DOM DEVELOPMENT S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONTENTS

1 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY

These consolidated financial statements for the year ended on 31 December 2020, comprising:

- consolidated balance sheet prepared as at 31 December 2020,
- consolidated income statement for the twelve-month period ended 31 December 2020,
- consolidated statement of comprehensive income for the twelve-month period ended 31 December 2020,
- consolidated cash flow statement for the twelve-month period ended 31 December 2020,
- consolidated statement of changes in shareholders' equity for the twelve-month period ended 31 December 2020,
- additional notes to the consolidated financial statements

were prepared and approved by the Management Board of Dom Development S.A. on 11 March 2021.

The Management Board of Dom Development S.A. declares that to the best of its knowledge, these annual consolidated financial statements for 2020 with comparative data have been prepared in accordance with the applicable accounting policies, and reflect a true and fair economic and financial position of the Dom Development S.A. Capital Group and its financial result.

Jarosław Szanajca
President of the Management Board

Janusz Zalewski
Vice President of the Management Board

Małgorzata Kolarska
Vice President of the Management Board

Mikołaj Konopka
Member of the Management Board

Terry R. Roydon
Member of the Management Board

2 CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2020	31.12.2019
Fixed assets			
Intangible assets	**7.6**	17 830	14 228
Tangible fixed assets	**7.7**	38 132	44 019
Deferred tax assets	**7.21**	9 759	5 927
Long-term receivables	**7.8**	1 761	1 876
Other long-term assets		3 276	2 797
TOTAL FIXED ASSETS		**70 758**	**68 847**
Current assets			
Inventory	**7.9**	2 423 514	2 509 632
Trade and other receivables	**7.10**	89 694	62 166
Other current assets	**7.11**	5 208	4 968
Income tax receivables	**7.32**	27 909	418
Short-term financial assets	**7.12**	50 463	61 587
Cash and cash equivalents	**7.13**	585 664	253 318
TOTAL CURRENT ASSETS		**3 182 452**	**2 892 089**
TOTAL ASSETS		**3 253 210**	**2 960 936**

EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2019
Shareholders' equity			
Share capital	**7.14**	25 218	25 068
Share premium	**7.15**	251 038	245 188
Other capital (supplementary capital)		614 804	543 715
Reserve capital from valuation of cash flow hedges		(3 591)	(2 161)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		269 454	271 877
Equity attributable to the shareholders of parent company		**1 157 433**	**1 084 197**
Non-controlling interests		38	34
TOTAL SHAREHOLDERS' EQUITY		**1 157 471**	**1 084 231**
Long-term liabilities			
Loans, long-term portion	**7.18**	10 000	85 000
Bonds, long-term portion	**7.19**	250 000	260 000
Deferred tax provision	**7.21**	48 734	10 714
Long-term provisions	**7.22**	22 419	18 687
Lease liabilities, long-term portion	**7.24**	24 642	26 970
Other long-term liabilities	**7.23**	75 208	67 644
TOTAL LONG-TERM LIABILITIES		**431 003**	**469 015**
Short-term liabilities			
Trade payables, tax and other liabilities	**7.25**	319 571	321 643
Loans, short-term portion	**7.18**	0	14
Bonds, short-term portion	**7.19**	110 000	100 000
Accrued interest on loans and bonds	**7.20**	1 399	1 311
Lease liabilities, short-term portion	**7.24**	89 992	98 525
Corporate income tax payables	**7.32**	6 019	34 829
Short-term provisions	**7.26**	26 626	17 021
Deferred income	**7.27**	1 111 129	834 347
TOTAL SHORT-TERM LIABILITIES		**1 664 736**	**1 407 690**
TOTAL LIABILITIES		**2 095 739**	**1 876 705**
TOTAL EQUITY AND LIABILITIES		**3 253 210**	**2 960 936**

All amounts in PLN '000.

3 INCOME STATEMENT

	Note	Year ended 31.12.2020	Year ended 31.12.2019
Sales revenue	**7.34**	1 815 012	1 661 721
Cost of sales	**7.34**	(1 236 233)	(1 161 601)
Gross profit on sales	**7.34**	**578 779**	**500 120**
Selling costs	**7.35**	(61 426)	(65 091)
General administrative expenses	**7.35**	(110 837)	(101 495)
Other operating income	**7.37**	4 341	9 206
Other operating expenses	**7.38**	(24 590)	(22 050)
Operating profit		**386 267**	**320 690**
Financial income	**7.39**	3 293	4 423
Financial costs	**7.40**	(10 933)	(4 631)
Profit before tax		**378 627**	**320 482**
Income tax	**7.32**	(76 381)	(64 464)
Net profit from continued operations		**302 246**	**256 018**
Net profit from discontinued operations *)		**0**	**0**
Net profit		**302 246**	**256 018**
Net profit attributable to:			
Shareholders of the parent company		302 242	256 015
Non-controlling interests		4	3
Earnings per share attributable to shareholders of the parent company			
Basic (in PLN)	**7.31**	**12.00**	**10.22**
Diluted (in PLN)	**7.31**	**11.91**	**10.16**

*) In 2020 and 2019, the Group did not discontinue any of its operations.

All amounts in PLN '000 unless stated otherwise.

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31.12.2020	Year ended 31.12.2019
Net profit	**302 246**	**256 018**
Other comprehensive income:		
Net change to cash flow hedges	(1 765)	(16)
Items to be accounted for in the income statement	**(1 765)**	**(16)**
Items not to be accounted for in the income statement	**0**	**0**
Other net comprehensive income / (loss), before tax	**(1 765)**	**(16)**
Income tax on other net comprehensive income to be accounted for in the income statement	335	3
Other net comprehensive income	**(1 430)**	**(13)**
Total net comprehensive income	**300 816**	**256 005**
Net comprehensive income attributable to:		
Shareholders of the parent company	300 812	256 002
Non-controlling interests	4	3

All amounts in PLN '000.

5 CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flow from operating activities			
Profit before tax		**378 627**	**320 482**
Adjustments:			
Depreciation		14 736	14 944
(Profit)/loss on foreign exchange differences		139	(144)
(Profit)/loss on investments		4 474	329
Interest cost/(income)		12 731	9 496
Cost of the valuation of management option programmes		5 999	5 091
Changes in the operating capital:			
Changes in provisions		13 615	7 554
Changes in inventory		125 740	(393 109)
Changes in receivables		(13 256)	(7 686)
Changes in short-term liabilities, excluding loans and bonds		(9 511)	101 889
Changes in prepayments and deferred income		262 946	198 697
Other adjustments		202	488
Cash flow generated from operating activities		**796 442**	**258 031**
Interest received		1 006	2 241
Interest paid		(15 325)	(16 332)
Income tax paid		(102 803)	(81 885)
Net cash flow from operating activities		**679 320**	**162 055**
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		930	874
Proceeds from borrowings granted		3 171	71
Other proceeds / (expenses) from financial assets		157	192
Borrowings granted		(27 400)	(3 000)
Acquisition of intangible and tangible fixed assets		(11 254)	(12 670)
Acquisition of financial assets and additional contributions to the capital		(3 746)	(3 045)
Net cash flow from investing activities		**(38 142)**	**(17 578)**
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)	**7.14**	6 000	3 500
Proceeds from contracted loans	**7.18**	257 946	100 014
Proceeds from commercial papers issued	**7.19**	100 000	50 000
Repayment of loans and borrowings	**7.18**	(332 960)	(100 000)
Redemption of commercial papers	**7.19**	(100 000)	0
Dividends paid	**7.17**	(239 575)	(226 907)
Payment of lease liabilities		(243)	(258)
Net cash flow from financing activities		**(308 832)**	**(173 651)**
Increase / (decrease) in net cash and cash equivalents		**332 346**	**(29 174)**
Cash and cash equivalents – opening balance	**7.13**	**253 318**	**282 492**
Cash and cash equivalents – closing balance	**7.13**	**585 664**	**253 318**

All amounts in PLN '000.

6 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from valuation of cash flow hedges	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2020	**25 068**	**245 188**	**543 715**	**510**	**(2 161)**	**271 877**	**1 084 197**	**34**	**1 084 231**
Share capital increase by exercising share options (note 7.14 and 7.15)	150	5 850	0	0	0	0	6 000	0	6 000
Profit transfer to supplementary capital (note 7.17)	0	0	65 090	0	0	(65 090)	0	0	0
Dividends to shareholders (note 7.17)	0	0	0	0	0	(239 575)	(239 575)	0	(239 575)
Creation of reserve capital from the valuation of the share options (note 7.43)	0	0	5 999	0	0	0	5 999	0	5 999
Net profit for the reporting period	0	0	0	0	0	302 242	302 242	4	302 246
Other net comprehensive income	0	0	0	0	(1 430)	0	(1 430)	0	(1 430)
Total net comprehensive income	**0**	**0**	**0**	**0**	**(1 430)**	**302 242**	**300 812**	**4**	**300 816**
Increase / (decrease) in equity capital	**150**	**5 850**	**71 089**	**0**	**(1 430)**	**(2 423)**	**73 236**	**4**	**73 240**
Balance as at 31 December 2020	**25 218**	**251 038**	**614 804**	**510**	**(3 591)**	**269 454**	**1 157 433**	**38**	**1 157 471**

All amounts in PLN '000.

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from valuation of cash flow hedges	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2019	**24 968**	**241 788**	**551 395**	**510**	**(2 148)**	**229 960**	**1 046 473**	**69**	**1 046 542**
Share capital increase by exercising share options	100	3 400	0	0	0	0	3 500	0	3 500
Profit transfer to supplementary capital (note 7.17)	0	0	(12 771)	0	0	12 771	0	0	0
Dividends to shareholders (note 7.17)	0	0	0	0	0	(226 869)	(226 869)	(38)	(226 907)
Creation of reserve capital from the valuation of the share options (note 7.43)	0	0	5 091	0	0	0	5 091	0	5 091
Net profit for the reporting period	0	0	0	0	0	256 015	256 015	3	256 018
Other net comprehensive income	0	0	0	0	(13)	0	(13)	0	(13)
Total net comprehensive income	**0**	**0**	**0**	**0**	**(13)**	**256 015**	**256 002**	**3**	**256 005**
Increase / (decrease) in equity capital	**100**	**3 400**	**(7 680)**	**0**	**(13)**	**41 917**	**37 724**	**(35)**	**37 689**
Balance as at 31 December 2019	**25 068**	**245 188**	**543 715**	**510**	**(2 161)**	**271 877**	**1 084 197**	**34**	**1 084 231**

All amounts in PLN '000.

7 ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1 GENERAL INFORMATION ABOUT THE PARENT COMPANY OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP AND THE GROUP

GENERAL INFORMATION ABOUT THE PARENT COMPANY OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP

Name: Dom Development S.A.

Registered office: Plac Piłsudskiego 3, 00-078 Warszawa (Warsaw)

Legal form: Public Limited Company

Country of registration: Poland

Registered address of the office: Plac Piłsudskiego 3, 00-078 Warszawa (Warsaw)

Principal place of business: Poland

There have been no changes to the name of the reporting entity or other identification data since the end of the previous reporting period .

The parent company of Dom Development S.A. Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") entered into the National Court Register under number 0000031483, maintained by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the Company's scope of activity is the development of building projects – PKD 4110Z (NACE F41.1). The Company conducts its activities mainly in Warsaw.

The Company is a majority-owned subsidiary of Groupe Belleforêt S.à r.l. with its registered office in Luxembourg (see note 7.14). As at 31 December 2020 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. which held 56.13% of the Company's shares.

GENERAL INFORMATION ABOUT THE GROUP

The Group's structure and the parent company interest in the share capital of the entities comprising the Group as at 31 December 2020 is presented in the table below:

COMPANY	Country of registration	% of the share capital held by the parent company	% of the votes held by the parent company	Consolidation method
Subsidiaries				
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Dom Development Kredyty sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Wrocław sp. z o.o.	Poland	100%	100%	full consolidation
Dom Land sp. z o.o.	Poland	-	-	full consolidation
Euro Styl S.A.*	Poland	100%	100%	full consolidation
Euro Styl Development sp. z o.o.*	Poland	100%	100%	full consolidation
Mirabelle Investments sp. z o.o.	Poland	100%	100%	full consolidation
Dom Construction sp. z o.o.	Poland	100%	100%	full consolidation
M2 Biuro sp. z o.o. **	Poland	100%	100%	full consolidation

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

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

The main area of activity of the Group is the construction and sale of residential real estate.

Dom Development Grunty sp. z o.o. is fully consolidated (with 46% share in the share capital held by the parent company) as its financial and operational policy is managed by members of the management board nominated by Dom Development S.A. The area of activities of this subsidiary is the purchase of real estate to be further developed by the Group.

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies, with the unlimited duration.

In the twelve-month period ended 31 December 2020 the Group did not discontinue any of its activities.

MATERIAL CHANGES TO THE GROUP STRUCTURE, INCLUDING AS A RESULT OF A MERGER, ACQUISITION OR SALE OF THE COMPANIES OPERATING WITHIN THE CAPITAL GROUP, LONG-TERM INVESTMENTS, DEMERGER, RESTRUCTURING OR DISCONTINUATION OF ACTIVITIES.

Within the twelve-month period ended 31 December 2020, the Group did not make any other material changes in the structure of investing in subsidiaries, associates and joint ventures.

On 11 February 2019, the Company entered into a preliminary agreement sale for all shares in the share capital of M2 Hotel sp. z o.o. On 24 April 2020, as a consequence of the preliminary share sale agreement, the Company sold all its shares in the share capital in M2 Hotel sp. z o.o.

7.2 BASIS FOR THE PREPARING OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements have been prepared on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future. During the twelve-month period ended 31 December 2020, on account of the COVID-19 epidemic announced in Poland, the Management Board of the Company has performed additional analyses, in particular as regards the vulnerability of the Company's and Group's liquidity to possible changes in the market environment and to the ongoing operating activities of the Group on account of the epidemic. In the opinion of the Management Board of the Company, as at the date of approval of these consolidated financial statements all the prerequisites have been fulfilled for the going concern assumption in the foreseeable future.

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

The principles of measurement of assets, liabilities and financial result presented in the additional information to the consolidated financial statements are consistent with the accounting principles adopted by the parent company.

7.3 COMPLIANCE STATEMENT

Polish law requires the Group to prepare its consolidated financial statements in accordance with the International Financial Accounting Standards (IFRS) adopted by the European Union (EU). Having considered the process of IFRS introduction that takes place in the EU and the activities of the Group, in the context of accounting policies applied by the Group there are no differences in IFRS that have been put into force and IFRS that have been endorsed by the EU for the financial year ended 31 December 2020.

These consolidated financial statements were prepared in accordance with all applicable IFRSs that have been adopted by the European Union.

IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Certain companies operating within the Group keep their books of accounts in accordance with accounting policies (principles) specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") as amended and the regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements incorporate certain adjustments, not included in the books of account of such companies operating within the Group, which were made in order to align the financial statements to IFRS.

These consolidated financial statements are prepared based on the same accounting principles (policies) as for the consolidated financial statements of the Group for the year ended 31 December 2019, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- A new definition of "material" was published by the Board. Amendments to IAS 1 and IAS 8 fine tune the definition of materiality and increase consistency between standards, but it is not expected that they will have a significant impact on the preparation of the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020.

The introduced amendments and new standards were scrutinized by the Management Board of the Company and they do not materially affect the Group's financial position, operating results or the scope of information presented in these consolidated financial statements.

The Group has not decided for earlier adoption of any standard, interpretation or improvement/amendment, which was published and has not yet come into force.

The following standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee that have not come into force:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. They remove the existing inconsistency between IFRS 10 and IAS 28. The effective date for the amendments has not been defined by the International Accounting Standards Board. The approval of this amendment has been postponed by the European Union as at the date of these interim condensed financial statements,
- IAS 1 *Presentation of Financial Statements*, Amendments to IAS 1 Presentation of Financial Statements. The IASB published amendments to IAS 1 which clarify the presentation issue of long-term and short-term liabilities. The published amendments are effective for financial statements for the periods beginning on or after 1 January 2022. These amendments have not been endorsed by the EU as at the date of these consolidated financial statements,
- Amendments to IAS 37 *Provisions, Contingent liabilities and Contingent assets*. The amendments to IAS 37 provide clarifications regarding the costs that an entity is to consider when assessing whether a contract is an onerous contract. The amendments are effective for financial statements for the periods beginning on or after 1 January 2022. These amendments have not been endorsed by the EU as at the date of these consolidated financial statements,
- Annual improvements to IFRS 2018 - 2020 introduce improvements to the following standards: IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IAS 41 Agriculture, and examples illustrating IFRS 16 Leases. The amendments include clarifications and fine tune guidelines for standards in respect of recognition and measurement. These amendments have not been endorsed by the EU as at the date of these consolidated financial statements,
- Amendments to IFRS 16 *Leases*. On 28 May 2020, the IASB published an amendment to IFRS 16 in response to changes in lease agreements related to the coronavirus pandemic (COVID-19). Lessees may enjoy rent concessions that may take different forms, such as rent deferrals or rent holidays. Accordingly, the IASB introduced a simplification of assessment whether such changes constitute lease modification. Lessees may simplify accounting by electing not to apply the IFRS 16 guidelines for lease modification. As a result, rent deferrals and rent holidays under the lease will be recognised as variable lease payments during the period in which the event or condition occurs which results in the reduced payment. The amendment is effective from 1 June 2020, and can be applied earlier.

The Management Board is verifying effect of the above standards on the Group's financial position, operating results or the scope of information presented in the consolidated financial statements. It is not expected by the Management Board of the Company that new standards and amendments to the existing standards could have a significant impact on the consolidated financial statements of the Group for the period, when they are adopted for the first time.

7.4 MATERIAL ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of Dom Development S.A. and its subsidiaries prepared for the year ended 31 December 2020. The financial statements of the subsidiaries, after giving consideration to the adjustments made to achieve conformity with IFRS, are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate an impairment.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is exercised by the parent company when the parent company holds, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that subsidiary, unless it is possible to prove that such holding does not represent control. Control is also exercised if the Company has the power to govern the financial or operating policy of a subsidiary.

Changes in the ownership interest of the parent company which do not result in the loss of control over a subsidiary are accounted for as equity transactions. In such cases, the Group adjusts the carrying value of the controlling interests and non-controlling interests in order to reflect the relative changes in the interests in the subsidiary. All differences between the value of the adjustment to the non-controlling interests and the fair value of the amount paid or received, are accounted for as the shareholders' equity and attributed to the owners of the parent company.

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Investment in associates and jointly controlled entities are accounted for using the equity method. Associates and jointly controlled entities are entities in which the parent company has, either directly or through its subsidiaries, significant influence and which are not its subsidiaries. The financial statements of the associates and jointly controlled entities are the basis for valuation of shares held by the parent company using the equity method. The reporting periods applied by the associates and the parent company are the same. These entities apply accounting policies as defined in the Accounting Act. Relevant adjustments are made to align financial data of the associates and jointly controlled entities with IFRS applied by the Group, before the share in their net assets is calculated. Investments in the associates and jointly controlled entities are disclosed in the balance sheet at cost plus post-purchase changes in the parent's share in the associates' and the entities' net assets, less any impairment losses. The consolidated income statement reflects the parent's share in the results of the associated and jointly controlled entities. A carrying value adjustment may also be required due to a change in proportion of the share in the associated or the jointly controlled entity, resulting from changes in other comprehensive income of this entity. The Group's share in these changes is disclosed in other comprehensive income of the Group.

Impairment assessment of the investment in associates and jointly controlled entities takes place when there are reasons indicating that such impairment occurred or when impairment write down made in the past years is no longer required.

TANGIBLE FIXED ASSETS

All tangible fixed assets are stated at purchase price less accumulated depreciation (except for land), less accumulated impairment write downs. Replacement cost of existing parts of a tangible fixed asset can be capitalised, if material. Depreciation is calculated on straight-line basis over the useful life of the asset. Depreciation rates for buildings and structures range from 2.5% to 4.5%, for vehicles the rate applied is 20% and for other fixed assets from 10% to 30%.

The right-of-use of office space is recognised in accordance with the rules set out in IFRS 16 *Leases*, and is amortised over the term of the lease.

INVENTORY

Finished goods

Finished goods represent mainly housing units and parking places. They are valued at the lower of either the cost of production or net realisable value.

The net realisable value is the estimated sales price evaluated by the Management Board based on market prices.

Work in progress

Work in progress is valued at the lower of either the purchase price/cost of production or net realisable value. In case of discrepancies an impairment write down is made. For the Company's real estate development projects, assessment of the need for impairment write down is determined using the "inventory impairment test" described below based on the analysis of production costs and net realisable value.

Inventory impairment test

If a development project is expected to generate a loss, this entails a revaluation write down of work in progress, which is immediately recognised in the income statement. The write down may also relate to the property, for which an inherent risk of postponement is associated with the development process.

For each real estate development project there are budgets prepared, which cover both, past and future cash flows for each undertaken project. These budgets are subject to revaluation at least once every three months. For the purposes of impairment review, budgets of projects cover all past and projected net revenues less direct costs of land acquisition, design, construction and other costs related to the preparation of a project, show-flats and sales offices on-site. These budgets are also encumbered with related past and projected costs of external financing and projected claims from customers (if applicable).

The budgets of projects are prepared in compliance with the prudence principle.

If a project contribution, calculated taking into account all revenues and the above-mentioned costs, is positive, there is no need to make an inventory impairment revaluation write down. A negative contribution implies that there is a potential problem of impairment, which, following a thorough analysis of cash flows for a given project, results in the recording of an impairment revaluation write down in the amount of the estimated negative value of this contribution.

The revaluation write down is recognized as the cost of sales in "Inventory write down to the net realisable value". The reversal, if any, of such an impairment write down for a given project is possible if the projected contribution for this project assumes a positive value.

If the project consists of several stages, the inventory impairment review is conducted in the following manner:

a) all future phases of the project are treated as a single project for the purposes of impairment review,

b) each phase of the project, in which sales and construction have already begun, is separated from the rest of the (construction) project and is considered separately for the purposes of impairment review.

COSTS OF EXTERNAL FINANCING

Costs of external financing are disclosed as costs in the income statement in the period, in which they were incurred, except for capitalized costs, i.e. costs that may be assigned to costs of production of qualifying assets (in the case of the Group: to work-in-progress) as a part of their production costs.

The financial costs are capitalized into work-in-progress exclusively in the period, during which the real estate development project is active. The project is considered active if designing or construction work is underway for the acquired land and during the process of obtaining key administrative decisions necessary to run the project.

The financial costs cease to be capitalized upon completion of substantially all activities, which have to be undertaken in order to prepare flats for hand-over to customers.

The capitalization of financial costs is suspended in the case of suspension of activities connected with the project-related investment activity, including works related to design, the construction process and obtaining required permits and administrative decisions concerning the project.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are measured in accordance with IFRS 9, which introduced the concept of estimating impairment losses on financial assets with the use of a model based on expected losses.

BANK DEPOSITS WITH A MATURITY OVER THREE MONTHS

Bank deposits with a maturity over three months (as of the date when they are made) are presented in "Short-term financial assets".

CASH AND CASH EQUIVALENTS

Cash and short-term deposits with the maturity of up to three months (when created) are disclosed in the balance sheet at a nominal value and comprise cash at banks, in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, the balance of cash and cash equivalents consist of cash and cash equivalents as defined above less outstanding bank overdrafts.

INTEREST-BEARING LOANS, BORROWINGS AND COMMERCIAL PAPERS

All loans, borrowings and commercial papers are initially recognized at the fair value less transaction costs associated with the loans or borrowings.

After initial recognition, interest-bearing loans, borrowings and commercial papers are subsequently valued at amortised cost, using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs for loan or borrowing, and any discount or premium related to raising the funds.

TRADE PAYABLES, TAX AND OTHER LIABILITIES

Short-term trade payables, and tax and other liabilities are disclosed at the amount due and payable.

If the effect of the time value of money is material (in particular it relates to the guarantee retentions), the value of payables is determined by discounting the estimated future cash flows to present value. Where discounting is used, any decrease in the balance due to the passage of time is recognized as financial cost.

PROVISIONS

Provisions are created when the companies operating within the Group have a present obligation (legal or constructive) as a result of a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is disclosed in the income statement net of any reimbursement.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the Group will achieve economic benefits from a given transaction and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

Sale of services

The revenue from the sale of services, including income from housing real estate administration fees, is recognized within the period, in which a service is provided.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in PLN, which is the Group's functional (for measurement) and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate of the functional currency at the date of the transaction. Pecuniary assets and liabilities in foreign currencies are translated at the exchange rate of the functional currency applicable on the balance sheet date. The exchange rate differences are recognised in the income statement as financial income/cost.

TAXES

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those applicable as at the balance sheet date.

Deferred tax

For financial reporting purposes, the deferred tax is calculated by the method of the balance sheet liabilities in relation to the timing differences as at the balance sheet date between the tax value of assets and liabilities and their carrying value recognized in the financial statements.

Deferred tax assets are recognised with regards to all negative timing differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that the taxable profit will be available against which the deductible timing differences and the carry-forward of unused tax credits and unused tax losses, can be utilised.

The carrying value of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be realised. An unrecognised deferred tax asset is reassessed at each balance sheet date and is recognised to the extent that it reflects the probability that future taxable profit will allow the deferred tax asset to be recovered.

The provision for deferred tax is created in the amount of the income tax that will be payable in future due to positive timing differences, i.e. the differences that will increase the taxable base in the future.

The assets and provisions for deferred tax are valued at the tax rates that are expected to be applicable to the year when the asset component is realised or the provision is released, assuming as the basis the tax rates (and tax regulations) that are legally or actually applicable as at the balance sheet date.

The income tax for the items recognised outside of the income statement is recognised outside of the income statement, that is in other comprehensive income for items recognised as other comprehensive income or directly in the shareholders' equity for items recognised as the shareholders' equity.

The assets and provisions for deferred tax are offset by the Group only if a legally enforceable right exists to offset the current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

DIVIDENDS

Dividends are recognised when the shareholders' rights to receive the payment are established.

EARNINGS PER SHARE

Earnings per share for each reporting period is calculated as the quotient of the net profit for the given accounting period and the weighted average of shares in that period.

LEASE

The Group recognises assets and liabilities for all lease transactions concluded for a period of over 12 months, except for when an asset is of low value; and recognises depreciation of the leased asset separately from the interest on the lease liability in the income statement.

Right-of-use assets are recognised in the balance sheet within the same item in which the relevant underlying assets would be presented if they were owned by the Company (as lessee).

right-of-use of office space

Costs - right-of-use of office space is depreciated and financial costs due to leasing are recognized.

Asset – the related asset is recognised in the balance sheet under *Tangible fixed assets.*

Liability - the liability is recognised under long- or short-term liabilities, respectively.

rights of perpetual usufruct of land

Costs – costs related to lease of perpetual usufruct of land are expensed as *Inventories* (*Semi-finished goods and work in progress*) for the duration of the property project development.

Asset – the related asset is recognised in the balance sheet under *Inventory* or *Short-term receivables.*

Liability – the liability has been recognised in its entirety under short-term liabilities.

The choice of this method of allocating the fees for perpetual usufruct right of land is due to the fact that these rights concern the properties on which the Group carries out its development projects. Consequently, lease costs of perpetual usufruct are expensed as inventories (Work in progress), and subsequently expensed, together with the cost of sales of finished goods, to the income statement in the period in which the finished goods are delivered to clients (i.e. at the point in time when sales are recognized).

On 20 July 2018, the Act on the transformation of perpetual usufruct of land developed for residential purposes into ownership of that land came into force. The Group treats land subject to the above-described conversion in a similar way as the land of which it has been the existing perpetual usufructuary, accounting for conversion fees just as for perpetual usufruct fees.

justification for the classification of assets and liabilities arising from lease of perpetual usufruct of land in the balance sheet
Generally, the rights of perpetual usufruct of land with property development projects in progress are classified as inventory. The liability to pay for these rights will be settled by way of their transfer to the respective buyers of apartments to which these rights are appurtenant. Liabilities related to these rights are classified as short-term liabilities. This is consistent with the classification of inventories to which these liabilities pertain (which are recognised as current assets). The classification of liabilities and inventories as short-term liabilities results from the fact that they are settled (i.e. the sale of apartments and the transfer of the related liabilities) within the period that is the Company's "operating cycle". The operating cycle is the period from the start of the property development project until the realisation of inventories as cash.

The Group is legally released from the debt arising from the obligation to pay perpetual usufruct fees or transformation fees only upon the legal (notarised) transfer to the buyer of the interest in the land appurtenant to the unit sold. Accordingly, until the time of transfer of the above mentioned ownership, land-related lease liability remains on the balance sheet of the Group. Therefore, at the time of handover of the unit (which is also the time of recognition of the revenue from the sale of the unit), the portion of the asset related to the lease that is appurtenant to that unit is transferred from Inventory to Receivables from the buyer, in the amount corresponding to the recognised land-related lease liability.

Until the time of transfer of the ownership to the buyer, both the receivable and the liability are recognised as a short-term receivable or liability, as they will be settled through the transfer to the buyer within the "operating cycle". At the date of ownership transfer to the buyer, land-related lease liability and the related receivables from the buyer of the unit are reversed from the accounting records.

All future payments arising from its being the holder of perpetual usufruct right, to be made during the period for which such right is granted in respect of individual properties (and which may be up to 99 years) are discounted. This period does not depend on the period of time during which the Group expects to remain the holder of such perpetual usufruct right, that is on the planned use of these properties for development projects.

7.5 KEY FIGURES BASED ON PROFESSIONAL JUDGEMENT AND BASIS FOR ESTIMATES

In addition to the accounting estimations, when applying the accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

BUDGETS OF THE DEVELOPEMNT PROJECTS

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

- verification of their profitability and any potential inventory impairment write down,
- preparation of financial forecasts, annual budgets and medium term plans.

RECOGNITION OF REVENUE FROM THE SALE OF PRODUCTS

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

7.6 INTANGIBLE ASSETS

INTANGIBLE ASSETS	Other intangible assets	Computer software	Trademark	Intangible assets under implementation process	Total
GROSS VALUE					
Balance as at 1 January 2019	**14 951**	**7 036**	**6 990**	**-**	**28 977**
Additions	1 826	47	-	7 347	9 220
Transfers	-	5 168	-	(5 168)	-
(Disposals)	(49)	-	-	-	(49)
Balance as at 31 December 2019	**16 728**	**12 251**	**6 990**	**2 179**	**38 148**
Additions	5 323	128	-	8 378	13 829
Transfers	542	9 961	-	(10 503)	-
(Disposals)	(13 832)	(546)	-	-	(14 378)
Balance as at 31 December 2020	**8 761**	**21 794**	**6 990**	**54**	**37 599**
ACCUMULATED DEPRECIATION					
Balance as at 1 January 2019	**11 588**	**4 936**	**2 097**	**-**	**18 621**
Additions	2 413	1 537	1 398	-	5 348
(Disposals)	(49)	-	-	-	(49)
Balance as at 31 December 2019	**13 952**	**6 473**	**3 495**	**-**	**23 920**
Additions	1 857	2 327	1 398	-	5 582
(Disposals)	(9 187)	(546)	-	-	(9 733)
Balance as at 31 December 2020	**6 622**	**8 254**	**4 893**	**-**	**19 769**
NET VALUE					
as at 31 December 2019	**2 776**	**5 778**	**3 495**	**2 179**	**14 228**
as at 31 December 2020	**2 139**	**13 540**	**2 097**	**54**	**17 830**

Intangible assets are depreciated throughout their estimated economic useful lives, which is 2-5 years on average. The value of the Euro Styl trademark, which was acquired and measured at the time of purchase of the Euro Styl S.A. Capital Group in 2017, is amortized over a period of 5 years and has been recognised as item trademark.

There are no intangible assets with an undefined useful life.

As at 31 December 2020 there were no circumstances that would require the Group to create revaluation write downs for its intangible assets. No collaterals have been established on intangible assets.

The costs of amortising intangible assets were disclosed in selling costs and general administrative expenses.

7.7 TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	Right-of-use of office space *)	Land and buildings	Vehicles	Equipment and other tangible fixed assets	Total
GROSS VALUE					
Balance as at 1 January 2019	**-**	**462**	**14 187**	**12 561**	**27 210**
First-time adoption of IFRS 16 Leases	36 352	-	-	-	36 352
Additions	684	478	1 545	3 748	6 455
(Disposals)	-	-	(2 216)	(733)	(2 949)
Balance as at 31 December 2019	**37 036**	**940**	**13 516**	**15 576**	**67 068**
Additions	1 420	135	705	2 044	4 304
(Disposals)	-	(42)	(2 701)	(1 767)	(4 510)
Balance as at 31 December 2020	**38 456**	**1 033**	**11 520**	**15 853**	**66 862**
ACCUMULATED DEPRECIATION					
Balance as at 1 January 2019	**-**	**58**	**7 589**	**7 539**	**15 186**
Additions	5 084	59	2 449	2 544	10 136
(Disposals)	-	-	(1 665)	(608)	(2 273)
Balance as at 31 December 2019	**5 084**	**117**	**8 373**	**9 475**	**23 049**
Additions	5 164	95	1 929	2 457	9 645
(Disposals)	-	-	(2 312)	(1 652)	(3 964)
Balance as at 31 December 2020	**10 248**	**212**	**7 990**	**10 280**	**28 730**
NET VALUE					
as at 31 December 2019	**31 952**	**823**	**5 143**	**6 101**	**44 019**
as at 31 December 2020	**28 208**	**821**	**3 530**	**5 573**	**38 132**

*) The Group adopted IFRS 16 *Leases* beginning on 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of right-of-use of office space was recognised in the balance sheet. The asset is recognised in the balance sheet under *Tangible fixed assets*.

The additions to tangible fixed assets are the result of tangible fixed assets purchased.

As at 31 December 2020 there were no circumstances that would require the Group to create revaluation write downs for its tangible fixed assets.

No collaterals have been established on fixed assets.

7.8 LONG-TERM RECEIVABLES

As at 31 December 2020 and 31 December 2019, the Group disclosed long-term receivables in the amount of PLN 1 761 thousand and PLN 1 876 thousand respectively. As at 31 December 2020 the long-term receivables included refundable deposits in the amount of PLN 1 750 thousand and other long-term receivables amounting to PLN 11 thousand. As at 31 December 2019 the long-term receivables included refundable deposits in the amount of PLN 1 750 thousand and other long-term receivables amounting to PLN 126 thousand. All these receivables are denominated in PLN.

There is no need to create a write down revaluating the value of long-term receivables.

7.9 INVENTORY

INVENTORY	31.12.2020	31.12.2019
Advances on deliveries	223 612	**220 162**
including: at purchase prices/production costs	223 612	220 162
write down to the net realisable value	-	-
Semi-finished goods and work in progress	**1 821 819**	**2 100 705**
including: at purchase prices/production costs	1 793 406	2 045 220
rights of perpetual usufruct of land (lease) *)	57 604	87 446
write down to the net realisable value	(29 191)	(31 961)
Finished goods	**378 083**	**188 765**
including: at purchase prices/production costs	385 633	196 464
write down to the net realisable value	(7 550)	(7 699)
Total	**2 423 514**	**2 509 632**

*) The Group adopted IFRS 16 *Leases* beginning on 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of *rights of perpetual usufruct of land (lease)* was recognised in the balance sheet. The asset is recognised in the balance sheet under *Inventory*.

INVENTORY REVALUATION WRITE DOWNS	01.01.-31.12. 2020	01.01.-31.12. 2019
Opening balance	**39 660**	**41 338**
Increments	284	2 770
(Decrease)	(3 203)	(4 448)
Closing balance	**36 741**	**39 660**

The value of inventory revaluation write downs have resulted from the impairment tests and analysis performed by the Group.

The methodology of inventory impairment reviews has been described in note 7.4 “Material accounting policies”.

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.12.2020	31.12.2019
MORTGAGES - value of mortgages to secure liabilities under:		
Real estate purchase agreements	-	13 669
Loan agreements of the Company	-	-
Loan agreements of the Company and Group companies	502 500	502 500

PREPARATORY WORKS

If there is no certainty as to the possibility of purchasing land for a potential project, the costs of preparatory works associated with the project are disclosed as costs in the Company’s income statement during the period in which they occur. Remaining preparatory works are capitalised under work in progress.

The below table presents the cost of preparatory works recognised in the income statement.

	01.01.-31.12. 2020	01.01.-31.12. 2019
Preparatory works	1 421	1 020

7.10 TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES	31.12.2020	31.12.2019
Trade receivables	44 810	28 347
Receivables from related entities	-	35
Tax receivables	17 383	19 077
Other receivables	27 501	14 707
Total	**89 694**	**62 166**

The tax receivables incorporate VAT receivables in the amount of PLN 17 383 thousand and PLN 19 077 thousand as at 31 December 2020 and 31 December 2019 respectively.

The Group made receivables revaluation write downs, which have been disclosed under "Other operating costs".

The revaluation write downs have been made based on the Group's best knowledge and experience as well as analysis of particular balances.

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2020	31.12.2019
Up to 3 months	42 924	26 063
From 3 to 6 months	1 129	320
From 6 months to 1 year	1 358	1 191
Over 1 year	4 297	4 758
Gross trade receivables	**49 708**	**32 332**
Receivables revaluation write downs	(4 898)	(3 985)
Net trade receivables	**44 810**	**28 347**

The write downs fully relate to overdue trade receivables.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01.-31.12. 2020	01.01.-31.12. 2019
Opening balance	**3 985**	**5 073**
Increments	1 042	1 830
(Decrease)	(129)	(2 918)
Closing balance	**4 898**	**3 985**

As of the balance sheet dates there were no trade or other receivables in foreign currencies.

The costs and revenues associated with the creation and reversal of receivables revaluation write downs are recognised under other operating expenses or other operating income respectively.

7.11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS	31.12.2020	31.12.2019
Accrued costs	5 208	4 899
Accrued financial income on deposits	-	69
Total	**5 208**	**4 968**

7.12 SHORT-TERM FINANCIAL ASSETS

SHORT-TERM FINANCIAL ASSETS	31.12.2020	31.12.2019
Bank deposits with a maturity over three months	-	50
Cash in open-end residential escrow accounts	50 463	37 050
Other short-term financial assets	-	24 487
Total	**50 463**	**61 587**

Bank deposits with a maturity over three months as of the date when they are made are presented in *Bank deposits with a maturity over three months*.

The Group makes bank deposits with various maturity based on current analysis of cash needs and realizable rate of return on deposits offered by banks.

Cash received from the Group's customers as advances for the sale of products which is deposited in open-end residential escrow accounts until the relevant requirements specified in the "Act on the Protection of Rights of a Dwelling Unit or House Buyer" are met, is presented in *Cash in open-end residential escrow accounts*.

7.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are represented by cash at bank and cash in hand, including short-term bank deposits with up to three months maturity on the date when they are made. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	31.12.2020	31.12.2019
Cash in hand and at bank	578 667	13 702
Short-term deposits	6 956	239 575
Other	41	41
Total	**585 664**	**253 318**

7.14 SHARE CAPITAL

DESCRIPTION OF CHANGES TO THE SHARE CAPITAL IN THE COMPANY IN THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2020

CHANGE IN THE REPORTING PERIOD	Share capital: Number of shares	Share capital: Value at the nominal value	Share premium
Balance as at 1.01.2020	**25 068 422**	**25 068**	**245 188**
Change	150 000	150	5 850
Balance as at 31.12.2020	**25 218 422**	**25 218**	**251 038**

On 21 January 2020, the Management Board of the Company increased Company's share capital from PLN 25 068 422.00 to PLN 25 218 422.00, i.e. by PLN 150 000.00, by issuing 100 000 series AA ordinary bearer shares with PLN 1.00 nominal each and 50 000 series AB ordinary bearer shares with PLN 1.00 nominal each. The issue of series AA and AB shares took place through a private placement.

The purpose of the series Z shares issue was to enable the Company to fulfil its obligations arising from Management Options Programme IV for Ms Małgorzata Kolarska related to 500 000 Shares in Dom Development S.A. (see note 7.43). The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AA bearer ordinary shares. The reason for the exclusion of the pre-emptive right from the existing shareholders is that the issue of series AA shares is addressed only to Ms Małgorzata Kolarska as a participant in Programme IV and in order to allow her to exercise her rights under subscription warrants. The issue price for the new series AA shares was determined as PLN 35.00 per share.

The purpose of the series AB shares issue was to enable the Company to fulfil its obligations arising from Management Options Programme V for Mr Mikołaj Konopka related to 250 000 shares in Dom Development S.A. (see note 7.43). The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 50 000 series AB bearer ordinary shares. The reason for the exclusion of the pre-emptive right from the existing shareholders is that the issue of series

AB shares is addressed only to Mr Mikołaj Konopka as a participant in Programme V and in order to allow him to exercise his rights under subscription warrants. The issue price for the new series AB shares was determined as PLN 50.00 per share.

On 3 February 2020, Ms Małgorzata Kolarska and Mr Mikołaj Konopka exercised their share options in the Company by exercising her rights under subscription warrants and subscribing for the shares.

On 4 February 2020, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AA shares to Ms Małgorzata Kolarska and 50 000 series AB shares to Mr Mikołaj Konopka.

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 31 March 2020.

These shares were registered by Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) in the securities depository on 28 May 2020.

ADOPTION OF THE NEW MANAGEMENT OPTION PROGRAMME

On 4 August 2020, a resolution was adopted by the Company's Management Board, concerning the inclusion on the agenda for the General Meeting of Shareholders of a matter concerning passing of a resolution on the adoption of Management Option Programme VI for the Advisor to the Management Board, Mr Marcin Drobek, Project Director (hereinafter "Programme VI").

The Supervisory Board of the Company gave a positive opinion as regards the draft of the above mentioned resolution and recommended to the General Shareholders' Meeting that this resolution be adopted with the body as proposed by the Management Board.

On 31 August 2020, the Ordinary General Meeting of Shareholders of the Company resolved to adopt Management Option Programme VI for Mr Marcin Drobek. In accordance with the said resolution on the adoption of Programme VI, Mr Marcin Drobek would only once receive options authorising him to subscribe for 150 000 shares in Dom Development S.A. (see note 7.43).

On 1 December 2020, the Supervisory Board of the Company adopted resolution concerning the approval of the provisions of the Management Option Programme VI for Mr Marcin Drobek, concerning 150 000 shares in Dom Development S.A.

SAHRE CAPITAL STRUCTURE FOR THE COMPANY AS AT 31 DECEMBER 2020

Series/ issue	Type of share	Number of shares	Nominal value of series/issue (in PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	925	925	cash	31.10.2013	23.12.2013
R	Bearer	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	17 075	17 075	cash	20.03.2014	02.05.2014
T	Bearer	1 000	1 000	cash	14.01.2015	27.03.2015
U	Bearer	10 320	10 320	cash	17.05.2016	01.06.2016
V	Bearer	1 000	1 000	cash	17.05.2016	01.06.2016
W	Bearer	85 830	85 830	cash	10.01.2017	10.03.2017
Y	Bearer	100 000	100 000	cash	29.03.2018	21.05.2018
Z	Bearer	100 000	100 000	cash	28.02.2019	24.04.2019
AA	Bearer	100 000	100 000	cash	31.03.2020	28.05.2020
AB	Bearer	50 000	50 000	cash	31.03.2020	28.05.2020
Total number of shares		**25 218 422**				
Total share capital			**25 218 422**			

Each share in Dom Development S.A. has a nominal value of PLN 1.

None of the Company's shares are preference and restricted shares.

LIST OF SHAREHOLDERS WHO HOLD, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING ("GSM") AS AT 31 DECEMBER 2020

	SHARES	% SHARES	NUMBER OF VOTES AT THE GSM	% VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	**14 155 491**	**56.13**	**14 155 491**	**56.13**
Aviva OFE*	1 613 219	6.40	1 613 219	6.40
Jarosław Szanajca	1 454 050	5.77	1 454 050	5.77
Grzegorz Kiełpsz	1 280 750	5.08	1 280 750	5.08

*) Shareholding by Aviva Otwarty Fundusz Emerytalny Aviva Santander (open-end pension fund) has been presented as per the latest notice dated 31 December 2020. The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared dated 11 July 2011.

SHARES OF DOM DEVELOPMENT S.A. OR RIGHTS THERETO (OPTIONS) OWNED BY THE PERSONS PERFORMING MANAGEMENT AND SUPERVISORY FUNCTIONS AT DOM DEVELOPMENT S.A. AS AT 31 DECEMBER 2020

	AS AT 31.12.2020 Shares	AS AT 31.12.2020 Nominal value of the shares (in PLN '000)	AS AT 31.12.2020 Share options	AS AT 31.12.2020 Shares and options, total	CHANGE FROM 31.12.2019 Shares	CHANGE FROM 31.12.2019 Share options
MANAGEMENT BOARD						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska*)	220 235	220	200 000	420 235	38 735	(100 000)
Janusz Zalewski	300 000	300	-	300 000	(50 000)	-
Mikołaj Konopka*)	38 981	39	200 000	238 981	37 689	(50 000)
Terry Roydon	58 500	59	-	58 500	-	-
SUPERVISORY BOARD						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Mark Spiteri	900	1	-	900	-	-

*) On 22 January 2021 Małgorzata Kolarska and Mikołaj Konopka subscribed respectively, for 100 000 and 50 000 shares in Dom Development S.A. in the exercise of the Company's share options. Detailed information about the said transaction has been presented in note 7.49 of the Consolidated Financial Statements of Dom Development S.A. Capital Group: *Material post-balance sheet events.*

The Members of the Management Board and the Supervisory Board of the Company did not hold any shares in other companies operating within the Group.

7.15 SHARE PREMIUM

In the twelve-month period ended 31 December 2020, the value of the item *Share premium* changed by PLN 5 850 thousand as a result of the increase of the share capital, described in note 7.14.

The value of the share premium was PLN 251 038 thousand and PLN 245 188 thousand as at 31 December 2020 and 31 December 2019 respectively.

7.16 ADDITIONAL INFORMATION ON SHAREHOLDERS' EQUITY

As at 31 December 2020 and 31 December 2019 the Company's shares were not owned by any of its subsidiaries.

In the twelve-month period ended 31 December 2020 and 2019 the Company did not hold any treasury shares.

7.17 DIVIDEND AND PROFIT DISTRIBUTION

The Annual General Meeting of the Company resolved on 31 August 2020 to allocate the 2019 net profit of the Company to:

- payment of dividend to the shareholders of the Company in the amount of PLN 239 575 009.00, which corresponds to PLN 9.50 per share

– increase of the Company's supplementary capital by PLN 65 089 927.64.

The dividend date was set at 07 September 2020 and the dividend payment day was set at 14 September 2020. The dividend was paid out in accordance with the resolution.

In the preceding year, the dividend allocation was PLN 226 869 219.10, and the dividend payment amounted to PLN 9.05 per share.

7.18 LOANS

DESCRIPTION OF MATERIAL CHANGES IN THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

There were no loan agreements within the Group that expired in the twelve month period ended 31 December 2020.

The structure of these liabilities in terms of their maturity has been presented in the table below.

LOANS DUE WITHIN	31.12.2020	31.12.2019
Less than 1 year	-	14
More than 1 year and less than 2 years	10 000	-
More than 2 years and less than 5 years	-	85 000
Over 5 years	-	-
Total loans	**10 000**	**85 014**
including: long-term	10 000	85 000
short-term	-	14

As at 31 December 2020 and 31 December 2019 all the loans taken by the Group were expressed in Polish zloty.

BANK LOANS AS AT 31.12.2020

Bank	Registered office	Loan amount as per agreement	Currency	loan amount Outstanding (less accrued interest)	Currency	Due date
PKO BP	Warsaw	150 000	PLN	-	PLN	26.02.2023
mBank	Warsaw	185 000	PLN	-	PLN	31.01.2023
Millennium	Warsaw	50 000	PLN	10 000	PLN	18.12.2022
Total bank loans				**10 000**	**PLN**	

CORE DETAILS CONCERNING CREDIT LINES HELD BY THE COMPANY

- Loan at PKO BP

Revolving loan in the credit facility account up to PLN 150 000 thousand. Pursuant to the agreement with the bank, Euro Styl S.A. may use up to PLN 50 000 thousand of this credit limit. As at 31 December 2020 , no funds were drawn from this credit line either by Dom Development S.A. or Euro Styl S.A.

- Credit at mBank

Revolving loan in the credit facility account up to PLN 185 000 thousand. Under the said agreement, Dom Development Wrocław Sp. z o.o. may use up to PLN 60 000 thousand of this credit limit, and Euro Styl S.A. may use up to PLN 100 000 thousand of this credit limit. As at 31 December 2020 , no funds were drawn from this credit line either by Dom Development S.A. or other Group companies.

- Loan at Millennium Bank

Revolving loan up to PLN 50 000 thousand. As at 31 December 2020 Dom Development S.A. drawn PLN 10 000 thousand from the said credit limit.

The Group recognises the nominal value of the liability under *Loans*, and the interest charged as at the balance sheet date are presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the loans taken by the Group approximately equals their book value, including accrued interest.

7.19 BONDS

BONDS	31.12.2020	31.12.2019
Nominal value of the bonds issued, long-term portion	250 000	260 000
Nominal value of the bonds issued, short-term portion	110 000	100 000
Nominal value of the bonds issued	**360 000**	**360 000**

The Group recognises the nominal value of the bond liabilities under *Bonds*, and the interest charged as at the balance sheet date are presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the bonds is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the bonds issued by the Company approximately equals their book value, including accrued interest.

CORE DETAILS CONCERNING THE BONDS ISSUED

- Agreement with PeKaO S.A.

Under this agreement, Dom Development S.A. is allowed to issue mid-term bonds (with a maturity over 1 year and under 7 years) with an aggregate value of no more than PLN 400 million, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme. In accordance with the agreement, bonds may be issued by the Company as various series by 05 November 2021.

- Agreement with Trigon Dom Maklerski S.A. and Trigon Investment Banking Spółka z ograczniczoną odpowiedzialnością & Wspólnicy S.K.

Pursuant to the agreement, Dom Development S.A. may issue bonds with a total value of up to PLN 400 million, understood as the nominal value of all outstanding bonds. The limit of the Programme is renewable. In accordance with the agreement, bonds may be issued by the Company as various series by 17 November 2027.

DESCRIPTION OF MATERIAL CHANGES IN THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

On 12 June 2020, the Company redeemed 10 000 bearer bonds, series DOMDE5120620, with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 100 000 thousand as maturing on this date.

On 25 September 2020, the Company issued 100 000 000 unsecured bonds series DOMDET4250925 with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 100 000 thousand. The maturity date for these bonds is 25 September 2025. The issue value equals the nominal value of the bonds. The interest rate is set at WIBOR 6M plus margin and will be paid semi-annually. No purpose for the bond issue was specified. The funds from the issue have been designated for current operations of the Company.

BONDS ISSUED AS AT 31.12.2020

Series	Issue date	Amount	Currency	Maturity date
DOMDE6151121	15.11.2016	110 000	PLN	15.11.2021
DOMDET1151222	15.12.2017	50 000	PLN	15.12.2022
DOMDET2091023	09.10.2018	50 000	PLN	09.10.2023
DOMDET3121224	12.12.2019	50 000	PLN	12.12.2024
DOMDET4250925	25.09.2020	100 000	PLN	25.09.2025
Total		**360 000**	**PLN**	

7.20 ACCRUED INTEREST ON LOANS AND BONDS

ACCRUED INTEREST ON LOANS AND BONDS	31.12.2020	31.12.2019
Accrued interest on bonds	1 399	1 311
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	**1 399**	**1 311**

7.21 DEFERRED TAX ASSETS AND PROVISIONS

DEFERRED TAX ASSETS AND PROVISIONS	Balance sheet 31.12.2020	Balance sheet 31.12.2019	Income statement / Statement of comprehensive income 01.01-31.12. 2020	Income statement / Statement of comprehensive income 01.01-31.12. 2019
Deferred tax provision				
Foreign exchange differences	-	27	(27)	27
Accrued interest	17	24	(7)	12
Discounting of liabilities	1 257	1 571	(314)	314
Result on the sale of units – without legal ownership transfer agreements	72 389	30 949	41 441	(17 798)
Capitalised financial costs	4 011	3 932	79	606
Lease	(20)	5	(25)	(67)
Trademark	398	664	(266)	(266)
Other	125	509	(384)	358
Total deferred tax provision	**78 177**	**37 681**	**40 497**	**(16 814)**
Deferred tax assets				
Foreign exchange differences	-	-	-	(1)
Inventory revaluation	7 266	8 040	(774)	(423)
Receivables revaluation write downs and other provisions	634	452	182	337
Provision for employee benefits	7 339	6 675	664	(783)
Provision for other costs	10 493	8 490	2 003	2 206
Elimination of margin on intragroup transactions	9 623	4 008	5 615	3 015
Euro Styl S.A. Capital Group acquisition cost	1 088	1 088	-	-
Valuation of financial assets	875	593	282	(34)
Tax loss possible to be settled	1 587	3 239	(1 652)	1 008
Other	297	309	(12)	229
Total deferred tax assets	**39 202**	**32 894**	**6 308**	**5 554**
Change in provision for deferred tax resulting from the acquisition of subsidiaries, determined as of the date of the acquisition.				
Deferred tax expense concerning income statement			**34 524**	**(22 365)**
Deferred tax expense concerning other net comprehensive income			**(335)**	**(3)**
Deferred tax asset shown in the balance sheet	**9 759**	**5 927**		
Deferred tax provision shown in the balance sheet, net	**48 734**	**10 714**		

7.22 LONG-TERM PROVISIONS

LONG-TERM PROVISIONS	31.12.2020	31.12.2019
Provision for repair costs, long-term portion	21 997	17 830
Provision for retirement benefits	422	857
Total	**22 419**	**18 687**

LONG-TERM PROVISIONS – CHANGES	01.01.-31.12. 2020	01.01.-31.12. 2019
Opening balance	**18 687**	**16 620**
Provisions created in the financial year	5 277	5 026
Provisions used/reversed in the financial year	(1 545)	(2 959)
Closing balance	**22 419**	**18 687**

7.23 OTHER LONG-TERM LIABILITIES

OTHER LONG-TERM LIABILITIES	31.12.2020	31.12.2019
Guarantee retentions, long-term portion	66 829	60 759
Other	8 379	6 885
Closing balance	**75 208**	**67 644**

7.24 LEASE LIABILITIES

In accordance with the IFRS 16 adoption, the following lease liabilities were recognised in the Group's balance sheet:

- right-of-use of office space,

- rights of perpetual usufruct of land.

Note 7.4 *Material accounting policies* describes in detail lease-related accounting policies, specifically, it explains the classification of such liabilities as long- or short-term.

LEASE LIABILITIES	31.12.2020	31.12.2019*)
Lease liabilities, short-term portion, including:	**89 992**	**98 525**
liabilities on account of perpetual usufruct right of land	83 950	92 426
liabilities on account of the right of use of office space	5 874	5 855
Other	168	244
Lease liabilities, long-term portion, including:	**24 642**	**26 970**
liabilities on account of the right of use of office space	24 573	26 735
Other	69	235
Total	**114 634**	**125 495**

*) The Group has decided to adopt IFRS 16 *Leases* using the simplified approach, i.e. retrospectively, with the cumulative effect of first-time adoption of this standard recognized as at the date of its initial application, i.e. 1 January 2019.

As estimated by the Management Board based on property development projects planned on specific land to which the Group held the perpetual usufruct right as at 31 December 2020, out of PLN 83 950 thousand of the land-related lease liabilities recognised as short-term:

- PLN 3 892 thousand is payable by the Group within 12 months following the balance sheet date,

- PLN 3 524 thousand is payable by the Group later than 12 months following the balance sheet date,

- PLN 76 534 thousand is to be transferred to the respective buyers of units.

7.25 TRADE PAYABLES, TAX AND OTHER LIABILITIES

TRADE PAYABLES, TAX AND OTHER LIABILITIES	31.12.2020	31.12.2019
Trade payables, including guarantee retentions (short-term portion)	165 037	174 058
Tax liabilities	3 857	2 352
Accrued costs	147 278	140 102
Company Social Benefits Fund	243	163
Other liabilities	3 156	4 968
Total liabilities	**319 571**	**321 643**
Accrued costs structure	**147 278**	**140 102**
- estate construction costs	107 184	103 197
- employee costs	29 874	26 476
- rent for office space	1 977	2 311
- other	8 243	8 118

Trade payables are not interest-bearing liabilities. In addition to the guarantee retentions (as described below), the maturity for the trade payables is from 14 to 30 days.

The table below presents the carrying value of liabilities due to guarantee retentions connected to the execution of real estate development projects. The short-term and long-term portion of these liabilities are disclosed in relevant items of short-term and long-term liabilities.

GUARANTEE RETENTIONS	31.12.2020	31.12.2019
Guarantee retentions, short-term portion	53 105	45 267
Guarantee retentions, long-term portion	66 829	60 759
Total guarantee retentions	**119 934**	**106 026**

7.26 SHORT-TERM PROVISIONS

SHORT-TERM PROVISIONS	31.12.2020	31.12.2019
Provision for repair costs, short-term portion	8 820	7 360
Retirement provision	362	221
Provision for disputes	17 444	9 440
Total	**26 626**	**17 021**

SHORT-TERM PROVISIONS – CHANGES	01.01.-31.12. 2020	01.01.-31.12. 2019
Opening balance	**17 021**	**11 337**
Provisions created in the financial year	16 155	13 032
Provisions used/reversed in the financial year	(6 550)	(7 348)
Closing balance	**26 626**	**17 021**

7.27 DEFERRED INCOME

DEFERRED INCOME	31.12.2020	31.12.2019
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement	1 111 129	834 347
Other	-	-
Total	**1 111 129**	**834 347**

7.28 BENEFITS AFTER EMPLOYMENT

The Group does not operate a special employee benefits programme after termination of employment.

7.29 FINANCIAL ASSETS AND LIABILITIES

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES, AND MAXIMUM CREDIT RISK EXPOSURE

FINANCIAL ASSETS AND LIABILITIES	31.12.2020	31.12.2019
FINANCIAL ASSETS		
Long-term receivables	1 761	1 876
Trade and other receivables	72 311	43 054
Receivables from related entities	-	-
Total borrowings and receivables	**74 072**	**44 930**
Other	41	41
Financial assets valued at their fair value through the income statement (designated for trading)		
Cash in hand and at bank	578 667	13 702
Short-term deposits	6 956	239 575
Short-term financial assets	50 463	61 587
Maximum credit risk exposure	**710 199**	**359 835**
FINANCIAL LIABILITIES		
Loans	10 000	85 014
Own bonds issued	361 399	361 311
Trade payables, accrued and other liabilities	390 679	386 772
Lease liabilities	114 634	125 495
Financial liabilities valued at amortised cost	**876 712**	**958 592**

Fair value of financial assets and liabilities of the Group is not materially different from their carrying value.

7.30 FINANCIAL RISK MANAGEMENT

The Group is exposed to the following types of financial risk:

- market risk (interest rate risk)
- credit risk
- liquidity risk

MARKET RISK

The market risk is a type of risk which reflects the impact of changes in market prices, such as currency exchange rates, interest rates or prices of capital instruments, on the Group's financial results or the value of financial instruments held.

The market risk generally incorporates risks such as:

- currency risk
- interest rate risk

Currency risk

If there are significant foreign currency items, the Group uses foreign currency derivatives (forward and swap) to hedge its significant F/X transactions.

As at 31 December 2020 and 31 December 2019 the Group did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to have hedging currency derivatives.

Interest rate risk

The fixed interest rate bank loans expose the Group to the risk of changes in the loan fair value. The variable interest rate loans and borrowings result in the cash flow risk.

The current financing structure implies that the Group does not have fixed rate loans or bonds. Currently, the Group has short-term, medium-term and long-term variable interest rate loans and bonds which results in the cash flow risk exposure.

As at the balance sheet date the Group did not have fixed interest rate long-term financial instruments.

A great deal of interest rate risk is limited naturally by holding both financial liabilities and financial assets bearing variable interest rate. Interest rate risk exposure for bond debt is reduced through hedging instruments such as:

- CAP options where a bank warrants to reimburse to the Company any difference resulting from an increase in market interest rates above the level agreed under the option. The Company hedges in that manner against increases in interest rates while maintaining the possibility to take advantage of any possible decrease of the interest rates,

- IRS (Interest Rate Swap) - the transaction that involves a swap with the bank of interest payments calculated according to one interest rate for interest payments calculated according to a different interest rate. The Company swaps a variable interest rate for a fixed interest rate. Both interest payments are calculated on the basis of the nominal amount agreed in the transaction and their settlement takes place on the agreed dates through comparing the relevant reference rate with the contracted interest rate.

The structure of variable interest rate financial instruments as at the balance sheet date is as follows:

VARIABLE INTEREST RATE INSTRUMENTS	31.12.2020	31.12.2019
Financial assets	636 086	314 864
Financial liabilities	371 399	446 325
Net total	**264 687**	**(131 461)**

Interest bearing financial assets, i.e. bank deposits, are disclosed as financial assets. Interest bearing financial liabilities, i.e. loans and own bond, are disclosed as financial liabilities.

Analysis of financial result sensitivity to interest rate change
A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement (after tax) by the amounts listed in the table below. The analysis prepared for twelve-month periods ended 31 December 2020 and 31 December 2019 assumes that all other variables remain unchanged.

INTEREST RATE SENSITIVITY	Income statement Increase by 100 bp	Income statement Decrease by 100 bp	Net assets Increase by 100 bp	Net assets Decrease by 100 bp
31 December 2020				
Variable interest rate assets	1 717	(1 717)	1 717	(1 717)
Variable interest rate liabilities *)	(1 003)	1 003	(1 003)	1 003
Net sensitivity	**714**	**(714)**	**714**	**(714)**
31 December 2019				
Variable interest rate assets	850	(850)	850	(850)
Variable interest rate liabilities *)	(1 205)	1 205	(1 205)	1 205
Net sensitivity	**(355)**	**355**	**(355)**	**355**

*) The financial costs which are related to loans and bonds, and financial income related to deposits are capitalised by the Company to work-in-progress. These costs (and income) are gradually moved to the income statement together with the manufacturing costs of the inventories sold. It has been assumed in the above analysis that one third of the financial costs and income accrued in a given period are disclosed in the income statement, while the remaining portion is capitalised in the inventory and will be disclosed in the income statement in the following accounting periods.

CREDIT RISK

Cash at bank, cash in hand, trade receivables and other receivables constitute the Group's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Group’s credit risk is mostly related to trade receivables. The amounts presented in the balance sheet are net amounts and include write-downs revaluating bad debts, estimated by the Company’s Management Board on the basis of previous experience, specific nature of the operations and analysis of the current economic environment.

Credit risk relating to the liquid funds and derivative financial instruments is limited since the transactions were concluded with reputable banks, enjoying high credit ratings awarded by international rating agencies.

In order to maintain the financial liquidity and the expected level of funds availability the Group has a specialised unit that monitors this aspect. The unit monitors the liquid funds and the forecasted cash flow on a current basis and decides on their allocation in order to maximise the attainable financial income while hedging the Group against the credit risk.

Credit risk is not highly concentrated in the Group. The risk is spread over a large number of partners and customers. Furthermore, it has to be pointed out that the receivables from the main activity of the Group, i.e. the sale of apartments, retail units and garages, are fully secured because release of the sold product takes place after a buyer has paid the full price as set out in the preliminary sales agreement.

The aging structure of trade receivables has been presented in note 7.10 *Trade and other receivables*.

Liquidity Risk

The liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they become due. The Group's objective is to ensure, to the highest possible extent, that its liquidity will always be maintained at a level, which enables paying the liabilities when they become due, without incurring unacceptable losses or facing the risk of compromising the Group's reputation.

The table below presents the total value of future non-discounted cash flows for Group's financial liabilities, broken up by the maturity dates as set out in the contracts:

MATURITY STRUCTURE FOR LIABILITIES	Total	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years
31 December 2020					
Loans	10 320	80	80	10 160	-
Own bonds issued	380 092	3 600	113 325	54 958	208 209
Trade and other payables	390 679	305 614	23 881	15 102	46 082
Lease liabilities *)	114 634	7 000	3 057	8 970	95 607
Total	**895 725**	**316 294**	**140 343**	**89 190**	**349 898**
31 December 2019					
Loans	92 562	1 238	1 224	2 448	87 652
Own bonds issued	391 746	106 682	4 940	119 358	160 766
Trade and other payables	386 772	317 476	8 543	11 440	49 313
Lease liabilities	125 495	6 991	3 048	7 461	107 995
Total	**996 575**	**432 387**	**17 755**	**140 707**	**405 726**

*) Lease liabilities are for more than 5 years.

The Group manages its liquidity mostly by:

- short-, medium- and long-term planning of cash flow; detailed short-term plans are updated at least once a month,
- selection of appropriate financing sources on the basis of analysis of the Group needs and the market,
- day-to-day monitoring of ratios resulting from agreements with banks,
- diversification of financing sources for the conducted development activity,
- co-operation with stable and reputable financial institutions.

Capital management

It is fundamental for the policy of the Management Board to maintain a strong capital base in order to secure the trust of investors, creditors and the market as well as to ensure further growth of the Group.

For the years ended 31 December 2020 and 2019 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 27.0% and 24.0%, respectively. In that period, the average weighted cost of interest on the Group's debt amounted to 2.9% in 2020 and 3.6% in 2019.

As at 31 December 2020 and 2019 the net financial leverage ratio (calculated as the loans and bonds payable less cash and cash equivalents and short-term financial assets divided by equity) amounted to (23.0)% and 12.0% respectively.

The companies operating within the Group are not a subject to any external capital requirements, except for the legal regulations of the Code of Commercial Companies.

7.31 EARNINGS PER SHARE

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01.-31.12. 2020	01.01.-31.12. 2019
BASIC EARNINGS PER SHARE		
Profit for calculation of the basic earnings per share	302 242	256 015
The weighted average number of ordinary shares for the calculation of basic earnings per share	25 181 127	25 052 258
Basic earnings per share (in PLN)	**12.00**	**10.22**
DILUTED EARNINGS PER SHARE		
Profit for calculation of the diluted earnings per share	302 242	256 015
Potential diluting shares related to the Management Share Option Programmes	193 045	148 521
The weighted average number of ordinary shares for the calculation of diluted earnings per share	25 374 172	25 200 779
Diluted earnings per share (in PLN)	**11.91**	**10.16**

As the Group has no discontinued operations, the earnings per share from the continued operations equal the earnings per share calculated above.

7.32 INCOME TAX

INCOME TAX	01.01.-31.12. 2020	01.01.-31.12. 2019
Current income tax	41 857	86 829
Deferred tax	34 524	(22 365)
Total	**76 381**	**64 464**

The corporate income tax payables of the companies operating within the Group were PLN 6 019 thousand and PLN 34 829 thousand as at 31 December 2020 and 2019, respectively. The corporate income tax receivables of the companies operating within the Group were PLN 27 909 thousand and PLN 418 thousand as at 31 December 2020 and 2019, respectively.

The difference between the income tax calculated as the product of the gross profit before tax and the statutory tax rate and the actual income tax expense accounted for in the income statement of the Group is presented in the table below.

RECONCILIATION	01.01.-31.12. 2020	01.01.-31.12. 2019
Gross profit before tax	**378 627**	**320 482**
As per 19% tax rate	71 939	60 892
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options)	3 302	2 605
Tax effect of management options permanently not being a tax deductible cost	1 140	967
Other	-	-
Actual income tax expense	**76 381**	**64 464**
Effective tax rate	**20.17%**	**20.11%**

Regulations concerning value added tax, corporate income tax and social security contributions are subject to frequent change. These frequent changes result in a lack of reference points, incoherent interpretations and the scarcity of applicable case law. The regulations in force are also riddled with ambiguities, which gives rise to contradictory opinions regarding the interpretation of tax regulations, both among government authorities and business entities.

Tax settlements and other activities (such as customs or foreign currency matters) may be audited by competent authorities, which have the right to impose substantial penalties and fines; any additional tax imposed as a result of an audit carries a hefty interest rate. Accordingly, the tax risk is higher in Poland than in other countries with a more mature tax system.

Consequently, notwithstanding the fact that the tax policies of companies operating within the Group have been very cautious and conservative, it is unlikely but not impossible that the figures presented and disclosed in the financial statements may be subject to change in the future as a result of a final decision of a tax audit authority.

Starting from 15 July 2016, General Anti-Avoidance Rules (GAAR) have been introduced to the Polish Tax Code. The purpose of the GAAR is to prevent the establishment and exploitation of artificial legal schemes aimed at the avoidance of paying taxes in Poland. The GAAR defines tax avoidance as an arrangement whose main purpose is to obtain a tax advantage that defeats, in the given circumstances, the object or purpose of a tax regulation. According to the GAAR, such an arrangement may not result in a tax advantage if it was artificial. Any occurrence of: (i) the division of a transaction into several steps without a valid reason, (ii) the employment of an intermediary despite the absence of an economic or commercial reason to do so, (iii) elements that offset or cancel out one another and/or (iv) any other arrangements similar to those mentioned above may be deemed a premise of an artificial arrangement that is subject to the GAAR provisions. These new regulations will require the courts to exercise a significantly higher degree of consideration when assessing the tax effects of a transaction.

The GAAR provision shall apply to transactions made following its entry into force and to those transactions that were made prior to the entry into force of the GAAR provision but in respect of which tax advantages have been obtained following the entry into force of the GAAR provision. The introduction of the above mentioned regulations will allow Polish tax audit authorities to question the taxpayers' legal arrangements and understandings such as the restructuring and reorganisation of a group.

7.33 SEGMENT REPORTING

The operations of the Group are generally in a single segment and involve mainly the development and sale of residential and retail (commercial) units and related support activities. The Company operates only in the Warsaw market, while Dom Development S.A. Capital Group with the Company as the parent, also operates on the Tricity and Wrocław markets. The operations on the Wrocław and Tricity markets are carried out through the Group's subsidiaries.

The results of activities in the individual markets are assessed mainly on the basis of sale revenues and profit, and gross margin on sales generated by the individual markets.

In view of the above, segmentation for reporting purposes was made within the Group on the basis of the geographical location:

- the Warsaw segment
- the Tricity segment
- the Wrocław segment

Financial data grouped together on the basis of the geographical location of the Group's real property development projects have been presented below.

FIGURES FOR THE TWELVE-MONTH PERIOD ENDED 31.12.2020	**Warsaw segment**	**Wrocław segment**	**Tricity segment**	**Total**
Sales revenue	1 259 099	161 709	394 204	1 815 012
Gross profit on sales, before the allocation of purchase price *)	399 929	43 303	142 200	585 432
Allocation of the Euro Styl S.A. Capital Group purchase price **)	-	-	(6 653)	(6 653)
Gross profit on sales after the allocation of purchase price	**399 929**	**43 303**	**135 547**	**578 779**
Selling costs, and general administrative expenses				(172 263)
Other operating income and expenses, net				(20 249)
Operating profit				**386 267**
Financial income and costs, net				(7 640)
Profit before tax				**378 627**
Income tax				(76 381)
Net profit				**302 246**

FIGURES FOR THE TWELVE-MONTH PERIOD ENDED 31.12.2019	**Warsaw segment**	**Wrocław segment**	**Tricity segment**	**Total**
Sales revenue	1 358 831	59 731	243 159	1 661 721
Gross profit on sales, before the allocation of purchase price *)	408 093	11 865	94 475	514 433
Allocation of the Euro Styl S.A. Capital Group purchase price **)	-	-	(14 313)	(14 313)
Gross profit on sales after the allocation of purchase price	**408 093**	**11 865**	**80 162**	**500 120**
Selling costs, and general administrative expenses				(166 586)
Other operating income and expenses, net				(12 844)
Operating profit				**320 690**
Financial income and costs, net				(208)
Profit before tax				**320 482**
Income tax				(64 464)
Net profit				**256 018**

*) for the Tricity market, the gross profit on sales results from the financial data of the Euro Styl S.A. Group and does not include the cost of the Euro Styl S.A. Capital Group acquisition that was additionally allocated in the consolidation as resulting from the measurement of the Euro Styl S.A. Capital Group inventory as of the purchase date at fair value (see also the comments below).

**) the additional cost resulting from the allocation of the Euro Styl S.A. Capital Group acquisition price. This cost is the difference between the carrying value of the Euro Styl S.A. Capital Group's inventory and the fair value assessed as at the date when the Group was purchased by the Company. This cost in the consolidated financial statements is adequately recognised as production cost of products sold that was accounted for in the income statement in the specific financial period.

7.34 SALES REVENUE AND COST OF SALES

ANALYSIS OF SALES REVENUE AND COST OF SALES	01.01.-31.12. 2020	01.01.-31.12. 2019
Sales of finished goods	1 751 944	1 611 028
Sales of services	19 741	22 540
Sales of goods (land)	43 327	28 153
Sales revenue, total	**1 815 012**	**1 661 721**
Cost of finished goods sold	(1 175 677)	(1 118 199)
Cost of services sold	(22 554)	(22 779)
Cost of goods sold	(40 921)	(22 231)
Inventory write down to the net realisable value	2 919	1 608
Cost of sales, total	**(1 236 233)**	**(1 161 601)**
Gross profit on sales	**578 779**	**500 120**

7.35 COSTS BY TYPE

OPERATING COSTS	01.01.-31.12. 2020	01.01.-31.12. 2019
Cost of sales	(1 236 233)	(1 161 601)
Selling costs	(61 426)	(65 091)
General administrative expenses	(110 837)	(101 495)
Total	**(1 408 496)**	**(1 328 187)**
Costs by type		
Depreciation	(15 225)	(15 487)
Cost of materials and energy	(344 375)	(381 598)
External services	(1 124 549)	(1 085 523)
Taxes and charges	(7 162)	(5 362)
Payroll costs	(111 643)	(94 148)
Other expenses	(11 974)	(13 136)
Goods and materials sold	(40 921)	(22 231)
Change in inventory of products and work in progress	239 142	283 077
Cost of services and products for own use	8 211	6 221
Total	**(1 408 496)**	**(1 328 187)**

7.36 PAYROLL COSTS AND EMPLOYMENT

PAYROLL COSTS AND AVERAGE EMPLOYMENT (including the executives)	01.01.-31.12. 2020	01.01.-31.12. 2019
Individual personnel categories (number of staff)	**408**	**355**
White-collar workers	406	355
Blue-collar workers	-	-
Payroll costs		
Payroll costs, including:	96 147	80 493
- cost of share-based payments (note 7.44)	*5 999*	*5 091*
Social security and other benefits	15 496	13 655
Payroll costs, total	**111 643**	**94 148**

7.37 OTHER OPERATING INCOME

OTHER OPERATING INCOME	01.01.-31.12. 2020	01.01.-31.12. 2019
Revenues from contractual penalties, arrangements and compensations	2 317	642
Reversal of provision for costs	690	4 164
Revenues from compensations	48	1 895
Revenues from the liquidation of a subsidiary	-	87
Revenues from betterment levy refund	-	1 207
Other	1 286	1 211
Total	**4 341**	**9 206**

7.38 OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES	01.01.-31.12. 2020	01.01.-31.12. 2019
Provision for penalties and arrangements	652	828
Donations	702	631
Provision for other costs	8 788	6 519
Bad debt written down	1 266	1 861
Cost of repairs and defects (including change in provision)	7 129	9 567
Costs of discontinued projects	247	634
Cost of betterment levies	-	89
Loss on sale and liquidation of assets	4 620	-
Other	1 186	1 921
Total	**24 590**	**22 050**

7.39 FINANCIAL INCOME

FINANCIAL INCOME	01.01.-31.12. 2020	01.01.-31.12. 2019
Interest on bank deposits (non-capitalized part of interest)	1 435	2 082
Revenue from discounting receivables and payables	1 743	1 653
Other interest	89	479
Foreign exchange differences	26	209
Total	**3 293**	**4 423**

7.40 FINANCIAL COSTS

FINANCIAL COSTS	01.01.-31.12. 2020	01.01.-31.12. 2019
Interest on loans and bonds (non-capitalized part of interest)	2 886	1 995
Other interest	910	157
Commissions and fees	687	476
Cost from discounting receivables and payables	3 395	-
Lease financial costs	1 228	1 367
Foreign exchange differences	1 167	-
Valuation of financial instruments (CAP options)	274	636
Other	386	-
Total	**10 933**	**4 631**

7.41 INTEREST COST

INTEREST COST	01.01.-31.12. 2020	01.01.-31.12. 2019
Financial costs (interest) capitalised under work in progress *)	10 319	11 427
Financial costs (interest) disclosed in the income statement	3 796	2 152
Total interest costs	**14 115**	**13 579**

*) The financial costs incurred as a result of the financing of real estate development projects are generally capitalised as work in progress and relate to the costs of interest, commissions and fees on bonds and loans taken for the execution of the projects. This amount consists of the difference between financial costs on the above mentioned sources of financing and financial income obtained as a result of investing free cash into short-term deposits and similar financial instruments.

7.42 TRANSACTIONS WITH RELATED ENTITIES

In the twelve-month periods ended 31 December 2020 and 2019, the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:

Counterparty	Transaction description	01.01.-31.12. 2020	01.01.-31.12. 2019
Woodsford Consulting Limited	Consulting services as per the agreement dated 27.06.2007 as annexed	1 901	2 440
Hansom Property Company Limited	Consulting services as per the agreement dated 2.01.2001 as annexed	1 371	1 203
M & M Usługi Doradcze M. Kolarski	Consulting services	66	147

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYAER:

Counterparty	Transaction description	01.01.-31.12. 2020	01.01.-31.12. 2019
Groupe Belleforêt S.à r.l	Dividend paid	134 481	128 111

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company

	Receivables from related entities 31.12.2020	Receivables from related entities 31.12.2019	Liabilities to related entities 31.12.2020	Liabilities to related entities 31.12.2019
Other entities	**-**	**-**	**288**	**369**
M&M Usługi Doradcze M. Kolarski	-	-	-	1
Hansom Property Company Limited	-	-	125	-
Woodsford Consulting Limited	-	-	163	368

*) additional contribution to the share capital of the subsidiaries have been recognised in the balance sheet under "Investments in subsidiaries, associates and jointly controlled entities".

The transactions with the related entities are based on the arm's length principle.

7.43 INCENTIVE PLAN – MANAGEMENT OPTION PROGRAMMES

As at 31 December 2020 there were three active Management Option Programmes adopted as part of the Incentive Scheme for the executives in the Company.

MANAGEMENT OPTION PROGRAMMES	31.12.2020	31.12.2020	31.12.2020	31.12.2019	31.12.2019	31.12.2019
Name of the Programme Options in the programme (number of shares)	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)
Programme IV	500 000	500 000	300 000	500 000	500 000	200 000
Programme V	250 000	250 000	50 000	250 000	250 000	-
Programme VI	150 000	150 000	-	-	-	-

ACTIVE MANAGEMENT OPTION PROGRAMMES AT 31 DECEMBER 2020

Management Option Programme IV

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted by the Annual General Shareholders' Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme IV regarding allotment of 500 000 shares in Dom Development S.A. ("Programme IV") to Ms Małgorzata Kolarska, Vice President of the Management Board and Chief Operating Officer. Under Programme IV, Ms Małgorzata Kolarska received a one-off award of options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options will be limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

Management Option Programme V

On 29 November 2019, the Supervisory Board of the Company acting pursuant to the authorisation granted to it by the Annual General Shareholders' Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme V regarding allotment of 250 000 shares in Dom Development S.A. to Mr Mikołaj Konopka, Member of the Management Board ("Programme V"). Under Programme V, Mr Mikołaj Konopka received a one-off award of options authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 per share. The exercise of these options will be limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

Management Option Programme VI

On 1 December 2020, the Supervisory Board of the Company acting pursuant to the authorisation granted to it by the Annual General Shareholders' Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme VI regarding allotment of 150 000 shares in Dom Development S.A. to Marcin Drobek, Adviser to the Management Board and Chief Construction Officer ("Programme VI"). Under Programme VI, Mr Marcin Drobek received a one-off award of options authorising him to subscribe for 150 000 shares in Dom Development S.A. for the price of PLN 50.00 per share. The exercise of these options will be limited to 30 000 shares in any 12 month consecutive period, starting from 1 January 2021. The non-exercised options may be exercised at a later time, however not later than by 31 December 2030.

GRANT OF NEW SHARE OPTIONS

In the twelve-month period ended 31 December 2020 the Company granted share options under Programme VI as described above.

The fair value of the options convertible into shares granted under this tranche was estimated as on the grant date based on the Black-Scholes-Merton model, taking into account the conditions existing on the grant date. The preliminary assumptions taken in the model for the valuation of these options are as follows:

Grant date:	1 December 2020
Option exercise start date:	5 tranches of 30 000 options each, every 12 months from 1 January 2021.
Maturity date:	31 December 2030
Dividend rate (%) for subsequent tranches:	0.00; 7.17; 7.83; 7.88; 7.77

Anticipated volatility rate (%):	38.21
Risk-free interest rate (%):	1.00
Anticipated options exercise period:	31 March 2021; 31 March 2022; 31 March 2023; 31 March 2024; 31 March 2025
Exercise price per option (in PLN):	50.00
Current share price (in PLN):	100.00

The value of the options calculated based on the above model and assumptions on the grant date was PLN 5 940 thousand. The values of each tranche options are recognized proportionately in the income statement for the period from the option grant date to the expected date of the start of the exercise period for each individual tranche.

EXERCISE OF SHARE OPTIONS

On 21 January 2020 the Management Board of the Company adopted a resolution on the increase of share capital in the Company by issuing 100 000 series AA ordinary bearer shares and 50 000 series AB ordinary bearer shares.

The AA series shares were issued in a private placement addressed to Ms Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV and the AB series shares were issued in a private placement addressed to Mr Mikołaj Konopka, Member of the Management Board as a participant in Management Options Programme V (which was described in detail in note 7.14).

These shares were registered by the District Court for the capital city of Warsaw on 31 March 2020.

EXPIRY OF SHARE OPTIONS

In the twelve-month periods ended 31 December 2020 and 31 December 2019 no share options expired.

COST OF MANAGEMENT OPTION PROGRAMMES ACCOUNTED FOR IN THE INCOME STATEMENT AND THE SHAREHOLDERS' EQUITY

In the twelve-month periods ended 31 December 2020 and 2019 the amounts of PLN 5 999 thousand and PLN 5 091 thousand respectively, were accounted for in the income statement for the management options granted and in the supplementary capital.

SHARE OPTIONS GRANTED AND EXERCISABLE AS AT RESPECTIVE BALANCE SHEET DATES, AND CHANGES IN THE PRESENTED PERIODS:

		01.01.-31.12. 2020	01.01.-31.12. 2019
Unexercised options at the beginning of the period	**Number of options**	**550 000**	**400 000**
	Total exercise price	**23 000**	**14 000**
Options granted in the period	Number of options	150 000	250 000
	Total option exercise value	7 500	12 500
Options expired in the period	Number of options	-	-
	Total option exercise value	-	-
Options exercised in the period	Number of options	150 000	100 000
	Total option exercise value	6 000	3 500
	Weighted average exercise price per share (PLN per share)	40.00	35,00
Unexercised options at the end of the period	**Number of options**	**550 000**	**550 000**
	Total exercise price	**24 500**	**23 000**
Exercisable options at the beginning of the period	Number of options	150 000	100 000
	Total exercise price	6 000	3 500
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

7.44 REMUNERATION OF MEMBERS OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES

Remuneration for key executives	01.01.-31.12. 2020	01.01.-31.12. 2019
MANAGEMENT BOARD		
Remuneration	11 681	11 638
Non-pay benefits	104	98
Total remuneration	**11 785**	**11 736**
SUPERVISORY BOARD		
Remuneration	1 295	1 301

The above table takes into account the value of remunerations (including bonuses) for holding positions in the Company's corporate bodies and in the corporate bodies of the Group's subsidiaries.

The cost of management option programme that accounted for PLN 5 999 thousand and PLN 5 091 in the years ended 31 December 2020 and 2019, respectively, have not been disclosed in the table above.

The composition of the Management Board and the Supervisory Board as at 31 December 2020 has been presented in note 7.47.

AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR REMOVAL FROM OFFICE

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

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members: Jarosław Szanajca, Małgorzata Kolarska and Mikołaj Konopka, in the case of dismissal for reasons other than violation of their fundamental obligations or non re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations is entitled to the payment equal to the full one month salary as calculated for the period from the day following the expiry of the term of office to 1 October 2021.

7.45 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	31.12.2020	31.12.2019
Guarantees	963	963
Sureties	25 055	42 034
Total	**26 018**	**42 997**

Additionally, some of the Company's liabilities are secured with promissory notes:

COLLATERALS FOR LIABILITIES	31.12.2020	31.12.2019
Promissory notes, including:		
- promissory notes as other security	2 000	4 000
- promissory notes as a security for lease agreements	1	50
Total	**2 001**	**4 050**

7.46 MATERIAL COURT CASES AS AT 31 DECEMBER 2020

As at 31 December 2020 the companies operating within the Group were not a party to any material court cases.

7.47 CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE GROUP PARENT COMPANY

SUPERVISORY BOARD

No changes in the composition of the Supervisory Board of the Company took place in 2020.

As at 31 December 2020 the Supervisory Board of Dom Development S.A. was composed of 7 members:

Grzegorz Kiełpsz, Chairman of the Supervisory Board,

Markham Dumas, Vice Chairman of the Supervisory Board,

Marek Moczulski, Vice Chairman of the Supervisory Board,

Mark Spiteri, Member of the Supervisory Board,

Michael Cronk, Member of the Supervisory Board,

Dorota Podedworna-Tarnowska, Member of the Supervisory Board,

Krzysztof Grzyliński, Member of the Supervisory Board.

MANAGEMENT BOARD

No changes in the composition of the Management Board of the Company took place in 2020.

As at 31 December 2020 the Management Board of Dom Development S.A. was composed of 5 members:

Jarosław Szanajca, President of the Management Board

Małgorzata Kolarska, Vice President of the Management Board

Janusz Zalewski, Vice President of the Management Board

Terry R. Roydon, Member of the Management Board

Mikołaj Konopka, Member of the Management Board

7.48 ADDITIONAL INFORMATION ON THE OPERATING ACTIVITY OF THE GROUP

In the twelve-month period ended 31 December 2020 the following material changes in the portfolio of the Group's development investments under construction took place:

DEVELOPMENT PROJECTS COMMENCED FROM 1 JANUARY 2020 UNTIL 31 DECEMBER 2020:

PROJECT	COMPANY	LOCATION	NUMBER OF APARTMENTS AND RETAIL UNITS
Osiedle Wilno V, phase 1	Dom Development S.A.	Warsaw	326
Zielony Południk, building 5	Euro Styl S.A.	Tricity	22
Zielony Południk, building 6	Euro Styl S.A.	Tricity	22
Zielony Południk, building 7	Euro Styl S.A.	Tricity	22
Zielony Południk, building 8	Euro Styl S.A.	Tricity	23
Locus building 4	Euro Styl S.A.	Tricity	91
Q1 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**506**
Osiedle Głębocka, phase 1	Dom Development S.A.	Warsaw	60
Dzielnica Mieszkaniowa Metro Zachód, stage 2 phase 1	Dom Development S.A.	Warsaw	129
Żoliborz Artystyczny, stage 13 phase 1	Dom Development S.A.	Warsaw	158
Żoliborz Artystyczny, stage 13 phase 2	Dom Development S.A.	Warsaw	55
Osiedle Perspektywa, stage 1 phase 1	Euro Styl S.A.	Tricity	33
Osiedle Perspektywa, stage 1 phase 2	Euro Styl S.A.	Tricity	21
Osiedle Perspektywa, stage 1 phase 3	Euro Styl S.A.	Tricity	70
Zielony Południk, building 13	Euro Styl S.A.	Tricity	50
Q2 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**576**
Rezydencja Stanisława Augusta	Dom Development S.A.	Warsaw	125
Osiedle Wilno V, phase 2	Dom Development S.A.	Warsaw	213
Osiedle Głębocka, phase 2	Dom Development S.A.	Warsaw	211
Dzielnica Mieszkaniowa Metro Zachód, stage 2 phase 2	Dom Development S.A.	Warsaw	124
Żoliborz Artystyczny, phase 14	Dom Development S.A.	Warsaw	280
Stacja Grochów, phase 2	Dom Development S.A.	Warsaw	106
Stacja Grochów, phase 3	Dom Development S.A.	Warsaw	125
Beauforta, buildings 8, 9, 11	Euro Styl S.A.	Tricity	97
Beauforta, buildings 21-22	Euro Styl S.A.	Tricity	70
Beauforta, buildings 23-24	Euro Styl S.A.	Tricity	51
Nasze Mieszkanie, building A	Euro Styl S.A.	Tricity	46
Nasze Mieszkanie, building B	Euro Styl S.A.	Tricity	44
Nasze Mieszkanie, building C	Euro Styl S.A.	Tricity	34
Osiedle Przy Błoniach, building B1	Euro Styl S.A.	Tricity	65
Zielony Południk, buildings 18-19	Euro Styl S.A.	Tricity	44
Zielony Południk, buildings 20-21	Euro Styl S.A.	Tricity	44
Osiedle Komedy, phase 2	Dom Development Wrocław Sp. z o.o.	Wrocław	101
Q3 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**1 780**
Stacja Grochów, phase 4	Dom Development S.A.	Warsaw	159
DOKI – buildings A and B	Euro Styl S.A.	Tricity	227
Montownia	Euro Styl S.A.	Tricity	116
Perspektywa, stage 1 phase 4	Euro Styl S.A.	Tricity	252
Zielony Południk, building 14	Euro Styl S.A.	Tricity	50
Osiedle Beauforta, building 10	Euro Styl S.A.	Tricity	32
Osiedle Zielna, stage 1	Dom Development Wrocław Sp. z o.o.	Wrocław	160
Chociebuska 11	Dom Development Wrocław Sp. z o.o.	Wrocław	196
Q4 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**1 192**
IN TOTAL: UNITS WITH CONSTRUCTION STARTED IN 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**4 054**
	DOM DEVELOPMENT S.A.	Warsaw	2 071
	EURO STYL S.A.	Tricity	1 526
	DOM DEVELOPMENT WROCŁAW SP. Z O.O.	Wrocław	457

DEVELOPMENT PROJECTS COMPLETED FROM 1 JANUARY 2020 UNTIL 31 DECEMBER 2020:

PROJECT	COMPANY	MARKET	NUMBER OF APARTMENTS AND RETAIL UNITS
Stacja Grochów, phase 1	Dom Development S.A.	Warsaw	148
Wilno III, phase 4	Dom Development S.A.	Warsaw	116
Wilno III, phase 5	Dom Development S.A.	Warsaw	46
Apartamenty Polanki	Euro Styl S.A.	Tricity	9
Zielony Południk, building 4	Euro Styl S.A.	Tricity	21
Q1 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**340**
Rezydencje Marina Mokotów	Dom Development S.A.	Warsaw	97
Apartamenty Marina Mokotów	Dom Development S.A.	Warsaw	222
Idea building 9	Euro Styl S.A.	Tricity	58
Locus building 1	Euro Styl S.A.	Tricity	59
Spektrum, building D	Euro Styl S.A.	Tricity	157
Mezzo, building B1	Euro Styl S.A.	Tricity	82
Mezzo, building B2	Euro Styl S.A.	Tricity	76
Piękna 21	Dom Development Wrocław Sp. z o.o.	Wrocław	200
Q2 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**951**
Apartamenty Marina Mokotów, phase 2 stage 1	Dom Development S.A.	Warsaw	222
Apartamenty Marina Mokotów, phase 2 stage 2	Dom Development S.A.	Warsaw	225
Żoliborz Artystyczny, phase 11	Dom Development S.A.	Warsaw	381
Żoliborz Artystyczny, phase 12	Dom Development S.A.	Warsaw	106
Port Żerań, phase 3	Dom Development S.A.	Warsaw	152
Beauforta, building 2	Euro Styl S.A.	Tricity	19
Beauforta, building 3	Euro Styl S.A.	Tricity	19
Beauforta, building 12	Euro Styl S.A.	Tricity	27
Beauforta, building 13	Euro Styl S.A.	Tricity	21
Q3 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**1 172**
Wilno VI stage 3/1	Dom Development S.A.	Warsaw	197
Apartamenty Ogrodowa	Dom Development S.A.	Warsaw	160
Włodarzewska 70/72	Dom Development S.A.	Warsaw	102
Idea B10	Euro Styl S.A.	Tricity	50
Idea B11	Euro Styl S.A.	Tricity	27
LOCUS B2	Euro Styl S.A.	Tricity	50
Osiedle Beauforta- B14	Euro Styl S.A.	Tricity	20
Osiedle Beauforta- B15	Euro Styl S.A.	Tricity	24
Osiedle Beauforta- B16	Euro Styl S.A.	Tricity	18
Osiedle Przy Błoniach, building A	Euro Styl S.A.	Tricity	28
Osiedle Przy Błoniach, building B	Euro Styl S.A.	Tricity	36
Zielony Południk B9	Euro Styl S.A.	Tricity	26
Zielony Południk B10	Euro Styl S.A.	Tricity	23
Zielony Południk B11	Euro Styl S.A.	Tricity	22
Zielony Południk B12	Euro Styl S.A.	Tricity	26
Apartamenty Księcia Witolda	Dom Development Wrocław Sp. z o.o.	Wrocław	138
Grabiszyńska 141	Dom Development Wrocław Sp. z o.o.	Wrocław	62
Q4 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**1 009**
IN TOTAL: UNITS WITH CONSTRUCTION ENDED IN 2020	**DOM DEVELOPMENT S.A. CAPITAL GROUP**		**3 472**
	DOM DEVELOPMENT S.A.	Warsaw	2 174
	EURO STYL S.A.	Tricity	898
	DOM DEVELOPMENT WROCŁAW SP. ZO.O.	Wrocław	400

INFORMATION ON DELIVERIES OF RESIDENTIAL AND RETAIL UNITS

Number of residential and retail units delivered to customers by the Group companies in the twelve-month period ended 31 December 2020 has been presented in the following table:

NUMBER OF APARTMENTS AND RETAIL UNITS DELIVERED	2020	2019
Q1 (01.01.-31.03)	549	1 215
Q2 (01.04-30.06)	692	440
Q3 (01.07-30.09)	692	839
Q4 (01.10-31.12)	1 073	988
Total	**3 006**	**3 482**

7.49 MATERIAL POST-BALANCE SHEET EVENTS

EXERCISE OF COMPANY'S SHARE OPTIONS

On 21 January 2021, the Management Board increased Company's share capital from PLN 25 218 422.00 to PLN 25 398 422.00, i.e. by PLN 180 000.00, by issuing 100 000 series AC ordinary bearer shares with PLN 1.00 nominal each and 80 000 series AD ordinary bearer shares with PLN 1.00 nominal each. The issue price of AC and AD series shares was set at PLN 35.00 and PLN 50.00 per share, respectively. The issue of series AC and AD shares took place through a private placement. The purpose of issuing series AC and series AD shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from:

- Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board - Chief Executive Director, concerning 500 000 shares in Dom Development S.A.,
- Management Option Programme V for Mikołaj Konopka, Member of the Management Board, concerning 250 000 shares in Dom Development S.A., and
- Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer, concerning 150 000 shares in Dom Development S.A. (see note 7.43).

The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AC shares and 80 000 series AD shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AC shares is addressed only to Ms Małgorzata Kolarska, as the Participant in Programme IV, while the issue of series AD shares is addressed only to Mr Mikołaj Konopka, as the Participant in Programme V and Mr Marcin Drobek as the Participant in Programme VI, to enable them to exercise their rights under the subscription warrants.

On 22 January 2021:

- Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for 100 000 shares. The issue price for the new series AC shares was PLN 35.00 per share.
- Mr Mikołaj Konopka exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 50 000 shares. The issue price for the new series AD shares was PLN 50.00 per share.
- Mr Marcin Drobek exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 30 000 shares. The issue price for the new series AD shares was PLN 50.00 per share.

On 26 January 2021, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AC shares to Ms Małgorzata Kolarska. 50 000 series AD shares to Mr Mikołaj Konopka and 30 000 series AD shares to Mr Marcin Drobek.

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 18 February 2021.

7.50 APPROVAL OF THE FINANCIAL STATEMENTS FOR 2019

On 31 August 2020, the Annual General Shareholders' Meeting of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2019, the Management's report of activities of Dom Development S.A. in 2019 and the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2019 and the Management's report of activities of Dom Development S.A. Capital Group in 2019, as presented by the Management Board. The Annual General Shareholders' Meeting of Dom Development S.A. gave a vote of approval for the Management Board of the Company for the year 2019.

7.51 FORECASTS

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning both, the parent company and the Group.

7.52 INFORMATION ON REMUNERATION OF THE STATUTORY AUDITOR OR THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

The following table presents a fee of the entity licensed to audit the Company's financial statements (including the consolidated financial statements).
The financial statements for 2020 and 2019 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.
The fee paid or payable for the year ended 31 December 2020 and 31 December 2019 broken up by services, has been presented below:

SERVICES	01.01.-31.12. 2020	01.01.-31.12. 2019
Parent company	**310**	**245**
- Financial statements audit	205	170
- Review of semi-annual financial statements	75	75
- Assessment of the report on remuneration for management board and supervisory board in 2019-2020	30	-
Subsidiaries of the Capital Group	**232**	**228**
- Financial statements audit	182	178
- Review of semi-annual financial statements	50	50
- Other services	-	-
Total	**542**	**473**

7.53 SELECTED FINANCIAL DATA TRANSLATED INTO EURO

In accordance with the financial reporting requirements the following financial data of the Group have been translated into euro:

SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET	31.12.2020 in EUR '000	31.12.2019 in EUR '000
Total current assets	689 619	679 133
Total assets	704 951	695 300
Total shareholders' equity	250 817	254 604
Long-term liabilities	93 396	110 136
Short-term liabilities	360 738	330 560
Total liabilities	454 134	440 696
PLN/EURO exchange rate as at the balance sheet date	***4.6148***	***4.2585***

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	01.01-31.12.2020 in EUR '000	01.01.-31.12.2019 in EUR '000
Sales revenue	405 662	386 285
Gross profit on sales	129 359	116 258
Operating profit	86 332	74 548
Profit before tax	84 625	74 500
Net profit	67 553	59 514
Average PLN/EURO exchange rate for the reporting period	***4.4742***	***4.3018***