

DOM DEVELOPMENT S.A.

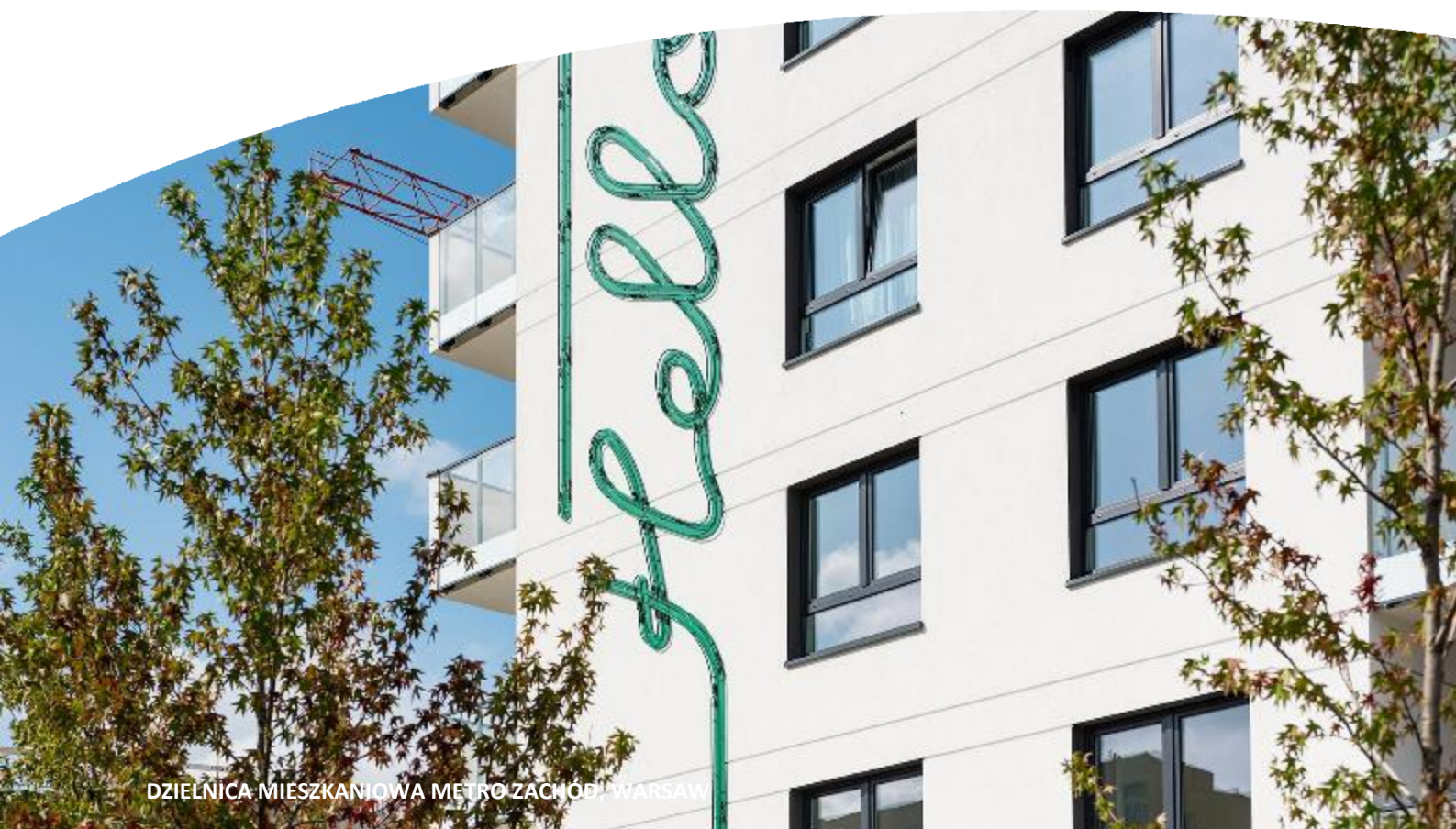
MANAGEMENT BOARD'S REPORT OF ACTIVITIES IN THE FIRST HALF OF 2022



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1 GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A.





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 28 June 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 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 IN H1 2022

In the first half of 2022 the Company sold 833 flats, which means a 27% decrease year over year. This decrease was due to the situation in the housing market with significant interest rate increases and tighter credit rating criteria having a major adverse impact on purchasing capacity of customers, who take a mortgage loan. According to figures published by Biuro Informacji Kredytowej, a credit information bureau, the number of mortgages decreased by approx. 32% in H1 2022 compared to H1 2021.

In the opinion of the Management Board of the Company, Dom Development S.A. performed very well against the market. This was mainly due to its strong brand associated with quality and safety, and also due to a well-established position in the upper-standard segment, which is the least affected by such decreased credit rating of the buyers. Many customers of the Company are people with major financial resources, who invest them in real estate in response to increasing inflation. As a result, the proportion of cash sales among Company's transactions went up by over 70% in Q2 2022. Thanks to its favourable competitive position, the Company increased its market share to approx. 14% (based on JLL market estimates) in the first half of the year, thus reconfirming its position as the undisputed leader in the Warsaw residential market.

Following a period of severe supply shortages in the housing market, the equilibrium is gradually reinstated (the equilibrium is when a supply is close to annual sales). The Company has increased its supply by 106% throughout the year, up to 1 160 units on 30 June 2022. The scale of construction projects in progress increased by 30% over the period in question, up to 3 532 units, and all projects were progressing as planned and with satisfactory above-average margins.

OPERATIONAL RESULTS OF DOM DEVELOPMENT S.A.	2022	2021	CHANGE
H1			
Sales	833	1 148	(27)%
Deliveries	1 294	1 201	+8%
As at 30 June			
Units under construction and finished	1 160	564	+ 106%
Units under construction	3 532	2 718	+30%
Units in the land bank	9 171	9 688	(5)%
Number of apartments and retail units			

The Company's land bank remained relatively stable and its potential is 9 171 units as at 30 June 2022. The Company's land bank comprises investment land in the design phase and in the process of being granted administrative permits as well as controlled land, the acquisition of which the Company has secured, while the transfer of title to the land and the payment of the entire purchase price have been deferred until such time as the required consents, permits and administrative decisions are obtained. 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.

The Company's investment land comprises multi-stage city-forming projects such as Dzielnica Mieszaniowa Metro Zachód in the Bemowo district as well as a low-key projects such as Apartamenty Koło Parków in the Wola district.

All the land in the Dom Development S.A.'s land bank is located in Warsaw, which according to the Company's Management Board, is a very demanding market with protracted procedures, shortage of land covered by land use plans and of ready-to start projects with a satisfactory return rate.

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 2022, 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 Company 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, namely Dom Construction Sp. z o.o., the Company 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 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 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 Company'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. had PLN 347m cash (of which PLN 32m in open-end escrow accounts) and PLN 385m in available credit lines. With interest debt of PLN 360m, of which PLN 50m is short-term debt, the Company held net cash of just PLN 13m. These figures

confirm the strength of the Company'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 Dom Development S.A. 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%. In Warsaw, unemployment figures were still below natural unemployment rate, which means there is a labour shortage.

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 Company depends primarily on the extent to which the crisis will affect

the agglomeration of Warsaw, in which the Company 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.

PANDEMIMC

The COVID-19 pandemic so far has had no negative impact on construction works carried out by the Company. 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 Company's 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 Company. 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 Company in H2 2022.

In the longer term though, the Company'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 companies within 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 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 Company 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 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.

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.

The aim of the Management Board of Dom Development S.A. is to diversify its operations geographically, while maintaining the position of leader on the Warsaw market, which is currently the most forward-looking and profitable residential market in Poland.

ACQUISITION OF LAND FOR PROJECTS

The future success of the Company 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 Company's land bank, which includes projects under preparation and land secured in Warsaw, exceeded 9 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 Company is able to seamlessly replenish its offer and keep its leading position in the Warsaw 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. In total as at the end of June 2022 the Company and its subsidiaries in the Group held more than 17 thousand units in the land bank. 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.



3.1 BASIS FOR THE PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed 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 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 financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Company and its subsidiaries operate exclusively in Poland. The Company's Management Board believes that the war in Ukraine may mostly affect the demand for dwellings, construction costs, and the availability of subcontractors. As at the date of the preparation of these interim condensed 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 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 Company are known as at the date of the approval of these interim condensed financial statements.

The Polish zloty ("PLN") is the functional currency for the Company. The interim condensed financial statements are stated in Polish zloty. Financial data included in the interim condensed financial statements are expressed in thousands of PLN unless stated otherwise.

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

The Company has also prepared interim condensed consolidated financial statements for Dom Development S.A. Capital Group 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.

FINANCIAL RESULTS OF DOM DEVELOPMENT S.A.	H1 2022	H1 2021	Change YoY
INCOME STATEMENT			
Sales revenue	860 918	852 582	1%
Gross profit on sales	260 577	265 738	(2)%
Operating profit - EBIT	182 622	203 825	(10)%
Net profit	150 339	277 250	(46)%
Earnings per share, basic	5.90	10.94	(46)%

In the first half of 2022, the Dom Development S.A. recognised sales revenue of PLN 860 918k, which is an amount similar to that in the same period of the previous year. The Company recognised revenue from the sale of 1 294 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.

Projects in the popular segment such as Osiedle Wilno, Stacja Grochów and Dzielnica Mieszkaniowa Metro Zachód had major share in the structure of deliveries.

Even though the flats were delivered to buyers in different segments (in H1 2021, predominantly upper-standard flats, which offer higher return on sales, were delivered by the Company), the gross profit from sales in H1 2022 dropped just by 2%, and the Company maintained its gross margin at over 30%, which in the opinion of the Management Board is a very good result.

In H1 2022, the Company 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 10% reduction in an operating profit (EBIT) compared to the same period of the previous year.

The 46% decrease in net profit for H1 2022 was mainly due to the 90% lower financial income, which were PLN 11 587k against PLN 116 507k in the previous year. The main constituent of financial income in H1 2021 were dividends from the Company's subsidiaries in the amount of 112 608k. In the first half of 2022 there were no dividends paid by the subsidiaries. As at the date of preparation of this Report, the Company received dividends from its subsidiaries in the amount of PLN 117 276k.

The Company'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 transfers 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 Company. Therefore, in addition to the number of units delivered in a given period, Dom Development S.A. 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 Company including current sales and unit deliveries are discussed in note 2.2 of this Report.

3.3 BALANCE SHEET OF THE COMPANY

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

ASSETS

The assets structure of the Company was, as in previous years, dominated by current assets – inventories worth PLN 1 782 007k constituted 59% of the Company's balance sheet total which as at 30 June 2022 amounted to PLN 3 011 254k. The Dom Development S.A. balance sheet total was at a level similar to that at the end of 2021.

The Company invariably maintains high liquidity as reflected in a cash balance of PLN 314 908k. In addition, the Company held PLN 31 693k in residential escrow accounts.

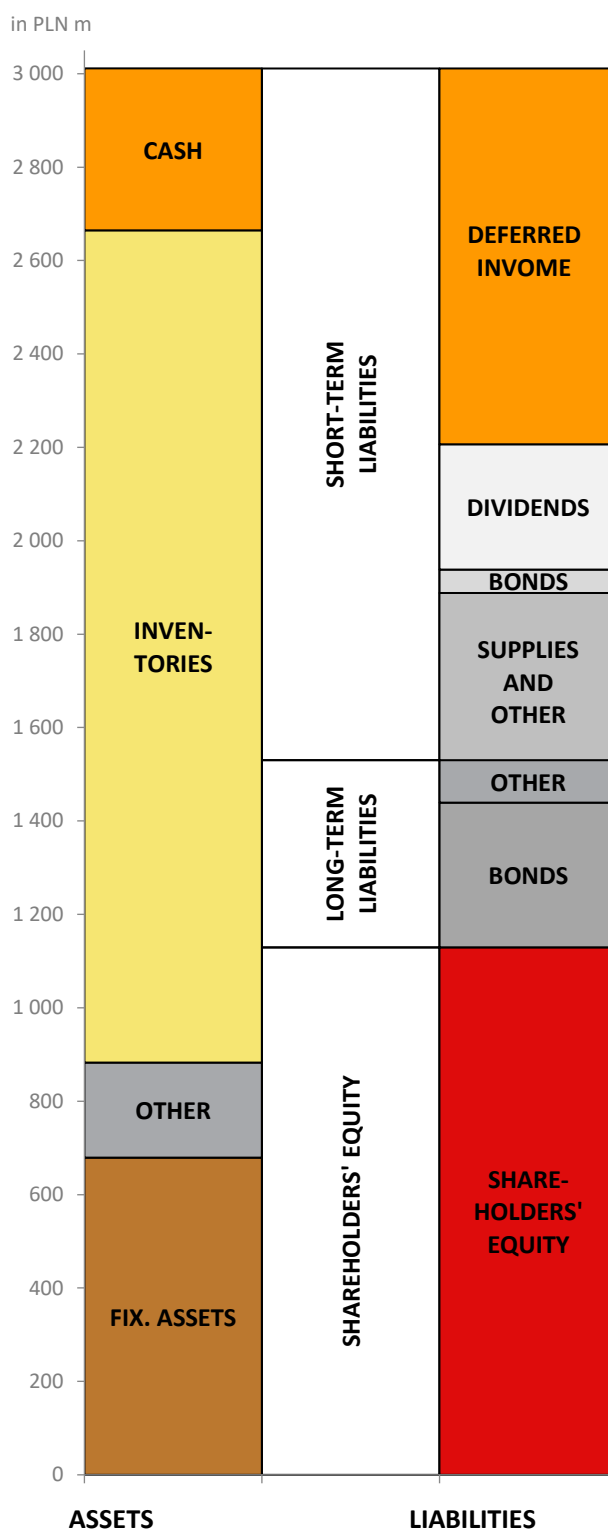
An important asset of the Company which accounts for 75% of the value of its fixed assets is investments in subsidiaries, associates and jointly controlled entities, totalling PLN 511 840k. The highest carrying value was recorded for the following subsidiaries of Dom Development S.A.: Euro Styl S.A. (PLN 265 473k), BUMA Group companies (PLN 96 124K) and Dom Development Wrocław Sp. z o.o. (PLN 79 002k).

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 Company had equity of PLN 1 129 247k. Another major item of the Company's liabilities were deferred income liabilities, which amounted to PLN 804 701k. Payments from customers on account of the purchase of apartments and parking spaces are recorded in 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 Company's balance sheet. This sum resulted from the resolution of the Annual General Shareholders' Meeting having been passed 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 FOR THE COMPANY 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	364 394	531 841	(31)%
Net cash flow from operating activities	43 364	(16 969)	n.d.
Net cash flow from investing activities	(98 850)	64 367	(254)%
Net cash flows from financing activities	6 000	(178 560)	n.d.
Cash and cash equivalents – closing balance	314 908	400 679	(21)%

In the first half of 2022 Dom Development S.A. recorded net cash inflow from operating activities in the amount of PLN 43 364k compared to outflow of PLN 16 969k 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 136 581k decrease in their value. At the same time, cash outflow resulting from changes in the balance of accruals and deferred income increased to PLN 266 735k from PLN 99 740k in the previous year.

The significant difference in net cash flows from investing activities (outflow of PLN 98 850k in H1 2022 against the inflow of PLN 64 367k in the previous year) results mainly from the postponement of dividend payments from the subsidiaries to H2 2022, while the inflows from dividend payments in the amount of PLN 112 608k was recorded in H1 2021. Moreover, in the first six months of 2022, the

Company's expenses for the acquisition of financial assets notably higher (PLN 129 107k against PLN 26 793k in the previous year), which was mainly due to the acquisitions of companies in Cracow 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 6 000k against PLN 178 560k 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 49 486k net and amounted to PLN 314 908k 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	30.3%	31.2%
Operating profit margin	EBIT / net sales revenue	21.2%	23.9%
Net margin	Net profit / net sales revenue	17.5%	32.5%
ROE	net profit for the last 12 months / shareholders' equity at the beginning of the period	15.1%	37.1%
ROA	net profit for the last 12 months / total assets at the beginning of the period	6.6%	16.7%

In the opinion of the Management Board, the Company maintained very satisfactory profitability in H1 2022 on its activities. The gross sales margin of 30.3% is an exceptional result for Dom Development S.A. 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 the Company in reading market trends, implementing sales policies, controlling costs and optimising operating processes.

In the first half of the year, the Company, as a result of the announced expansion in the Cracow market, reported an increase in selling costs and general administrative expenses, which contributed to a 2% reduction in operating profit (EBIT) to 21.2%, which is still relatively high.

The deferred dividend payments by the related companies (H2 2022 against H1 2021) translated into a lower result from financial activities, and consequently affected the net profit, net margin, ROE and ROA.

It should be noted that in the first half of 2021, return on equity and return on assets (ROE and ROA) were distorted as both the 2019 dividend payments from related companies made in H2 2020 were taken into account for the calculation

of the net profit for the last 12 months and the 2020 dividends paid in H1 2021. 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	30.06.2022	31.12.2021
Current ratio	current assets / short-term liabilities*	3.45	7.24
Quick ratio	current assets less inventory / short-term liabilities*	0.81	1.80
Cash ratio	cash and cash equivalents / short-term liabilities*	0.47	1.03

* Short-term liabilities less deferred income

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.

The Company has maintained consistently high As this amendment 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 decreased over H1 2022 from 7.24 to 3.45, mainly due to a PLN 139 206k decrease in inventories from PLN 1 921 213k to PLN 1 782 007k, and a PLN 323 073k increase in short-term liabilities less deferred

income. This increase was mainly due to the PLN 268 258k dividends payable as recognised in the Company's balance sheet as at 30 June 2022.

The dividends payable combined with the cash balance reduced by PLN 49 486k to PLN 314 908k also translated into decreases of other liquidity ratios, namely quick and cash ratios. The Company's quick ratio decreased in H1 2022 from 1.80 to 0.81, while its cash ratio at the end of June 2022 was 0.47 against 1.03 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 Company'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	30.06.2022	31.12.2021
Equity ratio	shareholders' equity / total assets	37.5%	40.4%
Liabilities to equity ratio	total liabilities / shareholders' equity	166.7%	147.6%
Debt ratio	total liabilities / total assets	62.5%	59.6%
Interest bearing debt to equity ratio	interest bearing liabilities / shareholders' equity	31.9%	29.4%
Gearing ratio	interest bearing liabilities less cash and cash equivalents* / shareholders' equity	1.2%	(1.3)%

* 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 Company and

maintain the Company'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

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 Company 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 Company or would amount to at least 10% of the Company's shareholders' equity.

Information of conditional liabilities of the Company are presented in note 7.23 to the interim condensed 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 7.21 to the interim condensed financial statements of the Dom Development S.A. for the six-month period ended 30 June 2022.

3.9 MATERIAL LEGAL PROCEEDINGS

As at 30 June 2022 the Company was not a party to any material court cases.

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



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

The Management Board of the Company represents that this Report of activities of Dom Development S.A. in the first half of 2022 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,
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.