and financial results of the Group. In the opinion of the Management

Board of the Company, this requirement will not have a material impact on the operating activities and financial results of the Group in H2 2022.

In the longer term though, the Group's activities may be affected by the amendment to the Regulation on the technical conditions to be met by buildings and their location, which, according to the information available at the date of this Report, has been postponed by two years, until September 2024.

ADMINISTRATIVE DECISIONS

The nature of real estate development projects requires a number of permits and approvals to be obtained by the Group at every stage of the development process. Despite significant caution applied in the project execution schedules, there is always a risk of delay in attaining them, of challenges to decisions which have already been issued (also due to the fact that appeals can be made with no consequences for the appellants) or even failure to attain them. All of these factors affect the ability to conduct and complete the executed and planned projects on time.

The Group ensures that the scale of operations is maintained and that the offer is seamlessly replenished from the high quality and apt size the land bank.

The fundamental activity adopted by the Group 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.

BUSINESS MARKETS

Dom Development S.A. has been the undisputed leader of the primary residential market in Warsaw for many years. The capital of Poland is the main centre of economic and social life and one of the largest academic centres in the country while the attractive and absorbent labour market attracts new residents. As a result, the Warsaw housing market is the largest and has the highest prices of all cities in Poland.

However, the Warsaw market is also characterised by the largest challenges to property development projects, as the supply of flats in Warsaw is under much pressure due to a shortage of investment land with good title as well as delays in planning works and administrative decisions. The Management Board of the Company has mitigated the risk associated with the concentration of its activities on the Warsaw market through geographical diversification within Dom Development S.A. Capital Group.

The Company has pursued that diversification strategy through its subsidiaries operating in Tricity, Wrocław and Cracow. Consequently, in H1 2022, Dom Development S.A. Capital Group operated on four most attractive residential markets in Poland. Those agglomerations were selected through in-depth analyses, as in the opinion of the Management Board of the Company, only the largest cities in Poland provide sales volume adequate to the Group's scale and a satisfactory level of margin.

The Management Board of the Company holds the view that the diversification of the Group's activities and the increase of the participation of subsidiaries in the structure of its sales and financial results is an effective strategy for the building of the Company's and the Group's value and will continue in the coming years.

ACQUISITION OF LAND FOR PROJECTS

The future success of the Group is founded on having the ability to continually and effectively acquire attractive land for new development projects at the right times and at competitive prices. This will enable satisfactory project margins to be generated. As there is a limited supply of land with clear legal status in attractive locations, the ability to acquire new land is a major competitive advantage in the real estate development market.

The Group's land bank, which includes projects under preparation and land secured in the four most attractive markets in Poland, exceeded 17 thousand units as of 30 June 2022. The Management Board of the Company holds the view that this level is commensurate with the local market conditions, in particular the lengthy procedure of

obtaining permits necessary to develop a project. Thanks to the considerable land reserves, the Group is able to seamlessly replenish its offer and keep its leading position in the Polish housing market.

The Management Board places great emphasis on acquiring affordable land for new projects in each market where the Group is present, so that the Group has broad and varied real estate reserves that secure its activity for at least the next three years. Success in securing a land bank for the purpose of new projects is predominantly due to the experience of the Group's personnel and significant cash resources that allow for the quick closing of even the largest transactions.

3 OVERVIEW OF FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP



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

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

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

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

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

as at the date of the approval of these interim condensed consolidated financial statements.

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

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

The Company also prepares interim condensed financial statements for Dom Development S.A. for the six-month period ended 30 June 2022. These statements were approved by the Management Board of the Company on 24 August 2022.

3.2 OVERVIEW OF THE INCOME STATEMENT OF DOM DEVELOPMENT S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP	H1 2022	H1 2021	Change YoY
INCOME STATEMENT			
Sales revenue	1 328 825	1 144 423	16%
Gross profit on sales	405 470	380 138	7%
Operating profit - EBIT	282 535	289 607	(2)%
Net profit	235 823	232 522	1%
Earnings per share, basic	9.25	9.17	1%

In the first half of 2022, the Dom Development S.A. Capital Group recognised consolidated sales revenue of PLN 1 328 825k, which means a 15% increase year over year. The Group recognised revenue from the sale of 2 178 units that were delivered in that period. This is a significant portion of the deliveries planned for the whole of 2022 on the basis of which sales are recognised in the income statement.

Popular segment projects, such as Osiedle Wilno, Stacja Grochów and Dzielnica Mieszkaniowa Metro Zachów in Warsaw, Osiedle Zielna and Osiedle Komedy in Wrocław, and Zielony Południk in Tricity, had their significant share in the number of deliveries.

Gross profit increased by 7% YoY in H1 2022. The gross profit growth rate was lower than the growth of revenues as the flats were delivered to buyers in different segments (in H1 2021, upper-standard flats, which offer higher return on sales, were delivered by the Group). Despite the less favourable structure deliveries, the Group maintained a gross margin at over 30%, which the Management Board finds a very good result.

In H1 2022, the Group continued to expand in the Cracow market as further described in note 2.1 of this Report. It was reflected in an increase in general administrative expenses and other operating costs, and translated into a 2% reduction in an operating profit (EBIT) compared to the same period of the previous year.

In the first half of the year, as a result of interest rate increases, the value of financial revenues increased significantly from PLN 2 917k to PLN 15 129k, with financial costs at a level lower than in the previous year (PLN 3 132k against PLN 3 499k). This was possible as 80% of the issued bonds had been hedged with CAP and IRS instruments and the credit balance was close to zero.

As a result of the circumstances described above, the Group generated consolidated net profit for H1 2022 in the amount of PLN 235 823k, which is a level similar to that in the same period of the previous year.

The Group's activities are not seasonal in nature. Financial performance fluctuations between quarters are closely linked to the project construction cycle and the accumulation of apartment deliveries in the first weeks after the investment project has been granted an occupancy permit. As in accordance with IFRS 15, unit delivery is considered the basis for the recognition of sales revenue in the income statement, the financial results do not fully reflect the current situation of the Group. Therefore, in addition to the number of units delivered in a given period, the Dom Development S.A. Capital Group also discloses the current sales volume calculated on the basis of preliminary agreements and paid reservation agreements on a net basis, i.e. including resignations. The operating results of the Group including current sales and unit deliveries are discussed in note 2.2 of this Report.

3.3 CONSOLIDATED BALANCE SHEET

In H1 2022, the Group's position in terms of assets was strong, and made the Group stand out in the sector.

ASSETS

The assets structure of the Group was, as in previous years, dominated by current assets – inventories worth PLN 3 156 481k constituted 78% of the Group's balance sheet total which as at 30 June 2022 amounted to PLN 4 042 037k. The Dom Development S.A. Capital Group consolidated balance sheet total was at a level 4% higher than that at the end of 2021.

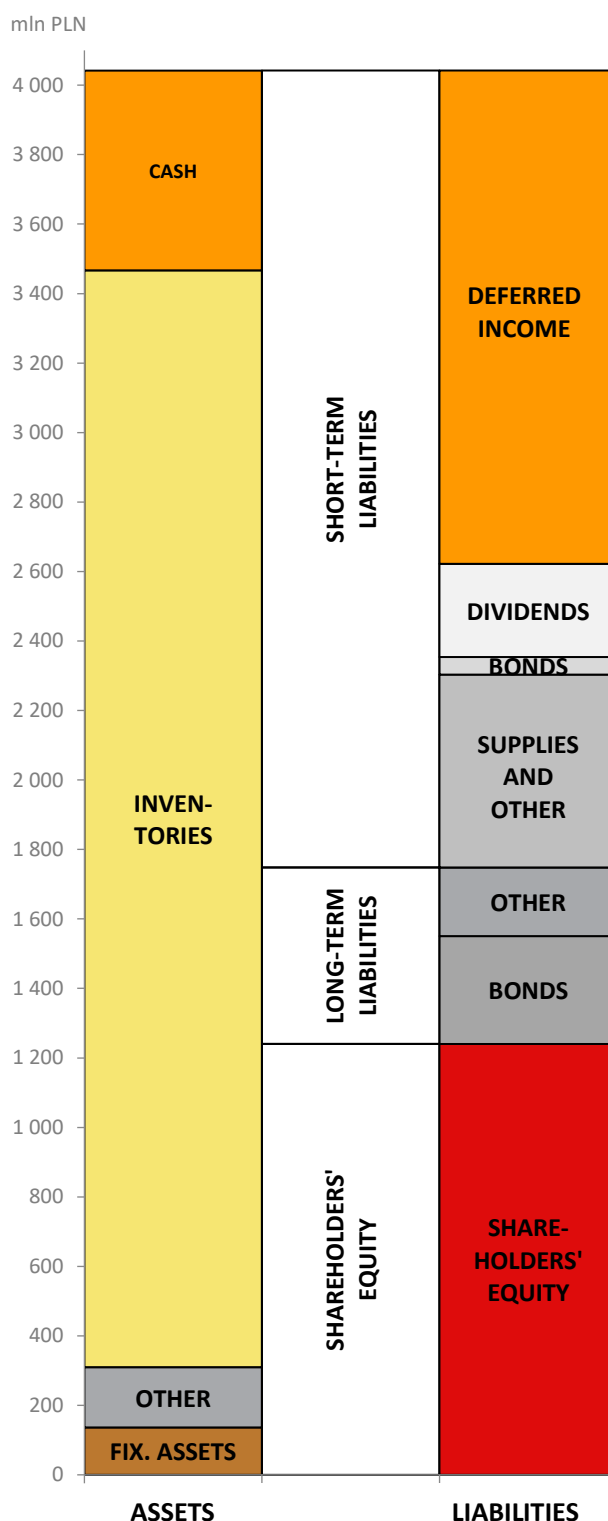
The Group invariably maintains high liquidity as reflected in a cash balance of PLN 497 951k. In addition, the Group held PLN 77 373k in residential escrow accounts.

LIABILITIES

The Company's Management Board places a strong emphasis on financial security of the Company which is reflected in its financing structure. As at 30 June 2022, the Group had consolidated equity of PLN 1 240 357k. Another major item of the Group's consolidated liabilities were deferred income liabilities, which amounted to PLN 1 419 925k. Payments from customers on account of the purchase of apartments and parking spaces are recorded as this item until the time that they are delivered to the buyer and are recognised in the income statement as "sales revenue". The value of this balance sheet item is closely related to the relationship between the rate of sales which causes it to increase and the delivery rate which causes it to decrease.

During H1 2022, the "Dividends payable" item with PLN 268 258k recognised were added in the Group's consolidated balance sheet. This sum resulted from the resolution of the Annual General Shareholder's Meeting of the Company held on 30 June 2022 approving the dividend of PLN 10.50 per share to be paid on 16 August 2022 from the Company's 2021 profit.

BALANCE SHEET STRUCTURE AS AT 30 JUNE 2022



3.4 CASH FLOWS

SELECTED DATA FROM THE CASH FLOW STATEMENT	H1 2022	H1 2021	Change
Cash and cash equivalents – opening balance	607 041	585 664	4%
Net cash flow from operating activities	121 574	110 248	10%
Net cash flow from investing activities	(202 005)	(55 953)	(261)%
Net cash flows from financing activities	(28 659)	(132 251)	78%
Cash and cash equivalents – closing balance	497 951	507 708	(2)%

In the first half of 2022 Dom Development S.A. Capital Group recorded net cash inflow from operating activities in the amount of PLN 121 574k, i.e. 10% more than in the previous year. The main item of the cash flow statement that increased the balance of funds generated from operating activities was a change in inventories, i.e. a PLN 96 408k decrease in their value. At the same time, cash outflow resulting from changes in the balance of accruals and deferred income increased to PLN 194 643k from PLN 69 746k in the previous year.

The significant difference in net cash flows from investing activities (the outflow of PLN 202 005k in H1 2022 against the outflow of PLN 55 953k the previous year) results mainly from the expenses due to the acquisition of financial assets (PLN 194 660k against PLN 12 312k in the previous

year), mainly resulting from the acquisition of companies in Cracow. This was described in note 2.1 of this Report.

In H1 2022 Dom Development S.A. Capital Group recognised net cash outflow from financial activities in the amount of PLN 28 659k against PLN 132 251k outflow in the previous year. This difference results mainly from the later date of payment of the Company's dividend - the dividend from the 2020 profit in the amount of PLN 253 984k was paid to the shareholders of the Company on 28 June 2021, while the dividend from the 2021 profit was paid on 16 August 2022, i.e. after the end of the first half of 2022.

During the first half of 2022, the cash balance of Dom Development S.A. decreased by PLN 109 090k net and amounted to PLN 497 951k as at 30 June 2022.

3.5 RATIO ANALYSIS

3.5.1 PROFITABILITY RATIOS

PROFITABILITY RATIOS	FORMULA	H1 2022	H1 2021
Gross margin on sales	gross profit on sales / net sales revenue	30.5%	33.2%
Operating profit margin	EBIT / net sales revenue	21.3%	25.3%
Net margin	Net profit / net sales revenue	17.7%	20.3%
ROE	net profit for the last 12 months / shareholders' equity at the beginning of the period	28.6%	34.5%
ROA	net profit for the last 12 months / total assets at the beginning of the period	10.1%	12.4%

In the opinion of the Management Board, the Group maintained very satisfactory profitability in H1 2022 on its activities. The gross sales margin of 30.5% is an exceptional result for Dom Development S.A. Capital Group compared to the sector average. Maintaining sales profitability at a level similar to that in the last year despite the less favourable structure of project deliveries (the dominance of the popular segment deliveries versus the large hare of suites in deliveries taking place in H1 2021) demonstrates the high level of competence of Group companies in reading market trends, implementing sales policies, controlling costs and optimising operating processes.

In the first half of the year, the Group, as a result of the announced expansion in the Cracow market, reported an increase in general administrative expenses and other

operating costs, which contributed to a 4% reduction in operating profit (EBIT) to 21.3%, which is still relatively high. In the opinion of the Company's Management Board, the rates of return on equity (ROE) and return on assets (ROA) were at very satisfactory levels. When analysing the annual changes to these indicators, their above-average values in the same period of the previous year should be kept in mind. The first half of 2021 was exceptional compared to the previous years due to the accumulation of unit deliveries which are the basis for recognising sales in the income statement. Typically, most deliveries take place in the second half of the year. This was also the case in 2020, so return on equity and return on assets based on net profit over the past 12 months is disproportionately high. When analysing the interim return on equity and return on assets based on net profit

for the past 12 months, the possibility of such distortions should therefore be taken into account and the changes and values of these indicators should be considered

mainly for full financial years, i.e. for the period from 1 January to 31 December of the year in question.

3.5.2 LIQUIDITY RATIOS

LIQUIDITY RATIOS	FORMULA	30.06.2021	31.12.2020
Current ratio	current assets / short-term liabilities*	4.47	6.85
Quick ratio	current assets less inventory / short-term liabilities*	0.86	1.35
Cash ratio	cash and cash equivalents / short-term liabilities*	0.57	1.10

* Short-term liabilities less deferred income

Considering the specifics of the real estate development industry with its long production cycle and tighter funding requirements, the Group is in a comfortable financial position. This is due to a number of long-term decisions and actions taken by the Company's Management Board.

The Group has maintained consistently high liquidity, although the value of the liquidity ratios analysed dropped over H1 2022, which is the result of the announced implementation of investment plans, in particular the expansion in the Cracow market.

The current liquidity ratio increased over H1 2022 from 6.85 to 4.47, mainly due to a PLN 109 090k decrease in cash balance from PLN 607 041k to PLN 497 951k and a PLN 323 674k increase in short-term liabilities less deferred income.

This increase was mainly due to the PLN 268 258k dividends payable from the Company's 2021 profit.

The dividends payable combined with the reduced cash balance also translated into decreases of other liquidity ratios, namely quick and cash ratios. The Group's quick ratio decreased in H1 2022 from 1.35 to 0.86, while its cash ratio at the end of June 2022 was 0.57 against 1.10 as at the end of December 2021.

The Company's Management Board considers the liquidity of Dom Development S.A. Capital Group to be consistently very good. The Group's strong balance sheet guarantees the smooth implementation of its investment projects and ensures the ability to respond quickly to emerging opportunities of reinforcing its market position.

3.5.3 LEVERAGE RATIOS

LEVERAGE RATIOS	FORMULA	30.06.2021	31.12.2020
Equity ratio	shareholders' equity / total assets	30.7%	32.2%
Liabilities to equity ratio	total liabilities / shareholders' equity	225.9%	210.4%
Debt ratio	total liabilities / total assets	69.3%	67.8%
Interest bearing debt to equity ratio	interest bearing debt / shareholders' equity	29.1%	31.5%
Gearing ratio	interest bearing liabilities less cash and cash equivalents* / shareholders' equity	(17.2)%	(20.4)%

* Cash and cash equivalents, including funds in escrow accounts

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 leverage ratios were maintained at safe levels to support the business activity of the Group and maintain the Group's

creditworthiness. Leverage ratios with values similar at the end of June 2022 to those at the end of 2021 reflect the conservative approach of the Company's Management Board to the sources of finance for operations.

3.6 FORECASTS

Neither Dom Development S.A. nor other companies operating within its Capital Group published forecasts of financial results.

3.7 LOANS, SURETYSHIPS AND GUARANTEES GRANTED

In H1 2022, the Group companies did not provide any loans to any non Dom Development S.A. Capital Group companies.

Information of the loans provided by the Company are presented in note 7.7 to the interim condensed financial statements for the six-month period ended 30 June 2022.

In the six-month period ended 30 June 2022 the companies operating within the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly

to one entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

Information of conditional liabilities of the companies within the Group are presented in note 7.21 to the interim condensed consolidated financial statements for the six-month period ended 30 June 2022.

3.8 TRANSACTIONS WITH RELATED ENTITIES

All transactions made by the Companies operating within the Group (or their subsidiaries) with related entities are based on the arm's length principle.

Transactions with the related entities are presented in note 7.19 to the interim condensed consolidated financial statements of the Dom Development S.A. Capital Group for the six-month period ended 30 June 2022.

3.9 MATERIAL LEGAL PROCEEDINGS

As at 30 June 2022, the companies operating within the Dom Development S.A. Capital Group were not a party to any material court cases.

4 APPROVAL OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN THE FIRST HALF OF 2022



This Management Board's report of activities of Dom Development S.A. Capital Group in the first half of 2022 was prepared and approved by the Management Board of the Company on 24 August 2022.

The Management Board of the Company represents that this Report of activities of Dom Development S.A. Capital Group in the first half of 2022 presents a true view of the development, achievements and situation of the Group, including the description of key threats and risks.

Jarosław Szanajca

President of the Management Board,
Dom Development S.A.

Leszek Stankiewicz

Vice President of the Management Board,
Dom Development S.A.

Małgorzata Kolarska

Vice President of the Management Board,
Dom Development S.A.

Mikołaj Konopka

Member of the Management Board,
Dom Development S.A.

Terry R. Roydon

Member of the Management Board,
Dom Development S.A.