

**DOM DEVELOPMENT S.A.**

**REPORT  
OF THE SUPERVISORY BOARD  
OF DOM DEVELOPMENT S.A.  
ON THE ACTIVITIES CONDUCTED  
FROM 1 JANUARY 2022  
TO 31 DECEMBER 2022**





# CONTENTS

1	PERSONNEL, COMPOSITION AND ORGANISATION OF THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A. ....	2
2	ACTIVITY OF THE SUPERVISORY BOARD .....	3
3	ASSESSMENT OF THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2022, THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2022, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2022, AND THE MANAGEMENT BOARD'S PROPOSAL CONCERNING THE DISTRIBUTION OF 2022 PROFIT FOR 2022 .....	6
4	ASSESSMENT OF THE COMPANY'S POSITION, TAKING INTO ACCOUNT THE ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AS IN PLACE AT THE COMPANY, AND THE INTERNAL AUDIT SYSTEM .....	7
5	INFORMATION ON THE DISCHARGE OF DUTY TO NOTIFY THE SUPERVISORY BOARD, AND REMUNERATION DUE TO THE SUPERVISORY BOARD'S CONSULTANT IN 2022 .....	13
6	ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND THE MANNER OF COMPLIANCE WITH THE DISCLOSURE OBLIGATIONS CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES DEFINED IN THE EXCHANGE RULES AND THE REGULATIONS ON CURRENT AND PERIODIC REPORTS PUBLISHED BY ISSUERS OF SECURITIES, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT .....	13
7	ASSESSMENT OF THE RATIONALITY OF EXPENSES EXPENSED BY THE COMPANY AND ITS GROUP IN SUPPORT OF CULTURE, SPORTS, CHARITIES, THE MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS, ETC.....	14
8	PERIODIC ASSESSMENT OF MATERIAL TRANSACTIONS WITHIN THE MEANING OF THE ACT ON PUBLIC OFFERING, CONDITIONS GOVERNING THE INTRODUCTION OF FINANCIAL INSTRUMENTS INTO AN ORGANISED TRADING, AND PUBLIC COMPANIES.....	15
9	INFORMATION REGARDING THE DEGREE OF IMPLEMENTATION OF THE DIVERSITY POLICY APPLICABLE TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD .....	16
10	SELF-ASSESSMENT OF THE SUPERVISORY BOARD .....	19
11	ATTACHMENTS.....	20

# 1 PERSONNEL, COMPOSITION AND ORGANISATION OF THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.

Pursuant to the provisions of the Commercial Companies Code, Statute of Dom Development S.A. with its registered office in Warsaw ("the Company") and Supervisory Board Bylaws dated 5 September 2006 and amended on 3 April 2008, on 21 May 2009, on 20 May 2010, on 29 March 2012 and on 11 December 2015, the Supervisory Board is a permanent supervisory body of the Company in all areas of the Company's operations.

The Supervisory Board is composed of 5 to 9 members, including the Chairperson and two Deputy Chairpeople. The Chairperson of the Supervisory Board and one Deputy Chairperson of the Supervisory Board are appointed and dismissed by the Supervisory Board. Three of the Supervisory Board Members are Independent Members (in the meaning of point 7.7 of the Company's Statute). Pursuant to point 7.9 of the Company's Statute, the Supervisory Board's term is joint and lasts 3 years.

In the period from 1 January 2022 until 31 December 2022 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

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

As the mandates of the members of the Supervisory Board of Dom Development S.A. have expired on 30 June 2022, Groupe Belleforêt S.à r.l. limited liability company with its registered office in Luxembourg, acting pursuant to section 7.4 of the Articles of Association of Dom Development S.A. appointed Mr Janusz Zalewski as a Member and Vice President of the Supervisory Board of the Company and Mr Grzegorz Kiełpsz, Mr Markham Dumas and Mr Mark Spiteri as Members of the Supervisory Board of the Company, effective as of 30 June 2022. Moreover, on 30 June 2022 the Annual General Shareholders' Meeting of Dom Development S.A. appointed Ms Dorota Podedworna-Tarnowska, Mr Marek Moczulski and Mr Krzysztof Grzyliński as Members of the Supervisory Board. All these members of the Management Board have been appointed for a joint three-year term. On 30 June 2022, the Supervisory Board of the Company acting pursuant to point 7.1 of the Articles of Association of the Company appointed Mr Grzegorz Kiełpsz as Chairman of the Supervisory Board and Mr Marek Moczulski as Vice Chairman of the Supervisory Board.

In the opinion of the Supervisory Board the Independent Members: Dorota Podedworna-Tarnowska, Marek Moczulski and Krzysztof Grzyliński, fulfil the independence criteria set out in the Act of 11 May 2017 on auditors, audit companies and public supervision and in point 7.7 of the Company's Statute, Annex II to the European Commission Recommendation of 15 February 2005. Moreover, all of the above-mentioned Independent Members have no actual or material relations with any shareholder holding at least 5% of the total vote in the Company.

The rules of organisation and the methods of operation of the Supervisory Board are specified by the provisions of the Company's Statute and the Supervisory Board Bylaws dated 5 September 2006 and amended on 3 April 2008, on 21 May 2009, on 20 May 2010, on 29 March 2012 and on 11 December 2015.

## 2 ACTIVITY OF THE SUPERVISORY BOARD

During the period under review, the Supervisory Board conducted its activity by way of sessions convened by the Chairman of the Supervisory Board, such sessions taking place in accordance with the 2022 Company Activity Schedule and depending on need. The Supervisory Board held 15 sessions. Minutes were taken during all sessions and the decisions made by the Supervisory Board took the form of resolutions. The Supervisory Board carried out its tasks collectively, and also with the help of two committees, the Audit Committee and the Remuneration Committee.

- **Audit Committee**

The Audit Committee operates in accordance with the Act of 11 May 2017 on auditors, audit companies and public supervision and on the basis of the Company's Statute and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, on 29 June 2007, on 3 April 2008 and on 5 October 2010, and is responsible for supervision of the financial matters of the Company.

The Audit Committee shall be composed of at least three members appointed by the Supervisory Board from among its members, according to point 7.10 of the Company Statute and at least two of whom, including its chairman, shall be Independent Members (in the meaning of Art. 129 section 3 of the Act of 11 May 2017 on auditors, audit companies and public supervision and point 7.7 of the Company's Statute). Of these Independent Members at least one shall have knowledge of and skills in accounting or auditing, while at least one Audit Committee member shall have knowledge of and skills in the industry in which the Company operates.

In the opinion of the Supervisory Board the members of the Audit Committee fulfil the requirements for the competence set in the Act of 11 May 2017 on auditors, audit companies and public supervision, while the Independent Members: Dorota Podedworna-Tarnowska and Marek Moczulski, fulfil the independence criteria set in the above-mentioned Act.

During the period from 1 January 2022 to 31 December 2022, the Audit Committee acted under the following composition:

- Dorota Podedworna-Tarnowska – Chairwoman of the Audit Committee (Independent Member),
- Marek Moczulski – Member of the Audit Committee (Independent Member),
- Mark Spiteri – Member of the Audit Committee.

During the period covered by this report, 8 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 15 March 2022
2. 25 April 2022
3. 24 May 2022
4. 18 July 2022
5. 23 August 2023
6. 4 October 2022
7. 29 November 2022
8. 16 December 2022



The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2022 to 30 June 2022 is attachment No. 1 to this Report. The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 July 2022 to 31 December 2022 is attachment No. 2 to this Report.

- **Remuneration Committee**

The Remuneration Committee operates on the basis of the Company's Statute and the Remuneration Committee's Bylaws dated 5 September 2006 and amended on 29 December 2006 and on 5 October 2010 and is authorised in particular to prepare proposals for the remuneration of members of the Management Board and to present proposals of granting additional benefits, including executive share option schemes.

The Remuneration Committee is composed of three members appointed by the Supervisory Board from among its own members, two of whom are Independent Members. During the period from 1 January 2022 to 31 December 2022, the Remuneration Committee acted under the following composition:

- Marek Moczulski – Chairman of the Remuneration Committee (Independent Member),
- Krzysztof Grzyliński – Member of the Remuneration Committee (Independent Member),
- Mark Spiteri – Member of the Remuneration Committee.

During the period covered by this report, 7 sessions of the Dom Development S.A. Remuneration Committee took place, on the following dates:

1. 15 March 2022
2. 24 March 2022
3. 25 April 2022
4. 24 May 2022
5. 3 October 2022
6. 29 November 2022
7. 16 December 2022

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2022 to 31 December 2022 is attachment No. 34 to this Report.

During the period covered by this report, the Supervisory Board acted pursuant to the provisions of the Commercial Companies Code, the Company's Statute and the Supervisory Board Bylaws, and according to the Best Practices of WSE Listed Companies. The Supervisory Board oversees the operations of the Company on an on-going basis in all its fields of activity as well as examines issues and motions submitted to the sessions of the Supervisory Board by the Company's Management Board. Additionally, the Supervisory Board's responsibilities include granting consent for: the conclusion by the Company (or any entities affiliated with the Company) of contracts with a member of the Supervisory Board or Management Board (or with their affiliated entities); and appointment of an auditor to audit the Company's financial statements.

During the period under review, i.e. from 1 January 2022 to 31 December 2022, 15 sessions of the Supervisory Board of Dom Development S.A. took place, on the following dates:

1. 24 January 2022 r.
2. 14 February 2022 r.
3. 16 March 2022 r.
4. 24 March 2022 r.
5. 8 April 2022 r.
6. 25 April 2022 r.
7. 27 May 2022 r.
8. 30 June 2022 r.
9. 26 July 2022 r.
10. 30 August 2022 r.
11. 4 October 2022 r.
12. 6 October 2022 r.
13. 7 October 2022 r.
14. 30 November 2022 r.
15. 19 December 2022 r.

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 7 sessions and 7 sessions took place with the required quorum. Some sessions of the Supervisory Board were also attended by the President of the Management Board Mr Jarosław Szanajca and Vice President of the Management Board Mr Leszek Stankiewicz and Mr Miłkołaj Konopka, Member of the Management Board, three of whom provided information concerning the current activities of the Company and the Dom Development S.A. Capital Group ("Group" and/or "Capital Group").

During the meeting of 24 January 2022, the Supervisory Board adopted resolutions on increasing the share capital of Dom Development S.A. through the issuance of shares within authorized capital.

At the following meeting on 14 February 2022, the Supervisory Board granted its consent to the Management Board to (i) undertake acts concerning the dematerialization of shares of series AE and of series AF, (ii) conclude an agreement with KDPW (the National Depository for Securities) in respect of the registration of the shares of series AE and of series AF, and (iii) undertake acts concerning the admission of the shares of series AE and of series AF to the regular market. The Supervisory Board also granted its consent for the Company to conclude an agreement with a Member of the Management Board and for the subsidiary to conclude an agreement with a Member of the Management Board. Furthermore, the Supervisory Board adopted changes to the Company's Management Board by-laws.

During the meeting of 16 March 2022, the Supervisory Board adopted the following resolutions: one on the Supervisory Board statement regarding the selection of an audit firm, one on the Supervisory Board statement regarding the Audit Committee and one on the Supervisory Board assessment of: the financial statements of Dom Development S.A. for the year ending 31 December 2021, the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2021, the consolidated financial statements of Dom Development S.A. Capital Group for the year ending 31 December 2021.

At its meeting on March 24, 2022, the Supervisory Board adopted the following resolutions: approving the implementation of the SECP (Senior Executive Compensation Plan) in 2021, and setting goals and limits for the annual reward within the SECP program in 2022. Moreover, the Supervisory Board awarded Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. Pool 2019, 2020 and 2021), determined a Pool and a Pool for Distribution, a Pool 2 and a Pool 2 for Distribution and a Pool 3 and a Pool 3 for Distribution to be allocated for



payment of Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. 2022).

On 8 April 2022, the Supervisory Board adopted the assessment of material transactions within the meaning of the Act on public offering, conditions governing the introduction of financial instruments into organised trading.

During the meeting of 25 April 2022, the Supervisory Board appointed an auditor to audit Dom Development S.A.'s financial statements and Dom Development S.A. Capital Group's consolidated financial statements for 2022 and adopted the "Supervisory Board's Remuneration Report concerning remunerations of the Members of the Management Board and the Supervisory Board of Dom Development S.A. for 2021."

On 27 May 2022, the Supervisory Board adopted resolutions on the following matters: acceptance of the Supervisory Board's report on activities in the period from 1 January 2021 to 31 December 2021, assessment of the Management Board's proposal for the distribution of the 2021 net profit of Dom Development S.A., and review and issuing opinion on the proposal of the Management Board regarding resolutions of the General Meeting of Shareholders.

At the meeting on 30 June 2022, in connection with the expiry of the mandates of the existing members of the Management Board and of the Supervisory Board of Dom Development S.A., the Supervisory Board elected the Chairman of the Supervisory Board and the Vice Chairman of the Supervisory Board. The Supervisory Board also agreed that the Management Board of the Company will be composed of five members, and appointed Mrs Małgorzata Kolarska and Mr Mikołaj Konopka to the Management Board, entrusting the former with the function of Vice President of the Management Board. The Supervisory Board also determined the number of members of the Remuneration Committee and the Audit Committee, and appointed members of the said committees.

On 26 July 2022, the Supervisory Board adopted a resolution to review and issue an opinion on the proposals of the Management Board of the Company regarding resolutions of the Extraordinary General Meeting of Shareholders.

On 30 August 2022, the Supervisory Board accepted the "Diversity Policy" insofar as it applies to Members of the Management Board of the Company.

At the meeting of 4 October 2022, the Supervisory Board accepted the Provisions of the Management Share Options Programme VII for Leszek Stankiewicz, Vice-President of the Management Board – Financial Director of Dom Development S.A., regarding 250,000 Shares of Dom Development S.A. and granted options under the said Programme VII. In addition, the Supervisory Board consented for the Company to conclude agreements between a subsidiary and a Member of the Management Board and his related party.

On 6 October 2022, the Supervisory Board adopted changes to the remunerations of four Members of the Management Board of the Company and consented for the Management Board to adopt a resolution to fully waive the existing shareholders' right to acquire subscription warrants.

On 7 October 2022, the Supervisory Board consented to allocate subscription warrants to Mr Mikołaj Konopka, Member of the Management Board and to Mr Leszek Stankiewicz, Vice President of the Management Board, and accepted a draft subscription form for warrants.

At the meeting of 30 November 2022, the Supervisory Board consented for the Company to conclude an agreement between the Company and a Member of the Management Board of the Company.

At the last meeting held in 2022, i.e. on 19 December 2022, the Supervisory Board adopted resolutions concerning the increase of the share capital of Dom Development S.A. by way of issue of shares as part of the authorised capital, and accepted the 2023 Company Activity Schedule.

### **3 ASSESSMENT OF THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER**

# **2022, THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2022, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2022, AND THE MANAGEMENT BOARD'S PROPOSAL CONCERNING THE DISTRIBUTION OF 2022 PROFIT FOR 2022**

Report by the Supervisory Board of Dom Development S.A. from the assessment of:

- 1) financial statements of Dom Development S.A. for the year ended 31 December 2022,
- 2) Management Board's report of activities of Dom Development S.A. and its Capital Group in 2022,
- 3) consolidated financial statements of Dom Development S.A. Capital Group for the year ended 31 December 2022,

was accepted by the Supervisory Board on the basis of Resolution No. 03/03/23 of 15 March 2023, which together with the said report constitutes attachment No. 4 hereto.

The Supervisory Board, in Resolution No. 01/04/23 of 17 April 2023, expressed a positive opinion on and approved the Management Board's proposal to allocate a portion of the 2022 net profit of Dom Development S.A. in the amount of PLN 282 682 642.00 (in words: two hundred eighty-two million six hundred eighty-two thousand six hundred forty-two zlotys), i.e. PLN 11 (in words: eleven zlotys) per share to the payment of dividend to shareholders of Dom Development S.A., and to allocate a portion of the 2022 net profit of Dom Development S.A. in the amount of PLN 91 001 662.08 (in words: ninety-one million one thousand six hundred sixty-two point zero eight zlotys) to the increase of the supplementary capital of Dom Development S.A., and to set the date of record as 26 June 2023 and the dividend payment date as 4 July 2023. The said Resolution No. 01/04/23 of 17 April 2023 on the assessment of the Management Board's proposal for the distribution of the 2022 net profit of Dom Development S.A. constitutes attachment No. 5 to this Report.

## **4 ASSESSMENT OF THE COMPANY'S POSITION, TAKING INTO ACCOUNT THE ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AS IN PLACE AT THE COMPANY, AND THE INTERNAL AUDIT SYSTEM**

### **1. GENERAL INFORMATION ON THE POSITION OF THE COMPANY**

The Supervisory Board having examined the financial statements of Dom Development S.A. for the accounting year 2022 and the Management Board's report of aggregate activities of the Company and the Dom Development S.A. Capital Group for the accounting year 2022, has approved these reports.

The Supervisory Board views the year 2022 as another very good period of activity of Dom Development S.A., in particular considering the results of the Company and its Capital Group, in the context of uncertainty resulting from the Russian invasion of Ukraine, which caused an outflow of capital from our region. At the same time, the wave of refugees significantly strengthened demand on the Polish



residential rental market. In addition, the energy crisis caused by the unstable geopolitical situation has contributed to price increases and elevated inflation. Interest rates were increasing until September 2022, and reached in the highest level in 20 years.

In the assessment of the Company's position and results, the Supervisory Board took into account the overall situation in the Polish economy, the conditions of the real estate market and the uncertain macroeconomic factors, which significantly destabilised the economic environment throughout the region.

Despite these adverse economic conditions, 2022 brought success for both the Company and the entire Capital Group which made a record-high consolidated net profit amounting to PLN 410.2m.

In the opinion of the Supervisory Board these difficult times were negotiated skilfully by the Company's Management Board, capitalising on the trends in the real estate development market and focusing on maximising profitability of the ongoing development projects rather than on sales volumes. At the same time, the Supervisory Board has recognised emerging threats for the whole development sector on both the supply and demand side. In particular, the limited availability of land for new development projects and high prices of land, alongside the difficulties in obtaining administrative permits, have limited our market offer. At the same time, the significant increase of interest rates have caused major disturbances on the demand-side, in particular for customers that have to rely on mortgage loans.

The Supervisory Board is pleased to note that the Company has managed to cope with the challenges posed by these factors and that the said macroeconomic aspects had a limited negative impact on sales and did not significantly affect the property development projects carried out by the Company, which were on time and within their budgets.

Moreover, the Supervisory Board has observed that in the pursuance of the strategic goal of the Dom Development S.A. Management Board, namely maximisation of the value of the Company and its Group in the long term by maintaining its leading position in the main residential market agglomerations of the country, the Group acquired a majority stake in Sento S.A. in 2022, thus expanding its operations in the Cracow market, the second largest residential market after Warsaw. Thanks to the acquisition of the BUMA Group companies, which is a leading property developer in Cracow, and the acquisition of the remaining minority shareholding in Sento S.A., which took place in the first quarter of 2022, the Supervisory Board expects a significant increase in the scale of operations on the Cracow market in future periods. In the context of general macroeconomic factors, in particular the situation in the residential property market, where the Company operates, the Supervisory Board confirms that the financial position of the Company remained strong. The assessment carried out by the Supervisory Board has mainly been based on the figures and quantitative results achieved by the Company from its operating activities.

The results of the Company for 2022 have been impacted, both by the number of residential projects completed (and in turn by the volume of deliveries) and also by an equally high gross margin on the delivered units compared to the prior year. The results achieved from the development of successive housing developments have been the effect of land purchase decisions of the Management Board made in previous years, and in particular the decision to commence these residential projects which generated sales volumes.

In 2022, the Company:

- commenced construction of 1 843 apartments on 14 projects (in 2021: 1 981 apartments on 13 projects),
- sold 2 135 apartments, including 397 units to an institutional buyer (in 2021: 2 165 apartments),
- completed construction of 1 374 apartments on 10 projects (in 2021: 1 830 apartments on 11 projects),
- handed over 1 921 apartments to customers (in 2021: 1 798 apartments).

The Supervisory Board is pleased to note that in Q4 2022, the Company completed its first transaction with a PRS (institutional rental) investor, although it still focuses primarily on the offer addressed to individual buyers.

The Supervisory Board expresses its appreciation to the Management Board for the financial results achieved in 2022 with operating profit of PLN 309.3m (an increase of 27% compared to the Company's operating profit in 2021, which amounted to PLN 242.7m). This result, specifically when compared against a strong 2020 and 2021, should be assessed positively as it was achieved with only 7% YoY increase in deliveries. The Supervisory Board also notes that such a result was influenced by the one-off sale of properties to an institutional buyer, which generated an operating profit of PLN 38m.

The Company generated a net profit of PLN 373.7m, delivering an increase of 21.8% over the previous record-high net profit generated in 2021.

However, the most important factor that determined the success of the Company and its Management Board is considered by the Supervisory Board to be the manner in which the entire Group is managed, its growth and the consolidated financial results, which were historically high at the Group, both in terms of operating profit (at PLN 502m in 2022) and net profit (at PLN 410m in 2022).

In 2022, the Company's financial management was consistently directed at ongoing construction of residential buildings, replenishment of the land bank, further expansion of its own general contracting, and the continued expansion into the Cracow market through acquisitions of successive local development companies. Consequently the Company also focused on seeking sources of long-term external financing for these operations and on maintaining a more-than-adequate level of liquidity. The Management Board regularly analyses both the current financing structure and determines the future optimum financing structure in order to achieve satisfactory financial ratios and financial results over the medium term, and at the same time, to ensure adequate liquidity to maintain the financial security of the Company and to enable it to withstand macroeconomic shocks.

It should be expected that in 2023 the residential real estate market is likely to be impacted mostly by macroeconomic factors, such as monetary policy as regards interest rates, the situation in the labour market, the condition of the building industry and the sentiment in global markets, which affect consumers' propensity to invest in real estate. The Russian invasion of Ukraine, the impact of high prices of raw materials and energy, and the effects of the COVID-19 pandemic are still observed in the supply chain and will have consequences which, although are hard to predict, are likely to have a highly destabilising effect. They may affect all of the above-mentioned macroeconomic aspects in the nearest future.

The Supervisory Board is of the opinion that the actions undertaken in 2022 have proved once again the competence of the Management Board in preparing the Company for the rapidly changing situation in the real estate market. The major responsibility of the Management Board is not only to ensure that the Company is prepared to react quickly to new challenges but most of all to maintain the leading position in the evolving residential market. The major steps undertaken in this respect included:

- ensuring that adequate sources of finance are available to the Company, both for current and future development projects, ongoing operations and for the Company's general security;
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of apartments;
- adjusting the Company's sales offer to the market demand;
- aligning land purchases to the Company's existing and future needs;
- utilising the existing land bank in the most appropriate manner;
- generating sales by improving the sales and marketing processes;
- maintaining customer confidence in the 'Dom Development' brand by maintaining high quality of units sold;
- restructuring the organization and employment levels to the anticipated level of operational activities;
- thorough control of ongoing project budgets at all stages of project development;
- optimising overhead efficiency;
- responding quickly to legislative changes; and
- responding without delay to crisis situations caused by various external factors, both local and global.

Currently the operational activities of the Dom Development S.A. Capital Group (the “Group”) are carried out in four geographically separate markets: the Company has projects in Warsaw, while its subsidiaries - Euro Styl S.A. Capital Group, Dom Development Wrocław Sp. z o.o., Dom Developmnet Kraków Sp. z o.o. and Sento S.A. - operate in the the Tricity, Wrocław and Cracow markets respectively. However, the majority of the operational activities and financial results generated by Dom Development S.A. Capital Group are still attributable to the Company, but it should be noted that since 2020 Euro Styl S.A. Capital Group became the leading developer in the Tricity area. The contribution of subsidiaries to the Group’s results can be expected to increase further in the upcoming years.

The Supervisory Board is confident that the key business processes in the Company are well established and professional.

The Land Department specialists employed by the Company identify land that is attractive and available for purchase to enable future development, they assess the potential profitability of such land (in cooperation with specialists from other departments) and finalise their purchase or conditional purchase, having obtained approval from the Management Board.

Other operating activities of the Company are assigned (during design and construction stages) to project development specialists from various departments, namely, sales, customer service, fit-out, and property management. An undoubted competitive advantage on the market, which helps to ensure secure operations of the Group’s development companies, is that property development projects are carried out within their budgets and schedules by the Company’s owned general contracting companies. They also ensure the high quality of the final product delivered to the customers.

The market position of the Company at the end of 2022 was very satisfactory with the Company maintaining its position as the largest developer in the Warsaw market. This results from the well-established position of the Company in the housing market and its appropriate operational experience, both in terms of execution of residential development projects, and the marketing, sales and financing of these projects.

The strong financial position of the Company and the Group in which it operates is reflected in the balance of its net assets and cash holdings. As at 31 December 2022, the aggregate amount of “cash and cash equivalents” and “short-term financial assets” disclosed in the separate balance sheet of Dom Development S.A. was PLN 241m (at the end of 2021: PLN 397m) following the acquisition of BUMA Group companies. Interest bearing debt of the Company amounted to PLN 360m at the end of 2022, which was the same as in the previous year. It should be emphasised that the short-term interest-bearing debt of the Company at 31 December 2022 was PLN 100m which accounted for 28% of the total interest-bearing debt. The closing balance of total net interest bearing debt (total debt less the said cash and cash equivalents and short-term financial assets) was PLN 119m. Observing the relatively large change (increase) in the net debt, the Supervisory Board notes that this is related to the strategy of the Company, which finances the operations of its subsidiaries mainly by extending loans, which at the end of 2022 amounted to PLN 303m and increased during the year by PLN 79m. The Supervisory Board noted that the liquidity position of the Company remains very good with significant cash holdings. The debt to equity ratio was consistently maintained at a comfortable level by the Company’s Management Board (it was 9% as at 31 December 2022 against minus 3% as at 31 December 2021). The Supervisory Board is of the opinion that financial leverage remains satisfactory for the Company, and presently - having regard to the potentially challenging macroeconomic situation described above - it will ensure the continuation of operating activities in the foreseeable future. This relatively low level of financial leverage enables further expansion in the scale of the Company’s operating activities as and when justified by growth in market demand as well as allow the Company to withstand any market shocks.

The Company is the leader in the Warsaw residential development market and as such is well placed to grow in the Polish residential property market as opportunities arise. The Supervisory Board welcomes the strong sales results generated by the Company in 2022, which demonstrate that the Company effectively seized the opportunities in the market.

The Supervisory Board is also pleased to see that the Company observes the principles of strong business ethics and corporate governance principles. The reputation which the Company has built is a valuable asset which should contribute to the further development of the Company for the benefit of all its stakeholders.

## **2. EVALUATION OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS, AND THE INTERNAL AUDIT FUNCTION**

The system of internal control did not significantly change in 2022 at Dom Development S.A., compared to the previous year.

The internal control system in Dom Development S.A., like in the previous years, was comprised of:

- Institutional control, which is operated by means of internal audits supervised by the Internal Audit Department and carried out by third-party auditors contracted by the Company, and supervised by the Financial Controller. Both the Internal Audit Department and the Financial Controller are controlled by the Company's Management Board and follow the guidelines set out by the Audit Committee;
- Functional control is operated by means of procedures, instructions, segregation of duties and allocation of competencies and responsibilities. In many areas, functional control is supported by dedicated IT systems which are expanding in their scope.

The functional control is managed through the implementation of appropriately standardised and documented key operating processes in the Company which makes it possible to accurately determine the responsibilities for individual organisational units and employees. These processes are adequately standardised as instructions, procedures and controls. The manner and quality of the implementation of these instructions, procedures and controls is also subject to both the internal audits conducted within the Company and the external audits.

The Supervisory Board is pleased to note that the Management Board continues its efforts concerning stabilisation of the D365 integrated IT system, also comprising a financial and accounting system, which was implemented at the Company and major development subsidiaries operating within the Group in 2021, and subsequently implemented in the subsidiaries operating in the Cracow market. By implementing and developing this solution and integrating it into other existing business systems, we have increased our control through appropriate system configuration, algorithms, access controls, and clearly defined roles and responsibilities. This also enables us to further structure and maintain quality of data, budget control and forecasting, as well as financial and operational reporting in major business areas.

The financial reporting system in place at the Company, where such system is subject to both internal controls and periodic external audits by an independent certified auditor, has been assessed positively by the Supervisory Board.

Both the Management Board and the Supervisory Board, being aware of the importance of internal audit for the entire control environment at the Company, exercise great care when recommending and selecting an external auditor, to ensure high quality external audits. Therefore, external audits at the Company and the Capital Group companies are carried out only by highly reputable and experienced audit firms. The Supervisory Board is pleased to note that, as concluded at regular meetings of the Audit Committee (which operates within the Supervisory Board) with the independent certified auditor of the Company and based on the results of audits, the financial statements are of good quality, and the control procedures reviewed by the certified auditor are satisfactory.

The Supervisory Board also has a positive opinion on the functional controls currently applied at the Company, and is pleased to observe the improvements made which are the result of the deployment of new IT solutions and the implementation of recommendations from the previous internal audits.

The Audit Committee, which operates within the Supervisory Board is tasked with monitoring and reviewing issues relating to the Company's internal and external audit. This Committee supervises the Risk Management system and the Internal Audit Department, in addition to its duties concerning external audits.

The Supervisory Board is of the opinion that the level of institutional control has not materially changed in 2022 and remains at a similar level to 2021. In particular, with respect to the risk management process at the Company, the Internal Audit Department monitored the operation and efficiency of the most important internal control processes, which contributes to minimising risk and the improvement of the operating performance of the Company. The scope and quality of the audits performed by the Internal Audit Department was monitored by the Audit Committee on a regular basis. The Supervisory Board believes that the cooperation between the Internal Audit Department and the Quality System and Data Security Manager remained good during 2022.

The Supervisory Board would like to express its appreciation to the Management Board of the Company for its commitment to the matters relating to risk management and the internal control system. Moreover, the Supervisory Board has a positive opinion on the identification of the most significant and major risks potentially impacting the Company and the Capital Group that the Company is the parent of, and the methods used to address and minimise these risks.

The Supervisory Board, having reviewed the report on the operation of the compliance system as prepared by the Group's Compliance Manager and the assessment of the Company's Management Board regarding the effectiveness of the compliance system throughout the last year, welcomes the activities carried out in this area. Last year in general was dominated by external destabilising factors related to the Russian invasion of Ukraine. This has again proven that an effective and mature compliance culture is of great assistance to the operations of the Company and the entire Capital Group.

Many well-planned activities undertaken by the Company made it possible not only to complete the intended compliance endeavours, which involved ongoing provision of compliance with new legal and regulatory requirements to the Company, but also to take further support measures, including launching monthly training "Legal Mondays" for employees and associates of the Company and the Capital Group, carried out by legal and compliance staff, focused on the development of compliance and legal awareness among Company's personnel and the ongoing analysis of the compliance areas defined by the Company. This initiative is primarily aimed at increasing the sense of comfort of specialist employees in their day-to-day business areas, which in turn is expected to increase their productivity, reduce legal risks in the tasks undertaken by them and produce legal and compliance documents, while respecting mutual needs.

The activities in the area of compliance in 2022 which are particularly worthwhile to note include the adoption of the Dom Development Code of Conduct (the "Code of Conduct"), which - on one hand - naturally follows from the adoption of ESG 2030 Strategy by the Capital Group, and - on the other hand - is a set of standard contractual and procedural clauses used by the Company and the Capital Group consistently organised and combined in a single document. The Code of Conduct was introduced as part of support measures undertaken by the Company in running our business responsibly, and at the same time it responded to environmental and quality requirements set for our business partners, as well as enhanced the processes of their compliance verification.

In the opinion of the Supervisory Board the consistent pursuance by the Company of its development path for the compliance system that features the highest standard of compliance supervision for the Company's operations comparable to market "best practice". Meeting legislative standards and recommendations issued by regulatory authorities, is ensured by adopting, monitoring and updating of the relevant procedural solutions.

The Supervisory Board emphasises that the effectiveness of compliance management in 2022 deserves the utmost recognition, while the commitment of the Management Board and further actions undertaken as part of the development of the compliance culture demonstrates the validity and comprehensive nature of the objectives for this area. The risk of non-compliance of operations of the Company and the Capital Group, in particular with the applicable provisions of law, has been effectively minimised.

In view of the significant changes in the structure of the Group and its geographical diversification observed in recent years, the Supervisory Board welcomes the decision of the Management Board to implement compliance and internal audit systems across Group companies by the end of 2024 as part of the DOM 2030 Strategy, which complements the Company's ESG (Environmental, Social, and Governance) efforts.

## **5 INFORMATION ON THE DISCHARGE OF DUTY TO NOTIFY THE SUPERVISORY BOARD, AND REMUNERATION DUE TO THE SUPERVISORY BOARD'S CONSULTANT IN 2022**

In assessment of the Supervisory Board the Management Board properly performed its duties related to disclosing to the Supervisory Board information resulting from the provisions of art. 380<sup>1</sup> of the Commercial Companies Code (as applicable from 13 October 2022). In particular, the Management Board disclosed information about resolutions of the Management Board and their subject matters and the Company's position, including its assets, as well as material circumstances concerning the conducting of the Company's affairs, in particular on operational, investment and personnel matters and on progress in the implementation of the pre-defined directions of development of the Company's business, in an appropriate form, adequate scope and timely manner. The Supervisory Board received all the information, documents, reports and clarifications concerning the Company and the Group necessary for the exercise of supervision in day-to-day relations with the Management Board and employees of the Company. Accordingly, the Supervisory Board did not exercise its right to request information, documents, reports or clarifications concerning the Company or the Group being prepared or provided under art. 382 § 4 of the Commercial Companies Code.

In 2022, the Supervisory Board did not adopt any resolution as regards having a specific matter concerning the Company's operations or its assets investigated by a selected consultant, at the Company's expense. In view of the above, no remuneration was paid to any consultant due to the Supervisory Board commissioning them with investigation of a specific matter concerning the Company's activities or to prepare reviews or opinions in accordance with the procedure prescribed in art. 382<sup>1</sup> of the Commercial Companies Code.

## **6 ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND THE MANNER OF COMPLIANCE WITH THE DISCLOSURE OBLIGATIONS CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES DEFINED IN THE EXCHANGE RULES AND THE REGULATIONS ON CURRENT AND PERIODIC REPORTS PUBLISHED BY ISSUERS OF SECURITIES, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT**

The duty of disclosure in respect of corporate governance are defined in the Warsaw Stock Exchange Rules and the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers and the terms of confirming equivalence of information required under the regulations of a non-Member State. Rules for the submission of corporate governance reports are set out in Resolution No. 1309/2015 by the WSE Management Board dated 17 December 2015.

According to § 29.3 of the Stock Exchange Rules, if a specific detailed corporate governance rule is not applied on a permanent basis or is breached accidentally, the issuer shall publish a report in this respect. The report should be published on the issuer's official website and through an Electronic Information Database (EBI).

The Regulation by the Minister of Finance dated 29 March 2018 specifies what information should be contained in the corporate governance statement that forms a separate part of the activities report of the issuer in the annual report of the company.

Dom Development S.A. (the "Company") published its 2022 Annual Report on 16 March 2023, including the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2022, within which the Company's statement on the application of corporate governance stated in the "Best Practice for WSE Listed Companies 2021" has been incorporated as a separate part of said report. The statement also included information on, together with justifications for, those rules and recommendations of the "Best Practice for WSE Listed Companies 2021" that the Company did not apply in 2021. The Supervisory Board in its assessment states that the corporate governance statement was submitted on that date as required. The content of these statements corresponds to the provisions of § 70.6.5 of the above mentioned Regulation by the Minister of Finance.

Moreover, the Company publishes current information on the status of its application of recommendations and rules set out in the Best Practice for WSE Listed Companies 2021 on its website (<https://inwestor.domd.pl/en/corporate-governance>).

The Supervisory Board monitored Company compliance with corporate governance principles and the manner of compliance with disclosure obligations regarding compliance with the corporate governance principles defined in the stock exchange rules and regulations on current and periodic reports published by issuers of securities, among others by discussing the above-mentioned issues during Supervisory Board and Audit Committee meetings, and by analysing and verifying the accuracy of information and documents published by the Company on its website.

Having considered the above, the Supervisory Board in its assessment states that the Company properly fulfils its duty in respect of the corporate governance as set out in the Stock Exchange Rules and the regulations concerning current and periodic submissions by securities issuers, including the timely publication of Company information on the current status and application of the recommendations and rules set out in the Best Practice for WSE Listed Companies 2021. The Supervisory Board evaluates that the published explanations regarding the Company's scope in fulfilling its corporate governance duties present to shareholders, investors and other interested parties a transparent, accurate and exhaustive picture of the way in which the Company functions.

## **7 ASSESSMENT OF THE RATIONALITY OF EXPENSES EXPENDED BY THE COMPANY AND ITS GROUP IN SUPPORT OF CULTURE, SPORTS, CHARITIES, THE MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS, ETC.**

The Group companies engage in social initiatives in the agglomerations, in which the Group operates. The Group works locally to improve the quality of life and to foster integration of local communities. Among the Group's initiatives to date, a particular mention is deserved by:

- spatial development and urban infrastructure,
- support for artists and introduction of art into public space,
- promotion of physical activity and healthy lifestyles,
- aid to people in need.

In 2022, the Group has also been involved in providing extensive assistance in connection with the COVID-19 outbreak and the refugee crisis caused by the war in Ukraine. The Group's support for people affected by the war amounted to over PLN 1.1m.

The assistance takes various forms, from expert support and partner initiatives to substantial financial aid.

In accordance with rules 1.5. and 2.11.5 of Best Practice for WSE Listed Companies 2021, the Company disclosed the expenses incurred by the Company and its Group to support culture, sports, charities and social organisations. The amounts donated to charity are not significant in relation to the scale of the Company operations, while the beneficiaries of this activity are stakeholders in the field of education, promotion of sport, science, culture, art, development of local communities and care for those in need, which is not questioned by the Supervisory Board.

The Supervisory Board gives its positive opinion on the Company's and its Capital Group's activity within sponsorship, charity and other activities of a similar nature.

## **8 PERIODIC ASSESSMENT OF MATERIAL TRANSACTIONS WITHIN THE MEANING OF THE ACT ON PUBLIC OFFERING, CONDITIONS GOVERNING THE INTRODUCTION OF FINANCIAL INSTRUMENTS INTO AN ORGANISED TRADING, AND PUBLIC COMPANIES**

Due to the procedure for periodic assessment of material transactions within the meaning of the Act on public offering, conditions governing the introduction of financial instruments into organised trading, and public companies ("Act on Public offering"), the Supervisory Board verified as to whether material transactions within the meaning of the Act on Public offering met the criteria to exclude the obligation of publishing information on concluding such material transactions.

The Supervisory Board confirmed that with regard to material transactions:

- concluded between the Company and its affiliates, there is an exemption from the obligation under Chapter 4b of the Act on Public offering (i.e. to publish on the Company web site information on material transactions and to obtain supervisory board consent to conclude material transactions), pursuant to Art. 90j paragraph 1 point 2 of the Act on Public offering, due to the shareholding structure (sole owner);
- concluded between a Company affiliate entity and a Company subsidiary entity, there is an exemption from the obligation under Chapter 4b of Act on Public offering (i.e. to publish on the Company web site information on material transactions), pursuant to Art. 90j paragraph 1 point 1 of the Act on Public offering, due to the fact that the transactions were concluded on an arm's-length basis as part of ordinary business activities.



## 9 INFORMATION REGARDING THE DEGREE OF IMPLEMENTATION OF THE DIVERSITY POLICY APPLICABLE TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Diversity Policy within the scope applicable to Members of the Management Board was adopted by the Supervisory Board on 30 August 2022. Moreover, on the same day, the Diversity Policy within the scope applicable to Members of the Supervisory Board of the Company was adopted by the General Shareholders Meeting of Dom Development S.A.

- **Management Board**
- Jarosław Szanajca- President of the Management Board

Supervises the work of the Management Board and coordinates the work of the other Members of the Management Board. Key responsibilities of the President of the Management Board include:

- supervision of the Company's operating and financial activities,
- formulation of the Company's commercial and product policies,
- supervision of marketing and promotional policies, approving key employee management policies, in particular those concerning key managerial positions within the Company and its affiliates,
- shareholder supervision of subsidiaries,
- approval of the organizational structure and internal regulations of the Company.

The President of the Management Board supervises the following organisational units of the Company: Sales and Marketing Division, HR and Administration Division, IT Department.

Mr. Jarosław Szanajca holds a master's degree in law from the Faculty of Law and Administration at University of Warsaw. Mr. Jarosław Szanajca has 31 years' experience in the property development sector. He has been working for the Company, and has been performing the function of President, since 1996 i.e. 27 years.

- Małgorzata Kolarska – Vice-President of the Management Board, Chief Operating Officer

Key responsibilities of the Vice-President of the Management Board-Chief Operating Officer include:

- formulation of the Company's development policy,
- ensuring the Company's growth through securing land supply,
- supervision of the Company's operating and development activities through: acquisition procurement of general contractors ensuring customer care, statutory and contractual warranties, responsibility for regulatory compliance with regard to all aspects of the Company's operations and supervision of the Company's efficiency management system.

The Vice-President of the Management Board - Chief Operating Officer supervises the following organisational units of the Company: Real Estate Acquisition Division, Property Development Division, Customer Service Division, Legal Department.

Mrs. Małgorzata Kolarska holds a master's degree from the Faculty of Law and Administration at the Maria Curie-Skłodowska University. Mrs. Małgorzata Kolarska has 19 years' experience in the property development industry. She has been working for the Company for 17 years, and has been performing the function of Vice-President for 9 years.

- Leszek Stankiewicz – Vice-President of the Management Board, Chief Financial Officer

Key responsibilities of the Vice-President of the Management Board - Chief Financial Officer include:

- formulation of financial policy for the Company and its subsidiaries,
- supervision of the Company's budget and financial plans,
- management of the Company's assets, management of cash assets, receivables and liabilities,
- management of the risk hedging programme (responsible for the organisation of the internal control and supervision system),
- management and supervision of corporate issues and investor relations, including contact with the Warsaw Stock Exchange, National Depository for Securities and the Polish Financial Supervision Authority,
- research and analysis of the company's financial condition, overall exterior economic situation and its impact on the company's policy, presenting reports on the company's condition.

Also responsible for:

- negotiation and finalisation of key financial transactions such as borrowings and bond issues,
- development of the Company's medium-term financial plans and annual budget plans.

The Vice-President of the Management Board/Chief Financial Officer supervises the following organisational units of the Company: Financial Control, Internal Audit, Investor Relations, Cash Asset Management, Finance Department, Accounting Department, Financial Reporting.

Mr. Leszek Stankiewicz is a graduate of the Faculty of Economic Sciences at the University of Warsaw and the Warsaw School of Economics in the field of Finance and Banking. Mr. Leszek Stankiewicz has 11 years' experience in the construction-development industry; he has been working for the Company for 4 years, and has been performing the function of Vice-President for 2 years.

- **Mikołaj Konopka – Member of the Management Board**

Key responsibilities of a Member of the Management Board include participation in decisions of the Management Board concerning the Company's operations, in particular those concerning the process of land acquisition and property development.

Mr. Mikołaj Konopka is a graduate of the Faculty of Economics at the University of Gdańsk. Mr. Mikołaj Konopka has 16 years' experience in the property development industry. He has been working for the Company, and has been performing the function of Management Board Member, for 5 years.

- **Terry Roydon – Member of the Management Board**

Key responsibilities of a Member of the Management Board include participation in decisions of the Management Board concerning the Company's operations, in particular those concerning the process of land acquisition and property development.

Mr. Terry Roydon is a graduate of the University of London. Mr. Terry Roydon has 52 years' experience in the international property development industry. He has been working for the Company for 25 years. He previously performed the function of Supervisory Board Member, and currently performs the function of Management Board Member.

In 2022, the Company's Management Board was composed of 5 Members: 4 men and 1 woman. Four Members hold Polish citizenship and one Member holds British citizenship. Two Management Members are aged between 41 and 50, one Management Board Member is aged between 51 and 60, and two Management Board Members are aged 60 and over. All members of the Management Board have been with the Group for many years, and their appointment was determined by their expertise and qualifications. The Management Board of Dom Development S.A. includes people who have degrees in

law, economics and property management. All Members of the Company's Management Board have many years of experience in the real estate development industry, both in the Polish and foreign markets.

In accordance with the ESG DOM 2030 strategy announced on 28 June 2022, the Company's Management Board will strive, in cooperation with the majority shareholder, to increase the proportion of women to at least 30% by 2026 with respect to the Management Board of Dom Development S.A.

- **Supervisory Board**

- Grzegorz Kiełpsz- Chairman of the Supervisory Board

Mr. Grzegorz Kiełpsz has 31 years' experience in the property development industry. He has been working with the Company for 27 years, previously performing the function of Vice-President of the Management Board, before being appointed Chairman of the Supervisory Board.

- Janusz Zalewski – Deputy Chairman of the Supervisory Board

Mr. Janusz Zalewski is a graduate of SGPiS (Main School of Planning and Statistics– now the Warsaw School of Economics) in Warsaw. He has 24 years' experience in the property development industry. He has been working with the Company for 24 years, previously performing the function of Vice-President of the Management Board, before being appointed Deputy Chairman of the Supervisory Board.

- Marek Moczulski - Deputy Chairman of the Supervisory Board

Mr. Marek Moczulski is a graduate of the Catholic University of Lublin. In his professional career he makes use of his knowledge in such areas as economics, finance, auditing and the audit of financial statements. He has been a Supervisory Board Member for 12 years.

- Dorota Podedworna- Tarnowska – Member of the Supervisory Board

Mrs. Dorota- Podedworna-Tarnowska is a graduate of the Warsaw School of Economics in Warsaw. She holds PhD in Economics. In her professional career she makes use of her knowledge in such areas as economics, finance, auditing and the audit of financial statements. She has been a Supervisory Board Member for 5 years.

- Markham Dumas - Member of the Supervisory Board

Mr. Markham Dumas is a graduate of the Pangbourne College, Berks, Kent in United Kingdom. He has 31 years' experience in the real-estate industry. He has been a Supervisory Board Member for 17 years.

- Mark Spiteri - Member of the Supervisory Board

Mr. Mark Spiteri is a graduate of the London School of Economics in London. He has 19 years' experience in the property development industry. He has been a Supervisory Board Member for 11 years.

- Krzysztof Grzyliński - Member of the Supervisory Board

Mr. Krzysztof Grzyliński is a graduate of the Academy of Medicine in Warsaw. He has 29 years' experience in the insurance industry. He has been a Supervisory Board Member for 12 years.

In 2022, the Company's Supervisory Board was composed of 6 men and 1 woman. Five Members hold Polish citizenship and two Members hold British citizenship. Two Supervisory Board Members are aged between 41 and 50, two Supervisory Board Members are aged between 51 and 60, and three Supervisory Board Members are aged 60 and over. The Supervisory Board of the Company includes persons with experience in various industries, also in the property development sector. The Members of the Supervisory Board include persons that have been with Dom Development S.A. for many years, namely Mr. Grzegorz Kiełpsz, the Chairman of the Supervisory Board who was a co- founder of the Company as

well as representatives of Groupe Belleforêt S.à r.l. as the majority shareholder. There are also three Independent Members on the Supervisory Board (Mrs. Dorota Podedworna-Tarnowska, Ph.D., Mr. Marek Moczulski and Mr. Krzysztof Grzyliński), with a high degree of proven competence in business and financial reporting, who guarantee the highest standard of supervision over the Company.

In accordance with the ESG DOM 2030 strategy announced on 28 June 2022, the Company's Management Board will strive, in cooperation with the majority shareholder, to increase the proportion of women to at least 30% by 2023 with respect to the Company's Supervisory Board.

## 10 SELF-ASSESSMENT OF THE SUPERVISORY BOARD

The Members of the Company's Supervisory Board possess comprehensive and relevant knowledge from their professional experience in such fields as management, accountancy and finance. Furthermore, the Members of the Supervisory Board possess knowledge in the Company's area of activity. The Members of the Supervisory Board have a broad range of professional experience, knowledge, and skills together with a good knowledge and understanding of the Company's activity.

The Members of the Supervisory Board, for the whole of 2022, worked autonomously of the Management Board and expressed independent opinions in relation to the Company's activity.

The Supervisory Board and the Audit Committee and the Remuneration Committee held meetings and teleconferences as often as necessary in order to perform the duties which were required of them. The Supervisory Board believes that the formal work carried out in 2022 was performed satisfactorily and that the Company's activities were supervised properly.

Over the course of 2022 all members of the Supervisory Board and in particular its Chairman and Deputy Chairman remained in frequent contact with members of the Management Board, conducting consultations concerning various aspects of the Company's activities. In addition to the formal Supervisory Board sessions in 2022 when certain Management Board Members attended, the Management Board Members remained in contact with the Chairman of the Supervisory Board and its Members on a regular basis. The Supervisory Board believes the above actions contributed to the effective execution of the supervisory duties which have to be discharged by the Supervisory Board.

All members of the Supervisory Board received similar management information to that provided to the Management Board. This included regular monthly written reports from the President and the two Vice Presidents of the Management Board as well as detailed monthly management accounts, which include comparisons from the annual budget. Furthermore, every two months the Members of the Supervisory Board received written reports from all the departmental heads concerning their activities. In this way the Supervisory Board was able to obtain regular and extensive written information on all material issues regarding the Company's operations and risks connected with the business.

The Supervisory Board believes it acted in an efficient and effective manner during 2022, while Supervisory Board sessions always took place with the required quorum. The Supervisory Board adopted all resolutions and decisions in accordance with its rules.

Pursuant to the working standards of the Supervisory Board presented above and in view of the contents of principles defined in the Best Practice for WSE Listed Companies 2021, Dom Development S.A.'s Supervisory Board Members believe the Company correctly applied the principles of corporate governance during the course of 2022, in particular with regard to the operation of supervisory bodies.

## 11 ATTACHMENTS

Attachment no 1 – The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2022 to 30 June 2022

Attachment no 2 – The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 July 2022 to 31 December 2022

Attachment no 3 – The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2022 to 31 December 2022

Attachment no 4 – Resolution No 03/03/23 dated 15 March, 2023 of the Supervisory Board and the Report of the Supervisory Board on assessment of:

- 1) the financial statements of Dom Development S.A. for the year ended on 31 December 2022;
- 2) the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2022;
- 3) the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2022;

Attachment no 5 – Resolution No 01/04/23 dated 17 April, 2023 of the Supervisory Board regarding evaluation of the petition of the Management Board concerning the allocation of the Dom Development S.A. net profit as of 2022



**DOM DEVELOPMENT S.A.**

**REPORT  
OF THE AUDIT COMMITTEE  
OF DOM DEVELOPMENT S.A.  
ON THE ACTIVITIES CONDUCTED  
FROM 1 JANUARY 2022  
TO 30 JUNE 2022**



## **I. Personal composition and organisation of the Audit Committee.**

Pursuant to the provisions of the Company's Statute and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010, the Audit Committee is a permanent committee of the Supervisory Board.

The Audit Committee is composed of three members appointed by the Supervisory Board from among its members. The majority of the Audit Committee, including its chairwoman, are independent members as stipulated in Art. 129 section 3 of the Act of 11 May 2017 on auditors, audit companies and public supervision, condensed text Journal of Laws 2020, item 1415, and point 7.7 of the Company Statute). All Audit Committee Members have knowledge of and skills in accounting or auditing, and one Member of the Audit Committee has knowledge of and skills in the industry in which the Company operates.

During the period 1 January 2022 - 30 June 2022 the Audit Committee acted under the following composition:

- (i) Dorota Podedworna-Tarnowska – Chairwoman of the Audit Committee (independent member),
- (ii) Mark Spiteri – Member of the Audit Committee,
- (iii) Marek Moczulski – Member of the Audit Committee (independent member).

The aforementioned persons were appointed as members of the Audit Committee under Resolutions of the Supervisory Board on 30 May 2019 (no. 11/05/19, no. 12/05/19 and no. 13/05/19).

The rules of organisation and the methods of operation of the Audit Committee are specified by the provisions of the Company's Statute and the Audit Committee Bylaws dated 5 September 2006, and amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010.

## **II. Activity of the Audit Committee.**

The Audit Committee supervises the Company Management Board with respect to:

- (i) compliance with the applicable provisions of law and other regulations, and in particular the Accountancy Law dated 29 September 1994;
- (ii) preparation of financial information by the Company, particularly with regards to the selection of accounting rules, the application and evaluation of the consequences of new regulations, information on the method of treatment of estimated items, forecasts, etc. in the annual reports;
- (iii) compliance with the recommendations and findings of auditors appointed by the Supervisory Board.

Moreover, the Audit Committee gives its recommendations to the Company Supervisory Board concerning the appointment and dismissal of auditors, oversees auditor independence and objectivity, in particular with respect to replacing auditors, calculating remuneration and evaluating auditor competency levels.

During the period under review, the Audit Committee conducted its activity by way of sessions convened by the Chairman of the Supervisory Board according to pre-determined audit and internal audit cycles. During all sessions, minutes were taken and the decisions made by the Audit Committee took the form of resolutions.

During the period covered by this report, 3 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

- (i) 15 March 2022,
- (ii) 25 April 2022,
- (iii) 24 May 2022.



All sessions of the Audit Committee were convened correctly. All members of the Audit Committee were present at all of the sessions. At some sessions of the Audit Committee certain members of the Management Board and other management also attended: Vice President of the Management Board and CFO, Mr. Leszek Stankiewicz and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiewski, who both provided, amongst other matters, information about issues concerning auditor remuneration, the Company's financial statements and other information that was requested by the Audit Committee to be provided by the Management Board.

The first Audit Committee meeting, held on 15 March 2022 by videoconference, was attended by representatives of the Company's auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k. with its registered seat in Warsaw, who gave explanations of and information and formed conclusions about the Company's audit procedures. The Audit Committee received a written auditor statement, made in accordance with the requirements of the Act of 11 May 2017 on auditors, audit companies and public supervision, confirming compliance with the objectivity and independence requirements defined in the above-mentioned Act. Moreover, the Audit Committee discussed the recent internal audits and accepted the Report of the Audit Committee on the activities conducted from 1 July 2021 to 31 December 2021.

At a meeting on 25 April 2022 the Audit Committee made its recommendations to the Supervisory Board with regards to the choice of auditor i.e. PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k., to audit Dom Development S.A.'s financial statements as of 2022 and Dom Development S.A. Capital Group's consolidated financial statements as of 2022, and to review Dom Development S.A.'s condensed financial statements drawn up for the 6-month period to 30 June 2022, and Dom Development S.A. Capital Group's condensed consolidated financial statements drawn up for the 6-month period to 30 June 2022.

Another Audit Committee meeting was held on 24 May 2022 and was attended by representatives of the Company auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k., who discussed the 2022 financial statement audit plan, and presented an advisory session for the members of the Audit Committee on changes to the law including tax law and regulations related to accountancy. During this videoconference, the Audit Committee members also discussed the recent internal audits.

During the period from 1 January 2022 to 30 June 2022, the main tasks of the Audit Committee were to supervise the Management Board of the Company with respect to compliance with any applicable provisions of law and other regulations and in particular with respect to the Accountancy Law dated 29 September 1994, to supervise financial reports and information prepared by the Company, and to ensure compliance by the Management Board with the recommendations and findings of the auditors appointed by the Supervisory Board.

Additionally, the Audit Committee evaluated the auditor's works and its independence and objectiveness.

Using its authority, the Audit Committee requested from the Company specific information concerning accounting, financial, internal and external audit issues, and in particular, the members of the Audit Committee were also authorised to review all books, records, the Company's annual and semi-annual financial statements, to request schedules of the work of internal controllers and auditors, to request explanations from Management Board members, managers and employees of the Company as required and to give recommendations and assessments to the Supervisory Board, all of which are within the scope of the Audit Committee tasks.





**DOM DEVELOPMENT S.A.**

**REPORT  
OF THE AUDIT COMMITTEE  
OF DOM DEVELOPMENT S.A.  
ON THE ACTIVITIES CONDUCTED  
FROM 1 JULY 2022  
TO 31 DECEMBER 2022**



## **I. Personal composition and organisation of the Audit Committee.**

Pursuant to the provisions of Dom Development S.A. Statute ("Company") and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010, the Audit Committee is a permanent committee of the Supervisory Board.

The Audit Committee is composed of three members appointed by the Supervisory Board from among its members. The majority of the Audit Committee, including its Chairwoman, are independent members as stipulated in Art. 129 section 3 of the Act of 11 May 2017 on auditors, audit companies and public supervision, condensed text Journal of Laws 2020, item 1415, and point 7.7 of the Company Statute. All Audit Committee Members have knowledge of and skills in accounting or auditing, and one Member of the Audit Committee has knowledge of and skills in the industry in which the Company operates.

During the period 1 July 2022 - 31 December 2022 the Audit Committee acted under the following composition:

- (i) Dorota Podedworna-Tarnowska – Chairwoman of the Audit Committee (independent member),
- (ii) Mark Spiteri – Member of the Audit Committee,
- (iii) Marek Moczulski – Member of the Audit Committee (independent member).

The aforementioned persons were appointed as members of the Audit Committee under Resolutions of the Supervisory Board on 30 June 2022 (no. 11/06/22, no. 12/06/22 and no. 13/06/22).

The rules of organisation and the methods of operation of the Audit Committee are specified by the provisions of the Company's Statute and the Audit Committee Bylaws dated 5 September 2006, and amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010.

## **II. Activity of the Audit Committee.**

1. During the period under review, the Audit Committee conducted its activity by way of sessions convened by the Chairman of the Supervisory Board according to pre-agreed audit and internal audit cycles. Four sessions of the Audit Committee were conducted through means of teleconference and videoconference. Minutes were taken during all sessions and the decisions made by the Audit Committee took the form of resolutions.

2. During the period from 1 July 2022 to 31 December 2022, the most important tasks of the Audit Committee were to supervise the Management Board with respect to compliance with the applicable provisions of law and other regulations (in particular with respect to the Accountancy Law dated 29 September 1994), to supervise preparation by the Company of reports and financial information and to ensure compliance by the Management Board with the recommendations and findings of the auditors appointed by the Supervisory Board.

The Audit Committee monitored and reviewed issues related to internal audits conducted in the Company and in particular the works conducted by the Internal Audit department. The Audit Committee also performed a supervisory function with respect to the program of the Business Risk Management and internal audit department. The Internal Audit function is in the view of the Audit Committee a professional function, resourced with staff with appropriate skills. It reports functionally to members of the Audit Committee and releases its reports to Audit Committee members and executives who are responsible for the department or process being audited. The system of internal procedures and audits (Internal Audit Charter) was approved by the Audit Committee and in addition the Audit Committee also determined the areas to be audited.

Using its authority, the Audit Committee requested from the Company relevant information concerning accounting, financial, internal and external audit issues. In particular, the members of the Audit Committee were authorised to review all books and records of the Company as well as the Company's annual and semi-annual financial statements, to demand schedules of the work of internal controllers and auditors, to request explanations from the Management Board members, managers and employees of the Company to the extent necessary, and to give recommendations and assessments to the Supervisory Board in relation to subjects within the scope and responsibility of the Audit Committee.

During the period covered by this report, 5 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 18 July 2022 (via teleconference);
2. 23 August 2022 (via videoconference);
3. 4 October 2022;
4. 29 November 2022 (via videoconference);
5. 16 December 2022 (via videoconference).

All sessions of the Audit Committee were convened correctly. All members of the Audit Committee were present at all five sessions. The sessions of the Audit Committee were also attended by certain members of the Management Board and other management, including: Vice President of the Management Board and CFO, Mr. Leszek Stankiewicz, and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiewski, who both provided information about internal audits, the Company's financial statements and other information that was requested by the Audit Committee to be provided by the Management Board.

Two of the Audit Committee sessions were attended by representatives of the Company's auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k. with its registered seat in Warsaw, who presented tax and accounting issues and discussed issues in relation to the audit of the 2022 financial statements.

At the meeting on 18 July 2022 the Audit Committee adopted the Report of the Audit Committee on the activities conducted from 1 January 2022 to 30 June 2022.

An Audit Committee meeting was held on 23 August 2022 and was attended by representatives of the Company auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k., who discussed all necessary explanations and presented the results of the 2022 half year review. The members of the Audit Committee agreed that the auditor perform additional services.

Another Audit Committee meeting was held on 4 October 2022 and during this videoconference, the Audit Committee members heard and discussed a presentation on internal audit in Dom Development S.A. Capital Group. Additionally, members of the Audit Committee discussed the letter from Polish Financial Supervision Authority regarding emergency mechanisms in case an auditor loses its authorization to audit as well as they discussed internal audit reports.

A meeting on 29 November 2022 was attended by representatives of the Company auditor, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k., who discussed the results of the interim audit and the audit plan for the 2022 financial statements. Moreover, the Audit Committee members considered financial proposals for the audit of the 2023-2024 financial statements, as well as discussing internal audit reports.

At the meeting on 16 December 2022, the Audit Committee members adopted the 2023 activity schedule and Audit Life Cycle Paper.





**DOM DEVELOPMENT S.A.**

**REPORT  
OF THE REMUNERATION  
COMMITTEE  
OF DOM DEVELOPMENT S.A.  
ON THE ACTIVITIES CONDUCTED  
FROM 1 JANUARY 2022  
TO 31 DECEMBER 2022**



## **I. Personnel, composition and organisation of the Remuneration Committee.**

Pursuant to the provisions of the Statute of Dom Development S.A. with its registered seat in Warsaw ('the Company') and Remuneration Committee Bylaws dated 5 September 2006 and amended on 29 December 2006 and 5 October 2010, the Remuneration Committee is a permanent committee of the Supervisory Board.

The Remuneration Committee is composed of at least three members appointed by the Supervisory Board from among its members, at least two of whom shall be Independent Members of the Supervisory Board (in the meaning of point 7.7 of the Company's Statute).

From 1 January 2022 to 31 December 2022, the Remuneration Committee acted under the following composition:

Marek Moczulski - Chairman of the Remuneration Committee,

Mark Spiteri - Member of the Remuneration Committee,

Krzysztof Grzyliński - Member of the Remuneration Committee.

The rules of organisation and the methods of operation of the Remuneration Committee are specified by the provisions of the Company's Statute and the Remuneration Committee Bylaws dated 5 September 2006 and amended on 29 December 2006 and 5 October 2010.

## **II. Activity of the Remuneration Committee.**

1. During the period under review, the Remuneration Committee conducted its activity by way of sessions convened by the Chairman of the Supervisory Board. Said sessions took place in accordance with the 2022 Company Activity Schedule and depending on needs. The Remuneration Committee also conducted sessions via videoconference. Minutes were taken during all sessions and the decisions made by the Committee took the form of resolutions.

2. During the period from 1 January 2022 to 31 December 2022, the most important tasks of the Remuneration Committee were the periodical assessment of the terms of remuneration of the Management Board members and preparation of remuneration proposals including granting additional incentive-based benefits for management, such as bonus schemes and share option programs.

During the period covered by this report, 7 sessions of the Dom Development S.A. Remuneration Committee took place, on the following dates:

1. 15 March 2022;
2. 24 March 2022;
3. 25 April 2022;
4. 24 May 2022;
5. 3 October 2022;
6. 29 November 2022;
7. 16 December 2022.

All sessions of the Remuneration Committee were convened correctly. All members of the Remuneration Committee were present at all sessions. Some sessions of the Remuneration Committee were also attended by the President of the Management Board Mr. Jarosław Szanajca and HR Directors: Mr. Jakub Poddany and Mrs. Magdalena Bielecka.

Members of the Remuneration Committee at the meeting on 15 March 2022 discussed the remuneration given to members of the Management Board in 2021, adopted the Report of the Remuneration Committee on activities conducted from 1 January 2021 to 31 December 2021, recommended the granting of bonuses within the Discretionary Bonus Scheme for Senior





Executives and Consultants of Dom Development S.A. and adopted resolutions on the recommendation of bonuses related to the SECP (Senior Executive Compensation Plan) as well as the setting of SECP targets.

At the meeting on 24 March 2022 the Remuneration Committee adopted resolutions on the recommendation of bonuses within the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. and the SECP (Senior Executive Compensation Plan).

During the Remuneration Committee meeting on 25 April 2022, the members recommended that the Supervisory Board adopt the "Supervisory Board report on remuneration for members of Dom Development S.A. Management Board and Supervisory Board for 2021".

At the meeting on 24 May 2022, the Remuneration Committee members discussed the status of the share option programmes.

At the meeting on 3 October 2022, the Remuneration Committee analyzed research on remuneration packages at Warsaw quoted public companies (which are comparable to Dom Development S.A.) for 2021 and adopted resolutions on proposals to amend the remuneration of Members of the Management Board. Moreover the Remuneration Committee members recommended that the Supervisory Board adopt Provisions of the Management Share Option Programme VII for Leszek Stankiewicz, Vice-President of the Management Board – Financial Director of Dom Development S.A., regarding 250,000 Shares of Dom Development S.A. and granting the options.

At the meeting on 29 November 2022, the Remuneration Committee members discussed plans for 2023 with the Company's HR Director, whereas at the meeting on 16 December 2022 the Remuneration Committee adopted the 2023 activity schedule.



**Resolution No 03/03/23**

**dated 15 March, 2023**

**of the Supervisory Board of Dom Development Spółka Akcyjna**

**with its registered office in Warsaw**

**on the assessment of the Supervisory Board of:**

**the financial statements of Dom Development S.A. for the year ended on 31 December 2022, the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2022, the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2022**

§ 1

The Supervisory Board of Dom Development Spółka Akcyjna with its registered seat in Warsaw, acting pursuant to art. 382 § 3 point 1) of the Commercial Companies Code hereby adopts the Report of the Supervisory Board on assessment of:

- 1) the financial statements of Dom Development S.A. for the year ended on 31 December 2022;
- 2) the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2022;
- 3) the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2022;

constituting Appendix to this resolution, and decides to present the above-mentioned reports to the Ordinary General Shareholders Meeting of Dom Development S.A.

§ 2

This resolution shall become effective upon its adoption.



**DOM DEVELOPMENT S.A. CAPITAL GROUP**

# **REPORT**

## **BY THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.**

**ON THE ASSESSMENT OF:**

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





# CONTENTS

1	ASSESSMENT OF THE FINANCIAL STATEMENTS AND MANAGEMENT BOARD'S REPORT OF ACTIVITIES.....	3
1.1	SCOPE OF THE ASSESSMENT .....	3
1.2	FINANCIAL STATEMENTS AUDIT.....	3
1.3	ASSESSMENT BY THE SUPERVISORY BOARD .....	4
2	ASSESSMENT OF THE POSITION OF DOM DEVELOPMENT S.A. ....	4
2.1	SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A. ....	4
2.2	EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR 2022.....	5
2.2.1	BALANCE SHEET.....	5
2.2.2	INCOME STATEMENT.....	6
2.2.3	CASH FLOW STATEMENT.....	6
2.2.4	PROFITABILITY RATIOS .....	7
2.2.5	LIQUIDITY RATIOS.....	7
2.2.6	LEVERAGE RATIOS .....	7
2.2.7	SUMMARY AND ASSESSMENT .....	8
3	ASSESSMENT OF THE POSITION OF DOM DEVELOPMENT S.A. CAPITAL GROUP.....	9
3.1	SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A. ....	9
3.2	EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR 2022.....	10
3.2.1	CONSOLIDATED BALANCE SHEET.....	10
3.2.2	CONSOLIDATED INCOME STATEMENT.....	10
3.2.3	CONSOLIDATED CASH FLOW STATEMENT .....	11
3.2.4	PROFITABILITY RATIOS .....	11
3.2.5	LIQUIDITY RATIOS.....	12
3.2.6	LEVERAGE RATIOS .....	12
3.2.7	SUMMARY AND ASSESSMENT .....	12
4	PROPOSALS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF DOM DEVELOPMENT S.A. ....	14
5	REPRESENTATIONS BY THE SUPERVISORY BOARD .....	14

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

## 1.1 SCOPE OF THE ASSESSMENT

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

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

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

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

## 1.2 FINANCIAL STATEMENTS AUDIT

The financial statements of Dom Development S.A. and the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended on 31 December 2022 were audited on the basis of the agreement between Dom Development S.A. and PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. (limited partnership) with its registered office in Warsaw at 11 Polna Street, entered by the National Council of Statutory Auditors in the list of entities entitled to audit financial statements under number 144. The agreement continued in force and effect based on resolution no. 12/04/21 adopted on 19 April 2021 by the Supervisory Board of Dom Development S.A.

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

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

### **1.3 ASSESSMENT BY THE SUPERVISORY BOARD**

In the opinion of the Supervisory Board:

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

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

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

### **2.1 SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A.**

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

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



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

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

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

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

### 2.2.1 BALANCE SHEET

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

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

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

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

## 2.2.2 INCOME STATEMENT

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

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

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

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

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

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

## 2.2.3 CASH FLOW STATEMENT

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

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

In 2022, the Company recorded a net inflow of cash from operating activities in the amount of PLN 136 316 thousand which was 5% less than in the previous year. This minor change compared to the previous year results mainly from the balanced operating activities, where Company's Management Board is adapting its policy with regard to operating expenses (mainly inventories) to proceeds from sales.

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

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

## 2.2.4 PROFITABILITY RATIOS

In 2022, the Company's profitability not only remained on a high level but it even grew noticeably compared to the previous year. All of the ratios showing the profitability of the Company's operations in 2022 prove the same if compared to the previous year. The gross margin on sales in the previous year again exceeded 30% and was at 32.7%. This growth was also positively impacted by the one-time, significant sale of real properties to an institutional customer (PRS) in the amount of PLN 90m. The sales higher than in the previous year as well as higher profitability at the gross margin level were further reflected in all other profitability ratios.

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

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

## 2.2.5 LIQUIDITY RATIOS

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

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

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

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

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

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

\*)Short-term liabilities less deferred income

## 2.2.6 LEVERAGE RATIOS

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

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

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

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

\*1) Cash and cash equivalents, including funds in escrow accounts

## 2.2.7 SUMMARY AND ASSESSMENT

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

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

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

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

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

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

- ensuring that adequate sources of finance are available to the Company, both for current and future development projects, its day-to-day operations, and for its overall safety
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of an apartment
- adjusting the Company's sales offer to the market demand
- aligning land purchase outlays to the Company's existing and future needs
- utilising the existing land bank in the most appropriate manner
- generating sales by improving the sales and marketing activities

- maintaining customer confidence in the 'Dom Development' brand by maintaining high quality of units sold
- restructuring the organisation and employment levels to the anticipated level of operational activities
- thorough inspection of budgets for ongoing development projects at every stage of project implementation
- optimising overhead efficiency
- responding quickly to legislative changes, and
- responding smoothly to crisis situations caused by various external factors, either local or global.

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

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

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

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

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

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

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

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

#### 3.1 SIGNIFICANT SHAREHOLDERS OF DOM DEVELOPMENT S.A.

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

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

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

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

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

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

### 3.2.1 CONSOLIDATED BALANCE SHEET

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

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

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

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

### 3.2.2 CONSOLIDATED INCOME STATEMENT

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

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

In 2022, the Group recognised the highest financial result in its history generating a net profit of PLN 410 297 thousand, i.e., an increase of 26% compared to the previous year, which had also been a record-breaking year. Such a solid performance was mainly due to an increase in sales revenue by 28%, resulting mainly from the growth in the volume of units delivered to customers and reported in the results, by 10% - from 3 332 units in 2021 to 3 666 units in 2022, and from significant revenues achieved from land sales (including the land sale to an institutional customer – PRS), all of which translated into a higher consolidated gross profit on sales (an increase by 21% YoY). This had a direct impact on the consolidated operating profit and the Group's net profit in 2022, which increased by 21% and 26%, respectively, compared to 2021.

### 3.2.3 CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

### 3.2.4 PROFITABILITY RATIOS

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

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

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

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

### 3.2.5 LIQUIDITY RATIOS

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

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

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

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

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

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

\*) Short-term liabilities less deferred income

### 3.2.6 LEVERAGE RATIOS

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

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

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

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

### 3.2.7 SUMMARY AND ASSESSMENT

On the basis of the consolidated financial statements of the Dom Development S.A. Capital Group for the financial year 2022 and the Management Board's report of the activities of the Company and its Capital Group for the financial year 2022, the Supervisory Board considers the year 2022 another very good year for Dom Development S.A. Capital Group, in particular, in the context of uncertainties caused by the Russian invasion of Ukraine, which resulted in a capital outflow from our region. At the same time, the influx of refugees significantly strengthened demand in the rental market. Furthermore, the energy crises caused by the unstable geopolitical situation



resulted in the growth of prices, pushing inflation up. By September 2022, a series of interest rate increases had taken place to reach the level not recorded for 20 years.

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

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

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

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

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

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

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

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

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

This opinion is based on both the analysis of the Group's current operations and financial standing, and the analysis of the activities taken by the Company's Management Board and its subsidiaries' management boards and effectiveness thereof. It relates

predominantly to the prompt, effective and professional reaction to changes in the markets where the Group has been operating in recent years.

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

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

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

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

## **5 REPRESENTATIONS BY THE SUPERVISORY BOARD**

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

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

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

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

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

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

**Resolution No 01/04/23**  
**dated 17 April, 2023**  
**of the Supervisory Board**  
**of Dom Development Spółka Akcyjna with its registered office in Warsaw**  
**regarding evaluation of the petition of the Management Board concerning the allocation**  
**of the Dom Development S.A. net profit as of 2022**

§ 1

1. The Supervisory Board of Dom Development Spółka Akcyjna with its registered office in Warsaw, acting pursuant to Article 382 § 3 of the Commercial Companies Code and the Dom Development S.A. Statute, hereby decides to issue a positive opinion on and grants the petition of the Dom Development S.A. Management Board to allot part of Dom Development S.A.'s net profit for 2022 for payment a cash dividend to shareholders of Dom Development S.A. with a total amount of PLN **282,682,642.00** (two hundred and eighty-two million, six hundred and eighty-two thousand, six hundred and forty-two zlotys), i.e. PLN **11.00** (eleven zlotys) per share, and the remaining part of Dom Development S.A.'s net profit for 2022 in the amount of PLN **91,001,662.08** (ninety-one million, one thousand, six hundred and sixty-two zlotys and eight groszes) be allotted to increase the reserve capital of Dom Development S.A., and that the dividend day shall be on **26 June 2023** and the day of payment of the dividend shall be on **4 July 2023**.
2. The Supervisory Board of Dom Development S.A with its registered seat in Warsaw recommends that the Ordinary General Meeting of Dom Development S.A. approves the above petition and adopts a resolution concerning allocation of the Dom Development S.A. net profit as of 2022, and setting the dividend day and the date of payment of dividends with the wording as proposed above.

§ 2

The resolution shall become effective upon its adoption.

