

DOM DEVELOPMENT S.A. CAPITAL GROUP

MANAGEMENT BOARD'S REPORT OF ACTIVITIES IN THE FIRST HALF OF 2021



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**1 GENERAL INFORMATION
ABOUT DOM DEVELOPMENT S.A. CAPITAL GROUP**



DZIELNICA MIESZKANIOWA METRO ZACHÓD, WARSZAWA



Dom Development S.A. has operated since 1996 and is the leader of the residential market in Poland. The Group offers apartments in multi-family buildings located in the main agglomerations of the country: in Warsaw, Tricity, Wrocław, and also in Kraków from 1 July 2021.

Since 2006 the Company has been listed on the Warsaw Stock Exchange (ticker: DOM) and is a part of the mWIG40 index. Since its stock exchange début, the Company has combined low debt with dividend payments, including a record PLN 254 million in 2021.

The joint stock company Dom Development S.A. (the “Company”, the “parent company”) is the parent company of Dom Development S.A. Capital Group (the “Group”). The Company has been entered into the National Court Register under number 0000031483 maintained by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register. The registered office of the Company is in Warsaw (00-078 Warsaw, pl. Piłsudskiego 3).

Dom Development S.A. is a developer in the segment of upper-standard flats in Warsaw.

Dom Development S.A. Capital Group is the largest residential developer in Poland and it operates in three markets: Warsaw, Tricity, and in Wrocław. Moreover, a controlling stake of 77% shares in Sento S.A., which operates in the development business in Kraków, was acquired by Dom Development S.A. on 1 July 2021.

The Group’s activities are concentrated in the main agglomerations of Poland, where it offers flats in all market

segments – from popular, through to upper-standard to luxury apartments. The premium segment dominating the Group's portfolio allows both the Company and the Group to achieve above-average margins while maintaining a high scale of business.

For 25 years the Company's founders have managed and supervised it: Jarosław Szanajca holding 5.72% shares in Dom Development S.A. since its inception has been the President of the Management Board, while Grzegorz Kiełpsz, the former CEO is now the Chairman of the Company's Supervisory Board holding 5.04% shares.

As at 25 August 2021 the Company was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.74% of the shares in the Company. The representatives of the main shareholder have been members of the Company's Management Board and the Supervisory Board since the beginning, supporting the Company by sharing their extensive international experience in the real estate development market.

STRUCTURE OF DOM DEVELOPMENT S.A. CAPITAL GROUP AS AT 30 JUNE 2021:

COMPANY	% OF THE SHARE CAPITAL HELD BY THE PARENT COMPANY	% OF THE VOTES HELD BY THE PARENT COMPANY
Subsidiaries		
Euro Styl S.A.*)	100%	100%
Euro Styl Development Sp. z o.o.*)	100%	100%
Dom Development Wrocław Sp. z o.o.	100%	100%
Dom Construction Sp. z o.o.	100%	100%
Dom Development Kredyty Sp. z o.o.	100%	100%
Dom Development Grunty Sp. z o.o.	46%	100%
Dom Land Sp. z o.o.	-	-
Mirabelle Investments Sp. z o.o.	100%	100%

*) Euro Styl S.A. is the parent company of the Euro Styl Capital Group, with non-controlling interests held by Euro Styl Development Sp. z o.o. As a result of the acquisition of both these companies, Dom Development S.A. has full control over the Euro Styl Capital Group.
All the Dom Development S.A. Capital Group companies are registered in Poland and are fully consolidated by the Company.

The description of the organisation of Dom Development S.A. Capital Group with an indication of the consolidated entities, and the changes in the organisation of the Group are presented in note 7.1 of the Interim Consolidated Financial Statements of Dom Development S.A. Capital Group for the six-month period ended 30 June 2021.

1.1 GROWTH STRATEGY OF THE COMPANY AND THE CAPITAL GROUP

The strategic goal of the Dom Development S.A. Management Board is to maximise the value of the Company and its Group in the long term by maintaining the leading position in the residential market and operating in the main agglomerations of the country. The implementation of this strategy is based on four pillars:

LONG-TERM RELATIONSHIPS

In its activities, Dom Development S.A. emphasises the fostering of long-term relationships with its stakeholders: employees, customers and subcontractors. The quality of these relationships is measured by low employee turnover and very high customer satisfaction measured using the Net Promoter Score (NPS). The high quality and timeliness of development is to a large extent the result of very good cooperation with subcontractors. In the development industry, where the project's production cycle is very complex and lasts at least three years, the long-standing experience of employees and the trust and efficient cooperation with subcontractors are a source of lasting competitive advantage and allow the Company and the Group to build a strong brand on a national scale.

GEOGRAPHICAL DIVERSIFICATION

The Dom Development S.A. Capital Group is a high-quality organisation with significant development potential. The Company's Management Board recognises the numerous opportunities associated with the further growth of the Group in the main agglomerations of the country. In the coming years, increasing diversification of the Group's activities is expected.

Dom Development S.A. is an undisputed leader in the Warsaw residential market, where it has been building a strong brand associated with high quality and security. The Company's Management Board expects that the scale of its operations will gradually increase in the coming years owing to the strong brand, an attractive land bank and experience that allows the efficient development of further investment projects in this market.

Since the acquisition of Euro Styl S.A. and its incorporation into the Group in June 2017, its scale of operations has

significantly increased making the Group the leader in the Tricity market. Having attractive projects under construction and a substantial land bank in the process of preparation, the significance of the Tricity company in the Group's results is set to increase further.

The Group's organic growth in Wrocław has also produced tangible results, as Dom Development Wrocław Sp. z o.o. has progressively expanded the scale of its activities and thus the potential for future results. The effect of this is that the Group is one of the largest developers on the Wrocław market.

On 12 March 2021, the Management Board of the Company made the decision to acquire a majority holding in Sento S.A. - a property development company with many years' experience in the Kraków market. The acquisition of 77% of the shares in Sento S.A. was completed on 1 July 2021. As a result, the Group's activities now include Kraków which is the second largest residential market in Poland after Warsaw and is a highly fragmented market with considerable potential for consolidation.

STRONG BALANCE SHEET

The Company's Management puts particular emphasis on the strong balance sheet of the Company, and safe liquidity position. Significant financial resources paired with low debt allow the Company's Management Board to respond with confidence to changing conditions in the real estate development and construction sectors, which are highly cyclical in nature. At the same time thanks to significant cash resources and secured credit lines, the Company and its subsidiaries have an advantage in land market transactions, often requiring multi-million payments in a short period of time.

ROE MAXIMISATION

The Company's Management Board focuses on the long-term maximisation of the return on equity for Shareholders by focusing on the profitability of the implemented projects, maintaining the adequate scale of the Group's activities to the size of its organisation with regular payments of dividend from the Company's profit.

1.2 DOM DEVELOPMENT S.A. SHAREHOLDER STRUCTURE

As at the date of this report, the Company was controlled by Groupe Belleforêt S.à r.l. which held 55.74% of the Company's shares. The Dom Development S.A. shareholder structure has been stable. Representatives of Groupe Belleforêt S.à r.l., who were co-founders of Dom Development S.A., serve on both the Management Board and the Supervisory Board of the Company. They are a valuable source of expertise and support for the management of the Company and its subsidiaries.

The long-term involvement of shareholders is a support for the activities of Dom Development S.A. thus enabling its sustainable development, optimised operations and building the goodwill of the Company and the Group. In the opinion of the Company's Management Board, a transparent and stable ownership structure has a positive effect on the Company's operations as exceptionally long and spread over years production cycle in the development sector requires a long-term perspective.

Shares of Dom Development S.A. are held in the portfolios of numerous Open-End Pension Funds, of which shareholding by Aviva OFE Aviva Santander exceeded the threshold of 5% in the total number of votes and the share capital of the Company in 2011. Over the period from the date of the latest notice, the shareholding of Dom Development S.A. by Aviva OFE Aviva Santander has ranged between 5% and 10% of the Company's share capital.

Detailed information on shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders' Meeting ("GSM") as at the date of this report, and on the change in their shareholding in the period from the publication of the interim financial statements for the six-month period ended 30 June 2021, are presented in the table below.

	STATUS AS AT THE THE DATE OF THIS REPORT				CHANGE FROM THE PUBLICATION OF THE Q1 2021 REPORT
	Shares	% shares	Number of votes at the GSM	% votes at the GSM	Shares
Groupe Belleforêt S.à r.l.	14 155 491	55.74	14 155 941	55.74	-
Aviva OFE*	no data	5.00-10.00	no data	5.00-10.00	no data
Jarosław Szanajca	1 454 050	5.72	1 454 050	5.72	-
Grzegorz Kielpsz	1 280 750	5.04	1 280 750	5.04	-

*) The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared as at 11 July 2011. It corresponds to 5.17% of the share capital of the Company and of votes in the General Meeting of Shareholders of Dom Development SA

1.3 MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.

In the period from 1 January until 12 March 2021 the Management Board of Dom Development S.A. was composed of the following five members:

- Jarosław Szanajca,
President of the Management Board,
- Małgorzata Kolarska,
Vice President of the Management Board,
- Janusz Zalewski,
Vice President of the Management Board,
- Terry Roydon,
Member of the Management Board
- Mikołaj Konopka, Member of the Management Board.

In view of the resignation on 12 March 2021 by Mr. Janusz Zalewski from his position as Vice-President and Member of the Company's Management Board on account of reaching the retirement age, a shareholder holding at least 50.1 % of

the Company's shares appointed, as of 15 March 2021, Mr Leszek Stankiewicz for a joint three-year term of office as a Member and Vice President of the Management Board of the Company responsible for finances of Dom Development S.A., in accordance with the Management Board bylaws.

Accordingly, in the period from 15 March until 30 June 2021 the Management Board of Dom Development S.A. was composed of the following five members:

- Jarosław Szanajca,
President of the Management Board,
- Małgorzata Kolarska,
Vice President of the Management Board,
- Leszek Stankiewicz,
Vice President of the Management Board,
- Terry Roydon, Member of the Management Board
- Mikołaj Konopka, Member of the Management Board.

1.4 SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.

In the period from 1 January until 12 March 2021 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

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

As of 12 March 2021, Mr Michael Cronk, Member of the Company's Supervisory Board, resigned from his position of Member of the Company's Supervisory Board on account of his retirement. Moreover, as of 12 March 2021, Mr Markham Dumas, Member and Vice Chairman of the Company's Supervisory Board, resigned from his position of

Vice Chairman of the Supervisory Board while remaining a Member of the Company's Supervisory Board. As of 15 March 2021, a shareholder holding at least 50.1 % of the Company's shares appointed Mr Janusz Zalewski for a joint three-year term of office as a Member and Vice Chairman of the Company's Supervisory Board.

Consequently, in the period from 15 March 2021 until 30 June 2021, the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

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

1.5 SHAREHOLDING OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES IN THE COMPANY AS WELL AS THE SHARES AND STOCKS IN THE COMPANIES OPERATING WITHIN THE GROUP HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY

The ownership structure of shares and share options in the Company held by the Members of the Management Board and the Supervisory Board as at the date of this report was as follows:

	STATUS AS AT THE DATE OF THIS REPORT				CHANGE FROM THE PUBLICATION OF THE Q1 2021 REPORT	
	Shares	Nominal value of the shares (in PLN '000)	Share options	Shares and options, total	Shares	Share options
The Management Board						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska	320 235	320	100 000	420 235	-	-
Leszek Stankiewicz	-	-	-	-	-	-
Mikołaj Konopka	88 981	89	150 000	238 981	-	-
Terry Roydon	58 500	59	-	58 500	-	-
The Supervisory Board						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Janusz Zalewski	300 000	300	-	300 000	-	-
Mark Spiteri	900	1	-	900	-	-

The Members of the Management Board and the Supervisory Board of the Company did not hold any shares in other companies operating within the Group, except for in Dom Land Sp. z o.o., in which Jarosław Szanajca, Grzegorz Kiełpsz and Mark Spiteri held 20% shares each as at the date of preparing of this report.

2 SUMMARY OF ACTIVITIES IN THE FIRST HALF OF 2021



2.1 MAJOR EVENTS IN H1 2021

EXPANSION INTO THE KRAKÓW MARKET

On 12 March 2021 the Management Board of Dom Development S.A. made the decision to extend the activities of the Group into the Kraków market by acquiring a controlling stake in Sento S.A., a developer with many years' experience on the Kraków market focused on offering upper-standard residential flats.

The Kraków market is the second largest residential market in Poland after Warsaw both in terms of transaction volume and price level. At the same time it is a highly fragmented market compared to other major agglomerations in Poland. In the opinion of the Management Board of the Company, Kraków is

a very forward-looking location with great potential for consolidation in the primary housing market. For the Group it is a big opportunity for growth which can be seized by combining Dom Development S.A.'s resources and organisational potential with Sento S.A.'s local experience.

Following the decision referred to above, on 1 July 2021 Dom Development S.A. acquired 77% of the shares in Kraków-based Sento S.A. for PLN 35 379 thousand.

As the transaction date was after the end of the first half of 2021, the Company and Group results do not take into account the results of Sento S.A. which in the first half of 2021 sold 127 units net.

PAYMENT OF RECORD-HIGH DIVIDEND

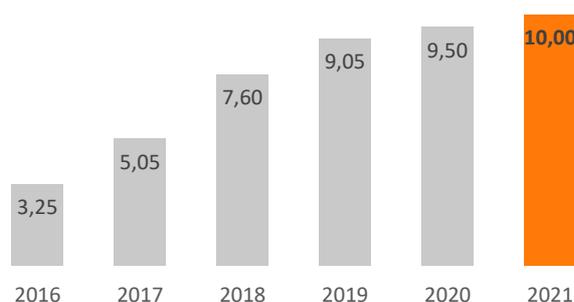
In 2021, Dom Development S.A. paid a record-high dividend of 10.00 PLN per share.

On 28 June 2021, the Company paid a total of PLN 253 984 thousand to its shareholders, i.e. 84% of the Group's consolidated net profit for 2020 and 96% of the Company's net profit for 2020. The dividend rate in relation to the share price of the Company on the in-dividend date was 6.6%.

The remainder of the Company's net profit in the amount of PLN 10 232 thousand was allocated to the Company's supplementary capital.

The dividend paid is in line with the dividend policy of Dom Development S.A. published on 3 April 2013, which assumes increases in the amounts of dividends paid in subsequent years. The Management Board maintains its intention to pay the highest possible dividends to the Company's shareholders while maintaining a strong balance sheet and high liquidity.

DIVIDEND PER SHARE (PAID) (in PLN)



In the opinion of the Management Board, the high return on equity (ROE) of the Company and its Group will allow them to remain among the top companies listed on the WSE in terms of dividend rate, while also allocating part of profits to strengthen its balance sheet and further develop its activities.

ISSUE OF BONDS

On 12 May 2021, Dom Development S.A. issued unsecured bearer bonds, series DOMDET5120526, with the aggregate nominal value of PLN 110 000 000. The maturity date for these bonds is 12 May 2026. The interest on the bonds is payable every six months and is based on WIBOR 6M plus 1.30 p.p. margin per annum, i.e. the lowest level of all bonds issued by Dom Development S.A. and well below the sector average. In the opinion of the Management Board of the Company, the interest rate on the bonds reflects a very high assessment of the Group's security and prospects, as

well as the confidence of financial institutions supported by the credit history of Dom Development S.A.

This issue is intended to replace the DOMDE6151121 series bonds with the aggregate issue value of PLN 110 000 000 in the Company financing structure, wherein the DOMDE6151121 series bonds with the aggregate nominal value of PLN 32 076 000 were repurchased for redemption on 11 May 2021, while the remaining bonds with the aggregate nominal value of PLN 77 924 000 will be repurchased on maturity, i.e. on 15 November 2021.

2.2 OPERATIONAL RESULTS OF THE GROUP IN H1 2021

SALES

In the first half of 2021, the Capital Group sold 2 116 units, which means a 30% increase year over year. In the opinion of the Management Board of the Company, this is a very good result – the Group recorded at the same time an increase in average transaction value of 13% to PLN 638 thousand.

Demand was strong in all market segments, and purchases for cash accounted for approximately 40% of the Group's sales.

Warsaw has consistently dominated the Group's sales structure, however in accordance with the diversification strategy adopted by the Company's Management Board, the share of the Tricity and Wrocław markets is steadily growing. Dom Development S.A., the leader in the Warsaw market, sold 1 148 units over the first six months of 2021, i.e. 4% more than in the previous year. In the same period, Euro Styl S.A. recorded an increase of 84% to 674 units sold in H1 2021, while Dom Development Wrocław increased its transaction volume by 79% to 294 units.

The majority of sales involved multi-stage projects, where the Group can make full use of its financial and organizational

SALES OF UNITS	H1 2021	H1 2020	CHANGE
Warsaw			
Dom Development S.A.	1 148	1 100	+4%
Tricity			
Euro Styl S.A.	674	367	+84%
Wrocław			
Dom Development Wrocław Sp. z o.o.	294	164	+79%
Dom Development S.A.	2 116	1 631	+30%
Capital Group			

Number of apartments and retail units

potential by creating friendly spaces for residents. In H1 2021, the Group made the following sales in Dom Development S.A. projects in Warsaw: Osiedle Wilno (293 units), Dzielnica Mieszkaniowa Metro Zachód (258 units) and Żoliborz Artystyczny (192 units). Osiedle Beauforta with 133 units, and Zielony Południk with 126 units, dominated the Group's projects in Tricity and were completed by Euro Styl S.A. The Group's best-selling project in Wrocław was the Osiedle Komedii project with 100 transactions concluded in H1 2021.

GROUP OFFER

As at 30 June 2021, Dom Development S.A. Capital Group had 1 771 units available for sale. This is 12% lower than at the end of the first half of 2020. This decrease is the result of a combination of strong demand and supply-side difficulties, mainly due to delays in administrative decisions and the poor availability of land necessary for projects to be carried out quickly, particularly in Warsaw.

The Management Board expects to rebuild the level of what Dom Development S.A. offers in Warsaw in the second half of 2021. In the opinion of the Company's Management Board, decreasing to the level of 564 units as at 30 June 2021 is a temporary event and results from administrative delays which have reached an unprecedented scale as a result of the COVID-19 pandemic. In addition, in the opinion

UNITS AVAILABLE FOR SALE	30.06. 2021	30.06. 2020	CHANGE
Warsaw			
Dom Development S.A.	564	1 422	-60%
Tricity			
Euro Styl S.A.	802	403	+99%
Wrocław			
Dom Development Wrocław Sp. z o.o.	405	194	+109%
Dom Development S.A.	1 771	2 019	-12%
Capital Group			

Number of apartments and retail units

of the Company's Management Board the scale of the Group's offer in the Tricity and Wrocław markets is at a level commensurate with that which the local real estate development companies there are operating on.

UNITS UNDER CONSTRUCTION

The Group finished the year 2021 with a record-high number of units under construction. 5 804 units in 54 ongoing projects translate into great potential for future results.

The commencement of construction of 14 projects with 1 480 units in H1 2021 and the increase in the scale of projects carried out by the Group by 29%, compared to the same period in 2020, are an outstanding success in the opinion of the Company's Management Board, in view of the significant increase in difficulties in obtaining administrative decisions that exists.

In Warsaw, where administrative difficulties and the situation on the land market were the most difficult of all Polish agglomerations, Dom Development S.A. maintained the scale of its activities at a level similar to that in the previous year. In the first half of the year, the Company started 5 new projects with 647 units in Warsaw.

The significant increase in the number of apartments built in the Tricity and the potential for the implementation of further projects allow us to expect that in the coming quarters, Euro Styl S.A. will maintain its position as the leader on the Tricity market. During the first six months of 2021 the Group began building 548 units in seven projects in Tricity and in the surrounding area.

DELIVERIES

In the first half of 2021 Dom Development S.A. Capital Group delivered 1 922 units to buyers which means an increase by 55% year over year. Warsaw has dominated the deliveries structure with 1 201 units handed over. In Wrocław a record-high number of 444 units were delivered with a further 277 in Tricity.

The deliveries of completed units is a key factor affecting the results of the Company and of the Group. The year 2021 was not normal in terms of the timing of distribution of deliveries by quarter – usually most construction works finish in Q4 and consequently the majority of the Group's annual result is recognised in that quarter. This year most deliveries took place in Q1 as many flats from projects completed in the last months of 2020 were handed over to buyers already in the new year. This included in particular some upper-standard projects which are characterised by relatively high unit prices and margins such as Ogródowa Apartments, Marina Mokotów and Żoliborz Artystyczny in Warsaw and Apartamenty Księcia Witolda in Wrocław.

UNITS UNDER CONSTRUCTION	30.06. 2021	30.06. 2020	CHANGE
Warsaw Dom Development S.A.	2 718	2 635	+3%
Tricity Euro Styl S.A.	2 344	1 308	+79%
Wrocław Dom Development Wrocław Sp. z o.o.	742	564	+32%
Dom Development S.A. Capital Group	5 804	4 507	+29%

Number of apartments and retail units

Also in Wrocław, the Group strengthened its position and increased the scale of its projects. In the first half of 2021 Dom Development Wrocław Sp. z o.o. began construction of two projects with 285 units.

All construction works went as scheduled and with margins at least at the originally assumed level despite a significant increase in the price of building materials in H1 2021. The major competitive advantage in the construction operations is mainly owing to the Group's general contractors – Dom Construction Sp. z o.o. and Euro Styl Construction Sp. z o.o. The two companies carried out construction work according to the high standards of the Group and at a competitive price while maintaining the profitability of their business.

DELIVERY OF UNITS	H1 2021	H1 2020	CHANGE
Warsaw Dom Development S.A.	1 201	930	+29%
Tricity Euro Styl S.A.	277	227	+22%
Wrocław Dom Development Wrocław Sp. z o.o.	444	84	+429%
Dom Development S.A. Capital Group	1 922	1 241	+55%

Number of apartments and retail units

The volume of deliveries is closely linked to the project timelines. In the first half of the year, the Group completed the construction of 13 projects totalling 974 units. In addition the Group started the year 2021 with a record delivery potential of 4 111 units sold and not yet handed over, 959 of which were in completed projects. As at 30 June 2021 the Group's delivery potential was 4 305 units sold and not yet handed over totalling PLN 2 365 million and 1 771 units available for sale.

LAND BANK

The Group's land bank means land for projects in preparation. Units planned to be built on plots already purchased and controlled plus units under construction translate to the potential result of the Company and of the Group in the coming years. In the opinion of the Management Board, the land bank of the property development companies that are a part of the Group are adequate to the planned projects in terms of their size and structure.

At the end of June 2021 the Group's land bank exceeded 17 thousand units for the first time in its 25-year history. In the opinion of the Management Board of the Company this is an outstanding success especially since the biggest increase in the bank of investment land took place in Warsaw – Dom Development S.A. owns or controls plots with the total potential to build more than 9 thousand flats in the most competitive market in Poland.

Land markets vary significantly across agglomerations. The most difficult situation with regard to the availability of plots for property development projects is in Warsaw, as a result of historic developments and title issues affecting some properties coupled with the high competition and difficulties in obtaining administrative permits. Accordingly, a significant share of the land bank of Dom Development S.A. in Warsaw comprised 'controlled land', the acquisition of which has been secured by the Company, but the title transfer and payment of the entire purchase price are deferred pending the obtaining of the required administrative permits and decisions. Owing to that purchasing strategy, the Company has been able to start its new property development projects shortly following the

UNITS IN THE LAND BANK – PLOTS PURCHASED AND CONTROLLED	30.06. 2021	30.06. 2020	CHANGE
Warsaw Dom Development S.A.	9 688	7 089	+37%
Tricity Euro Styl S.A.	5 522	6 681	-17%
Wrocław Dom Development Wrocław Sp. z o.o.	1 837	1 445	+27%
Dom Development S.A. Capital Group	17 047	15 215	+12%

Number of apartments and retail units

completion of the purchase of the land. In H1 2021, this was the case for Osiedle Głębocka and Dzielnica Mieszkaniowa Metro Zachód, phase 1 stage 3, which were put on offer within three months of their purchase.

The Tricity area and Wrocław are relatively easier markets in terms of securing land for future projects. Euro Styl S.A.'s land bank decreased by 17% compared to the end of June 2020 but it was the result of an exceptionally high base level related to the finalization of many land purchase transactions in 2019. At present, the Group has a high-quality land bank in the Tricity area, which in the opinion of the Management Board will allow Euro Styl S.A. to maintain its position as the local market leader in the coming years.

Dom Development Wrocław Sp. z o.o. expanded its land bank by 27% compared to the resources at the end of H1 2020. In the opinion of the Management Board of the Company the size of the land bank in Wrocław will allow the Group to further develop its activities organically and to remain one of largest-selling property developers on that market.

2.3 RISK FACTORS AND THREATS TO THE BUSINESS ACTIVITY OF THE GROUP IN THE SECOND HALF OF 2021

DESCRIPTION OF THE MAJOR THREATS AND RISKS RELATED TO THE REMAINING MONTHS IN THE FINANCIAL YEAR.

PANDEMIC

The main external risk factor for the Company's and its Group's operations is the COVID-19 pandemic which was announced in Poland in March 2020. It has had multifaceted consequences in all the areas described below. In the opinion of the Company's Management Board, the negative impact of the COVID-19 pandemic on the Company's and Group's activities and on the entire property development market was relatively small and largely compensated for by the decision of many people expecting increased inflation to invest their financial reserves in real estate.

For property developers, the COVID-19 pandemic was a time of trial from which organisations such as Dom Development S.A. Capital Group emerged victorious thanks to their good governance, high flexibility and high liquidity. Owing to those advantages, the Company and the Group have strengthened their market position.

The COVID-19 pandemic so far has had no negative impact on construction works carried out by the Company. All the

works have gone on according to their schedule and budget. However, obtaining administrative permits and decisions required to complete the purchase of new land and to carry out further projects has become more difficult, thus reducing supply. The offer of the Company and the Group was also put under pressure, but due to the experience and the high quality of the projects under development, sales remained at a high level.

The COVID-19 pandemic remains an important risk factor in many spheres of life and its intensification may also affect the Company's and the Group's activities. The sudden increase in sick cases and drastic restrictions affecting social life and the economy might reduce the current scale of the Company's and Group's activities. As described above, the Company and the Group have so far not been affected by the negative consequences of the situation. However, the scale of the impact of the ongoing COVID-19 pandemic cannot be estimated in the long-term in the opinion of the Company's Management Board.

INTEREST RATES

In 2020, interest rates reached their all-time low. The Monetary Policy Council has decided to make three strong cuts to the reference rate, which has fallen from 1.50% to 0.10%. The reduction was intended to reduce the cost of debt service and to stimulate the economy that has suffered from pandemic-related social and economic restrictions affecting many sectors.

Traditionally, low interest rates support the real property market. In H1 2021, there was strong demand from people seeking a safe alternative to bank deposits whose effective interest rate has fallen below zero. Given that the level of deposits from individuals set numerous records in this

period, that trend is expected to continue in H2 2021. The main beneficiaries of the situation are property developers such as Dom Development S.A. that have a strong brand, enjoy customer confidence and carry out high-quality projects in a timely manner.

The level of interest rates also had a positive impact on customers purchasing apartments out of mortgage loans, as the cost of mortgage loans has fallen significantly despite the slight increase in bank margins.

In the opinion of the Management Board of the Company, any potential increase of interest rates could have a negative impact on the situation on the residential market.

INFLATIONARY EXPECTATIONS

The historically low interest rates and a significant increase in money supply have translated into considerable inflation expectations, which started to materialise in Q2 2021. Prices of consumer goods and services increased by 5% in June 2021 compared to the last year.

Dread of PLN depreciation has induced people with financial resources to invest in relatively inflation-resistant assets, which traditionally include real estate. The desire to protect accumulated capital against loss in value has driven demand on the housing market. In the opinion of the Management Board of the Company, that trend is expected to continue in H2 2021.

LABOUR MARKET SITUATION

The situation on the housing market is closely linked to the situation on the labour market. Contrary to pessimistic expectations, the unemployment rate in Poland did not increase significantly, and remains below the natural unemployment rate in agglomerations where the Group operates. The favorable situation on the labor market is also confirmed by rapidly increasing wages - in June 2021 average wages in Poland increased by 9.8% year over year.

Employment stability and wages growing quicker than inflation have contributed to demand in the housing market. In the opinion of the Management Board of the Company, the labour

market situation may be crucial for development sector in H2 2021, in particular in the popular segment.

The COVID-19 pandemic has also led to changes in work patterns, with remote work becoming widespread among office workers. In the opinion of the Management Board of the Company, these changes may result in a wide and long-term adoption of the hybrid work model, where employees partly work remotely and partly in the office. This trend will translate into increased expectations as regards the quality and functionality of housing. The Company has been closely monitoring the expectations of apartment purchasers and adjusting the structure of the product offer.

AVAILABILITY OF CAPITAL

The property development business requires large and long-term capital involvement, hence the particular focus of the Management Board of the Company on the liquidity level of the Company and the Group. The willingness of banks to lend money is also an important factor for housing demand.

In the opinion of the Management Board of the Company, Dom Development S.A. has little exposure to the risk of insufficient availability of capital. The lack of net debt, the large cash balance and the reliability of the Company in the eyes of financial institutions are the sources of its and the Group's competitive advantage which helps it to implement its investment plans with comfort. The confidence of capital markets in Dom Development S.A. was confirmed by its issue on 12 May 2021 of unsecured bonds with a value of PLN 110 million bearing interest based on WIBOR 6M plus

a margin of 1.30% which is the lowest margin in the history of the Company and well below the industry average.

Possible further reductions in bank lending could negatively affect demand on the housing market, in particular in the popular segment. That risk applies to the entire property development market, but in the opinion of the Management Board of the Company, the Exposure of Dom Development S.A. to that risk is relatively low, as the majority of the Group's offer is upper-standard flats. This relative resilience of the Company and its Group is confirmed by the unchanged structure of apartment purchases in terms of sources of funds - in H1 2021, as in previous years, the proportion was approximately 40:60 (cash to mortgage), i.e. approximately 40% of apartments sold by the companies operating within the Group were purchased entirely out of pocket.

ECONOMIC GROWTH

The housing market is considered to be a cyclical sector of the economy and it is traditionally believed that the situation in the property development sector is highly correlated with the dynamics of gross domestic product. However, in the case of the first recession in Poland in three decades caused by the COVID-19 pandemic in 2020, this theory did not hold as despite the decrease in Gross Domestic Product strong demand continued in the housing market and the strong economic rebound in the first half of 2021 has further strengthened the situation on the real estate market.

The possible future negative impact of an economic downturn in Poland on the activities of the Group depends primarily on the extent to which the crisis will affect the major Polish agglomerations, in which the Group operates. However, in the opinion of the Management Board of the Company Dom Development S.A. and its Group are, owing to their significant financial resources and efficient organization, relatively resistant to a possible economic downturn compared to the sector average.

LEGISLATION

Potential future changes in the legislation constitute a risk that could directly or indirectly affect the Group's activities and results. In the opinion of the Management Board of the Company, as at the date of this Report there is no legislation in force or being proceeded that could materially affect the financial situation and results of the Group in the second half of 2021.

In the longer term, major operational and financial risks include the introduction of compulsory contributions to the Developers' Guarantee Fund amounting to up to 1% of the gross value of each payment towards the purchase of a flat in projects put on offer after 30 June 2022. As at the date of this Report, the Company conducts extensive analyses

and implements systematic solutions aimed at minimizing the negative impact of the legislative changes described above on the operating activities and financial results of the Company and its subsidiaries.

However, in the opinion of the Management Board of the Company, the impact of such an obligation might affect the activities and results of the Dom Development S.A. Capital Group to a relatively smaller degree than is the case for smaller property developers. The Company's advantage results mainly from its comfortable liquidity situation and the fact that it operates on high-margin and that its offer is targeted at buyers with relatively low price elasticity.

ADMINISTRATIVE DECISIONS

The nature of real estate development projects requires a number of permits and approvals to be obtained by the companies within the Group at every stage of the development process. Despite significant caution applied in the project execution schedules, there is always a risk of delay in attaining them, of challenges to decisions which have already been issued (also due to the fact that appeals can be made with no consequences for the appellants) or even failure to attain them. All of these factors affect the

ability to conduct and complete the executed and planned projects on time.

The fundamental activity adopted by the Group so as to reduce the exposure to market risks is proper assessment of potential and control of current development projects based on investment models and decision-making procedures developed in the Company. The adherence to such procedures is closely monitored by the Management Board of the Company.

BUSINESS MARKETS

Dom Development S.A. has been the undisputed leader of the primary residential market in Warsaw for many years. The capital of Poland is the main centre of economic and social life and one of the largest academic centres in the country while the attractive and absorbent labour market attracts new residents. As a result, the Warsaw housing market has the highest value among Polish cities.

However, the Warsaw market is also characterised by major challenges to property development projects, as the supply of flats in Warsaw is under much pressure due to a shortage of investment land with good title as well as delays in planning works and administrative decisions. The Management Board of the Company has mitigated the risk associated with the concentration of its activities on the Warsaw market through geographical diversification within Dom Development S.A. Capital Group.

The Company has pursued that strategy through its subsidiaries: Euro Styl S.A., leader in the Tricity market, and Dom Development Wrocław Sp. z o.o., one of the largest players in the Wrocław residential market. Consequently, in H1 2021, Dom Development S.A. Capital Group operated on

three markets: in Warsaw, the Tricity area and Wrocław. Those agglomerations were not selected at random, as in the opinion of the Management Board of the Company, only the largest cities in Poland provide sales volume adequate to the Group's scale and a satisfactory level of margin.

Since the second half of 2021 Dom Development S.A. Capital Group has also been present in Kraków. The expansion to this market took place as a result of the acquisition on 1 July 2021 of a controlling stake of 77% shares in Sento S.A., a Kraków-based developer with many years of experience in the upper-standard flat segment.

In the opinion of the Management Board of the Company, the diversification of the Group's activities and the increase of the participation of subsidiaries in the structure of its sales and financial results is an effective strategy for the building of the Company's and the Group's value. It will also continue in the future. The aim of the Management Board of Dom Development S.A. is to diversify its operations geographically, while maintaining the position of leader on the Warsaw market, which is currently the most forward-looking and profitable residential market in Poland.

ACQUISITION OF LAND FOR PROJECTS

The future success of the Group is founded on having the ability to continually and effectively acquire attractive land for new development projects at the right times and at competitive prices. This will enable satisfactory project margins to be generated. As there is a limited supply of land with clear legal status in attractive locations, the ability to acquire new land is a major competitive advantage in the real estate development market.

In the first half of 2021 the supply of new flats in the largest agglomerations in Poland, particularly in Warsaw, decreased significantly. Major restraints for developers were difficulties in obtaining administrative decisions and high prices and low availability of land. Despite these obstacles, in the first half of 2021 the Group expanded its land bank by acquiring new investment land and for the

first time in the history of Dom Development S.A. Capital Group potential land held for future projects exceeded 17 thousand units of which 9 thousand were on the most demanding Warsaw market.

The Management Board places great emphasis on acquiring affordable land for new investments so that the Group has broad and varied real estate reserves in each of its markets that secure its activity and allow for seamless replenishment of offers for at least the next two years. As a whole, as at the end of June 2021 the Group had the largest potential to realise future projects in its 25-year history. Success in securing a land bank for the purpose of new projects is predominantly due to the experience of the Group's personnel and significant cash resources that allow for the quick closing of even the largest transactions.

PROJECT DEVELOPMENT COSTS

The main cost item for Dom Development S.A. and its Group is the cost of residential construction. In the first half of 2021 the prices of construction materials, in particular steel, greatly increased. The inflation of raw material prices was accompanied by their limited supply. Thanks to its own general contractors, the Company and its subsidiaries are able to react quickly and flexibly to market developments thus reducing the risks associated with increases in construction costs and risks to the timely implementation of property development projects. In the first half of 2021 construction works at all the Group's projects were on

schedule and their margin levels were at least at the level expected at the time of commencement of the project.

In the second half of 2021 the Company's Management Board expects the prices of construction materials to stabilise although some pressure on the increase of the costs of project implementation is still to be expected. However, the expected continuation of strong demand and house price increases should continue to offset the increase in construction costs and allow the Group to maintain satisfactory sales margins.

3 OVERVIEW OF FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP



3.1 BASIS FOR THE PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for Dom Development S.A. Capital Group for the six-month period ended 30 June 2021 was prepared on a historical cost basis.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards (“IFRS”) adopted by the European Union (EU) are normally included in annual consolidated financial statements, have been condensed or omitted in these interim condensed financial statements pursuant to International Accounting Standard No. 34, “Interim Financial Reporting” (IAS 34).

The interim condensed consolidated financial statements have been prepared on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future. During the six-month period ended 30 June 2021, on account of the COVID-19 pandemic in Poland, the Management Board of the Company has performed additional analyses, in particular as regards the vulnerability of the Company’s and Group’s liquidity to possible changes in the market environment and to the ongoing operating activities of the Group on account of the pandemic. In the opinion of the Management Board of the Company, as at the date of approval of the interim condensed consolidated financial statements all the prerequisites have been fulfilled for the going concern assumption in the foreseeable future.

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

The presented interim condensed consolidated balance sheet, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed statement of changes in consolidated shareholders' equity are unaudited, however they have been the subject of review by an independent certified auditor. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required from annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Group and the notes thereto for the year ended 31 December 2020.

The Company also prepares interim condensed financial statements for Dom Development S.A. for the six-month period ended 30 June 2021. These statements were approved by the Management Board of the Company on 25 August 2021.

3.2 OVERVIEW OF THE INCOME STATEMENT OF DOM DEVELOPMENT S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP	H1 2021	H1 2020	Change YoY
INCOME STATEMENT			
Sales revenue	1 144 423	772 161	48.2%
Gross profit on sales	380 138	239 393	58.8%
EBIT	289 607	153 906	88.2%
Net profit	232 522	117 668	97.6%
Earnings per share, basic	9.17	4.68	95.9%

In the first half of 2021, the Dom Development S.A. Capital Group recognised sales revenue of PLN 1 144 423 thousand, which means a 48.2% increase year over year. The Group recognised revenue from the sale of 1 922 units that were delivered in that period. This is a significant portion of the deliveries planned for the whole of 2021 on the basis of which sales are recognised in the income statement.

The average value of a unit delivered and recognised in the results of the Group for H1 2021 was PLN 595 thousand which means a decrease by 4% year over year. This slight decrease is mainly due to the higher proportion of the popular segment and projects located outside Warsaw in the delivery structure as a whole.

The average value of a unit recognised in the results varied significantly between markets due to local specificities and differences in the dominant segment in deliveries by the individual Group companies.

In Warsaw, the average value of a unit recognised in the results for H1 2021 was PLN 711 thousand and was higher by 10% year over year. This increase is the result of the significant percentage that upper-standard apartments represented in Dom Development S.A.'s delivery structure and ongoing price increases, which will be increasingly visible in the future results of the Group. The Warsaw market had a dominant almost 75% share in the Group's consolidated income for the first half of 2021.

The average unit value recognised in the results of Dom Development Wrocław Sp. z o.o. for the first half of 2021 increased by 26% compared to the first half of 2020 to the level of PLN 426 thousand. Such a significant increase in the average value of delivered units results from a significant percentage in the delivery structure of flats in the Apartamenty Księcia Witolda project with their relatively high prices compared to the Group's past projects in Wrocław and compared to the overall market. Considering the record-high volume of deliveries at Dom Development Wrocław Sp. z o.o. in H1 2021, the percentage of that

company's income in the Group's consolidated income increased to 17%.

On the other hand, the dominance of the popular segment in deliveries at Euro Styl S.A. translated into an expected decrease, as recognised in the results, of the average unit value from an above-average level of PLN 623 thousand in H1 2020 to PLN 365 thousand the following year. Due to the relatively low volume of deliveries Euro Styl S.A. only accounted for less than 9% of the Group's consolidated income.

The growth rate of annual gross profit was 58.8% which was 10.6 percentage points higher than turnover growth, an indication of growing profitability from sales.

The accumulation of the majority of deliveries planned for the year in the first half of the year and of the resulting sales as recognised in the results and the relatively stable levels of selling and general management costs translated into very high annual increases of operating profit (88.2%) and consolidated net profit (97.6%), with the latter reaching PLN 232 522 thousand in H1 2021.

The activities of companies operating within the Group are not seasonal in nature. Financial performance fluctuations between quarters are closely linked to the project development cycle and the accumulation of apartment transfers in the first weeks after the investment project has been granted an occupancy permit. As in accordance with IFRS 15, unit delivery is considered the basis for the recognition of sales revenue in the income statement, the financial results do not fully reflect the current situation of the Group. Therefore, in addition to the number of units delivered in a given period, the Dom Development S.A. Capital Group also discloses the current sales volume calculated on the basis of preliminary agreements and paid reservation agreements on a net basis, i.e. including resignations. The operating results of the Group including current sales and unit deliveries are discussed in note 2.2 of this Report.

3.3 CONSOLIDATED BALANCE SHEET

In H1 2021, the Group's position in terms of assets was strong, and made the Group stand out in the sector.

ASSETS

The structure of the consolidated assets of the Group was, as in previous years, dominated by current assets – inventories worth PLN 2 432 787 thousand constituted 75% of the Group's balance sheet total which as at 30 June 2021 amounted to PLN 3 248 396 thousand. Both the value of inventories and the Dom Development S.A. Capital Group balance sheet total were at levels similar to the end of 2020.

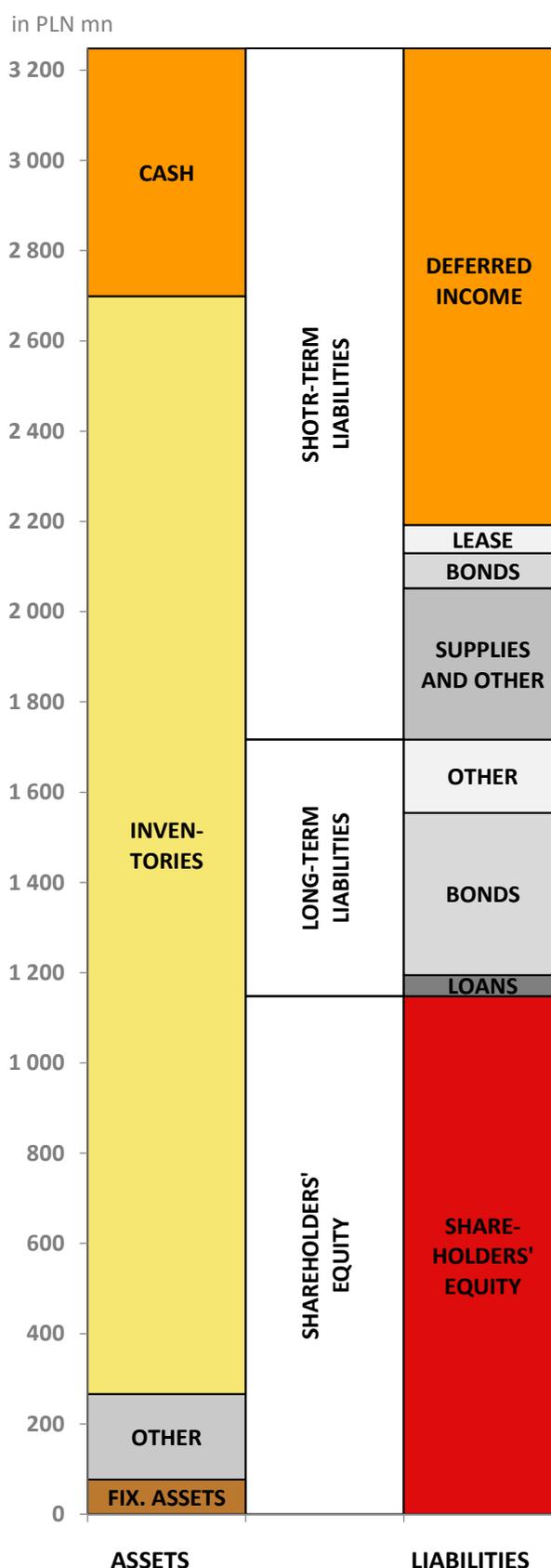
The Group invariably maintains high liquidity as reflected in a cash balance of PLN 507 708 thousand. In addition, the Group companies held a total of PLN 41 636 thousand in residential escrow accounts. In the opinion of the Management Board of the Company, the significant cash reserves allow the Group to respond flexibly to emerging investment opportunities and are an important source of its competitive advantage.

LIABILITIES

The Company's Management Board places a strong emphasis on the financial security of the Group which is reflected in its financing structure. As at 30 June 2021, Dom Development S.A. Capital Group had equity of PLN 1 147 950 thousand. Another major item of the Company's liabilities were deferred income liabilities, which amounted to PLN 1 056 415 thousand. Payments from customers on account of the purchase of apartments and parking spaces are recorded in this item until the time that they are delivered to the buyer and are recognised in the income statement as "sales revenue". The value of this balance sheet item is closely related to the relationship between the rate of sales which causes it to increase and the delivery rate which causes it to decrease.

In the first half of 2021 long-term bond liabilities increased significantly. This increase is the result of the issue by the Company of bonds with a total nominal value of PLN 110 000 thousand. The bond issue is described in note 2.1 of this Report.

CONSOLIDATED BALANCE SHEET STRUCTURE FOR THE GROUP AS AT 30 JUNE 2021



3.4 CASH FLOWS

SELECTED DATA FROM THE CONSOLIDATED CASH FLOW STATEMENT	H1 2021	H1 2020	Change
Cash and cash equivalents – opening balance	585 664	253 318	131%
Net cash flow from operating activities	110 248	198 033	(44)%
Net cash flow from investing activities	(55 953)	(5 265)	n.d.
Net cash flows from financing activities	(132 251)	153 808	(186)%
Cash and cash equivalents – closing balance	507 708	599 894	(15)%

In the first half of 2021 Dom Development S.A. Capital Group recorded net cash inflow from operating activities in the amount of PLN 110 248 thousand compared to PLN 198 033 thousand in the previous year. The main item in the cash flow statement that decreases the balance of funds generated from operating activities was the decrease in accruals and deferred income of PLN 69 746 thousand and the decrease in short-term liabilities, excluding loans and bonds, of PLN 60 352 thousand.

The Group recognised net cash outflows from investing activities in the amount of PLN 55 953 thousand. The main source of cash outflows at this level of the cash flow statement were loans in the amount of PLN 50 917 thousand extended by Dom Development S.A. to affiliates of Sento S.A. primarily for the purpose of building the potential for the Group's future activities in Kraków through land acquisitions.

In the first half of 2021 Dom Development S.A. Capital Group recognised net cash outflow from financial activities in the amount of PLN 132 251 thousand. The main item of the cash flow statement from financial activities in this period was the dividend from profit for the year 2020 in the amount of PLN 253 984 thousand paid to the shareholders of the Company on 28 June 2021. The significant difference in the balance of cash flows from financial activities in the first half of 2021 compared to the same period in the preceding year was mainly due to the difference in the timing of the dividend payment which in 2020 took place in the third quarter.

During the first half of 2021, the cash balance of Dom Development S.A. Capital Group decreased by PLN 77 956 thousand net and amounted to PLN 507 708 thousand as at 30 June 2021.

3.5 RATIO ANALYSIS

3.5.1 PROFITABILITY RATIOS

PROFITABILITY RATIOS	FORMULA	H1 2021	H1 2020
Gross margin on sales	gross profit on sales / net sales revenue	33.2%	31.0%
Operating profit margin	EBIT / net sales revenue	25.3%	19.9%
Net margin	Net profit / net sales revenue	20.3%	15.2%
ROE	net profit for the last 12 months / shareholders' equity at the beginning of the period	34.5%	27.5%
ROA	net profit for the last 12 months / total assets at the beginning of the period	12.4%	9.5%

In the opinion of the Management Board, the Group achieved very satisfactory profitability in H1 2021 in all areas of its activities. The gross sales margin of 33.2% is an exceptional result for Dom Development S.A. Capital Group compared to the sector average. Such a high sales margin indicates the high level of competence of Group companies in reading market trends, implementing sales policies, controlling costs and optimizing operating processes.

In the past six months the Group maintained its sales and general and administrative costs at levels close to the first half of 2020. This translated, in combination with the increase in sales revenue and gross sales margin, into increased margins at the operating level of Dom Development S.A. Capital Group in H1 2021 to 25.3%, i.e. by 5.4 p.p. year over year.

In the first half of 2021 the Group achieved a net margin of 20.3% which means an increase by 5.1 p.p. year over year. This increase is mainly due to the accumulation of a large part of the annual result to be recognised in the first half of 2021, an effective sales policy and project cost controls resulting in an increase in gross margin and a stable level of sales and general and administrative costs.

The Group also achieved a very high return on equity (ROE) – the proportion of net profit for the last 12 months to the Group's consolidated equity at the beginning of that period, i.e. as at 30 June 2020, was 34.5%. Similarly, the return on assets (ROA) was 12.4%. Both these ratios are very high and they significantly increased as compared to the previous year. However, it should be stressed that the first half of 2021 was an exception compared to the previous years due

to the accumulation of unit deliveries which are the basis for recognizing sales in the income statement. Typically, most deliveries take place in the second half of the year. This was also the case in 2020, thus the return on equity and return on assets calculated on the basis of the net profit

for the last 12 months are disproportionately high and those ratios should be considered mainly for full financial years, i.e. for the period from 1 January to 31 December of the year in question.

3.5.2 LIQUIDITY RATIOS

LIQUIDITY RATIOS	FORMULA	30.06.2021	31.12.2020
Current ratio	current assets / short-term liabilities*)	6.67	5.75
Quick ratio	current assets less inventory / short-term liabilities*)	1.55	1.37
Cash ratio	cash and cash equivalents / short-term liabilities*)	1.07	1.06

*) Short-term liabilities less deferred income

Considering the specifics of the real estate development industry with its long production cycle and tighter funding requirements, the Group is in a very comfortable financial position. This is due to a number of long-term decisions and actions taken by the Company's Management Board. These high liquidity ratios to a large extent result from the relevant financing structure applied, that is predominantly medium-term and long-term, as opposed to short-term financing. Liquidity ratios are driven by decisions around financing of current investments (including decisions about when to commence the construction of individual estates and concerning the product mix offered for sale) and the strategy for acquiring new land.

The Management Board of the Company considers the Group's liquidity to be very good. The Dom Development

S.A. Capital Group has maintained consistently high liquidity. The current ratio increased in H1 2021 from 5.75 to 6.67 due to the decrease in short-term liabilities from PLN 1 664 736 thousand to PLN 1 531 615 thousand. This decrease has also led to increases in the other liquidity ratios – the quick and cash ratios.

All liquidity ratios described above are at very comfortable levels that allow the Group companies to respond flexibly to emerging investment opportunities. However, such a high liquidity is a temporary state, and the Company's Management Board expects it to drop as a result of the closing purchases of land for future projects of the Group.

3.5.3 LEVERAGE RATIOS

LEVERAGE RATIOS	FORMULA	30.06.2021	31.12.2020
Equity ratio	shareholders' equity / total assets	35.3%	35.6%
Liabilities to equity ratio	total liabilities / shareholders' equity	183.0%	181.1%
Debt ratio	total liabilities / total assets	64.7%	64.4%
Interest bearing debt to equity ratio	interest bearing debt / shareholders' equity	42.2%	32.0%
Gearing ratio	interest bearing liabilities less cash and cash equivalents*) / shareholders' equity	(5.7)%	(23.0)%

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

Appropriate operating policy (i.e. proper commencement and pace of projects as well as controlled purchases of land) and financing policy (the financing structure) ensured that the leverage ratios were maintained at safe levels to support the business activity and maintain the creditworthiness of the Company and the Group on the financial market. Leverage ratios with values similar at the end of June 2021 to those at the end of 2020 reflect the conservative approach of the Company's Management Board to the external sources of finance for operations. For

the leverage ratios reviewed, the greatest dynamics were observed for gearing ratio, which from a very low negative level of (23.0)% at the end of 2020 reached a negative value of (5.7)% as at 30 June 2021. The decrease in net cash, i.e. the positive balance of cash over interest debt, is mainly due to the Company's bond issue described in note 2.1 and the decrease in cash and cash equivalents in H1 2021 from PLN 585 664 thousand to the still very high level of PLN 507 708 thousand.

3.6 FORECASTS

Neither Dom Development S.A. nor other companies operating within its Capital Group published forecasts of financial results.

3.7 LOANS, SURETYSHIPS AND GUARANTEES GRANTED

In the six-month period ended 30 June 2021 the companies operating within the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

Information of conditional liabilities of the companies within the Group are presented in note 7.21 to the interim condensed consolidated financial statements for the six-month period ended 30 June 2021.

3.8 TRANSACTIONS WITH RELATED ENTITIES

All transactions made by the Companies operating within the Group (or their subsidiaries) with related entities are based on the arm's length principle.

Transactions with the related entities are presented in note 7.19 to the interim condensed consolidated financial statements of the Dom Development S.A. Capital Group for the six-month period ended 30 June 2021.

3.9 MATERIAL LEGAL PROCEEDINGS

As at 30 June 2021, the companies operating within the Dom Development S.A. Capital Group were not a party to any material court cases.

4 APPROVAL OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN THE FIRST HALF OF 2021

This Management Board's report of activities of Dom Development S.A. Capital Group in the first half of 2021 was prepared and approved by the Management Board of the Company on 25 August 2021.

The Management Board of the Company represents that this Report of activities of Dom Development S.A. Capital Group in the first half of 2021 presents a true view of the development, achievements and situation of the Group, including the description of key threats and risks.

Jarosław Szanajca

President of the Management Board,
Dom Development S.A.

Leszek Stankiewicz

Vice President of the Management Board,
Dom Development S.A.

Małgorzata Kolarska

Vice President of the Management Board,
Dom Development S.A.

Mikołaj Konopka

Member of the Management Board,
Dom Development S.A.

Terry R. Roydon

Member of the Management Board,
Dom Development S.A.