

DOM DEVELOPMENT S.A. CAPITAL GROUP

REPORT BY THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.

ON THE ASSESSMENT OF:

- **FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2022**
- **CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2022**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2022**





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1 ASSESSMENT OF THE FINANCIAL STATEMENTS AND MANAGEMENT BOARD'S REPORT OF ACTIVITIES

1.1 SCOPE OF THE ASSESSMENT

The Supervisory Board of Dom Development S.A. with its registered office in Warsaw assessed:

- a) the financial statements of Dom Development S.A. for the year ended 31 December 2022

The financial statements of Dom Development S.A. with its registered office at pl. Piłsudskiego 3 in Warsaw ("Company") for the year ended 31 December 2022 were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, consisting of:

- balance sheet prepared as at 31 December 2022 with the balance of assets and liabilities in the amount of PLN 3 112 030 thousand
 - income statement for the twelve-month period ended 31 December 2022 showing a net profit of PLN 373 684 thousand
 - statement of comprehensive income for the twelve-month period ended 31 December 2022, showing a net comprehensive income of PLN 382 481 thousand
 - cash flow statement for the twelve-month period ended 31 December 2022 showing net cash and cash equivalents of PLN 184 078 thousand as at 31 December 2022
 - statement of changes in shareholders' equity in the twelve-month period ended 31 December 2022 showing the balance of shareholders' equity of PLN 1 351 034 thousand as at 31 December 2022
 - additional information and notes to the financial statements.
- b) the consolidated financial statements of the Dom Development S.A. Capital Group, of which Dom Development S.A. with its registered office at pl. Piłsudskiego 3 in Warsaw is the parent company, for the year ended 31 December 2022 prepared in accordance with the IFRS, consisting of:
- consolidated balance sheet prepared as at 31 December 2022 with the balance of assets and liabilities in the amount of PLN 4 111 956 thousand
 - consolidated income statement for the twelve-month period ended 31 December 2022 showing a net profit of PLN 410 297 thousand
 - consolidated statement of comprehensive income for the twelve-month period ended 31 December 2022, showing a net comprehensive income of PLN 419 094 thousand
 - consolidated cash flow statement for the twelve-month period ended 31 December 2022 showing net cash and cash equivalents of PLN 304 236 thousand as at 31 December 2022
 - consolidated statement of changes in shareholders' equity in the twelve-month period ended 31 December 2022 showing the balance of shareholders' equity of PLN 1 413 273 thousand as at 31 December 2022
 - additional information and notes to the financial statements.
- c) Management Board's reports of activities of Dom Development S.A. and its Capital Group in 2022.

1.2 FINANCIAL STATEMENTS AUDIT

The financial statements of Dom Development S.A. and the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended on 31 December 2022 were audited on the basis of the agreement between Dom Development S.A. and PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. (limited partnership) with its registered office in Warsaw at 11 Polna Street, entered by the National Council of Statutory Auditors in the list of entities entitled to audit financial statements under number 144. The agreement continued in force and effect based on resolution no. 1/04/22 adopted on 25 April 2022 by the Supervisory Board of Dom Development S.A.

The audit was carried out by the Statutory Auditor in accordance with the provisions of:

- a) the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision
- b) National Auditing Standards in the wording of the International Standards on Auditing, as adopted by resolution No. 2783/52/2015 of the National Council of Statutory Auditors in Poland dated 10 February 2015, as later amended
- c) Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

1.3 ASSESSMENT BY THE SUPERVISORY BOARD

In the opinion of the Supervisory Board:

- a) the financial statements of Dom Development S.A. for the year ended on 31 December 2022:
 - give a true and fair view of the assets and financial position of Dom Development S.A. as at 31 December 2022, as well as of its financial result and cash flows for the financial year from 1 January 2022 till 31 December 2022
 - have been prepared in accordance with the IFRS
 - are consistent with the provisions of law regulating the preparation of financial statements and affecting the presentation and content of the financial statements
 - were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.
- b) the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended on 31 December 2022:
 - give a true and fair view of the assets and financial position of the Dom Development S.A. Capital Group as at 31 December 2022, as well as of its financial result and cash flows for the financial year from 1 January 2022 till 31 December 2022
 - have been prepared in accordance with the IFRS
 - are consistent with the provisions of law regulating the preparation of financial statements and affecting the presentation and content of the consolidated financial statements
 - were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.
- c) Management Board's reports of activities of Dom Development S.A. and its Capital Group in 2022:
 - is complete within the meaning of art. 49 of the Accounting Act and the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers and the terms of confirming equivalency of information required under the regulations of a non-Member State. The information contained in the Management Board's report of activities of the Dom Development S.A. Capital Group, is consistent with the information contained in the audited financial statements and in the audited consolidated financial statements
 - were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.

2 ASSESSMENT OF THE POSITION OF DOM DEVELOPMENT S.A.

ASSESSMENT OF THE COMPANY'S POSITION BASED ON THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2022 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2022

2.1 SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A.

THE SHAREHOLDERS OF DOM DEVELOPMENT S.A. WHO HELD, BOTH DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING (GSM) AS AT 31 DECEMBER 2022

As at 31 December 2022 the parent company, Dom Development S.A., was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.41% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, had significant shareholdings as at 31 December 2022:

STATUS AS AT 31 DECEMBER 2022	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2021	NUMBER OF VOTES AT GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	14 155 941	-	14 155 941	55.41%
PTE Allianz Polska S.A.	2 504 229	1 733 219	2 504 229	9.80%
Jarosław Szanajca	1 454 050	-	1 454 050	5.69%
Grzegorz Kiełpsz	1 280 750	-	1 280 750	5.01%

* Shareholding by PTE Allianz Polska S.A. has been presented as per the notice dated 05.01.2023 and includes the shares held by Allianz OFE, Allianz DFE and Drugi Allianz OFE.

2.2 EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR 2022

2.2.1 BALANCE SHEET

STRUCTURE OF THE COMPANY'S ASSETS AS AT 31 DECEMBER 2022, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2021.

ASSETS	31.12.2022 in thousand PLN	Share in assets	31.12.2021 in thousand PLN	Change 2022/2021
Total fixed assets	893 227	29%	477 015	87%
Current assets				
Inventory	1 930 509	62%	1 921 213	0%
Trade and other receivables	42 782	1%	38 149	12%
Other current assets	4 409	0%	3 232	36%
Cash and cash equivalents	241 103	8%	396 998	(39)%
Short-term financial assets				
Total current assets	2 218 803	71%	2 557 352	(13)%
Total assets	3 112 030	100%	3 034 367	3%

STRUCTURE OF THE COMPANY'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 DECEMBER 2022, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2021

EQUITY AND LIABILITIES	31.12.2022 in thousand PLN	Share in equity and liabilities	31.12.2021 in thousand PLN †	Change 2022/2021
Shareholders' equity				
Share capital	25 548	1%	25 398	1%
Share premium less treasury shares	264 208	8%	258 358	2%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	1 061 278	34%	941 662	13%
Total shareholders' equity	1 351 034	43%	1 225 418	10%
Liabilities				
Total long-term liabilities	342 253	11%	408 752	(16)%
Total short-term liabilities	1 418 743	46%	1 400 197	1%
Total liabilities	1 760 996	57%	1 808 949	(3)%
Total equity and liabilities	3 112 030	100%	3 034 367	3%

2.2.2 INCOME STATEMENT

Selected data from the Company's income statement for the year ended 31 December 2022 as compared to 2021:

	01.01- 31.12.2022 in thousand PLN	Share in sales revenue	01.01- 31.12.2021 in thousand PLN	Change 2022/2021
Sales revenue	1 414 704	100%	1 234 988	15%
Cost of sales	(952 407)	67%	(856 935)	11%
Gross profit on sales	462 297	33%	378 053	22%
Operating profit	309 348	22%	242 702	27%
Profit before tax	436 697	31%	354 851	23%
Net profit	373 684	26%	306 767	22%
Earnings per share (in PLN)	14.64	-	12.09	21%

In 2022, the Company recognised sales revenues in the amount of PLN 1 414 704 thousand, i.e., 15 % more than the previous year. The increase in revenues resulted both from an increase in the volume of deliveries of units compared to the previous year (1 921 units compared to 1 798 in the previous year) and from the sale of land to an institutional buyer (PRS) in the amount of PLN 90 m.

An increase in gross profit on sales by 22 %, i.e., to PLN 462 297 thousand, was higher than the change in revenues, which accounts for a higher gross margin on sales that reached 33%.

In 2022, the Company's profit before tax increased by 23% to reach PLN 436 697 thousand. This growth was mainly due to a higher gross profit on sales. In addition, higher financial revenues, which increased by 22 m as compared to 2021, contributed to this uplift. It was achieved due to investment of available free cash in profitable bank deposits, higher dividends received from subsidiaries, which increased in 2022 by 4% to more than PLN 117 m, as well as the proceeds from intragroup loans.

In 2022, the Company earned PLN 373 684 thousand in net profit, which is 22% more than in the previous year. The net profit margin reached 26%.

2.2.3 CASH FLOW STATEMENT

	2022 in thousand PLN	2021 in thousand PLN	Change 2022/2021
Cash and cash equivalents – opening balance	364 394	531 841	(31)%
Net cash flow from operating activities	136 316	143 658	(5)%
Net cash flow from investing activities	(56 874)	(54 621)	4%
Net cash flows from financing activities	(259 758)	(256 484)	1%
Cash and cash equivalents – closing balance	184 078	364 394	(49)%

At the beginning of 2022, the cash balance stood at PLN 364 394 thousand, compared to PLN 184 078 thousand at the end of the year. This means that in the period from 1 January 2022 till 31 December 2022 the balance of the Company's cash decreased by PLN 180 316 thousand.

In 2022, the Company recorded a net inflow of cash from operating activities amounting to PLN 136 316 thousand which was 5% less than in the previous year. Having kept the net operating cash flows at a level comparable to the very strong year of 2021 should be considered a good result. In view of a market weaker than a year before and a slightly dropped sales (expressed by the number of sales agreements signed), the Management Board of the Company has been effectively adapting the Company's operations to the situation prevailing on the market. This is specifically evident in the alignment of inventory expenditures (for new land) with the proceeds from customers.

In 2022, the Company recorded a net outflow of funds from investing activities in the amount of PLN 56 874 thousand compared to a net outflow of PLN 54 621 thousand in the preceding year. The change in funds from investing activities in 2022 consists mainly of expenditures on financial investments of PLN 130 254 thousand (these are mainly acquisitions made in the Cracow market), dividends received from subsidiaries in the amount of PLN 117 276 thousand and a negative balance of cash flows related to loans granted to the subsidiaries in a net amount of PLN 64 952 thousand.

In 2022, the Company recorded a net cash outflow from financing activities in the amount of PLN 259 758 thousand, i.e., 1% more outflow than the year before. The excess of the financial outflow over the inflow is mainly due to the payment of dividends by the Company in the amount of PLN 268 258 thousand.

2.2.4 PROFITABILITY RATIOS

In 2022, the Company's profitability not only remained on a high level but it even grew noticeably compared to the previous year.

It is proved by all of the ratios showing the profitability of the Company's operations in 2022 if compared to the previous year. The gross margin on sales again exceeded 30% reaching 32.7% in the past year. This growth was also positively impacted by the one-time, significant sale of real properties to an institutional customer (PRS) in the amount of PLN 90m. The sales higher than in the previous year as well as higher profitability at the gross margin level were further reflected in all other profitability ratios.

The Company's net margin in 2022 was 26.4%. The increase in net profit compared to 2021, along with a significant dividend payment at the same time, translated into an increase in return on equity to the level of 30.5%. The return on assets in 2022 increased to the high level of 12.3% compared to 11.1% a year earlier. In the opinion of the Supervisory Board, the level of Company's profitability was very satisfactory, and speaks for effective management of the Company's assets.

PROFITABILITY RATIOS	2022	2021
Gross margin ratio (gross profit on sales / net sales revenue)	32.7%	30.6%
Operating profit margin (EBIT / net sales revenue)	21.9%	19.7%
Net profit margin (net profit / net sales revenue)	26.4%	24.8%
Return on assets (ROA; net profit / total assets at the beginning of the period)	12.3%	11.1%
Return on equity (ROE; net profit / shareholders' equity at the beginning of the period)	30.5%	26.6%

2.2.5 LIQUIDITY RATIOS

As at the end of 2022, all liquidity ratios decreased compared to the previous year when they reached an exceptionally high level.

At the end of 2022, the current liquidity ratio was still at a very high level at 4.37 which reflects very good overall liquidity of the Company. Both the quick liquidity ratio (0.57) and the cash liquidity ratio (0.36) also demonstrate very good liquidity of the Company, although they are lower than in the previous year.

Such consistently good liquidity ratios are due to a number of long-term decisions and actions taken by the Company's Management Board. The current, good level of the ratios is largely the effect of the adequate financing structure, which is predominantly medium-term and long-term, compared to short-term financing. Those decisions and actions also include the manner of conducting and financing the projects (including about when to commence individual projects and what product mix to offer for sale), and the strategy to acquire new properties.

The liquidity ratios, which are lower than in the previous years, mainly result from reduced cash levels. This is mainly due to the acquisitions in the Cracow market, as planned earlier, and the related increased financing of these subsidiaries in the form of loans.

The credibility of the Company in the financial market is still high which is reflected by a diversified financing structure of the Company's operations and by the willingness of banks as well as other financial institutions to grant new loans and other forms of long-term finance (such as bonds) to the Company.

LIQUIDITY RATIOS	2022	2021
Current ratio (current assets / short-term liabilities*)	4.37	7.24
Quick ratio (current assets less inventory / short-term liabilities*)	0.57	1.80
Cash ratio (cash ratio: (cash and cash equivalents*) / short-term liabilities**))	0.36	1.03

*)Short-term liabilities less deferred income

2.2.6 LEVERAGE RATIOS

Appropriate operating policy (i.e., proper commencement and pace of projects conducted, as well as controlled purchases of new real properties) and financing policy (the financing structure) ensured that the leverage ratios were maintained at safe levels to support the business activity and confirm the Company's creditworthiness in the financial market.

The leverage ratios were similar at the end of 2022 to those at the end of 2021, thus reflecting the conservative approach of the Company's governing bodies to the sources of financing its operations. As regards the Company's leverage ratios under analysis, a significant change was noted only for the net interest bearing debt ratio, which changed from minus 1.3% to a still comfortable level of 10.4%.

All other leverage ratios improved. This may be attributed to the increased value of net assets and the financing policy pursued by the Management Board for which balanced proportions of debt (including interest bearing debt), net assets and current assets are a priority in this area.

LEVERAGE RATIOS	2022	2021
Equity ratio (shareholders' equity / total assets)	43.4%	40.4%
Debt to equity ratio (total liabilities / shareholders' equity)	130.3%	147.6%
Debt ratio (total liabilities / total assets)	56.6%	59.6%
Interest bearing debt ratio (interest bearing liabilities / shareholders' equity)	26.6%	29.4%
Gearing ratio (interest bearing debt less cash and cash equivalents*) / shareholders' equity)	10.4%	(1.3)%

*) Cash and cash equivalents, including funds in escrow accounts

2.2.7 SUMMARY AND ASSESSMENT

On the basis of the financial statements of Dom Development S.A. for the financial year 2022 and the Management Board's report on the activities of the Company and its Capital Group for the financial year 2022, the Supervisory Board considers the year 2022 another very good year of operations of Dom Development S.A., in particular, in the context of uncertainties caused by the Russian invasion of Ukraine, which resulted in capital outflow from our region. At the same time, the influx of refugees significantly strengthened demand in the domestic rental market. Furthermore, the energy crises caused by the unstable geopolitical situation resulted in the growth of prices, pushing inflation up. By September 2022, a series of interest rate increases had taken place to reach the level not recorded for 20 years.

In 2022, the Company's financial management was mainly focused on seeking sources of long-term external financing for the projects under construction and on maintaining more-than-adequate levels of liquidity. The Company's Management Board regularly analyses the current financing structure and makes plans for the future optimum financing structure in order to achieve satisfactory financial ratios and financial results over the medium term, and at the same time, ensuring adequate liquidity and the financial security of the Company.

Following the Company's very strong performance in 2022, the year 2023 is shaping up to be a year full of challenges not only for companies in the real property development sector, but for the entire Polish economy. The following factors are likely to have the greatest impact on the industry:

- interest rate increases affecting the affordability of mortgage loans
- high inflation
- the Russian invasion of Ukraine launched on February 24, 2022, which is a factor significantly destabilizing the economic environment in the region
- the April recommendation of KNF (Polish Financial Supervision Authority), tightening creditworthiness criteria, resulted in reduced availability of mortgage loans, which was reflected in market demand, specifically in the popular segment, depriving thereby a significant part of the society of a possibility to buy an apartment.

The Supervisory Board believes that the experience that the Company's Management Board and its management staff have accumulated over the years, and the resources held by the Company (both financial and non-financial) resulting from well-considered and prudent financial and investment policies, will allow the Company to mitigate the negative impacts of the instability present in the wider economic environment caused by the above factors.

The most important task of the Management Board is not only to maintain the Company in constant readiness to respond rapidly to all new challenges, but above all to ensure the Company's ability to maintain its leading position on the housing market in Warsaw and to support and coordinate activities with other companies of the Dom Development S.A. Capital Group as they expand in the Tri-City, Wrocław and Cracow markets. The major steps undertaken in this respect included:

- ensuring that adequate sources of finance are available to the Company, both for current and future development projects, its day-to-day operations, and for its overall safety
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of an apartment
- adjusting the Company's sales offer to the market demand
- aligning land purchase outlays to the Company's existing and future needs
- utilising the existing land bank in the most appropriate manner
- generating sales by improving the sales and marketing activities
- maintaining customer confidence in the 'Dom Development' brand by maintaining high quality of units sold
- restructuring the organisation and employment levels to the anticipated level of operational activities
- thorough inspection of budgets for ongoing development projects at every stage of project implementation
- optimising overhead efficiency
- responding quickly to legislative changes, and
- responding efficiently to crisis situations caused by various external factors, either local or global.

In addition, in the face of the Russian invasion of Ukraine, the Company's Management Board is tasked with monitoring and responding adequately to changes in the current macroeconomic situation.

In 2022, the Company's operations generated a significant profit as shown in the income statement.

In the 4th quarter of the previous year, Dom Development Company finalized its first transaction with an investor in the PRS segment (institutional rental), nevertheless, it continues to focus mainly on the sales offer addressed to individual customers.

Having analysed the financial statements for 2022 and the Management Board's report of activities of Dom Development S.A. and its Capital Group in 2022, the Supervisory Board shares the opinion of the Management Board as to the strong financial position of Dom Development S.A. at the end of 2022, that provides solid foundations for the continuing development of the Company.

This opinion is based on both the analysis of current operations and the financial standing of the Company, and the analysis of the Management Board's activities and effectiveness. It relates predominantly to the prompt, effective and professional reaction of the Management Board to changes in the market where the Company has been operating in recent years.

Over the years, the Company has developed an established position as the leader in the Warsaw residential market, gaining considerable experience in terms of execution of development projects as well as the sale and financing of these projects.

3 ASSESSMENT OF THE POSITION OF DOM DEVELOPMENT S.A. CAPITAL GROUP

ASSESSMENT OF THE POSITION OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 December 2022 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2022

3.1 SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A.

THE SHAREHOLDERS OF DOM DEVELOPMENT S.A. WHO HELD, BOTH DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING AS AT 31 DECEMBER 2022

As at 31 December 2022, Dom Development S.A., the Group's parent company, was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.41% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, had significant shareholdings as at 31 December 2022:

STATUS AS AT 31 DECEMBER 2022	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2021	NUMBER OF VOTES AT THE GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	14 155 941	-	14 155 941	55.41%
PTE Allianz Polska S.A.	2 504 229	1 733 219	2 504 229	9.80%
Jarosław Szanajca	1 454 050	-	1 454 050	5.69%
Grzegorz Kiełpsz	1 280 750	-	1 280 750	5.01%

* Shareholding by PTE Allianz Polska S.A. has been presented as per the notice dated 05.01.2023 and includes the shares held by Allianz OFE, Allianz DFE and Drugi Allianz OFE

3.2 EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR 2022

3.2.1 CONSOLIDATED BALANCE SHEET

STRUCTURE OF THE GROUP'S ASSETS AS AT 31 DECEMBER 2022, AND CHANGES AS COMPARED TO THE FIGURES AT THE END OF 2021.

ASSETS	31.12.2022 in thousand PLN	Share in assets	31.12.2021 in thousand PLN	Change 2022/2021
Total fixed assets	175 308	4%	110 193	59%
Current assets				
Inventory	3 442 969	84%	3 025 168	14%
Trade and other receivables	90 731	2%	67 507	34%
Other current assets	7 549	<1%	5 174	46%
Cash and cash equivalents	395 399	10%	669 601	(41)%
Short-term financial assets				
Total current assets	3 936 648	96%	3 767 450	4%
Total assets	4 111 956	100%	3 877 643	6%

STRUCTURE OF THE GROUP'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 DECEMBER 2022, AND CHANGES COMPARED TO THE FIGURES AS AT THE END OF 2021

EQUITY AND LIABILITIES	31.12.2022 in thousand PLN	Share in equity and liabilities	31.12.2021 in thousand PLN	Change 2022/2021
Shareholders' equity				
Share capital	25 548	1%	25 398	1%
Share premium less treasury shares	264 208	6%	258 358	2%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	1 123 458	27%	956 694	17%
Total shareholders' equity	1 413 214	34%	1 240 450	14%
Non-controlling interests	59	<1%	8 728	(99)%
Total shareholders' equity	1 413 273	34%	1 249 178	13%
Liabilities				
Total long-term liabilities	440 363	11%	522 683	(16)%
Total short-term liabilities	2 258 320	55%	2 105 782	7%
Total liabilities	2 698 683	66%	2 628 465	3%
Total equity and liabilities	4 111 956	100%	3 877 643	6%

3.2.2 CONSOLIDATED INCOME STATEMENT

Consolidated income statement of the Group for the year ended 31 December 2022 compared to 2021:

	01.01- 31.12.2022 in thousand PLN	Share in sales revenue	01.01- 31.12.2022 in thousand PLN	Change 2022/2021
Sales revenue	2 419 308	100%	1 897 491	28%
Cost of sales	(1 663 537)	69%	(1 272 307)	31%
Gross profit on sales	755 771	31%	625 184	21%
Operating profit	501 539	21%	413 053	21%
Profit before tax	512 620	21%	405 485	26%
Net profit	410 297	17%	325 252	26%
Earnings per share (in PLN)	16.07		12.89	25%

In 2022, the Group recognised the highest financial result in its history generating a net profit of PLN 410 297 thousand, i.e., an increase of 26% compared to the previous year, which had also been a record-breaking year. This result was primarily due to 28% higher revenue from sales, resulting mainly from:

- the 10% increase (from 3 332 units in 2021 to 3 666 units in 2022) in the volume of units delivered to customers, and
- significant revenues from sales of land (including the sales of land to an institutional customer – PRS),

which in turn translated into a higher consolidated gross profit on sales (an increase by 21% YoY). The said revenue from sales, higher than the one in the previous year, and a direct impact on the consolidated operating profit and the Group's net profit in 2022, which increased by 21% and 26%, respectively, compared to 2021.

3.2.3 CONSOLIDATED CASH FLOW STATEMENT

	2022 in thousand PLN	2021 in thousand PLN	Change 2022/2021
Cash and cash equivalents – opening balance	607 041	585 664	4%
Net cash flow from operating activities	203 583	393 724	(48)%
Net cash flow from investing activities	(215 790)	(66 451)	n.d.
Net cash flow from financing activities	(290 598)	(305 896)	n.d.
Cash and cash equivalents – closing balance	304 236	607 041	(50)%

In 2022, the Dom Development S.A. Capital Group generated PLN 204m of a net cash flow from operating activities. In the opinion of the Company's Supervisory Board this is still a good result, reflecting a sound business model of the Group. The decrease, compared to 2021, results from the fact that the planned land acquisitions for future development projects, disclosed as Group's operating activity, were finalized, and that 2021 saw a record-high growth of deferred income coming from customers' payments. This was the consequence of the record-breaking business expansion achieved by the Group in 2021, measured by the number of units sold (contracted). It should be, however, noted that in 2022 the amount of deferred income remained generally unchanged compared to 2021, which means that throughout 2022 the record-breaking amount of revenues from sales as shown in the income statement was balanced with the proceeds from customers.

The Group recorded a relatively high outflow of cash from investing activities in the amount of PLN 216m against PLN 66m in 2021. The increased balance of expenditures for investment purposes was mainly related to the acquisition of 100% of the shares in the BUMA Group companies, described in Note 7.1 of the Group's Consolidated Financial Statements for 2022.

In 2022, the Group also recorded a net cash outflow from financing activities of PLN 291m, resulting mainly from the payment of a record-high dividend of PLN 268m and a decrease of the debt due to bonds by PLN 56m and a simultaneous increase of debt financing by PLN 26m.

In total, in 2022 the balance of the Group's consolidated cash decreased by PLN 303m to PLN 304m.

3.2.4 PROFITABILITY RATIOS

The ratios representing profitability of the operations conducted by the Group remained at a very good level in 2022.

The main reason for a decrease in the margin ratios recorded in 2021 was the sale of land and provision of construction services for which the average margin was noticeably lower than that for developer sales on which the Group realised the margin of 33% in 2022.

The Group's return on assets at 10.6% remained at a level similar to the preceding year. Special attention should be given to the Group's very high return on equity (ROE), which reached 32.8% in 2022.

PROFITABILITY RATIOS	2022	2021
Gross margin ratio (gross profit on sales / net sales revenue)	31.2%	32.9%
Operating profit margin (EBIT / net sales revenue)	20.7%	21.8%
Net profit margin (net profit / net sales revenue)	17.0%	17.1%
Return on assets (ROA; net profit / total assets at the beginning of the period)	10.6%	10.0%
Return on equity (ROE; net profit / shareholders' equity at the beginning of the period)	32.8%	28.1%

3.2.5 LIQUIDITY RATIOS

Given the specificity of the real estate development sector, characterised by exceptionally long production cycles and the restrictions on financing of operations of the companies in that sector, special attention should be given to the comfortable financial position of the Group. This state of affairs was shaped by a number of long-term decisions and actions taken by the Company's Management Board. The high level of ratios is largely the effect of the adequate financing structure, which is predominantly medium-term and long-term, instead of short-term financing. Those decisions and actions also include the manner of conducting and financing the development projects (including about when to commence individual projects and what product mix to offer for sale) and the strategy to acquire new real properties.

In the opinion of the Company's Supervisory Board, the Group's liquidity, especially in the context of the acquisition of the Buma Group, continues to be very good.

The Dom Development S.A. Capital Group continued to maintain very high liquidity. At the end of 2022, the current liquidity ratio was very high and stood at 5.57.

The quick liquidity ratio decreased and was at the level of 0.70 as at 31 December 2022. The value of that ratio is still on a very good level and demonstrates the high liquidity of the Group. In the unstable market environment, such a high level of liquidity gives the Group a significant competitive advantage, in the eyes of both customers and business partners.

The quick liquidity ratio at (0.43) also demonstrates the very good liquidity of the Group, although it is considerably lower compared to the levels recorded in the previous years.

LIQUIDITY RATIOS	2022	2021
Current ratio (current assets / short-term liabilities*)	5.57	6.85
Quick ratio (current assets less inventory / short-term liabilities*)	0.70	1.35
Cash ratio (cash and cash equivalents / short-term liabilities*)	0.43	1.10

*) Short-term liabilities less deferred income

3.2.6 LEVERAGE RATIOS

Due to the appropriate operating policy (i.e., proper commencement and pace of investment projects conducted, as well as controlled purchases of new real properties) and financing policy (the financing structure) the presented values of the leverage ratios continue to be at the safe level for the business activity and confirm the Group's creditworthiness in the financial market. The leverage ratios were similar at the end of 2022 to those at the end of 2021, thus reflecting the conservative approach of the Company's Management Board to the sourcing of financing for its operations. As regards the Group's leverage ratios under analysis, a major change was noted only for the net interest bearing debt ratio, which changed from minus 20.4% to a still comfortable level of minus 0.3%.

All other leverage ratios improved to some extent. This may be attributed to the increased value of net assets and the financing policy pursued by the Management Board for which a balanced proportions of debt (including interest bearing debt), net assets and current assets are a priority in this area.

LEVERAGE RATIOS	2022	2021
Equity ratio (shareholders' equity / total assets)	34.4%	32.2%
Debt to equity ratio (total liabilities / shareholders' equity)	191.0%	210.4%
Debt ratio (total liabilities / total assets)	65.6%	67.8%
Interest bearing debt ratio (interest bearing liabilities / shareholders' equity)	26.1%	31.5%
Net interest bearing debt to equity ratio (interest bearing liabilities less cash and cash equivalent*) / shareholders' equity)	(0.3)%	(20.4)%

*) Cash and cash equivalents, including funds in escrow accounts

3.2.7 SUMMARY AND ASSESSMENT

On the basis of the consolidated financial statements of the Dom Development S.A. Capital Group for the financial year 2022 and the Management Board's report of the activities of the Company and its Capital Group for the financial year 2022, the Supervisory Board considers the year 2022 another very good year for Dom Development S.A. Capital Group, in particular, in the context of uncertainties caused by the Russian invasion of Ukraine, which resulted in a capital outflow from our region. At the same time, the influx of refugees significantly strengthened demand in the rental market. Furthermore, the energy crises caused by the unstable geopolitical situation resulted in the growth of prices, pushing inflation up. By September 2022, a series of interest rate increases had taken place to reach the level not recorded for 20 years.

In 2022, the Group's financial management was mainly focused on seeking sources of long-term external financing for the projects under construction and on maintaining high levels of liquidity. The Management Board regularly analyses the existing financing structure and make plans for the future optimum financing structure in order to achieve satisfactory financial ratios

and financial results over the medium term, and at the same time, ensuring adequate liquidity and the financial security of the Group.

Following the Group's very strong performance in 2022, the year 2023 is shaping to be full of challenges not only for companies in the real estate development sector, but for the entire Polish economy. The following factors are likely to have the greatest impact on the industry:

- interest rate increases affecting the affordability of mortgage loans
- high inflation
- the Russian invasion of Ukraine launched on February 24, 2022, which is a factor significantly destabilizing the economic environment in the whole region
- the April recommendation of KNF (Polish Financial Supervision Authority), tightening creditworthiness criteria, resulted immediately in reduced availability of mortgage loans, which was reflected in market demand, specifically in the popular segment, depriving thereby a significant part of the society of a possibility to buy an apartment.

The Supervisory Board believes that the experience that the Company's Management Board and its management staff, including its subsidiaries' staff, has accumulated over the years, and the resources held by the Group (both financial and non-financial) resulting from well-considered and prudent financial and investment policies, will allow the Group to mitigate the negative impacts of the instability present in the wider economic environment caused by the above factors.

The most important task of the Company's Management Board and its subsidiaries' management boards is not only to maintain the Group companies in constant readiness to respond rapidly to all new challenges, but above all to ensure the Company's ability to maintain its leading position on the housing market in Warsaw and to coordinate activities with the other companies of the Group as they expand in the Tri-City, Wroclaw and Cracow markets. The major steps undertaken in this respect included:

- ensuring that adequate sources of finance are available to the Group companies, both for current and future development projects, its day-to-day operations, and for its overall safety
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of an apartment
- adjusting the Group's sales offer to the market demand
- aligning land purchase outlays to the Company's existing and future needs
- utilising the existing land bank in the most appropriate manner
- generating sales by improving the sales and marketing activities
- maintaining customer confidence in the 'Dom Development' brand and Euro Style brand by maintaining high quality
- restructuring the organisation and employment levels to the anticipated level of operational activities
- thorough inspection of budgets for ongoing development projects at every stage of project implementation
- responding smoothly to crisis situations caused by various external factors, either local or global
- optimising overhead efficiency, and
- responding quickly to legislative changes.

In addition, in the face of the Russian invasion of Ukraine, the Company's Management Board and its subsidiaries' management boards are tasked with continuous monitoring and responding adequately to changes in the current macroeconomic situation.

In 2022, the Group's operations generated significant profits, as disclosed in the consolidated income statement.

Having analysed the consolidated financial statements for 2022 and the Management Board's report of activities of Dom Development S.A. and its Capital Group in 2022, the Supervisory Board shares the opinion of the Management Board as to the strong financial position of the Dom Development S.A. Capital Group at the end of 2022, that provides solid foundations for the continuing development of the Group.

This opinion is based on both the analysis of the Group's current operations and financial standing, and the analysis of the activities taken by the Company's Management Board and its subsidiaries' management boards and effectiveness thereof. It relates predominantly to the prompt, effective and professional reaction to changes in the markets where the Group has been operating in recent years.

Owing to its extensive experience in designing, implementing, selling and financing development projects, the Group has developed a well-established position in the residential market in Poland. In 2022, the Group maintained its market share in all three metropolitan areas where the Group has been operating for years – in Warsaw, Tri-City and Wrocław. In the Warsaw market the Group has been an unquestionable leader for many years, while in the Tri-City market it achieved that position last year. In 2022, the Group successfully continued to develop its operations in the Wrocław market and strengthened its new position in the Cracow market. Following the successful acquisition of two local developers, Sento and Buma, the company Dom Development Kraków Sp. z o.o. was formed to consolidate both the operating activity and local workforce. The Company successfully started implementation of new development projects in the Cracow market.

4 PROPOSALS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF DOM DEVELOPMENT S.A.

Having examined the submitted reporting documentation for the financial year 2022 the Supervisory Board issues a positive opinion on the following documents and recommends that the Ordinary General Shareholders' Meeting of Dom Development S.A. approve:

- Financial statements of Dom Development S.A. for the year ended 31 December 2022
- Management Board's Report of activities of Dom Development S.A. and the Dom Development S.A. Capital Group in 2022
- Consolidated financial statements of the Dom Development S.A. Capital Group for the year ended 31 December 2022.

5 REPRESENTATIONS BY THE SUPERVISORY BOARD

The Supervisory Board of Dom Development Spółka Akcyjna with its registered office in Warsaw represents that:

The selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw performing a statutory audit on the annual financial statements of Dom Development S.A. for 2022 and the annual consolidated financial statements of the Dom Development S.A. Capital Group for 2022 was made in accordance with the laws, rules and procedures applicable to the selection of an audit firm.

The audit firm, i.e., PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw and the members of its audit team performing the audit of the annual financial statements of Dom Development S.A. for 2022 and the annual consolidated financial statements of the Dom Development S.A. Capital Group for 2022 fulfilled the requirements for preparing an impartial and independent report on the audit of separate and consolidated financial statements in accordance with applicable laws, professional best practices and rules of professional conduct. Dom Development S.A. has complied with the regulations in force regarding the rotation of audit firms and of the key audit partner, and regarding mandatory cooling-off periods.

Dom Development S.A. applies an audit firm selection policy and a policy on non-audit services (including conditionally exempted services) to Dom Development S.A. rendered by the audit firm, by its affiliate, or by a member of its network.

Dom Development S.A. has complied with the regulations in force regarding the appointment, composition and functioning of its Audit Committee, including rules requiring its members to be independent, and the requirement of having the necessary knowledge and skills as regards both the industry in which Dom Development S.A. operates, and as regards the accounting and auditing of financial statements. The Audit Committee acting in Dom Development S.A. has performed the audit committee tasks as prescribed by the applicable regulations.

This Report was approved by the Supervisory Board of Dom Development S.A. on 15 March 2023.