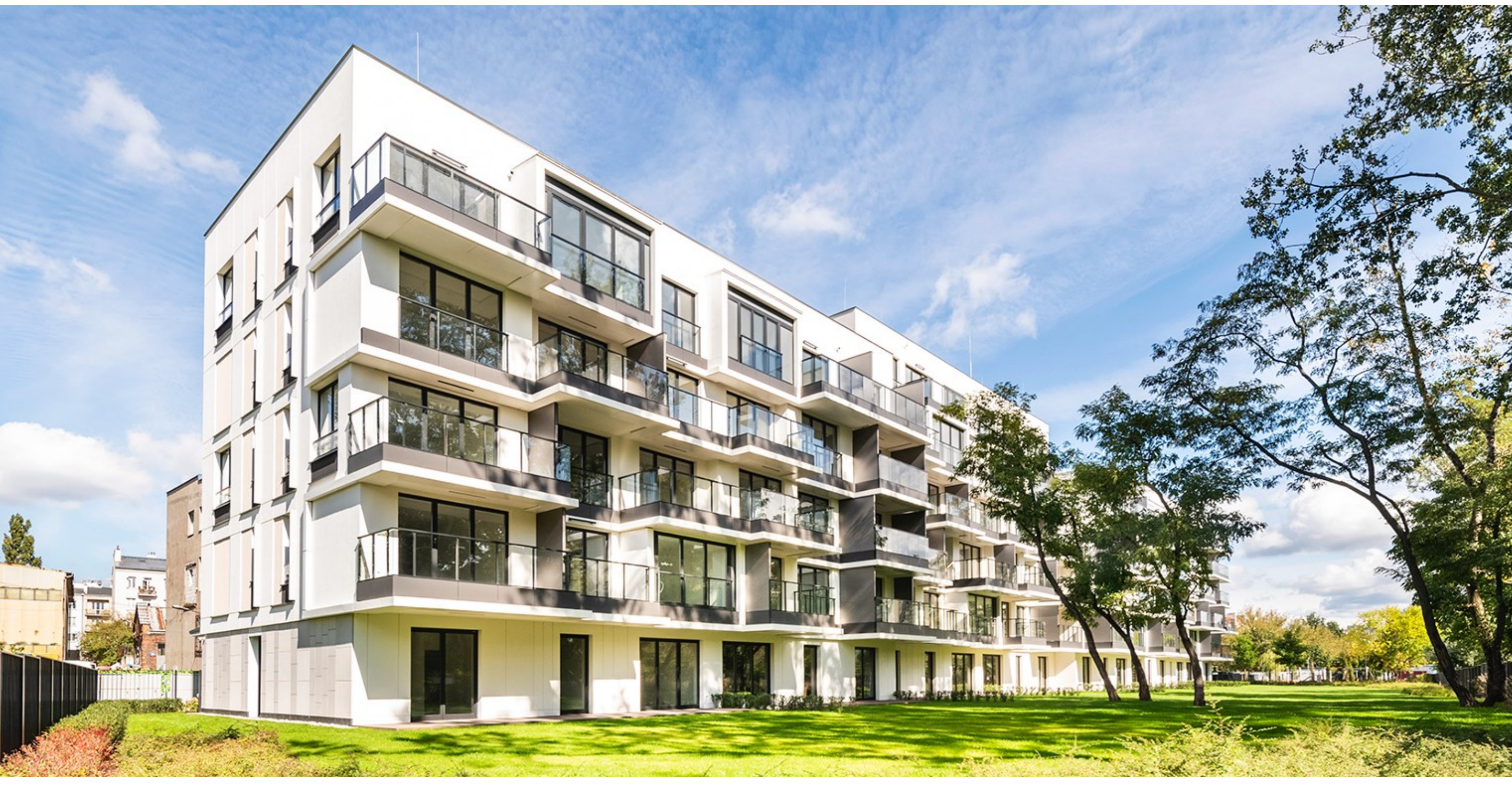
DOM DEVELOPMENT S.A. CAPITAL GROUP

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 2023
- CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2023
- MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2023



CONTENTS

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) Financial statements of Dom Development S.A. for the year ended 31 December 2023

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 2023 were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU. They consist of:

- balance sheet prepared as at 31 December 2023 with the balance of assets and liabilities in the amount of PLN 3 297 159 thousand;
- income statement for the twelve-month period ended 31 December 2023 showing a net profit of PLN 441 114 thousand;
- statement of comprehensive income for the twelve-month period ended 31 December 2023 showing a net comprehensive income of PLN 430 154 thousand;
- cash flow statement for the twelve-month period ended 31 December 2023 showing net cash and cash equivalents of PLN 34 104 thousand as at 31 December 2023;
- statement of changes in shareholders' equity in the twelve-month period ended 31 December 2023 showing the balance of shareholders' equity of PLN 1 368 165 thousand as at 31 December 2023;
- additional information and notes to the financial statements.

b) Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2023

The consolidated financial statements of Dom Development S.A. Capital Group (the "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 on 31 December 2023 were prepared in accordance with IFRS. They consist of:

- consolidated balance sheet prepared as at 31 December 2023 with the balance of assets and liabilities in the amount of PLN 4 563 314 thousand;
- consolidated income statement for the twelve-month period ended 31 December 2023 showing a net profit of PLN 460 250 thousand;
- consolidated statement of comprehensive income for the twelve-month period ended 31 December 2023 showing a net comprehensive income of PLN 449 290 thousand;
- consolidated cash flow statement for the twelve-month period ended 31 December 2023 showing net cash and cash equivalents of PLN 286 274 thousand as at 31 December 2023;
- consolidated statement of changes in shareholders' equity in the twelve-month period ended 31 December 2023 showing the balance of shareholders' equity of PLN 1 449 540 thousand as at 31 December 2023;
- 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 2023.

1.2 FINANCIAL STATEMENTS AUDIT

The financial statements and the consolidated financial statements for the year ended on 31 December 2023 were audited on the basis of an 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 ul. Polna 11, 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. 3/04/23 adopted on 17 April 2023 by the Supervisory Board of Dom Development S.A.

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

a) regulations of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision,

b) the National Auditing Standards adopted by the National Council of Statutory Auditors and the Polish Audit Oversight Agency; and

c) EU Regulation No. 537/2014 of 16 April 2014 on specific requirements for statutory audits of public-interest entities.

1.3 ASSESSMENT BY THE SUPERVISORY BOARD

In the opinion of the Supervisory Board:

The financial statements for the year ended on 31 December 2023:

- give a true and fair view of the assets and financial position of Dom Development as at 31 December 2023, as well as its financial result and cash flow for the period from 1 January 2023 to 31 December 2023,
- has been prepared in accordance with IFRS,
- are consistent with the laws and regulations 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.

The consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2023:

- give a true and fair view of the assets and financial position of Dom Development S.A. Capital Group as at 31 December 2023, as well as its financial result and cash flow for the period from 1 January 2023 to 31 December 2023,
- has been prepared in accordance with IFRS,
- are consistent with the laws and regulations regulating the preparation of consolidated 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.

Management Board's reports of activities of Dom Development S.A. and its capital group in 2023:

- is complete in accordance with the meaning of art. 49 of the Accounting Act and the Regulation by 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 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 POSITION OF THE COMPANY BASED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND THE MANAGEMENT BOARD'S REPORTS OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2023

2.1 SIGNIFICANT SHAREHOLDERS IN 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 2023

As at 31 December 2023 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.02% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, significant shareholdings as at 31 December 2023:

STATUS AS AT 31 DECEMBER 2023	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2022	NUMBER OF VOTES AT THE GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	**14 140 441**	**(15 500)**	**14 140 441**	**55.02%**
PTE Allianz Polska S.A. *)	2 501 493	(2 736)	2 501 493	9.73%
Jarosław Szanajca	1 454 050	-	1 454 050	5.66%

*) The shareholding by PTE Allianz Polska S.A. has been presented as per the notice dated 15.05.2023 and includes the shares held by Allianz OFE.

2.2 EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR 2023

2.2.1 BALANCE SHEET

STRUCTURE OF THE COMPANY'S ASSETS AS AT 31 December 2023, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2022.

ASSETS	31.12.2023 (in PLN '000)	Share in the balance sheet total	31.12.2022 (in PLN '000)	Change YoY
Current assets				
Investments in subsidiaries, associates and jointly controlled entities	472 613	14.3%	486 050	(2.8)%
Long-term loans granted	462 337	14.2%	303 045	52.6%
Other fixed assets	67 260	1.9%	104 132	(35.4)%
Total fixed assets	**1 002 210**	**30.4%**	**893 227**	**12.2%**
Current assets				
Inventory	**2 050 861**	**62.2%**	**1 930 509**	6.2%
Trade and other receivables	52 790	1.6%	42 782	23.4%
Other current assets	74 836	2.3%	4 409	1597.4%
Cash and cash equivalents and short-term financial assets	116 462	3.5%	241 103	(51.7)%
Total current assets	**2 294 949**	**69.6%**	**2 218 803**	**3.4%**
TOTAL ASSETS	**3 297 159**	**100.0%**	**3 112 030**	**5.9%**

STRUCTURE OF THE COMPANY'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 December 2023, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2022

EQUITY AND LIABILITIES	31.12.2023 (in PLN '000)	Share in equity and liabilities	31.12.2022 (in PLN '000)	Change YoY
Shareholders' equity				
Share capital	25 698	0.8%	25 548	0.6%
Share premium	271 558	8.2%	264 208	2.8%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	1 070 909	32.5%	1 061 278	0.9%
Total shareholders' equity	**1 368 165**	**41.5%**	**1 351 034**	**1.3%**
Liabilities				
Total long-term liabilities	550 872	16.7%	342 253	60.9%
Total short-term liabilities	**1 378 122**	41.8%	1 418 743	(2.9)%
Total liabilities	**1 928 994**	**58.5%**	**1 760 996**	**9.5%**
TOTAL EQUITY AND LIABILITIES	**3 297 159**	**100.0%**	**3 112 030**	**5.9%**

2.2.2 INCOME STATEMENT

Selected data from the income statement of the Company for the year ended 31 December 2023 as compared to 2022:

	01.01-31.12.2023 (in PLN '000)	Share in sales revenue	01.01-31.12.2022 (in PLN '000)	Change YoY
Sales revenue	1 487 820	100.0%	1 414 704	5.2%
Cost of sales	(999 495)	67.2%	(952 407)	5.0%
Gross profit on sales	488 325	32.8%	462 297	5.6%
Operating profit	333 915	22.4%	309 348	7.9%
Profit before tax	509 979	34.3%	436 697	16.8%
Net profit	**441 114**	**29.6%**	**373 684**	**18.0%**
Earnings per share (in PLN)	**17.19**		**14.64**	**17.4%**

In 2023, the Company recognised sales revenue of PLN 1 487 820 thousand, i.e. 5.2% more than the previous year. The increase in revenues resulted from the volume of deliveries of units being slightly higher than that in the previous year (1 928 units compared to 1 921 a year earlier), and to a greater extent from a higher unit net sales price.

The increase in gross profit on sales by 5.6 % (i.e., to PLN 488 325 thousand) was slightly higher than a change in revenues, which accounts for a higher gross margin on sales that reached 32.8% (32.7% in 2022).

In 2023, Company's profit before tax increased by 16.8% to reach PLN 509 979 thousand. In addition to higher gross profit on sales, which increased by PLN 26 million, the increase in gross profit was mainly due to higher financial revenues of the Company, which increased by 64 million (i.e. by 44%) compared to 2022. The increase in financial revenues was a result of higher dividends from subsidiaries (PLN 42 million more than in 2022, i.e., up by 36%) and greater proceeds from interests on bank deposits and intragroup loans (PLN 20 million more than in 2022, i.e., up by 79%).

In 2023, the Company earned PLN 441 114 thousand in net profit, which is 18.0% more than in the previous year. The net profit margin reached 29.6%.

2.2.3 CASH FLOW STATEMENT

	2023 (in PLN '000)	2022 (in PLN '000)	Change YoY
Cash and cash equivalents – opening balance	184 078	364 394	(49.5)%
Net cash flow from operating activities	67 810	136 316	(50.3)%
Net cash flow from investing activities	41 240	(56 874)	-
Net cash flow from financing activities	(259 024)	(259 758)	(0.3)%
Cash and cash equivalents – closing balance	**34 104**	**184 078**	**(81.5)%**

At the beginning of 2023, the cash balance stood at PLN 184 078 thousand, compared to PLN 34 104 thousand at the end of the year. This means that in the period from 1 January 2023 to 31 December 2023 the Company's cash balance decreased by PLN 149 974 thousand.

In 2023, the Company recorded a net inflow of cash from operating activities in the amount of PLN 67 810 thousand which was a 50.3% decrease from the previous year. This decrease results mainly from the higher income tax paid compared from the previous year (increase by PLN 42 million). In the same period, the Company also recorded a significant increase in expenses related to the implementation of its development projects, which, however, was almost entirely offset by higher proceeds from customers in the period concerned. Having delivered a net operating cash flow at the level presented above should be considered a positive result. The Company's Management Board has been effectively aligning the Company's operations to the prevailing market situation, in particular in view of demand outweighing supply. This is specifically visible by the balancing of inventory expenditures (for construction operations, designing and new land) with proceeds from customers.

In 2023, the Company recorded a net inflow of funds from investing activities in the amount of PLN 41 240 thousand compared to a net outflow of PLN 56 874 thousand in the preceding year. The change in funds from investing activities in 2023 consists mainly of receipt of dividends and interim dividends from subsidiaries totalling PLN 161 million offset by loans granted to subsidiaries in a net amount of PLN 122 million.

In 2023, the Company again disclosed a significant net cash outflow from financial activities, in the amount of PLN 259 024 thousand. This was the combined effect of a record-high 2022 dividend payment (PLN 283 million), a 2023 interim dividend payment (PLN 141 million) offset by an increase in bond debt by PLN 210 million with the concurrent decrease in loan liabilities by PLN 50 million.

2.2.4 PROFITABILITY RATIOS

In 2023, the Company's profitability not only remained elevated but it even grew noticeably compared to the previous year.

All of the ratios showing the profitability of the Company's operations in 2023 improved compared to the previous year. The gross margin on sales in the previous year again exceeded 32% at 32.8%, demonstrating the maintenance of very good profitability on development projects.

On the other hand, the Company's net profit margin increased noticeably (by 3.2 pp over 2022) to reach 29.6% in 2023. This increase results from higher revenues from dividends from subsidiaries and higher interest income compared to the prior year (as described in section 2.2.2).

The increase in net profit compared to 2022, with the concurrent payment of a high dividend, translated into a higher return on equity, which stood at 32.7%. The return on assets in 2023 increased to 14.2% compared to 12.3% achieved a year ago. In the opinion of the Supervisory Board, the level of the Company's profitability was very satisfactory, and speaks for effective management of the Company's assets.

PROFITABILITY RATIOS	2023	2022
Gross margin ratio (gross profit on sales / net sales revenue)	32.8%	32.7%
Operating profit margin (EBIT / net sales revenue)	22.4%	21.9%
Net profit margin (net profit / net sales revenue)	29.6%	26.4%
Return on assets (ROA; net profit / total assets at the beginning of the period)	14.2%	12.3%
Return on equity (ROE; net profit / shareholders' equity at the beginning of the period)	32.7%	30.5%

2.2.5 LIQUIDITY RATIOS

As at the end of 2023, current and quick liquidity ratios improved over the previous year, reaching an exceptionally high, unique level.

At the end of 2023, the current ratio and quick ratio stood at 5.71 and 0.61 respectively, demonstrating a very good overall liquidity situation of the Company.

At the same time, the cash ratio dropped significantly, as a the result of the Management Board's decision to distribute a 2023 interim dividend amounting to PLN 141 million in December 2023. As a consequence the cash balance was much lower at the end of the year compared to the prior year.

Such consistently good liquidity ratios, and also the available sources of financing (open credit lines in five banks, totalling PLN 560 million) 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 appropriate financing structure, which is predominantly medium-term and long-term financing, 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), the strategy to acquire new properties in the Warsaw market, and the acquisitions and expansion of Company's operations in the non-Warsaw markets.

The credibility of the Company in the financial market is still high which is reflected by a diversified financing structure of the Company's and its Group'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	2023	2022
Current ratio (current assets / short-term liabilities*))	5.71	4.37
Quick ratio (current assets less inventory / short-term liabilities*))	0.61	0.57
Cash ratio (cash and cash equivalents*) / short-term liabilities*))	0.08	0.36

*) 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 equity ratio, debt to equity ratio and debt ratio were similar at the end of 2023 to those at the end of 2022, thus reflecting the conservative approach of the Company's governing bodies to the sourcing of financing for its operations.

As regards the Company's leverage ratios under analysis, the most significant change was noted for the interest bearing debt ratio and gearing ratio, which increased by 11.4 pp and 20.2 pp respectively. This may be largely attributed to the Management Board's decision to pay an interim dividend at the end of 2023 having considered the Company's safe liquidity.

In 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. In addition, the Management Board pays great attention to the financing of operations of the entire Group, including through lending to subsidiaries.

LEVERAGE RATIOS	2023	2022
Equity ratio (shareholders' equity / total assets)	41.5%	43.4%
Debt to equity ratio (total liabilities / shareholders' equity)	141.0%	130.3%
Debt ratio (total liabilities / total assets)	58.5%	56.6%
Interest bearing debt ratio (interest bearing liabilities / shareholders' equity)	38.0%	26.6%
Gearing ratio (interest bearing debt less cash and cash equivalents*)) / shareholders' equity)	30.6%	10.4%

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

2.2.7 SUMMARY AND ASSESSMENT

On the basis of the financial statements of Dom Development S.A. for the financial year 2023 and the Management Board's report of the activities of the Company and its Capital Group for the financial year 2023, the Supervisory Board considers 2023 to be another very good year for Dom Development S.A. business in particular, in the context of uncertainties caused by the Russian invasion of Ukraine.

The year 2023 marked a distinct recovery in demand for flats, with a growing proportion of purchases financed by mortgage loans, which was significantly contributed to by: the relaxation of creditworthiness assessment criteria by the Financial Supervision Authority, the announcement and subsequent implementation of the Safe 2% Mortgage programme, and the first interest rates cuts in a long time, following a series of hikes in 2021-2022. In 2023, approximately 41% of all Dom Development S.A. Capital Group's transactions were purchases financed with a mortgage loan, compared to about 30% in 2022. Despite a significant increase in the proportion of flat purchases financed by loans, cash transactions still accounted for over half of the Company's sales. This demonstrates the continually high level of investment transactions.

In 2023, the Company's financial management was mainly focused on seeking sources of long-term external financing for the projects under construction and on maintaining adequate levels of liquidity. The Company's Management Board regularly analyses the existing 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 for the Company and the companies operating within the Dom Development S.A. Capital Group.

Following the Company's very strong performance in 2023, the 2024 is shaping up as a year full of challenges not only for companies in the real estate development sector, but for the entire Polish economy. The following factors continue to have the greatest impact on the industry:

- high interest rates affecting the affordability of mortgage loans,
- high inflation,
- the Russian invasion of Ukraine launched on 24 February 2022, which is a factor significantly destabilising the economic environment in the whole region,
- difficulty in obtaining administrative decisions needed to develop projects,
- constantly changing laws, such as additional tax burdens in the sector of institutional purchase of residential units or new regulations concerning the technical conditions to be met by buildings and their location.

The Supervisory Board believes that the experience that the Company's Management Board and its management staff have grown 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 the other companies of the Dom Development S.A. Capital Group as they expand in the Tricity, Wroclaw and Cracow markets. The major steps undertaken in this respect included:

- ensuring that adequate sources of finance are available to the Company (and the Group), both for its current and future development projects, 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 a 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 quickly to crisis situations caused by various external factors, both local and 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 2023, the Company's operations generated a significant profit as shown in the income statement.

In Q4 of last year, the Company paid an interim dividend for the first time in its history, on account of the profit for the current financial period.

Having analysed the financial statements for 2023 and the Management Board's report of activities of Dom Development S.A. and its Capital Group in 2023, 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 2023, 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.

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 FOR THE YEAR ENDED 31 December 2023 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2023

3.1 SIGNIFICANT SHAREHOLDERS IN 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 2023

As at 31 December 2023 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.02% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, significant shareholdings as at 31 December 2023:

STATUS AS AT 31 DECEMBER 2023	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2022	NUMBER OF VOTES AT THE GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	**14 140 441**	**(15 500)**	**14 140 441**	**55.02%**
PTE Allianz Polska S.A. *)	2 501 493	(2 736)	2 501 493	9.73%
Jarosław Szanajca	1 454 050	-	1 454 050	5.66%

*) The shareholding by PTE Allianz Polska S.A. has been presented as per the notice dated 15.05.2023 and includes the shares held by 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 2023

3.2.1 CONSOLIDATED BALANCE SHEET

STRUCTURE OF THE GROUP'S ASSETS AS AT 31 DECEMBER 2023, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2022.

ASSETS	31.12.2023 (in PLN '000)	Share in assets	31.12.2022 (in PLN '000)	Change YoY
Total fixed assets	**156 665**	**3.4%**	**175 308**	**(10.6)%**
Current assets				
Inventory	3 837 118	84.1%	3 442 969	11.5%
Trade and other receivables	88 340	1.9%	90 731	(2.6)%
Other current assets	77 357	1.7%	7 549	924.7%
Cash and cash equivalents Short-term financial assets	403 834	8.9%	395 399	2.1%
Total current assets	**4 406 649**	**96.6%**	**3 936 648**	**11.9%**
Total assets	**4 563 314**	**100.0%**	**4 111 956**	**11.0%**

STRUCTURE OF THE GROUP'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 DECEMBER 2023, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2022

EQUITY AND LIABILITIES	31.12.2023 (in PLN '000)	Share in equity and liabilities	31.12.2022 (in PLN '000)	Change YoY
Shareholders' equity				
Share capital	25 698	0.6%	25 548	0.6%
Share premium less treasury shares	271 558	6.0%	264 208	2.8%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	1 152 202	25.3%	1 123 458	2.6%
Total shareholders' equity	**1 449 458**	**31.8%**	**1 413 214**	**2.6%**
Non-controlling interests	82	<0.1%	59	38.9%
Total shareholders' equity	**1 449 540**	**31.8%**	**1 413 273**	**2.6%**
Liabilities				
Total long-term liabilities	689 978	15.1%	440 363	56.7%
Total short-term liabilities	2 423 796	53.1%	2 258 320	7.3%
Total liabilities	**3 113 774**	**68.2%**	**2 698 683**	**15.4%**
Total equity and liabilities	**4 563 314**	**100.0%**	**4 111 956**	**10.9%**

3.2.2 CONSOLIDATED INCOME STATEMENT

Consolidated income statement of the Group for the year ended 31 December 2023 as compared to 2022:

	01.01-31.12.2023 (in PLN '000)	Share in sales revenue	01.01-31.12.2022 (in PLN '000)	Change YoY
Sales revenue	2 550 313	100.0%	2 419 308	5.4%
Cost of sales	(1 735 262)	68.0%	(1 663 537)	4.3%
Gross profit on sales	815 051	32.0%	755 771	7.8%
Operating profit	558 193	21.9%	501 539	11.3%
Profit before tax	573 255	22.5%	512 620	11.8%
Net profit	460 250	18.0%	410 297	12.2%
Earnings per share (in PLN)	17.94		16.07	12.6%

In 2023, the Group recognised the highest net profit in its history at the level of PLN 460 250 thousand, i.e. an increase of 12.2% over the previous year, which had also been a record-breaking year. Such a solid performance was mainly due to a 5.4% increase in sales revenue, combined with a concurrent 0.8 pp growth in the gross profitability, reaching 32.0% (as described in section 3.2.4) offset by a mere 4.6% growth of selling costs and general administrative expenses.

The results achieved by the Group, with an increasing role played by companies from non-Warsaw markets, is highly satisfying and reflects the effectiveness of its business model.

3.2.3 CONSOLIDATED CASH FLOW STATEMENT

	2023 (in PLN '000)	2022 (in PLN '000)	Change YoY
Cash and cash equivalents – opening balance	304 236	607 041	(49.9)%
Net cash flow from operating activities	267 725	203 583	31.5%
Net cash flow from investing activities	(15 692)	(215 790)	(92.7)%
Net cash flows from financing activities	(269 995)	(290 598)	(7.1)%
Cash and cash equivalents – closing balance	**286 274**	**304 236**	**(5.9)%**

The Dom Development S.A. Capital Group generated PLN 268 million of net cash flow from operating activities in 2023. The Supervisory Board believes it is a very good result indicating the Group's healthy business model. The increase in this cash flow item, compared to 2022, primarily stems from greater sales (pre-contracted units). This resulted in substantial inflows from customers, made possible by the planned and timely completion of development projects. This trend is also evident in the Group's balance sheet, where deferred income increased by PLN 182 million compared to the previous year. Proceeds from sales exceeded the Group's operating expenses, and specifically expenses related to development projects in progress and purchases of land for future projects (which are also disclosed in operating activities).

In terms of investing activities in 2023, the Group recorded only a slight cash outflow of PLN 16 million, primarily due to expenditures on intangible assets (software) and tangible fixed assets. In 2022, high investment spending was associated with the acquisition of development companies in the Cracow market.

In 2023, the Group again disclosed a significant net cash outflow from financial activities, in the amount of PLN 270 million. This was the combined effect of a record-high 2022 dividend payment (PLN 283 million), a 2023 interim dividend payment (PLN 141 million) offset by an increase in bond debt of PLN 210 million with the concurrent decrease in loan liabilities by PLN 59 million.

In total, in 2023 the balance of the Group's consolidated cash decreased by PLN 18 million to PLN 286 million.

3.2.4 PROFITABILITY RATIOS

The ratios showing profitability of the operations conducted by the Group in 2023 have remained very good.

Last year, despite the strong upward pressure on construction costs, but with high demand, the Group successfully continued to pursue its strategy of maximising margins on its development projects. Good results are reflected in the growth of gross profitability, which reached 32% from 31.2% in 2022, and of other margin-related ratios.

Return on assets went up by 0.6 pp to 11.2%. The Company's Supervisory Board believes that it is a very good result. The Group's assets grew proportionally to its results and scale of operations mainly due to the increased inventory and deferred income, which determine the potential for future profits. The Group's inventories largely consist of real estate properties and expenditures on design and construction works incurred for units sold (pre-contracted) yet not delivered to the buyers.

The robust and consistent return on equity (ROE), which reached 32.6% in 2023, demonstrates the Group's efficiency and the Management Board's ability to react to market signals.

PROFITABILITY RATIOS	2023	2022
Gross margin ratio (gross profit on sales / net sales revenue)	32.0%	31.2%
Operating profit margin (EBIT / net sales revenue)	21.9%	20.7%
Net profit margin (net profit / net sales revenue)	18.0%	17.0%
Return on assets (ROA; net profit / total assets at the beginning of the period)	11.2%	10.6%
Return on equity (ROE; net profit / shareholders' equity at the beginning of the period	32.6%	32.8%

3.2.5 LIQUIDITY RATIOS

Given the specificity of the real estate development sector, characterised by an exceptionally lengthening production cycle and the restrictions on financing of operations of the companies in the sector, special attention should be given to the comfortable financial position of the Group. This outcome 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 appropriate financing structure, which is predominantly medium-term and long-term financing, instead of 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.

In the opinion of the Supervisory Board, the Group's liquidity continues to be very good. The Supervisory Board have noted that the Group's current financial position allowed the Management Board, for the first time in the Company's history, to recommend and subsequently distribute an interim dividend from the current year's profit.

The Dom Development S.A. Capital Group continued to maintain very high liquidity. At the end of 2023, the current liquidity ratio was high, at 6.39.

The quick liquidity ratio decreased and was at the level of 0.83 as at 31 December 2023. 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 customers, business partners and financial institutions.

The cash ratio at the end of 2023 stood at 0.41, and was close to the value at the end of 2022. This figure is impressive, especially in the context of the said distribution of PLN 141 million interim dividend from the current year's profit, which took place in December 2023.

LIQUIDITY RATIOS	2023	2022
Current ratio (current assets / short-term liabilities*))	6.39	5.57
Quick ratio (current assets less inventory / short-term liabilities*))	0.83	0.70
Cash ratio (cash and cash equivalents) / short-term liabilities*))	0.41	0.43

*) 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 a 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 2023 to those at the end of 2022, thus reflecting the conservative approach of the Company's Management Board to the sources of financing its operations.

As regards the Group's leverage ratios under analysis, a major change was noted only for the gearing ratio, which changed from minus 0.3% to a still comfortable level of 9.0%, despite the interim dividend paid in December 2023.

The Group's debt structure was primarily affected by the bonds issued, with the aggregate value of PLN 520 million, and specifically five-year bonds with the value of PLN 260 million issued in September 2023.

Another change was the debt to equity ratio, which increased from 191.0% to 214.8% in 2023. This increase was driven by a PLN 151 million rise in interest-bearing debt, as well as the previously mentioned PLN 182 million increase in deferred income, coupled with a slight growth in equity due to the interim dividend paid in December 2023.

When reviewing the leverage ratios and actions taken by the Management Board, it becomes apparent that maintaining a balanced proportion of debt (including interest-bearing debt), net assets, and current assets is a key priority for the Management Board.

LEVERAGE RATIOS	2023	2022
Equity ratio (shareholders' equity / total assets)	31.8%	34.4%
Debt to equity ratio (total liabilities / shareholders' equity)	214.8%	191.0%
Debt ratio (total liabilities / total assets)	68.2%	65.6%
Interest bearing debt ratio (interest bearing liabilities / shareholders' equity)	35.9%	26.1%
Gearing ratio (interest bearing debt less cash and cash equivalents*) / shareholders' equity)	9.0%	(0.3)%

*) 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 2023 and the Management Board's report of the activities of the Company and its Capital Group for the financial year 2023, the Supervisory Board considers the year 2023 to have been 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.

The year 2023 marked a distinct recovery in demand for flats, with a growing proportion of purchases financed by mortgage loans, which was significantly contributed to by: the relaxation of creditworthiness assessment criteria by the Financial Supervision Authority, the announcement and subsequent implementation of the Safe 2% Mortgage programme, and the first interest rates cuts in a long time, following a series of hikes in 2021-2022. In 2023, approximately 41% of all Dom Development S.A. Capital Group's transactions were purchases financed with a mortgage loan, compared to about 30% in 2022. Despite a significant increase in the proportion of flat purchases financed by loans, cash transactions still accounted for over half of the Group's sales. This demonstrates the continually high level of investment transactions.

In 2023, 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 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 Group.

Following the Group's very strong performance in 2023, 2024 is shaping up as a year full of challenges not only for companies in the real estate development sector, but for the entire Polish economy. The following factors continue 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 24 February 2022, which is a factor significantly destabilising the economic environment in the whole region,
- difficulty in obtaining administrative decisions needed to develop projects,
- constantly changing laws, such as additional tax burdens in the sector of institutional purchase of residential units or new regulations concerning the technical conditions to be met by buildings and their location.

The Supervisory Board believes that the experience that the Company's Management Board and its management staff, including its subsidiaries' staff, has grown 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 Tricity, 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 Group'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 and Euro Styl brands by maintaining high quality of the 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 quickly to crisis situations caused by various external factors, both local and global.
-

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 2023, the Group's operations generated significant profits, as disclosed in the consolidated income statement.

In Q4 of last year, the Company paid an interim dividend for the first time in its history, on account of the profit for the current financial period.

Having analysed the consolidated financial statements for 2023 and the Management Board's report of activities of Dom Development S.A. and its Capital Group in 2023, 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 2023, 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 2023, the Group maintained its market share in all four metropolitan areas where the Group has been operating. In 2023, particularly noteworthy was the Group's continued expansion into the non-Warsaw markets, as well as the successful consolidation of the Group's operations in the Cracow market through the establishment of Dom Development Kraków Sp. z o.o.

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

Having examined the submitted reporting documentation for the financial year 2023 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 2023;

Management Board's Report of activities of Dom Development S.A. and the Dom Development S.A. Capital Group in 2023;

Consolidated financial statements of the Dom Development S.A. Capital Group for the year ended 31 December 2023.

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 2023 and the annual consolidated financial statements of the Dom Development S.A. Capital Group for 2023 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 2023 and the annual consolidated financial statements of the Dom Development S.A. Capital Group for 2023 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 18 March 2024.