

DOM DEVELOPMENT S.A. CAPITAL GROUP

# MANAGEMENT BOARD'S REPORT OF ACTIVITIES IN 2021





# DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2021:

## RECORD-HIGH FINANCIAL RESULT

**PLN 325m**

**Consolidated net profit  
of the Group**

2020: PLN 302m

## IN A FAVOURABLE MARKET WE'RE INCREASING A MARGIN

**33%**

**Gross margin  
on sales**

2020: 32%

## CONSISTENTLY SOUND BALANCE SHEET

**PLN 255m**

**Net cash**

31.12.2020: PLN 266m

## INCREASED POTENTIAL OF OUR RESULTS

**PLN 1.6bn**

**Deferred income**

31.12.2020: PLN 1.1bn

## THE LEADER OF POLAND'S HOUSING MARKET

**4 markets**

**Warsaw, Tricity, Cracow  
and Wrocław**

Our expansion into the Cracow market in 2021 made the Group operate in 4 most attractive agglomerations in Poland.

**4 066**

**Units sold in 2021**

We have worked out the record-high sales volume (+8% YoY) by pursuing our margin maximisation strategy.

**5 930**

**Units under construction  
31.12.2021**

Historically-high scale of ongoing construction. All projects are delivered on time and in top quality.

**70 pts**

**Net Promoter Score  
in 2021**

This demonstrates the top quality of our projects and the level of organisation within the Group

## CONTENTS

<b>1 GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP</b>	<b>5</b>
1.1 GROUP STRUCTURE	7
1.2 GROWTH STRATEGY OF THE COMPANY AND THE GROUP	8
1.3 BUSINESS MODEL	9
1.4 GROUP'S FLAGSHIP HOUSING PROJECTS	11
1.5 GEOGRAPHIC MARKETS	13
1.6 OPERATIONAL RESULTS IN 2021	14
1.7 MAJOR EVENTS IN 2021	18
1.8 RISKS AND FACTORS RELEVANT TO THE DEVELOPMENT OF THE COMPANY AND THE GROUP	19
<b>2 OVERVIEW OF FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. AND ITS GROUP</b>	<b>25</b>
2.1 PROFITS AND PROFITABILITY	26
2.2 CAPITAL STRUCTURE OF THE COMPANY AND THE GROUP	28
2.3 ASSESSMENT BY THE MANAGEMENT BOARD OF FINANCIAL RESOURCES AND THE CAPACITY AT THE COMPANY AND THE GROUP TO IMPLEMENT INVESTMENT PROJECTS	32
2.4 LOANS AND BONDS, AND OTHER LIABILITIES	33
2.5 USE OF PROCEEDS FROM THE ISSUE OF SECURITIES	35
2.6 TRANSACTIONS WITH RELATED ENTITIES	35
2.7 AGREEMENTS SIGNIFICANT FOR THE BUSINESS ACTIVITY OF THE GROUP	36
2.8 COOPERATION AGREEMENTS	36
2.9 CAPITAL EXPENDITURES OF THE COMPANY AND THE GROUP	36
<b>3 SUSTAINABLE DEVELOPMENT OF DOM DEVELOPMENT S.A. CAPITAL GROUP</b>	<b>37</b>
3.1 ENVIRONMENTALLY FRIENDLY SOLUTIONS	38
3.2 SOCIAL RESPONSIBILITY	41
<b>4 CORPORATE GOVERNANCE</b>	<b>45</b>
4.1 LIST OF CORPORATE GOVERNANCE PRINCIPLES ADOPTED BY THE COMPANY	46
4.2 SHARE CAPITAL, SHAREHOLDERS	50
4.3 GENERAL SHAREHOLDERS' MEETING	52
4.4 PRINCIPLES FOR THE AMENDMENT OF THE ARTICLES OF ASSOCIATION	53
4.5 MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.	53
4.6 SUPERVISORY BOARD	55
4.7 REMUNERATION POLICY REPORT	59
4.8 SHAREHOLDING OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD	62
4.9 MANAGEMENT OPTION PROGRAMMES	62
4.10 APPLICATION OF THE DIVERSITY POLICY IN RELATION TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD	63
4.11 INTERNAL CONTROL AND RISK MANAGEMENT	64
4.12 MATERIAL LEGAL PROCEEDINGS	65
4.13 AUDITOR	65
<b>5 APPROVAL BY THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF THE COMPANY AND ITS CAPITAL GROUP IN 2021</b>	<b>66</b>

# LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.



Dear Ladies and Gentlemen,

I am proud to present to you the report for the year 2021, which in many respects was a very special year for Dom Development S.A. and its Capital Group. This was, above all, a period of intense work that has produced tangible results and much satisfaction.

## 25 YEARS OF MAKING DREAMS COME TRUE

In 2021, we celebrated the 25th anniversary of our business. Over the last 25 years, we have built 45 thousand residential units, helping more than 130 thousand people make their dreams of owning an apartment come true. Dom Development S.A. is the leader of the residential market in Poland, with a strong position and brand associated with security and top quality. For many years, we have held the highest share of the Warsaw market, Euro Styl is the leader in Tricity, and we have a well-established position among top three developers in Wrocław.

I am proud to provide a summary of the recent year, especially as 2021 was a particularly successful year for us – once again, we have broken our own records in sales, scale of operations, financial performance and future potential. As announced, we expanded our business to include Cracow, the second-largest residential market in Poland, after Warsaw.

## IN THE GROUP WE STAND STRONG

Over the years, Dom Development S.A. Capital Group expanded both geographically and in terms of vertical integration, building competence in general contractorship.

Land is the key resource in property development, and the ability to accurately assess the potential of land is the key competence. At Dom Development, we believe that it is fundamental to know local conditions, which is why we have been growing through local property development companies. This model has been implemented by us in Cracow from mid-2021.

The Cracow market potential, which is highly valued by us and our good experience with acquisitions and integration of companies within the Group have resulted in the decision to stronger mark our presence in Cracow in the past year. Shortly after the integration of Sento S.A. into Dom Development S.A. Capital Group, we started negotiations on the acquisition of BUMA Group

companies, which are well known to the residents of Cracow. We have finalised the transaction as soon as in February 2022, significantly increasing our potential on that market – our Cracow companies sold more than 500 units in total in 2021, and our local land bank now has land with the capacity to build more than 2 000 units.

## THE YEAR OF RECORDS

In 2021, Dom Development S.A. Capital Group expanded its operation to a new level. We have consistently pursued our margin maximisation strategy, while setting new record of sales volume. As a result, we increased the sales volume to 4 066 units, i.e. by 8% compared to 2020, and the sales value went up by as much as 21%, to over PLN 2.5 billion. We dominate the market of top standard apartments. It is demonstrated by the average transaction value in the Group, which increased to PLN 667 thousand in 2021.

The scale of our projects was also record-high – as at 31 December 2021, we had 5 930 units under development. All of our projects have been on track and generated very satisfactory margins, despite the strong pressure to increase costs. This is mainly due to the general contractors being a part of Dom Development S.A. Capital Group.

The record scale of operations was accompanied by record-high financial results. We handed over 3 332 units to customers last year, recognising PLN 1 897 million of sales revenue. Our margin maximisation strategy, which we have been consistently and successfully pursuing, b of maximisation of margins, makes our margin grow year to year. In 2021, our return on sales was as high as 33%. As a result, we generated a record-high net profit of PLN 325 million. This record is all the more pleasing as we have achieved it while increasing the potential for future results to a yet unseen level.

## CHALLENGING ENVIRONMENT

The achievements of the past year have been all the more gratifying as they are the effect of hard work in a very demanding market environment. The main problem of the housing market in 2021 was the shortage of supply. The offer-to-sales ratio was historically low and indicated market imbalance. It is assumed that the offer size should correspond to the annual volume of sales, whereas in Warsaw, it was more than a half smaller throughout 2021.

The main factor restricting the supply of new apartments was low availability of land suitable for efficient development of projects. The complex legal situation of plots, their excessive prices and long waiting time for administrative decisions have effectively hampered the scale of operations of property developers, specifically those with less experience and resources.

As Dom Development S.A. Capital Group, we have managed to respond effectively to high market demand and maintain our position as the residential market leader in Poland. Importantly, we have also been able to increase our potential for future results over the past year by breaking a number of records in our operations.

### WE CONSISTENTLY BUILD POTENTIAL

We have started the year 2022 in a very comfortable situation. More than 5 thousand units sold with net value exceeding PLN 3 billion will be recognised in future results, of which nearly 4 thousand units will be ready for handover in 2022.

The potential of our land bank is also historically high at the end of 2021, allowing nearly 17 000 units to be built. Importantly, this is investment land in attractive locations, often intended for multi-stage projects, which are the speciality of our Group. In Warsaw alone, which is the most difficult market in terms of availability of investment land, we have increased our land bank by almost a quarter - to over 9 300 potential units.

Our financial security is also an indication of our potential and competitive position. Despite major land purchases, our cash was still PLN 255 million higher than liabilities arising from loans and bonds. Out of PLN 648 million in cash and PLN 414 million in undrawn lines of credit, our available capital was over PLN 1 billion at the end of 2021.

At Dom Development S.A., financial success translates into tangible benefits for Shareholders. We have been paying dividend continuously since our stock exchange début, including the record-high PLN 254 million, i.e. PLN 10 per share, in 2021. In total, over the past 15 years, we have paid almost PLN 1.5 billion to our Shareholders.

### SUSTAINABLE GROWTH

As the leader on the housing market in Poland, we have a significant influence on the living conditions of many people: the residents of our housing estates, the employees of our Group and of our business partners, our investors and members of local communities.

We strive to create modern urban fabric, ensuring a high quality of life while respecting the natural environment and the diverse needs of its inhabitants. From the start of our business, the idea of sustainable development has been very close to us intuitively, as it is in line with our values. Our awareness of environmental and social impact has also been increasing.

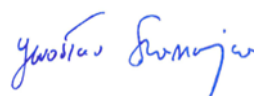
We want to continue to learn, improve and adapt to the changing world. Accordingly, as Dom Development S.A. Capital Group, we have taken steps to structure our initiatives in that area and to implement non-financial reporting as part of the ESG Strategy.

### PROSPECTS AND CHALLENGES 2022

As of the date of our 2021 report, we already know that 2022 will be a special year. The Russian invasion of Ukraine has made it difficult to predict what the next months will bring. Our hearts are with our neighbours, who now experience the nightmare of war. We try to help them, just as they have supported our development in recent years.

As a consequence of the war on our eastern border, the countries of our region are experiencing great economic volatility, which is, for example, reflected in exchange rates. At Dom Development, we have always been aware that residential sector is very cyclical and a slowdown can always be expected. Hence our conservative financial policy – thanks to our capital reserves, we can sleep soundly.

We have been constantly reviewing market situation and are prepared to respond flexibly to changes in the environment. The year 2022 may be very challenging. I believe that, just as every trial we have passed over the 25 years of our business, we will be able to overcome this trial and gain new experience.



**Jarosław Szanajca**  
President of the Management Board,  
Dom Development S.A.



## **1 GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A. AND ITS 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: Warsaw, Tricity, Cracow, and Wrocław.**

**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 Dom Development S.A. Capital Group (the “Group”) from the beginning of its activities has focused on the residential market. It operates in Warsaw, Tricity, Wrocław, and also in Cracow from 1 July 2021.

Dom Development S.A. (the “Company”, the parent company) is a joint venture of Polish managers and investors from the United Kingdom. For 25 years the Company's founders have managed and supervised it: Jarosław Szanajca holding 5.72% of the shares in Dom Development S.A. since its inception has been the President of the Management Board, while Grzegorz Kielbaso, the former CEO is now the Chairman of the Company's Supervisory Board holding 5.04% of the shares.

As at 31 December 2021 the Company was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.74% of its shares. The representatives of the main shareholder have been members of the Company's Management Board and the Supervisory Board since the beginning, sharing their extensive international experience in the real estate development market.

Dom Development S.A. operates in Warsaw, where it is the undisputed leader in terms of the number of flats sold. The Group has also operated in Wrocław since 2008. Now all of the Group's projects in that city are carried out by Dom Development Wrocław Sp. z o.o. The Group entered

the Tricity market in 2017 as a result of the acquisition of Euro Styl S.A. Capital Group. The joining by Euro Styl S.A. of the Dom Development S.A. Capital Group resulted in a step growth of the scale of its activities. Euro Styl S.A. is one of the leaders in the Tricity market at present.

Euro Styl Construction Sp. z o.o., a general contractor of all the Group's development projects in Tricity is another subsidiary within the previously acquired Euro Styl S.A. Capital Group. Dom Construction Sp. z o.o., the general contractor for the Group's development projects in Warsaw and Wrocław, was established in 2018.

On 1 July 2021, the Company acquired a majority stake of 77% in Sento S.A., a developer operating in the Cracow market. In addition, in September 2021, the Group secured exclusive rights to negotiate acquisition of the BUMA Group companies, a well-established developer in the housing market in Cracow. The transaction worth PLN 209.5 million was closed on 28 February 2022.

Since 2010, the Group has actively supported buyers of flats to obtain their mortgages. Dom Development Kredyty Sp. z o.o. is a mortgage broker exclusively serving the Group's customers. Due to large scale of its operations, the Group is able to obtain competitive financing terms and to help its customers to complete the necessary formalities.



## 1.1 GROUP STRUCTURE

Dom Development S.A. Capital Group as at 31 December 2021:

COMPANY	% OF THE SHARE CAPITAL HELD BY THE PARENT COMPANY	% OF THE VOTES HELD BY THE PARENT COMPANY
<b>Subsidiaries of Dom Development S.A.:</b>		
Euro Styl S.A. *)	100%	100%
Euro Styl Development sp. z o.o.	100%	100%
Dom Development Wrocław sp. z o.o.	100%	100%
Sento S.A.	77%	77%
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%
<b>Subsidiaries of Euro Styl S.A.:</b>		
Euro Styl Construction sp. z o.o.	100%	100%
Euro Styl Montownia sp. z o.o.	100%	100%
GGI Dolne Miasto sp. z o.o.	100%	100%
Your Destination sp. z o.o.	100%	100%
Euro Styl Development sp. z o.o. Kwartet Polanki Sp. k.	99.98%	99.98%
<b>Subsidiaries of Sento S.A.:</b>		
Nestobud Sp. z o.o.	100%	100%
Sento 17 Sp. z o.o.	100%	100%
Sento 18 Sp. z o.o.	100%	100%
Sento 21 Sp. z o.o.	100%	100%
Sento 32 Sp. z o.o.	100%	100%
Sento 18 Sp. z o.o. Sp. k.	66.66%	not applicable
Sento 21 Sp. z o.o. Sp. k.	66.66%	not applicable
Sento 32 Sp. z o.o. Sp. k.	98.04%	not applicable

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

All the Dom Development S.A. Capital Group companies were 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 Group's 2021 Consolidated Financial Statements.

## 1.2 GROWTH STRATEGY OF THE COMPANY AND THE 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 the following pillars:

### SUSTAINABLE GROWTH

As the leader of the housing market in Poland, the Dom Development S.A. Capital Group has a significant influence on spatial governance and quality of life in the agglomerations, where it operates. The Company's Management Board supports sustainable urbanisation by implementing internal standards of investment planning that go well beyond the regulatory requirements. Starting from apartments, through common areas of residential projects, to architectural solutions, including green areas – each of these aspects of development projects is carefully planned to create a friendly place to live in and forming high-standard urban fabric.

In its activities, the Dom Development S.A. Capital Group 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 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 market leader in Warsaw with a market share exceeding 10% for many years. 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 demanding market.

In the past year, Euro Styl S.A. has significantly expanded its potential and has grown into a leader in the Tricity market. The Group's activities in this region are expected to grow in the coming years.

The scale of the Group's activities in Wrocław is growing steadily, and Dom Development Wrocław Sp. z o.o. was at the forefront of the developers with the largest market share in 2021.

As of 1 July 2021 by acquiring a majority stake in Sento S.A., the Group expanded its operations to include Cracow, the second largest residential market after Warsaw; it is a highly fragmented market. The Company's Management Board sees great potential for growth in that market as demonstrated by the negotiations started in September 2021 to acquire the BUMA Group companies, the leading developer in Cracow. With the closing of this transaction in February 2022, the Management Board expects a step increase of operations in the Cracow market this year.

### STRONG BALANCE SHEET

The Company's Management Board puts particular emphasis on the strong balance sheet of the Company and the Group, and safe liquidity position. Significant financial resources paired with low debt allow the 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 Group companies 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.



## 1.3 BUSINESS MODEL

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 the Company and the Group to achieve above-average margins while maintaining a high scale of business.

Property development companies within the Group, i.e. Dom Development S.A., Euro Styl S.A., Dom Development Wrocław Sp. z o.o. and Sento S.A. have a very similar business model. The role of the remaining Group companies is to support development activity, the typical elements of which are presented below. In 2021, there were no changes in the basic principles of management of the Company and its Capital Group.

### PURCHASE OF LAND



The Group acquires plots for developed projects. Every transaction is analysed on a case-by-case basis in terms of legal aspects, development opportunities, and the cost-effectiveness of the potential development project. The Group companies actively seek investment land for residential development in Warsaw, Tricity and Wrocław. By investing

in new plots at the right moment of the cycle, the Group has ensured business continuity and the comfort of concluding transactions to achieve a satisfactory margin. According to the Company's Management Board, the optimum level of the land bank, i.e. land in preparation for development, corresponds to approximately 3-year sales.

### DESIGN AND SECURING PERMITS



The Group cooperates with recognised architect offices, paying great attention to the spatial order of the residential estates developed and the functionality of the apartments designed. A typical project consists of residential buildings with lifts and underground garages and business premises on the ground floor. All the apartments

offered by the Group companies have balconies, terraces, or gardens, and their layouts are carefully designed in accordance with the strict internal standards. The Group's offer is dominated by flats in the popular upper-standard segment, which combines large scale activities with high returns.

### CONSTRUCTION



Most of the projects are developed by general contractors owned by the Group, which enables the optimisation of investment parameters at the design stage, and the constant, very high quality of execution and cost-effectiveness. The general contractors

conduct the development by employing specialised subcontractors for specific types of building works. All of the Group's projects are built in the traditional technology, and the standard lead time is approximately 18-20 months.

### SALES



The sale of apartments starts around the start of the development works and is conducted directly by the Group companies at the sales offices on the project site and at the premises of the development companies. The Group also provides its customers with the opportunity to meet the account manager online and to conclude transactions remotely. The apartment sale process consists of several

stages and payments are made in tranches correlated with the progress of construction works. All of the Group's investments have open escrow accounts with leading Polish banks, which are credited with sums paid by customers. The funds are then released to the developer's account in proportion to completed investment project milestones.

## MORTGAGE ADVICE



In 2021, approximately 50% of the Group's transactions are purchases financed with a mortgage loan. For 11 years, the Dom Development S.A. Capital Group has been acting as a broker in the process of obtaining loans between apartment buyers and banks. Dom Development Kredyty Sp. z o.o. cooperates with major banks in Poland so that

it can provide every customer with an optimal offer suited to their individual situation. In 2021 Dom Development Kredyty Sp. z o.o. brokered 1 405 mortgage loans worth PLN 647 million in total. Thanks to the scale of the activities, the company is able to offer very attractive financing terms tailor-made by the banks to suit the Group's customers.

## INTERIOR DESIGN AND FIT-OUT



The Group companies offer their customers the option to fit-out the apartment according to one of many variations offered or according to their own tailor-made arrangements. The Group also enables modifications to the design of the apartment, including the placement of partitioning or of the water and electrical installations. The fit-out is

completed and layout modifications are supervised by the Group's development companies, which from the customer's perspective significantly simplifies the organisation of work, saves considerable time and enables to have the fitout covered by the developer's warranty.

## UNIT DELIVERIES



Ready-to-use apartments after the payment of the full purchase price are handed over to buyers.

In accordance with International Accounting Standards the handover of the premises is the

basis of recognition of sales revenue and associated expenses. The Company's and the Group's financial results are closely related to the volume and structure of the premises handed over to customers in a given period.

## DIVIDEND



Since being listed on the Warsaw Stock Exchange for the first time, Dom Development S.A. has shared its earnings with its shareholders. Within 15 years of the stock exchange début the Company paid more than PLN 1 470 million to shareholders while maintaining a very strong balance sheet and a high cash balance.

In 2021, the Company paid PLN 254 million in dividend (84% of the Group's consolidated profit for 2020), i.e. PLN 10.00 per share. As part of the policy to maximise dividend payments, the Company's Management Board expressed its intention to recommend payments guaranteeing an increase in dividend per share in the subsequent years.

The Company's and the Group's activities are not seasonal in nature. Financial performance fluctuations between quarters are closely linked to the project construction cycle and the accumulation of apartment transfers in the first weeks after the investment project has been granted an occupancy permit. In accordance with IFRS 15, the use of the premises transfer as the basis for the recognition of sales revenue in the income statement caused the financial results not to fully reflect the current situation of the Company and the Group. Therefore, in addition to the number of units transferred in a given period, the Company 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.

Both the Group and the Company are not dependant on a single supplier or customer. The Company's only significant business partner the turnover with which exceeded 10% of sales revenue in 2021 and amounted to PLN 364 million is Dom Construction Sp. z o.o., the general contractor of the Company's development projects operating by the Group.

## 1.4 GROUP'S FLAGSHIP HOUSING PROJECTS

Development activities are increasingly shaping cities. The Management Board of Dom Development S.A. makes every effort to ensure that the Company's and the Group's participation in this process improves the quality of life of citizens and fosters sustainable urban development processes. Most investment projects implemented by the Group companies also include the development of local infrastructure.

The Group's flagship investment projects are large, multi-stage, higher-standard housing estates with developed public spaces and coherent architecture. Those projects allow the Group to utilise its main competitive advantages – its strong brand, capital resources, design expertise, and the high quality and durability of the apartments developed. As a result, the Group effectively combines a high sales volume with above-average profitability.



In the past year, Dom Development S.A. completed one of its most renowned projects – **Żoliborz Artystyczny**. This project is particularly appreciated for its interesting architecture and carefully designed common areas. In Q4 2021, the Company finished of the last stages of this project which has been implemented since 2013. They will have a significant impact on the financial results in Q1 2022 – as at the end of December 2021, there was still over 450 units to be delivered in this project by the Company. In total, 2 880 units was built as a part of the Żoliborz Artystyczny project.

In view of the great success of Żoliborz Artystyczny, in 2021, Dom Development S.A. acquired a land situated near ul. Literacka 7 where it intends to build a residential project with 530 units in the coming years.



The **Osiedle Wilno** project in Warsaw proves the organisational and capital resources of Dom Development S.A. The Company created a small town situated in the former Targówek Fabryczny area virtually from scratch. In 11 years, the Company has built nearly 3 200 units, while at the end of 2021 another 525 were being developed and 233 were in the pre-development stage. The Osiedle Wilno estate is a very good example of the sustainable urban development of a resident-friendly space. The Company built the Warsaw Zacisze-Wilno railway station for PLN 6.5 million and handed it over for a symbolic penny. The housing estate itself has extensive infrastructure with numerous squares to promote the integration of the inhabitants.



In 2019, a new flagship project was launched by Dom Development S.A. – **Dzielnica Mieszkaniowa Metro Zachód** located in the Bemowo district of Warsaw. From the very first stage, this investment project has been very popular among customers. The Company is currently developing 4 stages of this project with nearly 500 units, and has secured land allowing it to develop approx. 2 400 units, which makes the Dzielnica Mieszkaniowa Metro Zachód a sales driver for Dom Development S.A. in Warsaw.



DOKI, GDANSK

The Company's subsidiaries are also structuring their offer based on multi-stage flagship projects. The special investment of Euro Styl S.A. is the **DOKI** project. This project, located at the historical Gdansk Shipyard premises, will be a multifunctional urban space, including a residential development, offices and the **MONTOWNIA** - a revitalised submarine hull assembly area converted into a food hall with serviced lofts. The unique character of the DOKI and MONTOWNIA project was recognised by both customers and industry experts in 2021 – Euro Styl S.A. received three European Property Awards 2021-2022 in the following categories: Mix Use Development, Commercial Renovation/Redevelopment, and Development Marketing.

A total of 1 200 units will be developed as part of the DOKI and MONTOWNIA projects, of which 654 were under construction and 546 were under pre-development at the end of December 2021.



OSIEDLE PERSPEKTYWA, GDANSK

The **Osiedle Perspektywa** is also an exceptional multi-stage project of the Group, located in centre of Gdansk, which will comprise more than 650 upper-standard units. The housing estate development will be integrated with the surrounding architecture and will include small town villas, tenement houses and multi-family buildings deeper within the estate.

Euro Styl S.A. offers projects also in the popular segment, such as **Osiedle Beauforta**, which will comprise more than 1 000 units. The sales success of Osiedle Beauforta mainly resulted from the extensive outdoor recreational areas, intimate architecture, and rich surrounding infrastructure.

In response to customer interest, Euro Styl S.A. prepared the higher standard **Konstelacja** project near the Osiedle Beauforta. The Osiedle Konstelacja will feature over 640 units, with the development of the first stage starting in Q1 2022.



OSIEDLE KOMEDY, WROCLAW

The Group's investment projects in Wroclaw are mostly more intimate often single stage projects. **Osiedle Komedy** is an exception – five stages of development combine modern architecture with details referring to the work of Krzysztof Komeda, an outstanding composer and jazz pianist, and will comprise more than 550 units in total.

Sento S.A., a developer operating in Cracow, joined the Dom Development Capital Group in 2021. As at the end of the year, it was developing two stages of the **SenTOTU** project with 190 units, located at Górka Narodowa. Sento S.A. was in the process of pre-development of further 561 units in that part of Cracow.



SENTOTU, CRACOW

The Group's flagship projects are complemented by smaller, often one-stage projects in all market segments, from the popular segment to luxurious apartments such as the Rezydencja Stanisława Augusta and the Apartamenty Służewiec in Warsaw, or the Apartamenty Ołtaszyn in Wroclaw.

## 1.5 GEOGRAPHIC MARKETS



**NO. 2 IN TRICITY**  
**10% MARKET SHARE**  
**1 263 UNITS SOLD**  
**2 283 UNITS UNDER CONSTRUCTION**  
**5 200 UNITS IN THE LAND BANK**



**WROCLAW**

**NO. 3 IN WROCLAW**  
**5% MARKET SHARE**  
**519 UNITS SOLD**  
**873 UNITS UNDER CONSTRUCTION**  
**1 729 UNITS IN THE LAND BANK**

**TRI-CITY**

**WARSAW**



**NO. 1 IN WARSAW**  
**10% MARKET SHARE**  
**2 165 UNITS SOLD**  
**2 584 UNITS UNDER CONSTRUCTION**  
**9 329 UNITS IN THE LAND BANK**

**CRACOW**



**GROUP'S NEW MARKET SINCE 01.07.2021**  
**119 UNITS SOLD**  
**190 UNITS UNDER CONSTRUCTION**  
**727 UNITS IN THE LAND BANK**

The above figures represent annual sales of units in 2021 and the number of units under construction and in the land bank as at 31 December 2021. In the case of Sento S.A., the sales volume refers to the period from 1 July to 31 December 2021.

### THOUGHTFUL EXPANSION

For many years, Dom Development S.A. has been the undisputed leader in the Warsaw market with a 10% share in sales. Warsaw is the dominant business and academic centre in Poland, attracting new residents from both Poland and abroad. The real estate market in the capital is characterised by the highest prices of all metropolitan areas. Due to the limited availability of land and its complex legal situation, Warsaw is also a very challenging market. Dom Development S.A. has operated in Warsaw since its inception, where it has a very strong brand and know-how proving a lasting advantage over its competitors.

The Group is also present in Wroclaw, where since 2008 it has been organically developing its organisation. Dom Development Wroclaw Sp. z o.o. is currently one of the leading developers in this location. The land holdings for future projects allow Wroclaw's share to grow in the Group's results in the coming years.

The year 2017 was a breakthrough year for the Dom Development S.A. Capital Group as with the acquisition of Euro Styl S.A. the Group entered the Tricity market and significantly increased its scale of operations. Efficient organisation, a similar corporate culture and business outlook determined the success of the acquisition. The successful integration was confirmed with the

appointment of Mikołaj Konopka – the President and co-founder of Euro Styl S.A. to a Member of the Management Board of Dom Development S.A.

The acquisition made Euro Styl S.A. to benefit from easier access to funds, which it successfully used. The Tricity-based company has significantly increased the scale of its activities and future project development potential while remaining a highly profitable organisation – gross sales margin of Euro Styl S.A. was 34% in 2021.

In the past year, Dom Development S.A. has completed the previously announced plans to expand into Cracow, the second largest residential market in Poland, after Warsaw. Valuing local experience the Company's Management also decided in this case to enter the new market through acquisition – on 1 July 2021 Dom Development S.A. acquired 77% of the shares in Sento S.A. for PLN 35 million. Having noticed the potential in this highly fragmented market the Group started negotiations to acquire the BUMA Group companies, the leading Cracow developer, in September. The transaction worth PLN 209.5 million was closed on 28 February 2022, and as a result the Group acquired an efficient organisation and increased its potential in Cracow by 1 370 units under pre-development and 224 units in progress.

## SELECTED AGGLOMERATIONS ONLY

The Group operates only in the leading agglomerations of Poland with stable residential market growth potential, enabling the attainment of satisfactory margins. The strength of the markets in which the Group is operating is confirmed by key macroeconomic indicators such as the unemployment rate, average wages, and also by relatively high average transaction prices in the primary residential market.

The deterioration of the labour market situation in Poland in 2021 did not have a significant impact on the Group's operating markets. Warsaw has consistently been characterised by a shortage of workers, as evidenced by the unemployment rate below the so-called natural level, estimated at approx. 3-4%. The equilibrium was observed in the labour market only in Gdansk, the main centre of the Tricity agglomeration, with an unemployment rate of 3.5%.



## 1.6 OPERATIONAL RESULTS IN 2021

2021 was very successful for the Dom Development S.A. Capital Group since for the first time in its 25 years, the Group's sales exceeded 4 thousand units. This is a special result given that the 8% growth of sales volume was accompanied by 21% increase in its net value, to PLN 2 575 million.

In 2021, the Group continued its strategy of geographic diversification by increasing its share in Tricity and Wroclaw and by launching operations in Cracow on 1 July 2021.

Dom Development S.A. has been an undisputed leader on the Warsaw market for many years, maintaining a market share of more than 10%.

In 2021, the Group, with a 10% share, maintained its leading position also in the Tricity market. Within 4 years of its acquisition by the Group, Euro Styl S.A. has significantly increased its capacity and scale of operations, permanently strengthening its position on the local market.

Dom Development Wrocław Sp. z o.o. closed the year 2021 among top local developers, with 5% market share.

The Company's Management Board has the particular focus on maximising returns on operations. In a situation

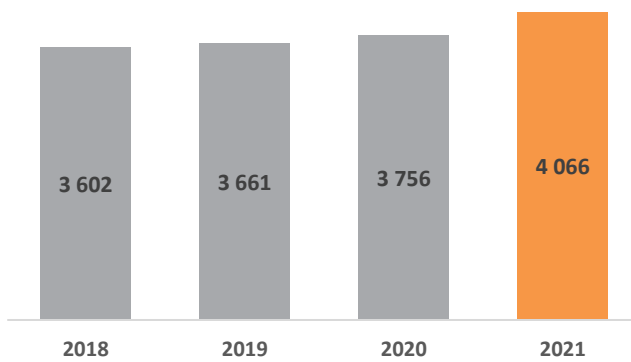
where demand exceeds market supply the Group companies focused on the efficient replenishment of the offer and on balancing sales dynamics and prices.

Dom Development S.A. Capital Group has a well-established position in the upper-standard segment. High quality, timely project completion and comprehensive service are recognised by the customers and are reflected in the above-average value of units sold by the Group companies.

The average gross price of a unit with an option of turn-key fitout, storage unit or a parking space sold by the Group in 2021 reached PLN 667 thousand, which is 12% higher than a year ago. Among the Group's markets, Warsaw recorded the highest average transaction value: PLN 774 thousand, i.e. 13% more than a year ago. In turn, the highest annual growth in this area was observed by Euro Styl operating in the Tricity, where the average transaction value increased by 25%, to PLN 568 thousand in 2021.

Approx. 50% of sales transactions concluded by the Group companies in 2021 were cash transactions, without a mortgage loan support.

## NET SALES OF UNITS (NUMBER OF UNITS)

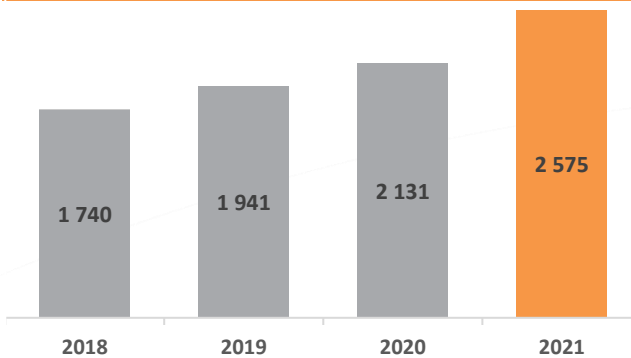


Dom Development S.A. sold 2 165 units net (including cancellations) in Warsaw in 2021, i.e. 7% less than a year ago. At the same time, following its strategy of margin maximisation, the Company increased net sales value by 4%, to PLN 1 577 million.

In 2021, Euro Styl S.A. operating in Tricity sold 1 263 units net, i.e. 24% more than a year before. The Group's net sales value in this market increased by 59%, to reach PLN 696 million. Multi-stage projects, forming high-standard urban fabric, dominated in the sales structure of Euro Styl. These were: DOKI and Montownia, Osiedle Beauforta, Perspektywa, and Zielony Południk.

Dom Development Wrocław Sp. z o.o. generated record-breaking sales of 519 flats (+29% year-over-year), while increasing the net sales by 34% to PLN 230 million.

## VALUE OF UNITS SOLD (in PLN mn)



## GROUP OFFER

The offer of residential units was under strong pressure – supply did not keep up with strong demand in 2021. The Company's Management Board believes that the Dom Development S.A. Capital Group has met the challenge by increasing the sales volume while maintaining the size of the offer. In the past year, the Group started selling units in 10 new locations in 4 agglomerations.

The rate of offer turnover was very high thanks to the large diversity and the good matching of the sizes and layouts of the apartments to the needs of customers – the size of the offer both at the beginning and at the end of 2021 corresponded to approx. 64% of the sales generated during that period.

UNITS SOLD BY MARKETS	2021	2020	CHANGE
Warsaw Dom Development S.A.	2 165	2 340	(7%)
Tricity Euro Styl S.A.	1 263	1 015	+24%
Wrocław Dom Development Wrocław sp. z o.o.	519	401	+29%
Cracow Sento S.A. (01.07.-31.12.2021)	119	-	-
<b>Dom Development S.A. Capital Group</b>	<b>4 066</b>	<b>3 756</b>	<b>+8%</b>

The Group has been also operating in Cracow since 1 July 2021. In H2 2021, Sento S.A., in which the Company acquired 77% stake, sold 119 units as compared to 117 units sold over the entire 2020.

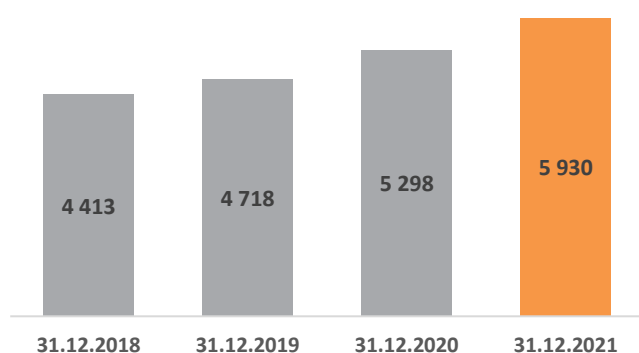
The Company's Management Board recognises enormous potential of the Cracow market and its share in the Group's operations are expected to increase in the coming years. The Group's growth in that market will be driven in particular by the acquisition of the BUMA Group companies, the leading developer in Cracow, with 261 units sold in 2021, as closed in February 2022. The BUMA Group and Sento S.A. in total sold more than 500 units in the past year.

NET SALES (in PLN mn)	2021	2020	CHANGE
Warsaw Dom Development S.A.	1 577	1 521	+4%
Tricity Euro Styl S.A.	696	438	+59%
Wrocław Dom Development Wrocław sp. z o.o.	230	172	+34%
Kraków Sento S.A. (01.07.-31.12.2021)	72	-	-
<b>Dom Development S.A. Capital Group</b>	<b>2 575</b>	<b>2 131</b>	<b>+21%</b>

UNITS AVAILABLE FOR SALE	2021	2020	CHANGE
Warsaw Dom Development S.A.	1 161	1 051	+10%
Tricity Euro Styl S.A.	753	1 017	(26)%
Wrocław Dom Development Wrocław sp. z o.o.	457	414	+10%
Cracow Sento S.A.	109	-	-
<b>Dom Development S.A. Capital Group</b>	<b>2 480</b>	<b>2 482</b>	-

As at 31 December

## UNITS UNDER CONSTRUCTION



The Group finished the year 2021 with a record-high scale of projects in progress. 5 930 units under construction, of which more than 3 800 that have already been sold, show great potential for future results.

The Company's Management Board believes that the increase in the scale of the Group's development projects by 12% is a major success, especially in view of the intensified difficulties in obtaining administrative permits and the limited availability of investment land. Despite this scale, all construction work followed schedule and budget.

Success in this area 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 in timely manner and according to the

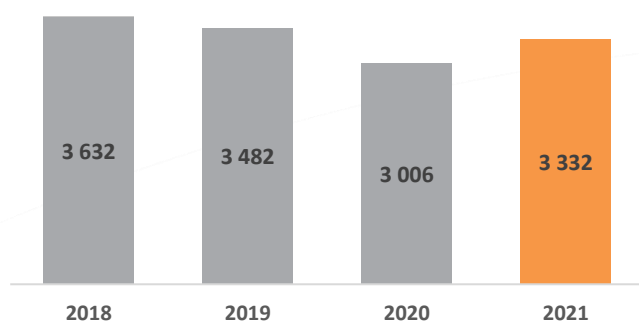
UNITS UNDER CONSTRUCTION	2021	2020	CHANGE
Warsaw Dom Development S.A.	2 584	2 433	+6%
Tricity Euro Styl S.A.	2 283	2 044	+12%
Wroclaw Dom Development Wrocław sp. z o.o.	873	821	+6%
Cracow Sento S.A.	190	-	-
<b>Dom Development S.A. Capital Group</b>	<b>5 930</b>	<b>5 298</b>	<b>+12%</b>

As at 31 December

high standards of the Group at a competitive price while maintaining the profitability of their business.

In Warsaw, where administrative difficulties and the situation on the land market were the most complex of all Polish agglomerations, Dom Development S.A. increased its scale of operations by 6%. The 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. Also in Wrocław, the Group strengthened its position and increased the scale of its projects. At the end of 2021, the Group had one ongoing project in Cracow. A significant growth in the scale of operations in this market should be expected in 2022.

## UNITS DELIVERED (in PCS.)



The deliveries of completed units is a key factor affecting the results of the Company and of the Group. The timely completion of construction projects in 2021 has translated into the number of delivered units as expected by the Management Board. The increased diversification of the Group's operations was also reflected in the structure of the deliveries – the Company maintained the volume of units delivered to customers at a similar level to the previous year, while deliveries at Euro Styl S.A. and Dom Development Wrocław Sp. z o.o. increased by 18% and 25% respectively.

The results of the Company and of the Group in 2021 were affected in particular by deliveries in the upper-standard

UNITS DELIVERED (in PCS.)	2021	2020	CHANGE
Warsaw Dom Development S.A.	1 798	1 807	-
Tricity Euro Styl S.A.	972	824	+18%
Wroclaw Dom Development Wrocław sp. z o.o.	470	375	+25%
Cracow Sento S.A. (01.07.-31.12.2021)	92	-	-
<b>Dom Development S.A. Capital Group</b>	<b>3 332</b>	<b>3 006</b>	<b>+11%</b>

projects in Warsaw: Marina Mokotów (208 units), Żoliborz Artystyczny (244 units) and Apartamenty Ogrodowa (157 units).

The volume of deliveries is closely linked to the project timelines. In the previous year, the Group completed the construction of 34 projects totalling 3 274 units. The Group has started the year 2022 with a record-high potential of unit deliveries, totalling 5 030 units sold with a value of PLN 3 003 million. Out of these, 1 192 have been completed, with a further 2 745 to be completed in 2022. In addition, the offer as at 31 December 2021 included 878 units that were completed or scheduled for completion within the next 12 months.



## 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 banks 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. It is estimated that the developer's land bank should be sufficient for approximately 3-4 years of sales.

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 property development projects shortly following the completion of the purchase of the land. In 2021, this was the case, for example, for Apartamentów Służewiec, Osiedla Urbino, Bokserska 71, Domu na Służewcu, or new stages of

UNITS IN THE LAND BANK – PLOTS PURCHASED AND CONTROLLED	2021	2020	CHANGE
Warsaw Dom Development S.A.	9 329	7 544	+24%
Tricity Euro Styl S.A.	5 200	5 545	(6)%
Wroclaw Dom Development Wrocław sp. z o.o.	1 729	1 577	+10%
Cracow Sento S.A.	727	-	-
<b>Dom Development S.A. Capital Group</b>	<b>16 985</b>	<b>14 666</b>	<b>+16%</b>

As at 31 December

Dzielnica Mieszkaniowa Metro Zachód, 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. The land bank of Euro Styl S.A., as envisaged by the Management Board, decreased by 6% in the last year, but it was the result of creating a relatively high potential in the previous years. 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 market leader in the coming years.

Dom Development Wrocław Sp. z o.o. expanded its land bank by 10% in 2021. The company secured land with the potential of an over 630 unit in four locations, which will help to increase the scale of the Group's operations in Wrocław in the coming years.

## 1.7 MAJOR EVENTS IN 2021

### STARTING OPERATIONS IN CRACOW

On 12 March 2021 the Management Board of Dom Development S.A. decided to launch operations in Cracow by acquiring a majority stake in Sento S.A., a residential developer with many years of experience in the local market. The PLN 35 379 thousand worth acquisition of 77% of the shares in Sento S.A. was completed on 1 July 2021. The remaining 23% of shares in that company are still controlled by its management.

The Company's Management Board highly values the potential of Cracow, which is considered to be the second largest residential market, after Warsaw, both in terms of prices and transaction volume. What is interesting, despite such a large scale, local development activities are highly fragmented and there is no clear leader.

Bearing in mind the consolidation potential in the Cracow market, the Group's financial resources and experience, the Company's Management Board decided to start another acquisition in that market. On 7 September 2021, the Group secured exclusive rights to negotiate the acquisition of the BUMA Group companies, a leading Cracow developer. The transaction was closed on 28 February 2022.

The Group's sales in the Cracow market last year, i.e. sales generated by Sento S.A. in H2 2021 was 119 units. However, when assessing the Group's potential there, both the 245 units sold by Sento S.A. throughout the year and the 261 units sold by the BUMA Group companies, should be taken into account.

### PAYMENT OF RECORD-HIGH DIVIDEND

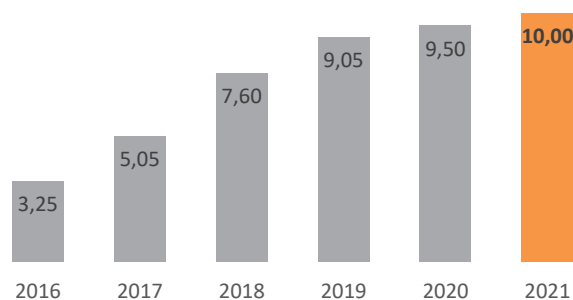
In 2021, Dom Development S.A. paid a record-high dividend of PLN 10.00 per share, totalling PLN 253 984 thousand, i.e. 84% of the Group's consolidated net profit for 2020 and 96% of the Company's net profit for 2020. The dividend rate in relation to the share price of the Company on the in-dividend date 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 payment was approved by the Annual General Shareholders' Meeting of the Company, which accepted the recommendation of the Company's Management Board.

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 the opinion of the Management Board, the high return on equity (ROE) of the Company 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. The intention of the Management Board is to increase the dividend per share, taking into account the situation in the market environment.

### ISSUE OF BONDS

On 12 May 2021, Dom Development S.A. issued unsecured series DOMDET5120526 bearer bonds with a total nominal value of PLN 110 million and 5-year maturity. The interest on the bonds in question is paid every six months and is calculated on the basis of the WIBOR 6M plus 1.30 bps of margin per annum. In the opinion of the Management Board of the Company, this low 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.

The bonds in question replaced the DOMDE6151121 series bonds of total value of PLN 110 million in the Company's financing structure, and some of them - in total amount of PLN 32 076 thousand - were redeemed by the Company for cancellation on 11 May 2021 and the remaining bonds in that series, of PLN 77 924 thousand of par value, were redeemed at maturity, i.e. on 15 November 2021.

## 1.8 RISKS AND FACTORS RELEVANT TO THE DEVELOPMENT OF THE COMPANY AND THE GROUP

### CHARACTERISTICS OF THE EXTERNAL AND INTERNAL FACTORS RELEVANT TO THE DEVELOPMENT OF THE COMPANY AND THE GROUP, INCLUDING A DESCRIPTION OF THE RELEVANT RISKS AND THREATS AND THE EXPOSURE OF THE COMPANY AND THE GROUP TO THEM

#### 1.8.1 EXTERNAL FACTORS

##### ECONOMIC AND POLITICAL SITUATION IN THE REGION IN CONNECTION WITH THE WAR IN UKRAINE

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Company and its subsidiaries operate exclusively in Poland. The Company's Management Board believes that the war in Ukraine may mostly affect the demand for dwellings, construction costs, and the availability of subcontractors. Due to highly volatile situation as at the date of this report the Company's Management Board is unable to estimate the scale of the impact of the war in Ukraine on the Company's and the Group's operations.

The military mobilisation in Ukraine can result in a partial outflow of workers from the construction industry. In-house general contracting, direct relationships with subcontractors and the economies of scale that facilitate optimisation of resources cause the Group to have all means for achieving its objectives in the upcoming year quarters, while strengthening its competitive position. As at the date of this

report all of the Group's development projects were progressing as planned or more quickly than planned.

The Company's Management Board continuously monitors the situation and analyses its potential impact from the perspective of individual projects, the Group as a whole, and its long-term objectives.

IN the opinion of the Management Board, Dom Development S.A. has a relatively strong competitive position. Thanks to consistently implemented policy of strong balance sheet and low net debt, the Group companies can run their business with confidence and build long-term growth potential. The Company's Management Board recognises the good growth prospects for the Group in Cracow, which is reflected in the acquisition of the BUMA Group companies in Cracow on 28 February 2022, resulting in a step growth of the potential in this market.

##### INTEREST RATES

It is traditionally assumed that the residential market is inversely correlated to interest rates: low interest rates attract capital to the real estate market and increase the availability of credit, while high interest rates cool it down.

For three quarters of the previous year the NBP reference rate remained at historically low level of 0.10%. However, the cycle of driving down interest rates that started in 2012 has ended in October. The three increases made by the Monetary Policy Council caused the reference rate to reach 1.75% at the end of 2021, while WIBOR 3M was 2.54%, indicating the continuation of stricter trend in monetary policy.

The Company's Management Board believes that the interest rate increases were a reasonable step to stabilise the situation in a very hot residential market. Demand exceeding supply and the flight of capital to the real estate market in fear of increasing inflation have stimulated prices to grow and reach historical highs in all the monitored cities in the past year.

Rising interest rates have slightly reduced the activity of mortgage-backed customers, especially those at the

credit worthiness limit, who are mainly buying flats in popular segment.

There is demand, however, for upper-standard units, which dominate in the Group's offer. The customers' interest in this segment results from their desire to protect the accumulated capital from inflation and from lower sensitivity to the increase in the cost of mortgage.

The Company's Management Board believes that the tightening of monetary policy by increasing interest rates will continue in 2022, and has already been accounted for in WIBOR 3M, which growth significantly exceeded the increase of the NBP reference rate.

Shrinking demand for housing is expected which accompanied by shortage of supply in the Group's markets should stabilise prices with a slight correction of the market sales volume. It could be expected that Dom Development S.A. and its Group companies will be relatively resistant to the expected cooling of this sector of the economy thanks to their established position in the segment of upper-standard apartments.

## INFLATION

Inflation has indeed exceeded expectations in many countries last year. In 2021, the prices of goods and services went up by 8.6% in Poland, and inflation is expected to peak in 2022. Real estate is considered to be one of the most effective forms of protecting capital against inflation, therefore the Company's Management Board believes the expected further devaluation would drive demand for housing.

High inflation and deposit interest rates growing much slower than interest rates, result in deeply negative real interest rates. As a result, the accumulated savings have been shrinking at the highest rate in past 20 years, with inflation in December reaching 8.6% YoY, the average interest rate of new deposits according to NBP did not exceed 1%. Bearing in mind record level of household savings (private deposits increased by 6% YoY, to PLN 955 billion), thus the share of cash transactions in the residential market is expected to increase even more. This trend was already visible in 2021 – transactions financed with own funds accounted for 40% of the Group's sales in Q1 and increased to 54% in Q4.

Inflation also affected the supply side of the Group's activities. The PSB Group's estimates for the sector show approx. 24% increase in prices of construction materials

over 2021. The pressure to increase costs also was a result of growing salary expectations driven by inflation reports.

The war in Ukraine is an additional factor driving further inflation growth. As at the date of this report it is difficult to estimate the scale of its potential impact.

Thanks to in-house general contractor, the Group optimises the construction process from a project planning stage, utilises the economies of scale, and ensures regular high-quality jobs for subcontractors, while developing long-term relationships based on trust. All of these advantages have indeed gained in importance in the past year, and are expected to form key competitive advantages in 2022. The Company's Management Board believes that it will be a period when the returns of many developers may decrease due to cost pressure exceeding price growth. In particular it may occur in the case of projects in the popular segment, where the buyer's price sensitivity is the highest and the demand is the most responsive to interest rate increases. Thanks to the developed business model it may be expected that the Company and its Group will be largely able to mitigate the risk of increased project development costs thus ensuring satisfactory profitability of operations.

---

## LABOUR MARKET SITUATION

The situation on the housing market is closely linked to the situation on the labour market. Poland is doing very well in this regard by remaining among countries with the lowest unemployment.

The unemployment rate in Poland fell from 6.2% in December 2020 to 5.4% a year later. In the cities, where the Group operates, the unemployment rate remained below so-called natural unemployment. Such high demand for labour in the context of rising inflation has resulted in salary pressure and 11% increase in average salaries in Poland over the past year, to PLN 6 644 in December 2021.

An expectation of job stability is an important factor in a decision to buy an apartment, in particular for people who take a mortgage loan.

The past year was marked by a shortage of workers – the number of vacancies was comparable to that in the record year 2018. Consequently, as the statistics confirm, the feeling of employment stability was high. Since April 2020, due to the volatile situation caused by the COVID-19 epidemic, GUS (Statistics Poland) has monitored the percentage of employed people who are concerned about losing their job. This figure remained relatively stable in 2021. In February and March, most of respondents, i.e. 4.2%, answered "definitely yes", when asked if they were

afraid of losing their jobs. The fewest of such responses were given in August – 1.5%, and in December the percentage of people who were strongly concerned about losing their jobs was 2.7%. Consumer moods, measured by the consumer confidence index, remained at 2013-2015 levels after a record-high in 2019.

In the opinion of the Management Board of the Company, the labour market situation and consumer sentiment may be crucial for housing demand in 2022, in particular in the popular segment.

The COVID-19 epidemic 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 and the Group have been closely monitoring the expectations of apartment purchasers and adjusting the structure of the offer. A tangible effect of these efforts is an increase in the rate of offer turnover in 2021 – despite relatively low number of available apartments, the Group's sales increased in 2021.

## ADMINISTRATIVE DECISIONS

The nature of real estate development projects requires a number of licenses, approvals and arrangements to be obtained by 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.

Over the past year, there has been an increase in the waiting time for the decisions required for development projects in the major agglomerations of the country, which has effectively reduced market supply. Warsaw has traditionally been a particularly hard market in respect of pursuing development projects.

---

## 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. Capital Group has little exposure to the risk of insufficient availability of capital. The lack of net debt, the high cash balance and the high reliability of the Company in the eyes of financial institutions, which allowed it to issue bonds with a record-low margin, are sources of the Group's competitive advantage and ensure the comfort of uninterrupted property development projects.

As at 31 December 2021, Dom Development S.A. Capital Group had PLN 648 million cash and PLN 414 million in

The Company's Management Board believes that this negative trend for developers and their customers will continue. The Group companies mitigate the risk associated with the protracted procedures to obtain administrative decisions required to develop a project by holding a high quality land bank of approx. 3 years of sales in each of the Group's markets.

In Warsaw, where for many years the difficulties in the development of investment projects have been the most severe, the Company maintains a high quality, diversified land bank, at a slightly higher level, corresponding to more than 4 years of sales at Dom Development S.A. It is a conscious strategy of the Management Board, aimed at smooth replenishment of the Company's offer in this most demanding but also most profitable market in Poland.

available credit lines. With interest debt of PLN 393 million, of which just PLN 51 million is short-term debt, the Group held net cash of PLN 255 million. These figures confirm the strength of the Group's balance sheet, which made it stand out in the sector for many years.

The capital availability is a factor also significantly affecting demand for housing. Rising interest rates reduce credit availability, which may have a negative impact on the demand in the housing market, especially in the so-called popular segment. That risk applies to the entire property development market, but in the opinion of the Management Board of the Company, the Group's exposure to that risk is relatively low, as the majority of the Group's offer is high-end apartments.

---

## 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 (GDP).

According to the preliminary estimates of the Statistics Poland (GUS), in 2021 Poland's GDP rose in real terms by 5.7% as compared to a 2.5% decrease a year earlier. In Q4 2021, Poland's GDP grew by 7.7%, which is the highest figure in the entire European Union.

Poland's economy proved to be relatively resilient to the slowdown caused by the COVID epidemic. Solid foundations translate into economic forecasts of continued strong growth of GDP in the coming months.

A factor that makes it difficult to assess the country's prospective economic situation is the large volatility caused by the war in Ukraine, which affects both the financial markets and the real economy of Poland.

---

## LEGISLATION

Potential future changes in legislation constitute a risk that could directly or indirectly affect the activities and performance of the Group companies. These risks include changes resulting from the amendments of the so-called Developers Act, including in particular the introduction of compulsory contributions to the Development Guarantee

Fund. They will be up to 1% of the value of the dwelling, and will be compulsory for projects put up for sale after 30 June 2022. However, in the opinion of the Management Board of the Company, the negative impact of such an obligation might affect the Group's activities and results to a relatively smaller degree than is the case

for smaller property developers. The Group'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.

The potential legal risks also include the amendments to the technical conditions to be met by buildings and their location. As at the date of this report the new provisions of the Regulation have not yet been adopted, but based on the draft provisions submitted for consultation, the Company's Management Board identifies the potential risk of increased construction costs. The changes generating potential cost increases are mainly the related

to adequate daylight in units, including the elimination of the derogation from the daylight requirements for studios, as well as the regulations concerning the distribution of parking spaces in an underground garage.

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

## 1.8.2 INTERNAL FACTORS

### MANAGEMENT OF THE CAPITAL GROUP

The Dom Development S.A. Capital Group has notably developed since 2017. In that period, the Group increased its geographical coverage to include the Tricity and Cracow, extended its activities to include general contractorship and implemented plans to diversify its activities, as evidenced by the significant increase in the share of the Company's subsidiaries in the Group's operating and financial results. The Management Board of the Company took extensive measures to optimise the management of the Group and to establish a system framework for further development – both organic and through possible acquisitions.

The acquisition of Euro Styl S.A. Capital Group in 2017, a large property development group involved in property development projects in the Tricity and in the general contractorship of its projects, required the harmonisation of processes, organisational structures and systems and the development of effective communication channels and the circulation of information. The implementation of that labour-intensive and complex task was successful and the Company gained invaluable knowledge and experience in building added value through acquisitions.

In July 2021, building on the experience of expansion through acquisition, the Company acquired the controlling interest in Sento S.A., a Cracow-based residential developer. The great potential of the capital of Małopolska prompted the Company's Management Board in September 2021 to

negotiate terms of acquisition of the BUMA Group companies. The transaction was closed in February 2022.

With the acquisition of Euro Styl S.A., the Group acquired its own general contractor company – Euro Styl Construction Sp. z o.o. In the following year, the Management Board made a strategic decision to develop its own general contractor company operating in Warsaw and Wrocław. Dom Construction Sp. z o.o., with an experienced team and efficient management, is a very well-organised general contractor company that successfully combines a quickly growing scale of operations, high quality and cost efficiency - offering prices at a competitive level and achieving profitability above the industry average. In 2021, Nestbud Sp. z o.o., a subsidiary of Sento S.A., joined the pool of general contractors operating within the Group.

The changes that have taken place in recent years are a source of challenges in terms of effective Group management and maintaining the flexibility of the organisation needed to respond quickly to changes in a competitive environment. The main threat is, above all, a difficult decision-making process. The Management Board of the company is aware of such risks and is committed to mitigating them, e.g. through a clear division of decision-making areas between various levels of the organisation and the implementation of IT systems that support management reporting and information sharing in the Group.

### HUMAN CAPITAL

Property development projects are long-term projects of a unique nature. Therefore, the key advantage in this sector is know-how, the main source of which is experienced employees. Dom Development S.A. Capital Group has a low employee turnover and long-standing relations with many of its contractors. As a result, the Group is able to achieve above-average results at every stage of the property development process, from the

purchase of high-quality land, to a high-quality design and timely and cost-effective construction to good relations with its customers who become the Group's ambassadors.

The Management Board of the Company mitigates the risks of loss of key employees through incentive programmes covering all employees of the Group companies, the development of managerial competencies and expertise of employees at the operating level.

---

## BUSINESS MARKETS

In 2021, Dom Development S.A. Capital Group operated on four markets: in Warsaw, Tricity, Cracow 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. In accordance with earlier declarations, in the recent year, the Management Board of the Company implemented a strategy of diversification of the Group's activities by expanding its operations into the Cracow market and increasing significantly the scale and potential of Euro Styl S.A. and Dom Development Wrocław Sp. z o.o.

Thanks to the expansion into the Cracow market last year, the Group operates in the four largest residential markets in Poland. The Company's Management Board intends to

continue its diversification strategy, in particular through a rapid increase of engagement in the Cracow market. Rapid growth in the capital of Małopolska province will be possible mainly due to the acquisition of the BUMA Group companies, a leading local developer, closed in February 2022.

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 Group's value and will be continued in the next years. The aim of the Management Board of Dom Development S.A. is to maintain 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.

The supply of new apartments in the market decreased in 2021 primarily due to difficulties in obtaining administrative decisions, high prices and the low availability of land. Among the four markets on which the Group operates, the most

difficult situation was in Warsaw. Despite these obstacles, it expanded its land bank at the end of 2021 to a record level of nearly 17 thousand units at the end of 2021.

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 three years. 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.

---

## CONTRACTOR RELATIONS

The quality and timeliness of implementation of the projects is the basis for building customer confidence. The Group adheres to a high standard of performance and expects the same from its contractors. We are a demanding, but reliable business partner. Thanks to the long-term relationships with its subcontractors, the Group as one of the few property developers was able to carry out its construction projects in a timely manner even during the severe labour shortages in 2017 and 2018.

This relationship-based approach to external parties increases the operational efficiency of the Group – acting

in line with proven procedures, and in cooperation with proven contractors, the risk of delays, cost overruns and reputation losses due to quality problems is reduced.

Due to the expected partial outflow of construction workers caused by the war in Ukraine, the Company's Management Board is aware of the limited availability of subcontractors. In this context, the relationship with business partners established through long-term cooperation and the Group's capacity to place sufficient orders thanks to the scale of its operations is even more important.

---

## CUSTOMER SATISFACTION

The decision to buy an apartment is often a portentous and emotional event in many a person's life. With this in mind, the employees of the Group companies make every effort to ensure that the process is carried out in a

comfortable manner and that customer satisfaction with the purchase is high and enduring.

The Polish real estate market has been maturing, with people buying their second and third apartments, as their

lives change and for investment purposes. This change makes the developer's brand more important. One of the strengths of Dom Development S.A. Capital Group, which is reflected not only in sales volumes but also in the lower price-elasticity of buyers, is its opinion as a trustworthy company, earned through many years of diligence towards the customers.

The importance of reputation risk is relatively high for a property developer – when a person decides to buy an apartment, they often ask their friends for opinions and seek online reviews. The Group companies closely monitor and analyse customer satisfaction at both general and specific levels, broken down by area and project, with

the use of the Net Promoter Score. This is a metric used in different industries, which can range from -100 to 100.

In 2021, the Group noted the highest NPS level in the history of the measurement, at a level of 70 points. By comparison, on a much more mature UK market, the average value of this indicator for the sector was 42 points (according to a report published in March 2021 by the Home Builders Federation).

Through careful monitoring of the opinions and satisfaction levels of apartment purchasers, the Group has been able to respond better to customer needs. Feedback concerning our projects is carefully analysed and used in the development of further projects by the Group.

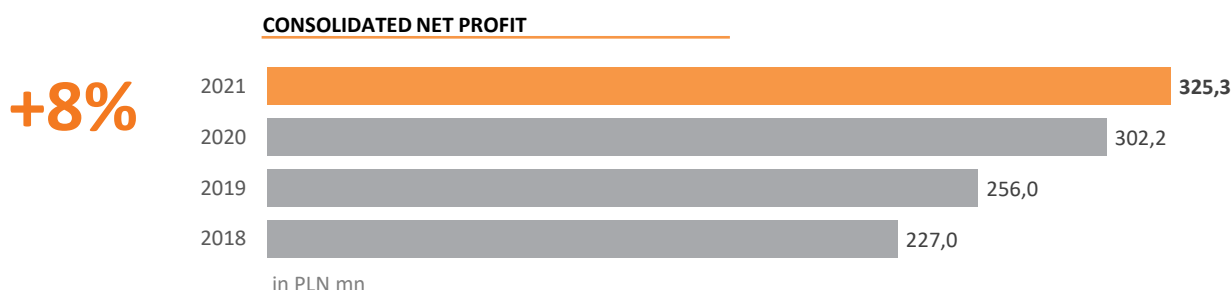


## **2 OVERVIEW OF FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. AND ITS GROUP**



## 2.1 PROFITS AND PROFITABILITY

### 2.1.1 CONSOLIDATED FINANCIAL RESULTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP



The year 2021 was a record-breaking year for Dom Development S.A. Capital Group in terms of financial results. The Group has gradually improved its financial performance and profitability in recent years. High-quality projects, effective sales policy and timely completion of projects resulted in 5% increase in consolidated sales revenue, which reached PLN 1 897.5 million.

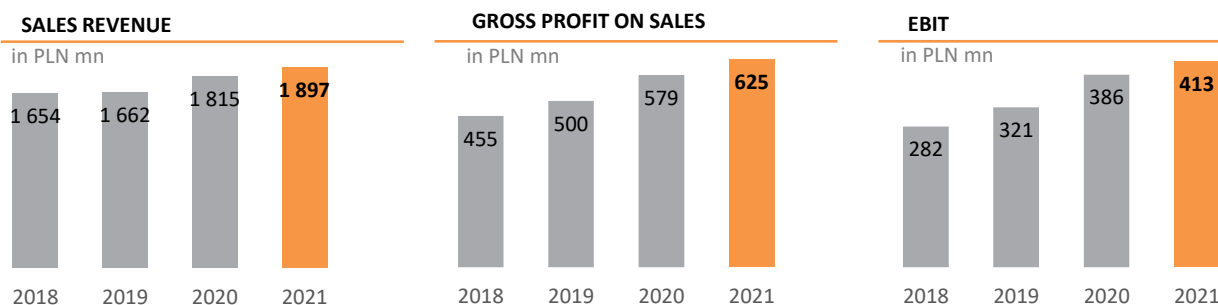
In the past year, despite strong construction costs pressure, the Group continued to pursue its strategy of maximising margin and recorded gross profitability growth at the level of gross profit on sales to 32.9% from 31.9% in 2020. The management of construction costs was improved as a result of project development by in-house general contractors. This meant that the gross profit on sales grew faster than revenue, i.e. by 8% compared to 2020 versus 5% of growth in revenues.

In 2021, the Group significantly increased the scale of its projects and, as planned, it expanded its activities to include the Cracow market. It caused selling costs and general administrative expenses to grow by 9% and 14%

respectively as compared to the previous year. In the opinion of the Company's Management Board these increases are justified due to successful completion of investment plans in 2021 and inflationary pressure intensifying in the Polish economy over the past year.

The Group's operating result was PLN 413 million in 2021, i.e. 7% more than a year before. Because the Group places a strong emphasis on management efficiency, the operating profit margin increased to 22% in 2021. The Company's Management Board considers this a very satisfactory level that reflects the effectiveness of the Group's business model.

In the past year, the Group registered a record consolidated net profit of PLN 325.3 million, i.e. PLN 12.89 per share. This is an effect of the record-high operating results, with a stable balance on financial activities and a conservative tax policy. The Company's Management Board would like to stress that this record result is accompanied by historically high potential of sale to be recognised.



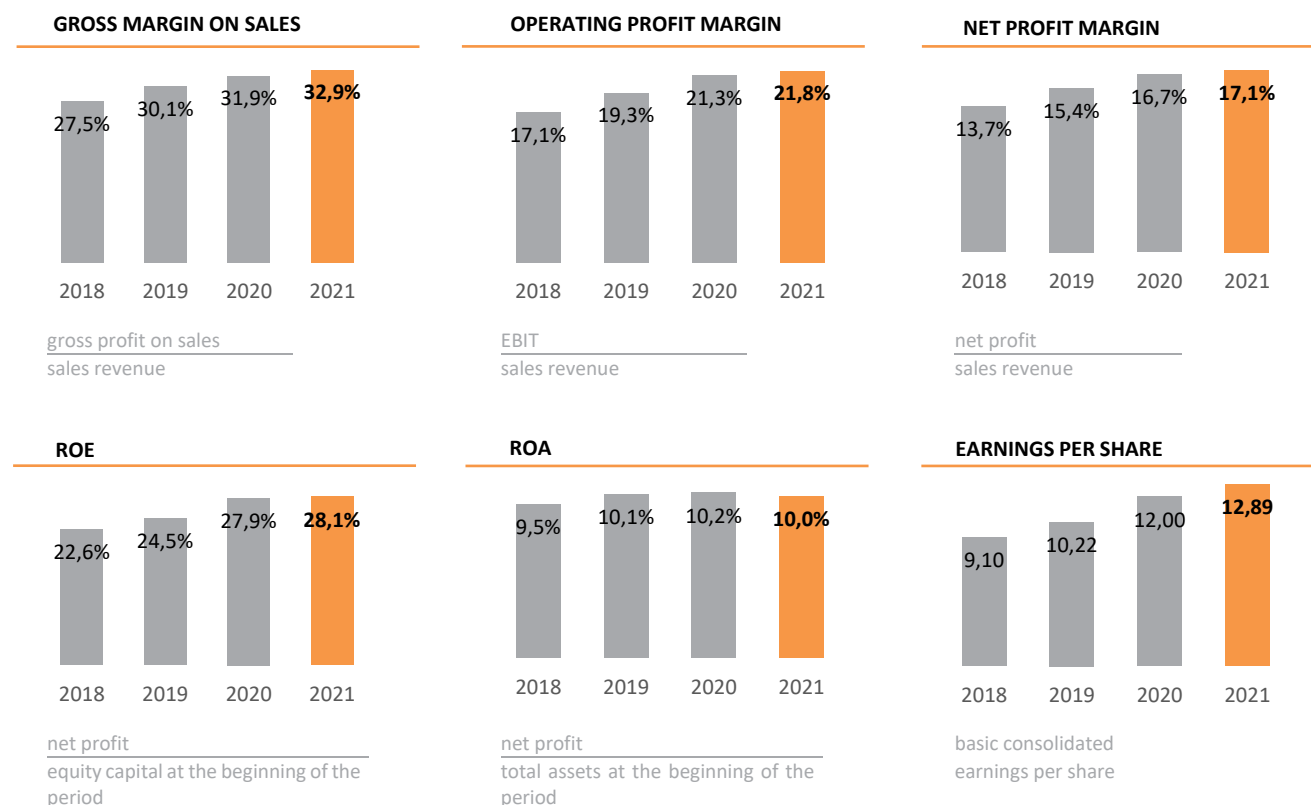
In the opinion of the Management Board of the Company, the financial results of Dom Development S.A. Capital Group in 2021 were very good and were the result of skilful leveraging of the opportunities offered by the market.

The Group's gradual increase in profits and the relatively steady shareholders' equity, due to dividend payments of almost the entire consolidated profit for 2012-2020,

resulted in growth of return on equity (ROE), which means that Dom Development S.A. Capital Group stands out in the sector. The ROE growth from a very high level of 27.9% in 2020 up to even higher level of 28.1%, is another indication of the Group's efficient performance and its ability to read market signals.

The return on assets remained stable at approx. 10%. The Company's Management Board believes that it is a very good result. The Group's assets grow proportionally to its results mainly due to the increase in inventory, which determine the potential for future results. The Group's inventory mostly comprises units sold and not yet delivered to the buyers, and therefore not recognised in the income statement.

In 2021, there were no abnormal factors which would have had a material impact on the financial results presented in this report. Neither Dom Development S.A. nor other companies operating within its Capital Group published forecasts of financial results for 2021.



### 2.1.2 FINANCIAL RESULTS OF DOM DEVELOPMENT S.A.

FINANCIAL RESULTS AND PROFITABILITY OF DOM DEVELOPMENT S.A.	2021	2020	Change YoY
<b>INCOME STATEMENT</b>			
Sales revenue	1 234 988	1 255 689	(1.6)%
Gross profit on sales	378 053	385 274	(1.9)%
EBIT	242 702	254 391	(4.6)%
Net profit	306 767	264 217	16.1%
<b>Earnings per share, basic</b>	<b>12.09</b>	<b>10.49</b>	<b>15.3%</b>
<b>PROFITABILITY RATIOS</b>			
Gross margin on sales	30.6%	30.7%	(0.1) p.p.
Operating profit margin	19.7%	20.3%	(0.6) p.p.
Net margin	24.8%	21.0%	3.8 p.p.
ROE	26.6%	23.7%	2.9 p.p.
ROA	11.1%	10.5%	(0.6)p.p.

The financial results of Dom Development S.A. were very strong in 2021 in the opinion of the Management Board of the Company. The stable revenue mostly resulted from a similar volume of deliveries as in the

previous year (1 798 units versus 1 807 a year before). The average value of a unit delivered by the Company in 2021 was PLN 687 thousand, confirming the well-established position of Dom Development S.A. in the

segment of upper-standard units. It also allows us to maintain very attractive return on sales, which was 30.6% as compared to 30.7% a year ago.

The Company continued its strategy of market diversification, implemented through subsidiaries developing real estate in the Tricity market (Euro Styl S.A.), in Wrocław (Dom Development Wrocław Sp. z o.o.) and in Cracow (Sento S.A., which joined the Group on 1 July 2021). Thanks to the successful expansion and

increased scale of operations in these markets, dividend received from subsidiaries increased by 66%, to nearly 113 million in 2021.

The leading position in the Warsaw market and the successful diversification of activities through expansion in other main agglomerations of Poland allowed the Company to increase its net result by 16%, to PLN 307 million in 2021. The Company's net profitability ratio reached a very high level of 24.8% during this period.

## 2.2 CAPITAL STRUCTURE OF THE COMPANY AND THE GROUP

In 2021, the Company's and the Group's position in terms of assets was strong, and made them stand out in the sector. The Group's balance sheet total increased over the past year to PLN 3 878 million as compared to PLN 3 253 million as at 31 December 2020.

### ASSETS

Current assets worth PLN 3 767 million as at 31 December 2021, were dominant in the Group's asset structure, as in previous years. The share of tangible fixed assets in the balance sheet total was 3%. Cash understood as cash and cash equivalents plus cash in open escrow accounts remained at a very high level of PLN 648 million, allowing the Group to flexibly respond to changes in the market environment.

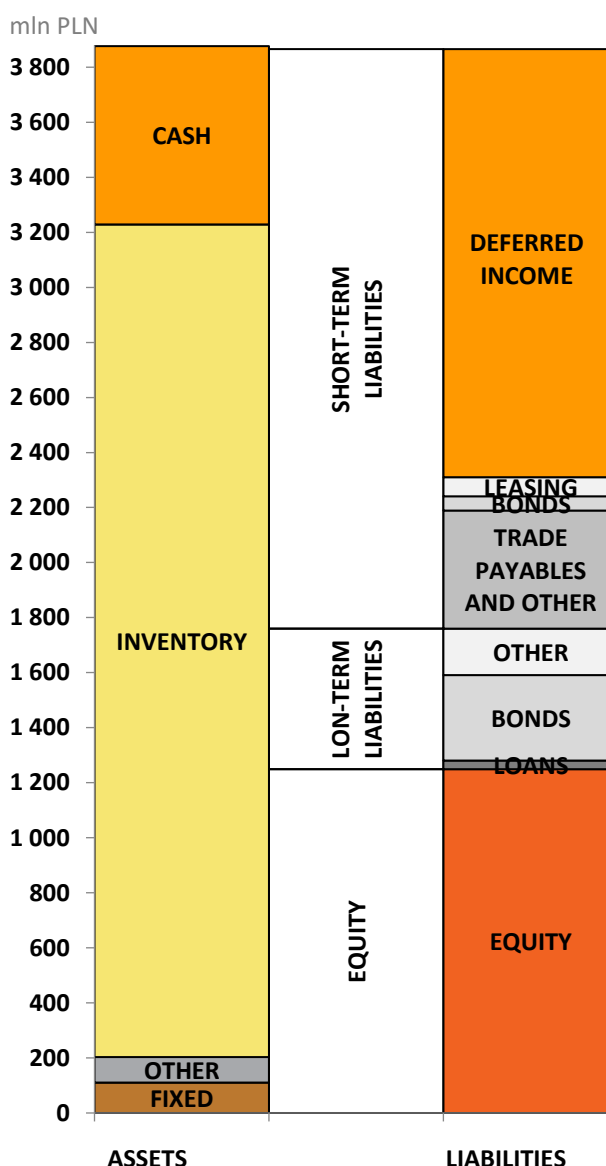
The value of funds in the escrow accounts of Group companies was relatively low, and it stood at PLN 41 million as at 31 December 2021 against PLN 50 million a year earlier. A small proportion of these funds in relation to the value of invoiced sales recorded under "deferred income" in liabilities (around 3% at the end of 2021) demonstrates the high operational efficiency of the Group companies and the timely completion of building projects. Funds are released from an open escrow account proportionally to the progress in building works, as soon as certain stages are completed.

Consistently, inventory is the key item in the Group's assets, and they increased by 25%, to PLN 3 025 million in 2021. This balance sheet item consists primarily of projects under construction and investment land for future projects with a total value of PLN 2 550 million.

### LIABILITIES

The closing balance of shareholders' equity at the Dom Development S.A. Capital Group was PLN 1 249 million in 2021, i.e. 8% higher than as at 31 December 2020. The increase in shareholders' equity mostly results from an increase in reserve capital, supplementary capital and accumulated unappropriated profit by 10%, to PLN 967 million.

### BALANCE SHEET STRUCTURE AS AT 31 DECEMBER 2021



SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET OF DOM DEVELOPMENT S.A. CAPITAL GROUP (in PLN '000)	31.12.2021	Share in the balance sheet total	31.12.2020	Change YoY
<b>Total fixed assets</b>	<b>110 193</b>	<b>3%</b>	<b>70 758</b>	<b>56%</b>
<b>Current assets</b>				
Inventory	3 025 168	78%	2 423 514	25%
Trade and other receivables	67 507	2%	117 603	(43)%
Other current assets	5 174	<1%	5 208	(1)%
Cash and cash equivalents and short-term financial assets	669 601	17%	636 127	5%
<b>Total current assets</b>	<b>3 767 450</b>	<b>97%</b>	<b>3 182 452</b>	<b>18%</b>
<b>TOTAL ASSETS</b>	<b>3 877 643</b>	<b>100%</b>	<b>3 253 210</b>	<b>19%</b>
<b>Shareholders' equity</b>				
Share capital	25 398	1%	25 218	1%
Share premium	258 358	7%	251 038	3%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	956 694	25%	881 177	9%
<b>Total shareholders' equity</b>	<b>1 240 450</b>	<b>32%</b>	<b>1 157 433</b>	<b>7%</b>
Non-controlling interests	8 728	<1%	38	22868%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1 249 178</b>	<b>32%</b>	<b>1 157 471</b>	<b>8%</b>
<b>Liabilities</b>				
Total long-term liabilities	522 683	13%	431 003	21%
Total short-term liabilities	2 105 782	54%	1 664 736	26%
<b>Total liabilities</b>	<b>2 628 465</b>	<b>68%</b>	<b>2 095 739</b>	<b>25%</b>
<b>Total equity and liabilities</b>	<b>3 877 643</b>	<b>100%</b>	<b>3 253 210</b>	<b>19%</b>

The Group's total liabilities as at the end of 2021 amounted to PLN 2 628 million, of which PLN 1 556 million was allocated to deferred income classified as current liabilities.

As in previous years, the structure of the Group's liabilities was very safe. As at 31 December 2021, the Group's short-term interest-bearing debt was comprised exclusively of bonds worth PLN 51 million. The Group's remaining interest-bearing debt of PLN 342 million was long-term debt and consisted of PLN 310 million of bonds with various maturity, until 2026 and PLN 31 million under bank loans. The Group's total interest-bearing debt was

PLN 393 million, i.e. PLN 255 million less than its cash (inclusive of funds in the residential escrow accounts).

Short-term liabilities accounted as deferred income were dominant in the structure of the Group's liabilities as at 31 December 2021. Despite record-high sales revenue recognised in the Group's consolidated income statement for 2021, this item increased by PLN 444 million last year. This demonstrates that Group companies capitalised on market trends, and - despite the supply-side challenges - managed to increase sales and yet implement a flexible pricing policy to maximise sales margin and, consequently, to maximise profits.

## LIQUIDITY RATIOS

Considering the specifics of the real estate development industry with its long production cycle and tighter funding requirements, the Group is in a comfortable financial position. This is due to a number of long-term decisions and actions taken by the Company's Management Board. These high 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 was very high, i.e. 6.85, at the end of 2021. The increase from the very comfortable level of 5.75 mostly resulted from the increase in the Group's inventory by PLN 602 million.

The quick ratio was stable at 1.35 as at 31 December 2021. The value of this ratio confirms very high liquidity of the Group, which in a volatile market environment becomes a key competitive advantage for both customers and business partners.

The cash ratio exceeding 1 indicates the Group's very comfortable liquidity – all its short-term liabilities could be covered with cash in the current accounts of the Group's companies.

LIQUIDITY RATIOS IN THE GROUP	FORMULA	31.12.2021	31.12.2020
Current ratio	current assets / short-term liabilities*)	6.85	5.75
Quick ratio	current assets less inventory / short-term liabilities*)	1.35	1.37
Cash ratio	cash and cash equivalents / short-term liabilities*)	1.10	1.06

\*) Short-term liabilities less deferred income

## LEVERAGE RATIOS

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 leverage ratios were maintained at safe levels to support the business activity of the Group and maintain the Group's creditworthiness. Leverage ratios with values similar at the end of 2021 to those at the end of 2020 reflect the conservative approach of the Company's Management Board to the sources of finance for operations. Among the analysed Group's leverage

ratios the biggest change occurred in the debt to equity ratio, which increased from 181.1% to 210.4%. This was, however, mostly due to the increase in deferred income by PLN 444 million, to PLN 1 556 million.

Likewise at the end of 2020, the net interest bearing debt ratio as at 31 December 2021 was negative – cash exceeded the Group's interest-bearing debt by PLN 255 million, i.e. by 20.4% of its consolidated shareholders' equity.

LEVERAGE RATIOS IN THE GROUP	FORMULA	31.12.2021	31.12.2020
Equity ratio	shareholders' equity / total assets	32.2%	35.6%
Liabilities to equity ratio	total liabilities / shareholders' equity	210.4%	181.1%
Debt ratio	total liabilities / total assets	67.8%	64.4%
Interest bearing debt to equity ratio	interest bearing debt / shareholders' equity	31.5%	32.0%
Gearing ratio	(interest bearing debt less cash and cash equivalents*) / shareholders' equity	(20.4)%	(23.0)%

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

## CASH FLOWS

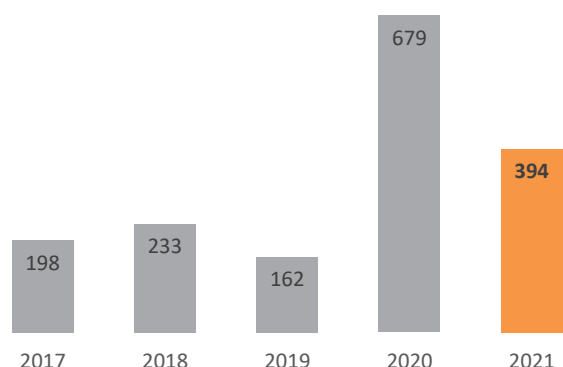
The Dom Development S.A. Capital Group generated PLN 394 million of net cash flow from operating activities in 2021. The Management Board believes it is a very good result indicating the Group's healthy business model. The decrease, compared to record-high year 2020, resulted from the closing of planned land purchases for future development projects, which are presented as operating activities of the Group, as well as negative cash flow of PLN 368 million due to increase in inventory. These changes are the result of the record scale of the Group's activities in 2021.

The Group recorded a slight net outflow of cash from investing activities in the amount of PLN 66 million against PLN 38 million in 2020. The increased balance of capital expenditures was connected mainly with the acquisition of a majority stake in Sento S.A., as described in note 7.1 to the Group's Consolidated Financial Statements for the year 2021.

In 2021, the Group also disclosed net cash outflow from financial activities in the amount of PLN 306 million.

## CASH FLOW FROM OPERATING ACTIVITIES

in PLN m



This was predominantly the result of the payment of a record-high dividend in the amount of PLN 254 million.

The Group's consolidated cash reserves increased by PLN 21 million to reach PLN 607 million in aggregate in 2021.

### 2.2.1 BALANCE SHEET OF THE COMPANY

SELECTED DATA FROM THE BALANCE SHEET OF DOM DEVELOPMENT S.A. (in PLN '000)	31.12.2021	Share in the balance sheet total	31.12.2020	Change YoY
<b>Total fixed assets</b>	<b>477 015</b>	<b>16%</b>	<b>463 400</b>	<b>3%</b>
<b>Current assets</b>				
Inventory	1 921 213	63%	1 641 331	17%
Trade and other receivables	38 149	1%	76 497	(50)%
Other current assets	3 232	0%	2 940	10%
Loans granted	197 760	7%	27 089	630%
Cash and cash equivalents and short-term financial assets	396 998	13%	544 199	(27)%
<b>Total current assets</b>	<b>2 557 352</b>	<b>84%</b>	<b>2 292 056</b>	<b>12%</b>
<b>TOTAL ASSETS</b>	<b>3 034 367</b>	<b>100%</b>	<b>2 755 456</b>	<b>10%</b>
<b>Shareholders' equity</b>				
Share capital	25 398	1%	25 218	1%
Share premium	258 358	9%	251 038	3%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	941 662	31%	875 940	8%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1 225 418</b>	<b>40%</b>	<b>1 152 196</b>	<b>6%</b>
<b>Liabilities</b>				
Total long-term liabilities	408 752	13%	382 473	7%
Total short-term liabilities	1 400 197	46%	1 220 787	15%
<b>Total liabilities</b>	<b>1 808 949</b>	<b>60%</b>	<b>1 603 260</b>	<b>13%</b>
<b>Total equity and liabilities</b>	<b>3 034 367</b>	<b>100%</b>	<b>2 755 456</b>	<b>10%</b>

The structure of The Company's balance sheet was similar to the Group's consolidated balance sheet. The Company's balance sheet total went up by 10% over the years 2021 to PLN 3 034 million. The majority of the Company's assets was inventory to the value PLN 1 921

million at the end of 2021, i.e. by 17% more than in the previous year.

Structure of the Company's liabilities has not materially changed as compared to the figures as at the end of 2020. Shareholders' equity as at 31 December 2021 was PLN 1 225

million, and accounted for 40% of the balance sheet total. Long-term liabilities of the Company were close in value to those in the previous year (PLN 409 million, increase by 7% YoY) and consisted mainly of PLN 310 million bonds issued by the Company. The 15% increase in short-term liabilities to PLN 1 400 million predominantly as a

consequence of a 39% increase in deferred income (PLN 1 047 million as at 31 December 2021).

The favourable structure of the Company's balance sheet is reflected in the liquidity and leverage ratios as presented below.

LIQUIDITY RATIOS IN THE COMPANY	FORMULA	31.12.2021	31.12.2020
Current ratio	current assets / short-term liabilities*)	7.24	4.89
Quick ratio	current assets less inventory / short-term liabilities*)	1.80	1.39
Cash ratio	cash and cash equivalents / short-term liabilities*)	1.03	1.13

\*) Short-term liabilities less deferred income

LEVERAGE RATIOS IN THE COMPANY	FORMULA	31.12.2021	31.12.2020
Equity ratio	shareholders' equity / total assets	40.4%	41.8%
Liabilities to equity ratio	total liabilities / shareholders' equity	147.6%	139.1%
Debt ratio	total liabilities / total assets	59.6%	58.2%
Interest bearing debt to equity ratio	interest bearing debt / shareholders' equity	29.4%	32.1%
Gearing ratio	(interest bearing debt less cash and cash equivalents*) / shareholders' equity	(1.3)%	(15.1)%

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

## 2.3 ASSESSMENT BY THE MANAGEMENT BOARD OF FINANCIAL RESOURCES AND THE CAPACITY AT THE COMPANY AND THE GROUP TO IMPLEMENT INVESTMENT PROJECTS

The Dom Development S.A. Capital Group is fully capable of financing currently executed investment projects. The Group companies intend to finance the execution of real estate development projects from shareholders' equity, the issue of commercial paper by the Company and bank loans. The Management Board of the Company attempts to match the maturity structure of the commercial papers issued and bank loans mainly to the duration of individual development projects, with particular consideration given to the gradual replenishment of the land bank for future development projects.

The Group's capacity to implement investment projects was confirmed in 2021. The Management Board of the Company was able to bring about the payment of a record-high dividend of PLN 254 million while maintaining a high level of cash and no net interest bearing debt. Dom Development S.A. has significant financial resources and has a very good reputation at banks and bondholders, which results in the good availability of external funding.

The Management Board of the Company abided by its earlier statements concerning the increase in market diversification of the Group's business, which assumed the expansion into the Cracow market, the maintenance of scale of operations in Warsaw and development of subsidiaries in the Tricity region and Wrocław. In the coming year, the Company's Management Board intends to continue this strategy, and a further increase in the

share of subsidiaries in the Group's sales is expected. A key step required to achieve these objectives involves the effective acquisition of new land for the land bank.

The continued expansion in the Cracow market through the acquisition of the BUMA Group is the Company's and the Group's main investment undertaking in 2022. The transaction was closed on 28 February 2022, and totalled PLN 209.5 million. It consists of PLN 151.4 million for shares sold in the companies being object of the transaction and PLN 58.1 million for acquired subrogation of loans granted by the seller to the companies acquired as a result of the transaction.

As a result of the acquisition of the BUMA Group companies the land bank of Dom Development S.A. Capital Group in Cracow increased by 1 370 units under pre-development, to 2 097 units. In addition, as at the transaction date the BUMA Group companies were developing two projects with 224 units and held PLN 51.5 million in cash with PLN 1.9 million in liabilities resulting from bank loans.

In 2021, the scale of business activities of the Group's contractorship companies: Dom Construction Sp. z o.o. and Euro Styl Construction Sp. z o.o. also grew and as a result of the acquisition of Sento S.A., the Group was joined by Nestbud Sp. z o.o., the general contractor of its projects in Cracow. The Management Board of the



Company expects that in future years, in-house general contractorship will become the predominant method of carrying out the Group's property development projects, does not exclude however, the engagement of third-party general contractors in the local markets, as long as their offer is competitive.

The Company's Management Board believes that Dom Development S.A. Capital Group has all the resources and opportunities to complete its investment plans, which were formulated on the basis of many years of the Company's and the Group's experience.

## 2.4 LOANS AND BONDS, AND OTHER LIABILITIES

### 2.4.1 LOANS CONTRACTED OR TERMINATED

On 7 October 2021, Sento 32 Sp. z o.o. Sp.k. discontinued its available credit limit of up to PLN 9 000 thousand to be used as partial finance and refinance of the net cost of the Sensity project, stage 3 and the VAT loan of up to PLN 500 thousand to be used to finance value added tax (VAT), granted by Getin Noble Bank S.A. under the agreement dated 15 January 2020.

On 9 April 2021, the agreement was signed, under which Getin Noble Bank S.A. undertook to extend to Sento 21 Sp. z o.o. Sp.k. an investment loan of up to PLN 43 500

thousand to partially finance and refinance the net costs of the SenToTu project, stage 2 (phases 1 and 2) and a VAT loan of up to PLN 1 500 thousand to finance output VAT liabilities accrued in connection with supplies of goods and services which were costs of the SenToTu project, stage 2 (phases 1 and 2) financed with the said investment loan.

Details of the loans contracted by the Group have been presented in note 7.18 to the consolidated financial statements of the Group for 2021.

### 2.4.2 BONDS

On 12 May 2021, the Company issued 110 000 unsecured bonds, series DOMDET5120526, with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 110 million. The maturity date for these bonds is 12 May 2026. The issue value equals the nominal value of the bonds. The interest rate is set at WIBOR 6M plus 1.30% margin and will be paid semi-annually. No purpose for the bond issue was specified. The funds from the issue have been designated for current operations of the Company.

Moreover, on 11 May 2021, the Company prematurely redeemed for cancellation 32 076 unsecured bearer

bonds, series DOMDE6151121, with a nominal value of PLN 1 000 each and maturing on 15 November 2021. The aggregate nominal value of the redeemed bonds is PLN 32 076 thousand. The remaining 77 924 DOMDE6151121 series bearer bonds with the aggregate nominal value of PLN 77 924 thousand were redeemed by the Company at maturity, i.e. on 15 November 2021.

Details of the bonds issued and redeemed by the Group companies have been presented in note 7.19 to the Consolidated Financial Statements of the Group for 2021.

### 2.4.3 BORROWINGS CONTRACTED OR TERMINATED

In 2021, the Group companies did not enter into no terminate any borrowing agreements with non-Group companies.

The Company did not have any borrowings as at 31 December 2021. The Company did not take out or repay any borrowings in 2021.

## 2.4.4 BORROWINGS PROVIDED

BORROWINGS GRANTED BY GROUP COMPANIES IN 2021				
GRANTED TO	DATE OF THE AGREEMENT	MATURITY	BORROWING AMOUNT (in PLN '000)	INTEREST
<b>BORROWINGS GRANTED BY DOM DEVELOPMENT S.A.</b>				
Sento 22 Sp. z o.o.	23.06.2021	31.12.2022	15 800	6.00%
Sento S.A.	20.07.2021	31.08.2022	27 131	6.00%
Sento 22 Sp. z o.o.	24.09.2021	31.12.2025	28 480	6.00%
Sento 22 Sp. z o.o.	11.10.2021	31.12.2025	4 800	6.00%
<b>BORROWINGS GRANTED BY EURO STYL S.A.</b>				
GGI Dolne Miasto sp. z o.o.	15.01.2021	30.11.2023	300	WIBOR 3M + 4.00%
GGI Dolne Miasto sp. z o.o.	15.01.2021	30.11.2023	300	WIBOR 3M + 6.00%
GGI Dolne Miasto sp. z o.o.	29.01.2021	30.11.2023	212	5.00%
GGI Dolne Miasto sp. z o.o.	22.04.2021	30.11.2023	400	WIBOR 3M + 4.00%
GGI Dolne Miasto sp. z o.o.	01.06.2021	30.11.2023	620	WIBOR 1M + 4.00%
GGI Dolne Miasto sp. z o.o.	24.06.2021	30.11.2023	700	WIBOR 1M + 4.00%
GGI Dolne Miasto sp. z o.o.	19.10.2021	30.11.2023	1 000	WIBOR 1M + 4.00%
GGI Dolne Miasto sp. z o.o.	17.12.2021	30.11.2023	2 000	WIBOR 1M + 4.00%
<b>BORROWINGS GRANTED BY SENTO S.A.*</b>				
Sento 21 Sp. z o.o. Sp. k.	13.08.2021	31.12.2022	1 000	4%
Sento 32 Sp. z o.o.	10.12.2021	31.12.2022	35	4%
Sento 32 Sp. z o.o.**	20.10.2021	31.12.2021	10	4%
Sento 17 Sp. z o.o.**	04.11.2021	31.12.2021	1	4%
Sento 17 Sp. z o.o.	05.07.2021	31.12.2022	300	4%
Sento 12 Sp. z o.o.***	19.07.2021	31.08.2022	27 131	6%
Sento 11 Sp. z o.o.***	08.07.2021	31.12.2022	60	4%
Sento 21 Sp. z o.o. Sp. k.	31.07.2021	07.04.2024	888	7.2%
Sento 21 Sp. z o.o. Sp. k.	31.08.2021	07.04.2024	164	7.2%
Sento 21 Sp. z o.o. Sp. k.	28.09.2021	07.04.2024	119	7.2%
<b>BORROWINGS GRANTED BY SENTO 17 Sp. z o.o.</b>				
Sento 11 Sp. z o.o.**	28.09.2021	07.04.2024	5	4%

\* The statement includes loans granted by the Sento S.A. Capital Group companies on or after 1 July 2021, i.e. the date it became part of the Group

\*\* The loans were repaid as at 31 December 2021.

\*\*\* These companies were merged with Sento S.A. ss at 31 December 2021.

Information on loans granted in 2021 by the Group companies is presented in the table above.

In addition to this, on 24 February and 28 June 2021, Euro Styl S.A. issued, and Euro Styl Development Spółka z

ograniczoną odpowiedzialnością Sp.k. as a subsidiary, acquired discounted drafts with following purchase value: PLN 4 million and PLN 1.6 million, discounted at 5% per annum. The maturity date for these drafts was set at 24 February 2022.

## 2.4.5 SURETIES PROVIDED AND RECEIVED

In 2021, the Company and its subsidiaries operating within the Group did not receive neither grant any sureties.

## 2.4.6 GUARANTEES PROVIDED AND RECEIVED

### GUARANTEES PROVIDED ON BEHALF OF THE GROUP COMPANIES IN 2021

GRANTED BY	GRANTED TO	GUARANTEE TYPE	GUARANTEE AMOUNT (in PLN '000)
Dom Development S.A.	NP 8 Sp. z o.o. Sp. k.	Bank guarantee	6 357
Dom Development S.A.	Nexity Polska Sp. z o.o.	Bank guarantee	4 955
Dom Development S.A.	LW Development Leszek Paczyński Sp. z o.o. Spółka komandytowo-akcyjna LW Development Sp. z o.o. I Spółka komandytowo-akcyjna	Bank guarantee	4 000
Dom Development S.A.	Miasto Stołeczne Warszawa Dzielnica Wola (Wola District ow Warsaw)	Insurance guarantee	1 000
Dom Development S.A.	Skanska S.A.*	Bank guarantee	250

\* Guarantee granted in 2019 in the amount of PLN 200 thousand; in 2021 an annex was made increasing the sum of the guarantee to PLN 250 thousand.

### GUARANTEES RECEIVED BY THE GROUP COMPANIES IN 2021

GRANTED BY	GRANTED TO	GUARANTEE TYPE	GUARANTEE AMOUNT (in PLN '000)
Bank Handlowy w Warszawie S.A.	Dom Construction sp. z o.o.	Bank guarantee	2 400
CaixaBank S.A.	Dom Construction sp. z o.o.	Bank guarantee	169
Santander Bank Polska S.A.	Dom Construction sp. z o.o.	Bank guarantee	118
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	Dom Construction sp. z o.o.	Insurance guarantee	88
BNP Paribas Bank Polska S.A.	Dom Construction sp. z o.o.	Bank guarantee	79
Bank Millenium SA	Dom Construction sp. z o.o.	Bank guarantee	78

## 2.4.7 MATERIAL OFF-BALANCE SHEET ITEMS

Apart from the share options described in note 7.43 to the consolidated financial statements of the Group for the year ended on 31 December 2021, the Company and its

subsidiaries operating within the Group did not hold any significant off-balance sheet items.

## 2.5 USE OF PROCEEDS FROM THE ISSUE OF SECURITIES

In 2021, the Company issued 100 000 ordinary bearer AC series shares and 80 000 ordinary bearer AD series shares with a nominal value of PLN 1.00 each. These shares were issued in a private placement as a result of the fulfilment of commitments under Management Options Programme IV for Ms Małgorzata Kolarska, Vice President of the Management Board, Management Options Programme V for Mr Mikołaj Konopka, Member of the Management Board of Dom Development S.A. and under Management Options Programme VI for Mr Marcin Drobek, Adviser to the Management Board and the Chief Construction

Officer, which were described in more detail in note 4.9 to this report. Proceeds raised from the said shares issue, in the amount of PLN 7 500 thousand, will be used to finance the current activities of the Company.

The Company issued new bonds for the amount of PLN 110 000 thousand in 2021. Information concerning the issue is presented in note 2.4.2 of this report. The proceeds from the issue of bonds will be used to finance the current operations of the Company.

## 2.6 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 7.42 to the Consolidated Financial Statements of the Group for the period ended 31 December 2021.

## 2.7 AGREEMENTS SIGNIFICANT FOR THE BUSINESS ACTIVITY OF THE GROUP

On 1 July 2021, Dom Development S.A. acquired 77% of the shares in Sento S.A. with its registered office in Cracow, for PLN 35 379 thousand.

As a result of the said transaction, Dom Development S.A. controls the Sento S.A. Capital Group that is a residential developer in Cracow.

The remaining 23% of the shares in Sento S.A. (hereinafter the "Remaining Shares") are controlled by the persons, who manage that company. Dom Development S.A. has the right of pre-emption in respect of the Remaining Shares, and the put and call options for the Remaining Shares will become active following the expiry of 7 years

from the date of the transaction, i.e. 1 July 2021. The price for the Remaining Shares will be determined on the basis of the future results of Sento S.A. (so-called "earn-out clause") taking into account financial results and balance sheet of Sento S.A.

The purchase of the Remaining Shares may be settled through an issue of new shares in the Company, wherein the amount of shares will be limited to 3% of the issued share capital of the Company.

As a result of the said transaction the Dom Development S.A. Capital Group expanded its operations to include Cracow, the second largest residential market in Poland.

## 2.8 COOPERATION AGREEMENTS

In 2021, Dom Development S.A. Capital Group did not conclude any significant cooperation agreements with other entities.

## 2.9 CAPITAL EXPENDITURES OF THE COMPANY AND THE GROUP

### IDENTIFICATION OF MAJOR DOMESTIC AND FOREIGN INVESTMENTS, IN PARTICULAR IN SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND REAL ESTATE, INCLUDING CAPITAL INVESTMENTS MADE OUTSIDE THE GROUP OF RELATED PARTIES AND A DESCRIPTION OF THE FUNDING METHODS

The Company's major capital investment in 2021 from the viewpoint of Group's activities, was the acquisition of the controlling interest in Sento S.A. with its registered office in Cracow on 1 July 2021. Detailed information is presented in note 2.7 of this report and in note 7.1 of the Group's consolidated financial statements for 2021.

Dom Development S.A. and other companies operating within the Group do not perform investment activities, which would involve the placement of financial resources in financial instruments, securities and intangible assets.

Real properties acquired by the Company and another Group companies are closely linked to operational activities and do not have the nature of capital investment. For this reason they are disclosed in the assets of the Company and the Group as a component of the inventory, and the measures intended to finance them are recognised in the cash flow from operating activities.

### **3 SUSTAINABLE DEVELOPMENT OF DOM DEVELOPMENT S.A. CAPITAL GROUP**





Since the foundation of the company, the Management Board of Dom Development S.A. has pursued business objectives with a long-term perspective, creating added value for as many of its stakeholders as possible. The idea of sustainable development is an integral part of our corporate DNA - we strive to build the urban fabric of major Polish agglomerations responsibly, so that they are a friendly place to live for our customers and future generations.

In response to the growing interest of shareholders and representatives of the capital market, the Management Board of the Company has decided to extend this Report of Activities of the Group in 2021 to include information on environmental and prosocial measures relating to corporate responsibility.

At the same time, the Management Board of the Company reports that it has been preparing the ESG (Environmental,

Social, Governance) strategy of Dom Development S.A. Capital Group, which will include environmental, social and corporate governance objectives.

The Group companies have also started preparations to implement non-financial reporting to ensure the highest standards of corporate governance and transparent communication of the environmental and social impact of the Group's activities.

### 3.1 ENVIRONMENTALLY FRIENDLY SOLUTIONS

The Group has been developing residential projects in major Polish agglomerations: Warsaw, Tricity, Cracow and Wrocław. As a result of engaging in-house general contractors for its projects investments, Dom Development S.A. Capital Group has been able to optimise its projects at their every stage while minimizing the consumption of materials and future costs of operation of the buildings. The company has also been cooperating with E.ON (formerly: Innogy) to supply the construction sites with green energy, or energy from renewable sources.

#### SUSTAINABLE URBANISATION

The Group's offer mostly comprises multi-stage residential projects in well-connected parts of cities, thereby realizing the idea of sustainable urbanisation. The projects have publicly available common areas, leisure and recreation facilities and commercial units on the ground floors to meet



BICYCLE SHED, THE PRZY BŁONIACH PROJECT

the daily needs of the residents. A significant portion of the Group's projects meets the requirements of the "15-minute city" concept, where the residents can access basic infrastructure and services within a 15-minute walking distance.

In large agglomerations, the Group strives to provide the residents of the housing projects that it has developed with access to municipal transport and cycling infrastructure, including bike self-service stations, bike stands and storage facilities. The Group's projects also have electric car chargers. All those solutions support the reduction of car traffic and urban pollution. In addition, to protect the health of the residents of the Group's projects, special



ZACISZE WILNO RAILWAY STATION  
BUILT BY DOM DEVELOPMENT

air filters are installed in windows in locations particularly exposed to smog.



### GREENERY IN THE CITY

A large advantage of projects by Dom Development and Euro Styl is carefully designed green areas that promote urban biodiversity, water retention and help to offset the effects of urban heat islands, which are particularly severe on hot days.

A special form of land use are rain gardens, which, in addition to their attractive appearance, have a number of functions. They reduce the need to water plants nearby thus reducing water consumption from the mains, and reduce the temperature of the surrounding area in summer. Moreover, they contribute to increasing the amount of water retained in the landscape, prevent the lowering of groundwater levels and local inundations in the aftermath of rainstorms. Rain gardens also increase biodiversity: they create a micro climate and attract insects and small animals, while appropriately selected plants clean the water and soil.

Another solution used in the Group's projects are green roofs, which, in addition to their recreational and environmental value, help regulate the indoor temperature, minimizing winter heat losses and protecting against excessive heating in summer.

### UNUSUAL RESIDENTS

Increasing environmental awareness has also translated into the evolution of spatial planning toward the creation and development of urban ecosystems. Dom Development S.A. Capital Group is aware of the scale of the impact of its activities on urban fabric and therefore seeks to design spaces to support local ecosystems.



One form of the promotion of biodiversity and the creation of ecosystems in the Group's projects is the installation of nesting boxes and insect houses and providing them with food, for example by planting flower meadows. The horizon of the Group's activities extends beyond the sites of its projects, as exemplified by the start of cooperation in 2021 between Dom Development Wrocław Sp. z o.o. and the Municipal Greeneries Agency in Wrocław to finance 600 sq.m of flower meadows on Bardzka Street in Wrocław.



Last year, also Euro Styl, a Dom Development S.A. Capital Group company operating in Gdansk, also helped to create public green areas and participated in the "Planting" campaign, which helped to restore the forest in the area of the Lipusz Forest after the catastrophic storm of 2017.

### ECO MEANS ECONOMY

The use of environmental solutions in buildings can also translate into measurable savings in running costs.

The use of photovoltaic panels reduces the cost of energy used to operate the common areas of buildings. Choosing the right equipment, such as LED lighting and energy efficient elevators, can also reduce service charges. Rain gardens mentioned above reduce the consumption of water for the watering of green areas.



### GREEN OFFICE

Dom Development S.A. Capital Group also supports ecology in its daily activities. The Group companies have abandoned water in plastic bottles for glass bottles and distributors.

The company has been running information campaigns to raise the environmental awareness of the employees and implementing solutions to reduce the consumption of office supplies and utilities. These include digitizing multiple processes to reduce the need to print documents.

In order to reduce the environmental impact, the Group has also been changing its car fleet by abandoning diesel cars and introducing hybrids.



### WITH FUTURE IN MIND

Ecology is not only day-to-day efforts, but also a necessity to develop a strategy for the coming years. The Management of the Company is currently working on the ESG, or Environmental, Social and Governance, strategy for Dom Development S.A. Capital Group.

Dom Development S.A. Capital Group also supports external initiatives to combat the effects of climate change. Last year, Dom Development S.A. was co-organiser of the S.O.S. City 2050 workshops and the sponsor of prizes in the accompanying competition.

The S.O.S. City 2050 workshops were organised in cooperation with the Architecture Department of the Warsaw University of Technology and the Climate Crisis Architecture Student Club and were focused on shaping cities in the face of climate change. Participants in the event were also invited to take part in an urban planning competition for a site in the Muranów district of Warsaw.





## 3.2 SOCIAL RESPONSIBILITY

The Group's activities have a significant impact on the broad circle of its stakeholders, ranging from employees, business partners, customers and other residents of our projects to the entire local communities. As the scale of our operations increases, our role and impact on the environment also increase. The Company's Management is committed to ensuring the highest ethical standards in the day-to-day business. As the leader of the housing market in Poland, we also feel obliged to share our profits with those in need.



### WE ARE FAIR

#### RELIABLE RESIDENTIAL DEVELOPER

Our Group has been developing residential projects in major Polish agglomerations. In that manner, we not only help people fulfil their dreams of owning an apartments, but also meet one of the most basic human needs. For the majority of our customers, buying an apartment is a very big step. Aware of the importance of such a decision, our Group companies provide comprehensive support to the buyers at each stage of the process. Dom Development Kredyty Sp. z o.o. helps the Group's customers obtain financing for their apartment purchases, while our property developer companies offer interior fit out options.

Most of the apartments are already sold at the construction stage. In order to ensure that transactions are as transparent as possible, Group property development companies offer their customers the possibility to see their future apartment on advanced 3D mock-ups that include elements such as window views and sunlight.

In 2021, as in previous years, all the Group's projects were progressing according to the schedules. We are conscientiously committed to our customers by providing apartments of the highest quality, on time. This is confirmed by the NPS indicator monitored by the Group, which in 2021 reached a very high level of 70 points on a scale of -100 to 100. Dom Development S.A. Capital Group is the only developer in Poland who publishes such information. The industry average in the UK is 42 points according to the latest figures.

#### WE ARE FAIR

As a part of the "We Are Fair" program originated at Euro Styl S.A., we communicate the values realised by the Group in day-to-day operations. The program is based on three pillars: responsibility for the products, relations and the local community.

Responsibility for the products is understood as high quality and taking into account the friendly environment of the project, access to infrastructure, material quality, functionality and acoustic comfort of the apartments and energy efficiency. The Group's projects have carefully planned common spaces which facilitate good neighbourly relations.

Responsibility for relations is another of the Group's core values and is expressed through transparent activities and communication, the pursuit of long-term relations with business partners, creating a friendly workplace environment and providing all necessary resources and development opportunities to the Group's employees.

The specifics of property developer activities is inextricably linked to the impact on the shape of the city and the quality of life of its residents. Given the scale of impact of the Group's operations on local communities, we strive to have a positive impact in the locations where we operate. We support local social benefit organisations, work with local suppliers and subcontractors and create generally accessible infrastructure for city residents.

#### WE BUILD FOR PEOPLE

The projects of Dom Development Group are mainly multi-stage residential projects that are distinguished by high-quality common areas. We strive to keep in mind all the residents of our projects and create varied spaces for rest and good neighbourly relations.



Playgrounds and green areas with benches are the standard in our multi-stage projects. Wherever possible, we try to offer additional amenities to the residents of our projects. The residents of Warsaw's Stacja Grochow and



OUTDOOR ROOFED AREA, THE BEAUFORTA PROJECT

Wilno projects can enjoy playing courts while the Beauforta Project has an outdoor roofed area. In response to the proliferation of remote work, the Ogródowa Apartments offers a comfortable work and recreation space for the residents.

Sometimes small changes can have a big effect. Accordingly, projects by the Group companies have features such as book exchange shelves or open-access herb gardens.



REST AREA, THE WILNO PROJECT

### WE RESTORE THE OLD SPLENDOUR

Even though we operate throughout the country, we try to maintain a local perspective. We believe that the key to understand the needs of our residents is to know each of the cities where we operate.

Dom Development Group has a significant impact on the urban space. With this awareness, we also try to restore to the residents the places that no longer fulfil their original function and whose potential is not fully in use.

One such flagship project is the revitalisation of former dockyard areas in Gdansk Śródmieście as part of the DOKI project. The project includes the Montownia – the historic submarine shipyard from the 1930's, which after renovation will feature serviced rental lofts and a food hall, the DOKI Living with a housing function and the DOKI Office - an office project under development by an external partner.

Euro Styl S.A. establishes here a model Mixed Use project, which has gained wide recognition already at the construction stage – in 2021, we received three European Property Awards 2021. DOKI received awards in the following categories: Mixed Use Development and Development Marketing, and the revitalisation of the historic MONTOWNIA building received an award in the Commercial Redevelopment/Renovation category.



DOKI is not the only project by Euro Styl S.A. that restores life to a forgotten part of Gdansk. In 2019, a public-private partnership (PPP) was signed between the City of Gdansk and GGI Dolne Miasto, a subsidiary of Euro Styl S.A., as the private partner. The partnership was signed for 14 years (2019-2033).

Thanks to the PPP, over eight years, the private partner will develop public projects in 17 locations in the district of Dolne Miasto which will serve the current and future residents of that part of Gdansk. Their total value is over PLN 51 million.

The responsibilities of GGI Dolne Miasto also include the maintenance and administration, within the scope and the time limits specified in the contract, of the selected facilities to be developed as the public objectives, which include:

- the construction in 2021 of a modern, publicly accessible sports complex at Primary School No. 65 in Gdansk;
- Revitalisation of the Nowa Motława boulevards and renovation of seven river access points;
- Renovation and adaptation to the new public function of the historic building of the former secondary school;
- Revitalisation of Wilk and Wyskok bastions;

- Construction and modernisation of streets and mixed-use paths;
- A new public kindergarten with a playground.

Three out of fifteen locations planned for commercial purposes in the PPP will feature additional green and recreational areas at the initiative of GGI Dolne Miasto. The other twelve are planned as residential/commercial or commercial projects. The new buildings' architecture will complement the historic buildings and unique character of Dolne Miasto and their functions will make living in this part of Gdansk easier and more attractive.

### WE CREATE URBAN SPACES

By developing new residential projects, we strive to create added value for all local residents. In addition to the railway station next to the Wilno Project built by the Company, a good example of that strategy is the construction by Dom Development Wrocław Sp. z o.o. of the boulevard on the Oder in the vicinity of the Prince Witold Apartments.

A new promenade with benches and terraces on the Oder River along Księcia Witolda Street in Wrocław is open. The concept of the entire project has been commissioned by Dom Development Wrocław Sp. z o.o. together with the Wrocław City Hall. The company financed the project, which will serve the residents of Wrocław every day. In 2021, the Oder boulevard received an award in the Public Space category in the municipal "Beautiful Wrocław" architectural competition.



Dom Development Wrocław Sp. z o.o. has been actively supporting initiatives that benefit the city residents. Last year, at the 75th anniversary of Secondary School No. 3 in Wrocław, an anti-smog mural was created on the wall of the building next to the school with a portrait of Adam Mickiewicz, the school's patron. The Wrocław company financed that project together with Dom Construction Sp. z o.o., which developed the Dom na Kurkowej, a project next to the school.

Dom Development Wrocław Sp. z o.o. has also taken part in the renovation of the burned out playground at the kindergarten next to the Group's project at ul. Grabiszyńska 141.

### WE APPRECIATE ART AND ARTISTS

Many projects by the Group feature works of art interwoven into their architecture. From murals to sculptures to neons, we have supported Polish artists while improving the quality and aesthetics of public spaces.



A flagship example of the interweaving of art and city space is the Żoliborz Artystyczny, a project that received numerous awards for modern architecture and friendly urban planning. In line with the Żoliborz tradition, the project is divided into colonies, which commemorate the great artists who lived in the neighbourhood. The artistic elements in the individual colonies refers to their patrons, for example, the Witold Lutosławski Colony features a mural depicting that outstanding composer, a relief with musical score in a gateway and wallpaper with a violin design.

Group companies have been working together with artists on most of their projects. However, we do not restrict ourselves to the sites of our projects, as we also support public initiatives such as the construction of a monument to the Women of the Warsaw Uprising, which was unveiled last October.

## WE SHARE OUR KNOWLEDGE

The property development industry is characterised by an extremely long production cycle. This makes experience particularly valuable. In the opinion of the Company's Management, the knowledge accumulated over many years of practice is one of the most valuable resources of our Group.

We are committed to supporting persons who make their first steps in our industry by sharing our knowledge and experience with them. Since 2018, Euro Styl S.A. has been working with the University of Gdansk through cooperation in post-graduate studies in Management of Real Estate and Property Development Projects.

In 2021, Dom Construction Sp. z o.o. became a supporting partner for the 5th edition of Builder for the Young Engineers. This competition, organised by the Builder Polska monthly, is one of the elements of a promotional and educational programme aimed at supporting and presenting Polish construction engineers, their experience and achievements.

In the past year, also Dom Development S.A. provided support people who took their first steps in the industry, through co-organising the S.O.S. City 2050 workshops described above.

## WE SUPPORT PASSION FOR SPORT

The Group companies actively support local sports initiatives, especially those related to the promotion of healthy, active lifestyles and amateur competition. Last year, Dom Development S.A. for the first time co-financed the 12th Polish Championship of Children from Children's Homes in football, which took place in the Targówek district of Warsaw. The event was organised by the "Cup Hope" Association (*Stowarzyszenie "Nadzieja na Mundial"*).

Euro Styl S.A. was one of the partners of the Gdynia Open Championships in Badminton and the National Badminton Tournament which took place last November.

Euro Styl S.A., as the largest developer in the town of Rumia near Tricity, also actively supports the local community there. Once again, the company took part in the Active Senior Citizen campaign, promoting active lifestyles among the Rumia population aged 60+ through co-financing sports activities at gyms and pools.

Our employees in Tricity also take part in the Dreams Fulfilled action - their physical activity (running, cycling or swimming) is being converted into financial assistance for the Fundacja Pomocy Osobom Niepełnosprawnym „Słoneczko” (the *Charity Foundation for People with*

*Special Needs "Słoneczko"*) and the Fundacja Trzeba Marzyć (the *Dreamers Foundation*).

Dom Development Wrocław Sp. z o.o. supported the Rowerowy Maj (*Cycling in May*) initiative aimed at the youngest residents of the city who commute to school by bicycle. They have an opportunity to win amazing prizes for their class or school. As part of cooperation of our Wrocław-based subsidiary with the city, schoolchildren got water bottles, and the winning school was awarded a bicycle, which will help the kids to take their first steps towards cycling in traffic and passing their cycling licence exams.

## WE HELP THOSE IN NEED

In our daily business, we don't forget people that need our help. As few other people, we understand how having a roof overhead is a crucial need. We have therefore decided last year to establish contact and support the Heart of the City Foundation, which helps people in homelessness crisis.

As part of its activities, the Heart of the City Foundation has been carrying out the Housing First project, based on the assumption that only once we get a place to live for a person in a crisis of homelessness, we can get them further assistance to help them gradually become more independent. The project is being implemented with the use of municipal housing provided to the Foundation. Such housing often require major renovation. Last year, Dom Development S.A., together with Dom Construction Sp. z o.o. allocated some funds for the renovation and preparation of one such apartment which would allow another person to escape the crisis of homelessness.

In 2021, Euro Styl S.A. joined the local community initiative that resulted in the setting up of a community refrigerator in the Dawna Poczta estate in Gdansk. A community refrigerator allows food to be shared with those who need it, while implementing the zero waste concept to keep waste to a minimum.

The assistance that we provide takes various forms, from expert support to partner initiatives to substantial financial assistance. The table below lists the amounts and purposes of donations made by the Group companies.

GROUP'S SPENDING ON CHARITABLE ACTIVITIES IN 2021 (in PLN '000)	
Social organisations	621
Charitable institutions	72
Sports	110
Culture and arts	52
<b>TOTAL - Donations in 2021</b>	<b>855</b>

## 4 CORPORATE GOVERNANCE



## 4.1 LIST OF CORPORATE GOVERNANCE PRINCIPLES ADOPTED BY THE COMPANY

### COMPANY'S CORPORATE GOVERNANCE RULES ADOPTED VOLUNTARILY AND THE LOCATION, WHERE THE TEXT OF SUCH CORPORATE GOVERNANCE RULES IS PUBLICLY AVAILABLE

In 2021, Dom Development S.A. was subject to the set of rules adopted by the Supervisory Board of the Warsaw Stock Exchange, including the "Best Practice for WSE Listed Companies 2016" (adopted by the Stock Exchange Supervisory Board on 13 October 2015 in Resolution No. 26/1413/2015) until 30 June 2021, and, from 1 July 2021, to the "Best Practice for WSE Listed Companies 2021" (adopted by the Stock Exchange Supervisory Board on 29 March 2021 in Resolution No. 13/1834/2021, 'BPWSE 2021').

In the first half of 2021, the Company applied the principles set out in the "Best Practice for WSE Listed Companies 2016". There were no incidents of violation of any of the rules during that period.

In H1 2021, the recommendation described in Chapter IVR.2 in items 2) and 3) of the BPWSE did not apply to the Company. The above-mentioned recommendation stipulates that in cases justified by the shareholding structure or by the expectations of the shareholders communicated to the company, provided that the company is able to supply the technical infrastructure necessary for the proper conduct of the general meeting with the use of electronic means of communication, the company should allow the shareholders to participate in the general meeting with the use of such means, in particular by: 2) two-way communication in real time thus allowing the shareholders to speak during the proceedings of the general shareholders meeting while being away from the place of the meeting, 3) exercise the voting rights at the general shareholders meeting in person or by proxy. The Management Board of the Company decided that the possibility of holding a general meeting with the use of electronic means of communications is not justified on account of the shareholding structure of the Company and the lack of such expectations being communicated by the shareholders of the Company. Moreover, the Company did not enable participation in the general shareholders meeting in accordance with the above-described procedure in order to protect against the higher risk of irregularities in the general shareholders meeting proceedings occurring. The Company's Management Board decided that the above-mentioned recommendation would not be complied with due to the potential issues related to, inter alia, the identification of Shareholders, the choice of the best platform for such remote two-way communication, and the Company's inability to guarantee compliance with the hardware requirements on the part of a Shareholder.

The Company's Management Board believes that the risk of problems of a legal, logistical and technical nature which are related to providing the option of real-time two-way communication where the shareholders may take the floor and exercise voting rights during a general meeting from a location other than the general meeting are greater than the potential benefits to Shareholders. In the opinion of the Company's Management Board the existing rules of participating in the general meeting assure the correct exercise of the rights related to the holding of the Company's shares by all the Shareholders, while a possible interruption of the general meeting as a result of disruption of the remote bilateral communication channel would create a material inconvenience for the Shareholders or their attorneys present at the meeting.

The Company's Management Board does not rule out the possibility of complying with the above recommendation in the future, and the Management Board's decision to implement it depends on the development of proper standards of its application in practice.

Moreover, the Company has not applied principle VI.Z.2 of the BPWSE (Best Practice for WSE Listed Companies) prescribing that "to tie in the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years." The instances, where the said principle has not been applied, are presented below:

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 21 dated 25 May 2017 by the Annual General Shareholders' Meeting of the Company, adopted the Provisions of Senior Management Option Programme IV for Małgorzata Kolarska, the Vice President of the Management Board and the CEO, concerning 500 000 shares in Dom Development S.A. ("Programme IV"). Ms Małgorzata Kolarska has received one-off options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options is limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals is

an alternative corresponding to the manner of tying the remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE. Programme IV is designed in a way so as to tie the remuneration of Ms Małgorzata Kolarska, who holds the function of Vice President of the Management Board and CEO, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, derogation from principle VI.Z.2 of the BPWSE occurs in only the first two tranches, however it should be noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE. Consequently, the solution adopted is an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Programme IV adequately protect the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme IV with the long-term development and growth in the value of the Company.

On 29 November 2019, the Supervisory Board of the Company acting pursuant to authorisation granted in resolution no. 26 dated 30 May 2019 by the Annual General Shareholders' Meeting of the Company, adopted the Provisions of Senior Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A., concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of the Programme, Mr Mikołaj Konopka received a one-off option authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options is limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, while the non-exercised options may be exercised at a later time, however not later than by 31 December 2029. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying the remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE 2016. Programme V is designed in a way so as to tie the remuneration of Mr Mikołaj Konopka, who holds the function of Management Board member, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE 2016 occurs in only the first two tranches,

however it should be noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE 2016. Consequently, the solution adopted is an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE 2016. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Programme V adequately protect the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme V with the long-term development and growth in the value of the Company.

On 1 December 2020, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 21 dated 31 August 2020 by the Annual General Shareholders' Meeting of the Company, adopted the Provisions of Senior Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer, concerning 150 000 shares in Dom Development S.A. ("Programme VI"). Mr Marcin Drobek received one-off options authorising him to subscribe for 150 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. Due to the termination of the employment contract between Marcin Drobek and the Company by agreement of the parties, on 30 November 2021 the Company's Supervisory Board adopted a resolution according to which the options granted to Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer under Management Options Programme VI, comprising 150 000 shares in Dom Development S.A., authorising Mr Marcin Drobek to subscribe for a total of 120 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share, expired and may not be exercised. Therefore, Programme VI has been discontinued.

The exercise of these options was limited to 30 000 shares in any 12-month consecutive period, starting from 1 January 2021. The non-exercised options might be exercised at a later time, however not later than by 31 December 2030. The Management Board of the Company holds the view that the allocated options being split into five tranches with exercisability at 12-month intervals was an alternative corresponding to the manner of tying the remuneration of an Adviser to the Management Board and the Chief Construction Officer to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE 2016. Programme VI was designed in a way so as to tie the remuneration of Mr Marcin Drobek, who holds the function of Adviser to the Management Board and the Chief Construction Officer, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE 2016 occurred in only the first two tranches, however it should be

noted that all tranches are to be exercised at periods later than those specified in principle VI.Z.2 of the BPWSE 2016. Consequently, the solution adopted was an incentive programme for a period longer than two years within the meaning of principle VI.Z.2 of the BPWSE 2016. Moreover, the Management Board is of the opinion that the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirmed that the rules of Programme VI adequately protected the interests of the Shareholders of the Company by tying the benefits of the exercise of options under Programme VI with the long-term development and growth in the value of the Company.

The Supervisory Board of the Warsaw Stock Exchange, in Resolution No. 13/1834/2021 of 29 March 2021 adopted a set of new principles of corporate governance, i.e. 'Best Practice for WSE Listed Companies 2021', which entered into force on 1 July 2021.

The Management Board and the Supervisory Board of the Company adopted the 'Best Practice for WSE Listed Companies 2021' with the exemptions described below.

The company does not apply principle 1.3 according to which, in its business strategy, the company also takes into account ESG issues, in particular:

1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues;

1.3.2. social and labour matters, relating e.g. to the measures taken and planned to ensure gender equality, proper working conditions, respect for employee rights, dialogue with local communities, customer relations;

and principle 1.4 according to which, in order to ensure proper communication with stakeholders, as regards its adopted strategy, the company shall include on its website information on the objectives of its strategy, measurable objectives, including in particular long-term objectives, planned activities and the progress made in achieving them, as determined by financial and non-financial metrics. Information on the strategy in the ESG area should, among others:

1.4.1. explain how climate change issues are taken into account in the decision-making processes of the company and its group entities, indicating the arising risks;

1.4.2. present the equal pay index for remunerations paid to its staff, calculated as a percentage difference between the average monthly salary (including bonuses, awards and other allowances) for women and men for the past year, and provide information on the measures taken to eliminate any inequalities in this respect, together with the presentation of the risks involved and the time horizon for achieving equality.

Dom Development S.A. did not formally and comprehensively address ESG issues in its current business strategy. However, given the increasing importance of

environmental, social and corporate governance issues and their impact on the long-term perspectives of Dom Development S.A. and its Capital Group, the Management Board of the Company has taken steps to incorporate ESG themes into the Company's business strategy.

Despite the lack of formal recognition of ESG issues in the strategy of the Company, the Management Board of Dom Development S.A. in its current activities and in the strategic plans of Dom Development S.A. Capital Group takes into account environmental and social aspects and ensures that the highest standards of corporate governance of the Company and its Group are maintained. The Management Board of the Company pays particular attention to social issues – Dom Development S.A. Capital Group as the largest residential developer in Poland has a significant impact on the urban fabric and the quality of life in the four main agglomerations of Poland – Warsaw, Tricity, Krakow and Wroclaw. Dom Development S.A. has high internal standards for planning its property development projects and individual units. The Group's projects have received numerous awards, e.g. for outstanding architectural solutions and the high quality of life of residents.

Dom Development S.A. Capital Group also strongly commits to supporting art by local artists. The Group's projects often feature art installations and murals.

In addition, the Company does not apply principle 2.1, according to which the company should have a diversity policy for its Management Board and Supervisory Board, as adopted by the Supervisory Board or the General Meeting, respectively. Diversity policy sets out the objectives and criteria for diversity in areas such as gender, education, expertise, age and professional experience, and indicates the timing and manner in which the implementation of these objectives are to be monitored. In terms of gender diversity, the company's corporate bodies require no less than 30% of the minority to be present in the given body to be considered diverse.

Dom Development S.A. is in the process of developing the Company's Diversity Policy, which will include diversity policy with respect to the composition of the Management Board and Supervisory Board of Dom Development S.A. The Company's Diversity Policy with respect to the Members of the Management Board will be adopted by the Company's Supervisory Board. In addition, the Management Board of the Company will make best efforts to have the Diversity Policy in the scope applicable to the Members of the Company's Supervisory Board adopted by the next General Meeting of Shareholders of Dom Development S.A..

Principle 3.6, according to which the Head of Internal Audit reports organisationally to the President of the Management Board and functionally to the Chairman of the Audit Committee or the Chairman of the Supervisory Board, if the Board acts as the Audit Committee.



At the Company, the Head of Internal Audit reports organisationally to the Vice-President of the Management Board and Chief Financial Officer functionally to the Chairperson of the Audit Committee.

The Company does not apply principle 4.13, according to which a resolution on a new issue of shares with the exclusion of pre-emption right that also grants the pre-emption right to subscribe to the newly issued shares to selected shareholders or other entities, may be taken if at least the following conditions are met:

- a) the company has a reasonable, economically justified need to raise capital or the share issue is related to rational, economically justifiable transactions such as a merger with or acquisition of another company or the shares are to be included in an incentive scheme adopted by the company;
- b) the persons to whom the pre-emption right will be granted shall be indicated in accordance with objective general criteria;
- c) the share acquisition price will remain in a reasonable relationship to the current stock price of that company or will be determined as a result of the market-based book-building process.

This rule is not applied by the Company to resolutions concerning a new issue of shares with the exclusion of subscription rights resulting from the exercise of Executive Option Schemes in place at the Company, the purpose of which is the Company gaining effective tools and mechanisms to motivate key executives of the Company to provide long-term increases of value of the Company and Dom Development S.A. Capital Group or where the share price is predetermined by the general meeting.

Another principle that the Company does not apply is principle 6.3, according to which, if one of the incentive schemes is a management option scheme, the exercise of the option scheme should be conditional upon the fulfilment by the eligible persons, within at least 3 years, of the pre-defined terms, financial and non-financial purposes and sustainable development appropriate to the company, and the fixed price for the acquisition of shares by eligible persons or for the settlement of options shall not deviate from the value of the shares at the time of adoption of the scheme.

The Company had three executive option programmes in 2021. Each of them had a limit on the number of options exercised to 20% of the total number of shares that could be exercised under the programme in each calendar year in the following five years following the adoption of the programme. In addition, not exercised options could be exercised at a later date, but not later than the end of the year in which the 10th anniversary of the scheme takes place.

The Management Board of the Company represents the view that the allocated options being split into five tranches with exercisability at 12-month intervals is an

alternative corresponding to the manner of tying remuneration of a member of the management board to the Company's long-term business and financial goals as defined in principle 6.3 of the BPWSE 2021.

The structure of the management option programmes in place at the Company is intended to link the remuneration of key executives to the increase in the Company's Shareholder value over a period of at least five years. The possibility to immediately exercise the individual tranches is the result of the specifics of the property development sector, which is highly cyclical and involves the risk of a temporarily separation between the share price and the actual quality and efficiency of the Company's operations.

The last principle which is not applied by the Company is principle 6.4, according to which the Supervisory Board carries out its tasks on a continuous basis, and therefore the remuneration of the Members of the Board may not depend on the number of meetings held. The remuneration of the Members of the Committees, in particular the Audit Committee, should take account of the additional work involved in the work of these Committees.

Members of the Supervisory Board of the Company receive a fixed monthly remuneration, the amount of which is not dependant on the number of meetings held. The remuneration of Members of the Committees of the Supervisory Board, i.e. the Audit Committee and the Remuneration Committee, does not take into account the additional work related to work on these committees.

The Company will seek to take into account in the remuneration of Members of the Committees of the Supervisory Board the additional work related to work on those committees. To that purpose, the Management Board of the Company intends to propose changes to the "Dom Development S.A. Remuneration Policy for Members of the Management Board and Supervisory Board" and a draft resolution amending the remuneration of Members of the Supervisory Board of Dom Development S.A. at the next general meeting of shareholders.

The rules of Best Practice for Warsaw Stock Exchange Listed Companies 2016 is publicly available on: [https://www.gpw.pl/pub/GPW/files/PDF/GPW\\_1015\\_17\\_DOBRE\\_PRAKTYKI\\_v2.pdf](https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf), and the rules of Best Practice for Warsaw Stock Exchange Listed Companies 2021 is available on:

[https://www.gpw.pl/pub/GPW/files/PDF/dobre\\_praktyki/DPSN21\\_BROSZURA.pdf](https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf)

The statement on the status of application of the recommendations and rules of Best Practice for WSE Listed Companies 2016 and BPWSE 2021 was posted by the Company on:

<https://inwestor.domd.pl/pl/lad-korporacyjny>

## COMPANY'S CORPORATE GOVERNANCE RULES ADOPTED VOLUNTARILY AND THE LOCATION, WHERE THE TEXT OF SUCH CORPORATE GOVERNANCE RULES IS PUBLICLY AVAILABLE

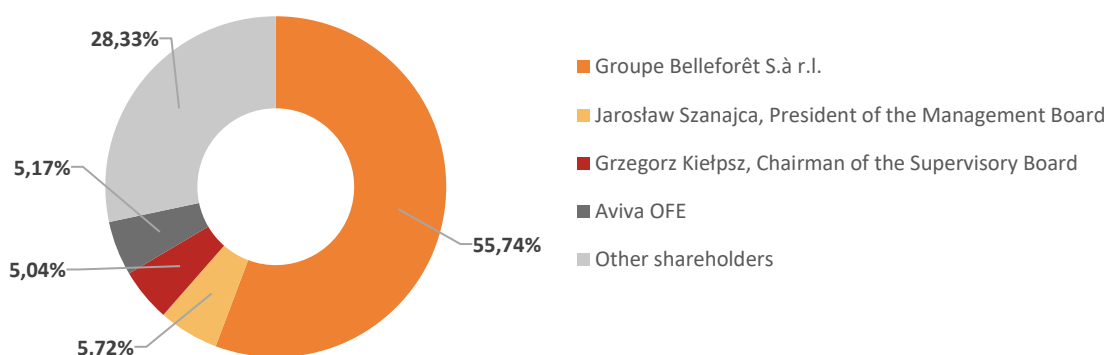
In 2021, Dom Development S.A. followed the corporate governance rules published in the Code of Best Practice for Customer-Developer Relations drafted by Polski Związek Firm Deweloperskich (the Polish Union of Developers). The Code of Best Practice for Customer-Developer Relations is publicly available on:

<http://www.warszawa.pzfd.pl/strefa-klienta/kodeks-dobrych-praktyk>

Dom Development S.A. has adhered to all of the rules described in the Code of Best Practice for Customer-Developer Relations.

## 4.2 SHARE CAPITAL, SHAREHOLDERS

### 4.2.1 SHAREHOLDER STRUCTURE



The shareholder structure of Dom Development S.A. as at 31 December 2021 was as follows:

As at 31 December 2021, 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 and optimised operations aimed at 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 the exceptionally long production cycle in the development sector, spread over the years, 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 31 December 2021, and on the change in their shareholding in the period from 31 December 2020, are presented in the table on the next page.

Save for the Company's share options described in note 7.43 of the Group's 2021 Consolidated Financial Statement, the Company's Management Board is not aware of any agreements, including those concluded after the balance sheet date, which may result in future changes in the proportion of shares held by existing shareholders and bondholders. Dom Development S.A. Capital Group does not have any information about any insurance or cooperation agreements between shareholders in 2021.

**LIST OF SHAREHOLDERS WHO HOLD, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING (“GSM”)**

<b>STATUS AS AT 31 DECEMBER 2021</b>	<b>SHARES</b>	<b>CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2020</b>	<b>NUMBER OF VOTES AT THE GSM</b>	<b>SHARE IN CAPITAL AND VOTES AT THE GSM</b>
<b>Groupe Belleforêt S.à r.l.</b>	<b>14 155 491</b>	-	<b>14 155 491</b>	<b>55.74%</b>
Aviva OFE*	1 686 676	73 457	1 686 676	6.64%
Jarosław Szanajca	1 454 050	-	1 454 050	5.72%
Grzegorz Kiełpsz	1 280 750	-	1 280 750	5.04%

\* Shareholding by Aviva Otwarty Fundusz Emerytalny Aviva Santander (open-end pension fund) has been presented as per the latest notice dated 31 December 2021. The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared as at 11 July 2011.

#### 4.2.2 SPECIAL CONTROL RIGHTS

##### PERSONS HOLDING ANY SECURITIES WITH SPECIAL CONTROL RIGHTS, AND DESCRIPTION OF THESE RIGHTS

Pursuant to paragraph 6.2.2 of the Articles of Association of Dom Development S.A., a shareholder holding at least 50.1% of shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice President of the Management Board who is responsible, pursuant to the Management Board Bylaws, for the Company’s finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a five-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

Pursuant to article 7.4 of the Articles of Association of Dom Development S.A. a shareholder holding at least 50.1% of the shares in the Company is vested with the personal right to appoint and dismiss half of the members of the Supervisory Board, including one Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a five-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Supervisory Board member.

As at 31 December 2021, Groupe Belleforêt S.à r.l., a company with its registered office in Luxembourg (formerly: SCOP Poland S.à r.l.) was the shareholder holding at least 50.1% of the Company's shares.

#### 4.2.3 LIMITATION OF RIGHT IN SHARES

##### RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS

Pledges and beneficial owners of shares in the Company are not entitled to exercise their voting rights attached to shares.

##### RESTRICTIONS ON THE TRANSFER OF OWNERSHIP TITLE TO THE ISSUER’S SECURITIES

No other restrictions are in place in Dom Development S.A. regarding the transfer of ownership title to shares in Dom Development S.A.

The transferability of subscription warrants issued by Dom Development S.A. in connection with its management option programmes is limited as

subscription warrants can only be exercised by a participant in a specific management option programme, and in the event of their death such warrants can be exercised by their heirs, only upon the consent of the Supervisory Board of Dom Development S.A.

## 4.3 GENERAL SHAREHOLDERS' MEETING

### THE PROCEDURE FOR AND MAJOR RIGHTS OF A GENERAL SHAREHOLDERS' MEETING, AND DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND MANNER FOR THESE RIGHTS BEING EXERCISED, IN PARTICULAR THE RULES RESULTING FROM GENERAL SHAREHOLDERS' MEETING BYLAWS, IF SUCH BYLAWS WERE ADOPTED AND IF THE RULES IN THIS RESPECT DO NOT DIRECTLY RESULT FROM LEGAL REGULATIONS

The General Shareholders' Meeting holds its sessions as Annual or Extraordinary General Shareholders' Meetings, and as a governing body of the Company it acts pursuant to the provisions of the Code of Commercial Companies and Partnerships Act dated 15 September 2000 (consolidated text of Dz.U. (Journal of Laws) of 2013 item 1030, as amended), the Articles of Association of the Company and provisions of unclassified and publicly available General Shareholders' Meeting Bylaws dated 5 September 2006 as amended by resolution No. 27 dated 15 May 2008 and resolution No. 31 dated 21 May 2009 of the Annual General Shareholders' Meeting of Dom Development S.A.

An Annual General Shareholders' Meeting is convened by the Management Board. It takes place in Warsaw within 6 months following the end of each financial year. Shareholders are entitled to participate in the General Shareholders Meeting provided that they were shareholders of the Company 16 days before the date of the General Shareholders Meeting (registration date for participation in a General Shareholders' Meeting). No invitations are required for members of the Company's Management Board or Supervisory Board to participate in a General Shareholders' Meeting. Other persons, in particular statutory auditors and experts, as invited by the Management Board, may participate in a session or an appropriate part thereof, should their participation be justified by the need to have their opinions on the discussed matters presented to the participants in the General Shareholders' Meeting. A statutory auditor should be present at a session of the General Shareholders' Meeting where Company's financial matters are addressed.

The General Shareholders' Meeting is valid and may adopt resolutions only if shareholders holding at least 50.1% of all votes are represented at the Meeting. Resolutions are adopted by an absolute majority of validly cast votes, unless the Code of Commercial Companies and Partnerships or the Articles of Association of the Company provide otherwise. An electronic system for casting and calculating votes may be used for voting. Pledges and beneficial owners of shares are not entitled to exercise voting rights attached to shares.

A resolution on the removal of certain matters from the agenda of the General Shareholders' Meeting or the abandonment of certain matters included in the agenda or placed on the agenda by a motion of shareholders requires a majority of three-quarters of the votes cast and the express prior consent of all present shareholders who have filed such motion, for it to be valid.

The Chairman puts the agenda to a vote, having the attendance list signed and checked. The General Shareholders' Meeting may adopt the suggested agenda without changes, change the order of debate or remove certain matters from the agenda, subject to the provisions of the Articles of Association of the Company. The General Shareholders' Meeting may also put new matters on the agenda and discuss them, however without adopting any resolutions on such matters. The Chairman of the Meeting has no right to remove matters from the agenda or alter the same without the consent of the General Shareholders' Meeting.

Each participant in the General Shareholders' Meeting may speak on matters included in the adopted agenda which are currently brought up for discussion. Each participant in the General Shareholders' Meeting may submit a formal motion. The Chairman gives the floor to a participant willing to lodge a formal motion out of turn. Formal motions are motions concerning the debate and voting procedure.

The General Shareholders' Meeting adopts resolutions on matters included in the agenda by voting. Voting is open and is subject to relevant provisions of the Articles of Association of the Company and the Code of Commercial Companies and Partnerships.

In 2021, the Annual General Shareholders' Meeting of Dom Development S.A. was held on 27 May 2021 in Warsaw in the registered office of the Company. The General Shareholders' Meeting had been convened upon a motion of the Management Board of the Company, and shareholders of the Company did not file their motions for the General Shareholders' Meeting to be convened.

The course of the General Shareholders' Meeting was in line with the provisions of the Code of Commercial Companies and Partnerships, the Company's Articles of Association, unclassified and publicly available General Shareholders' Meeting Bylaws of Dom Development S.A. and the rules of Best Practice for WSE Listed Companies. The shareholders had the possibility to review the content of draft resolutions included in the agenda, in each case not later than 26 days prior to the planned date of the General Shareholders' Meeting. The Company did not question the correctness of documents submitted by shareholders and their attorneys in support of their right to represent a shareholder when verifying shareholders' IDs being the proof of their entitlement to participate in the General Shareholders' Meeting.

The Chairman of the General Shareholders' Meeting ensured that the session proceeded in an orderly and efficient manner. Sessions of a General Shareholders' Meeting have never been cancelled or discontinued. Members of the Management Board and the Supervisory Board present at the General Shareholders' Meeting readily explained all matters within their competences and as required by law.

The circumstances for adopting resolutions of the General Shareholders' Meeting enabled for the protection of the rights of minority shareholders, including for voicing reservations and objections against such resolutions. None of the resolutions adopted was appealed in court.

The Annual General Shareholders' Meeting of Dom Development S.A. was held within the time limit set forth in article 395 of the Code of Commercial Companies and Partnerships, and the documentation concerning the financial statements for the financial year 2020 was published on the website of the Company more than 2 months before the date of the Annual General Shareholders' Meeting.

All resolutions adopted by the General Shareholders' Meeting in 2021 were passed in the best interest of the Company and took into account the rights of other stakeholders. Resolutions adopted by the General Shareholders' Meetings are posted on: <https://inwestor.domd.pl/pl/wza>

## 4.4 PRINCIPLES FOR THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Pursuant to article 430 § 1 and art. 415 § 1 of the Code of Commercial Companies and Partnerships, an amendment to the Articles of Association of Dom Development S.A. requires a resolution by the General Shareholders' Meeting adopted by a three-quarters majority of votes and court registration. For a resolution that is to amend the Articles of Association as to the benefits of the shareholders or limit the rights granted personally to individual shareholders under art. 354 of the Code of Commercial Companies and Partnerships, the consent of

all the shareholders affected by the resolution is required. An amendment to the Articles of Association is to be filed with the court of registration by the Management Board of Dom Development S.A. The General Shareholders' Meeting of Dom Development S.A. may authorise the Supervisory Board to determine a revised and reinstated text for the amended Articles of Association or to make such other editorial changes as defined in the resolution by the General Shareholders' Meeting.

## 4.5 MANAGEMENT BOARD OF DOM DEVELOPMENT S.A.

### 4.5.1 PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF THE MANAGEMENT BOARD

#### DESCRIPTION OF THE PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES

In accordance with the Company's Articles of Association, the Management Board of Dom Development S.A. shall comprise between 4 and 8 members, including the President, with a three-year term of office. The Supervisory Board shall determine the number of members of the Management Board. A shareholder who holds at least 50.1% of the shares in the Company is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice President of the Management Board who is responsible, pursuant to the Management Board Bylaws for the Company's finances. For an odd number of Management Board members, a shareholder who holds at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for a five-person Management Board) and four (for a seven-person Management Board) Management Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a

given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

The Management Board represents the Company in and out of court. For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy.

Pursuant to paragraph 3.2.8 of the Company's Articles of Association, the Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 1 700 000 (in words: one million seven hundred thousand) by way of one or several share capital increases within the limits specified above (authorised capital). The Management Board's right to increase share capital and issue new shares within the limits of the authorised capital up to PLN 1 700 000 shall expire 3 years from the date of the amendment to

the Articles of Association made by resolution No. 27 dated 30 May 2019 by the General Shareholders' Meeting being entered in the register of entrepreneurs.

The right to increase the share capital referred to in the foregoing sentence, includes the issue of subscription warrants with subscription rights that expire after the above mentioned period.

Upon the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or a part of its pre-emptive rights in relation to shares issued within the limits of the authorised capital.

A share capital increase by the Management Board within the limits of the authorised capital is conditional upon

#### 4.5.2 COMPOSITION OF THE MANAGEMENT BOARD

In the period from 1 January 2021 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

On 25 August 2020 Mr Janusz Zalewski, Vice President of the Company's Management Board filed for resignation from his position as Vice President and Member of the Company's Management Board on account of his retirement. The said resignation took effect on 12 March 2021.

As of 15 March 2021, a shareholder holding at least 50.1 % of the Company's shares, acting under Article 6.2.2. of

#### 4.5.3 PRINCIPLES GOVERNING THE FUNCTIONING OF THE MANAGEMENT BOARD

The Company's Management Board acts pursuant to the provisions of the Code of Commercial Companies and Partnerships, the Articles of Association and unclassified and publicly available Management Board Bylaws approved by a resolution of the Supervisory Board, and in accordance with the Code of Best Practice for WSE Listed Companies.

The Management Board is an executive body of the Company. It manages the current operations of the Company and represents the same towards third parties. The Management Board decides in all matters concerning the Company not reserved for the General Shareholders' Meeting and/or the Supervisory Board under legal regulations, the Articles of Association of the Company or a resolution of the General Shareholders' Meeting.

obtaining a positive opinion in this respect from the Supervisory Board. In other cases, unless otherwise provided by the Code of Commercial Companies and Partnerships, the Management Board may decide on any and all matters related to share capital increases within the limits of the authorised capital.

Pursuant to paragraph 3.2.6. of the Company's Articles of Association, a purchase of treasury shares by the Company for redemption does not require the consent of the General Shareholders' Meeting (subject to art. 393 item 6 of the Code of Commercial Companies and Partnerships) and only requires the consent of the Supervisory Board.

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

Accordingly, in the period from 15 March 2021 until 31 December 2021 the Management Board of Dom Development S.A. was composed of 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

For statements to be validly made and signed on behalf of the Company, two members of the Management Board are required to act jointly or one member of the Management Board is required to act jointly with a commercial proxy. Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a voting deadlock, the President of the Management Board has the casting vote.

When defining strategic and current objectives for the Company, the Management Board always acted in the underlying interest of the Company and in line with legal regulations, and taking into account the interests of the shareholders, employees and creditors of the Company.

In order to ensure the transparency and efficiency of the management system, the Management Board followed the principles of professional conduct within the limits of reasonable economic risk, and took into consideration a wide range of available information, analyses and opinions.

The amount, form and structure of remuneration for the Members of the Management Board have been determined by the Supervisory Board in line with the applicable "Dom

Development S.A. Remuneration Policy for Members of the Management Board and Supervisory Board" and on the basis of clear-cut procedures, and correspond to the scope of their responsibilities and competences and have taken into account the economic performance of the Company. This remuneration also corresponds to the remuneration of Management Boards in comparable companies in the real estate development market.

## 4.6 SUPERVISORY BOARD

### 4.6.1 PRINCIPLES FOR THE APPOINTMENT OR DISMISSAL OF THE SUPERVISORY BOARD

The Supervisory Board shall comprise of 5 to 9 members appointed for a three-year term of office.

The General Shareholders' Meeting shall determine the number of members of the Supervisory Board. In addition to this, the General Shareholders' Meeting shall appoint and dismiss Members of the Supervisory Board, subject to the personal right of a Shareholder holding at least 50.1% of shares to appoint and dismiss half of the Members of the Supervisory Board, including 1 Vice Chairman thereof. For an odd number of Supervisory Board members, a shareholder holding at least 50.1% of the shares in the Company is authorised to appoint, accordingly: three (for

a five-person Supervisory Board), four (for a seven-person Supervisory Board) and five (for a nine-person Supervisory Board) Supervisory Board members. The above right is exercised by way of serving a written statement to the Company regarding the appointment or dismissal of a given Supervisory Board member.

At least two Members (and their relatives, in particular, spouses, descendants or antecedents) of the Supervisory Board appointed by the General Shareholders' Meeting should meet the criteria of so-called Independent Members, defined in article 7.7 of the Articles of Association of the Company

### 4.6.2 COMPOSITION OF THE SUPERVISORY BOARD

In the period from 1 January 2021 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 as 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, pursuant to article 7.4 of the Articles of Association of the Company.

Consequently, in the period from 15 March 2021 until 31 December 2021, the Supervisory Board of Dom Development S.A. was composed of seven members:

- 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).

### 4.6.3 PRINCIPLES GOVERNING THE FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board acts pursuant to the provisions of the Code of Commercial Companies and Partnerships, the Articles of Association and unclassified and publicly available Supervisory Board Bylaws, approved by the Supervisory Board's resolution, that set forth its organisation and manner of operation, and in accordance with the Code of Best Practice for WSE Listed Companies.

The Supervisory Board is a permanent supervisory body of the Company for all areas of its operation.

The Supervisory Board adopts resolutions or issues opinions in the matters reserved for the Supervisory Board under the Company's Articles of Association and in the manner provided for in the Articles of Association or relevant legal regulations.

The Supervisory Board held its meetings regularly. The meetings were attended by the Members of the Management Board. In 2021 the Supervisory Board held 16 sessions. The Management Board provided the Supervisory Board with exhaustive information on all important matters concerning the operations of the Company.

The Supervisory Board complied with the requirement of having among its members at least two Independent Members in line with the criteria of independence set forth in the Company's Articles of Association.

Resolutions of the Supervisory Board concerning: (i) consent for the Company or a related entity of the Company to make any considerations on any account whatsoever for the benefit of the Members of the Management Board, (ii) consent for the Company or a related entity of the Company to conclude a material agreement with a related entity of the Company, a Member of the Supervisory Board or the Management

Board, or entities related to such members, and (iii) the choice of a statutory auditor for the audit of the Company's financial statements, were all adopted upon the consent of the majority of the Independent Members of the Supervisory Board.

The remuneration of the Members of the Supervisory Board was determined in a transparent manner and did not constitute a considerable share in the Company's costs affecting its financial result. The amount of the remuneration was approved by a resolution of the General Shareholders' Meeting and was disclosed in the annual report and in 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 the years 2019-2020.

The Supervisory Board presented to the Annual General Shareholders' Meeting of the Company which was held on 27 May 2021 the following documents prepared in line with the Code of Best Practice for WSE Listed Companies:

- report of activities of the Supervisory Board in 2020,
- assessment of the company's compliance with the duty of disclosure in respect of applying the principles of corporate governance as specified in the Stock Exchange Rules, and the regulations concerning current and periodic submissions by security issuers,
- assessment of the situation of the Company in 2020, including the system of internal control, risk management, compliance and internal audit,
- assessment of the soundness of sponsorship, charity and other similar policies in place at the Company.

### 4.6.4 SUPERVISORY BOARD COMMITTEES

Two committees, the Audit Committee and the Remuneration Committee, were established within the structure of the Supervisory Board.

#### AUDIT COMMITTEE

In the period from 1 January 2021 until 31 December 2021 the Audit Committee was composed of the following members:

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

The Audit Committee is a permanent committee at the Supervisory Board. The Audit Committee is composed of at least three Members appointed by the Supervisory Board from amongst its Members, with at least two members of the Audit Committee, including the chairperson, also being an Independent Member of the Supervisory Board as defined in art. 129 par. 3 of the Act on statutory auditors, audit firms and public supervision of 11 May 2017 (Dz.U. 2017 item 1089) and article 7.7 of the Company's Articles of Association, and at least one of whom should have expertise and qualifications in accountancy or financial audit. At least



one Member of the Audit Committee must have expertise and qualifications in the market segment where the Company operates.

The statutory criteria of independence were met by the Chairwoman of the Audit Committee, Ms Dorota Podedworna-Tarnowska and a member of the Audit Committee, Mr Marek Moczulski.

All members of the Audit Committee have knowledge of and skills in accounting or auditing. Ms Dorota Podedworna-Tarnowska, Chairwoman of the Audit Committee, completed her tertiary education in finance and banking and holds the degree of doctor of economic sciences. In her professional work she makes use of her knowledge in such areas as economics, finance, accounting, auditing and the audit of financial statements. Mr Marek Moczulski, Member of the Audit Committee completed post-graduate studies with specialisation in finance management. In his professional career he makes use of his knowledge in such areas as economics, finance, auditing and the audit of financial statements. A Member of the Audit Committee Mr Mark Spiteri is a chartered accountant.

The knowledge and skills pertinent to the sector in which the Company operates are held by Mark Spiteri, Member of the Audit Committee, who employs his practical competencies in the management of property development projects and of the real estate market in his professional activities. He gained this experience when cooperating with developers and consulting companies.

The duties and competences of the Audit Committee are set forth in unclassified and publicly available Audit Committee Bylaws approved by the Supervisory Board.

The duties of the Audit Committee include, in particular (i) supervision of the Company's Management Board as regards the Management Board's compliance with relevant laws and other regulations, in particular the Accounting Act dated 29 September 1994, supervision of the preparation of financial information by the Company, in particular in respect of the choice of the accounting policy adopted by the Company, supervision of the application and assessment of the consequences of new legal regulations, supervision of the information on the manner in which estimated items, forecasts etc., are presented in annual reports and supervision of compliance with the recommendations and findings of a statutory auditor appointed by the Supervisory Board, (ii) issuing recommendations to the Company's Supervisory Board concerning the appointment and dismissal of the statutory auditor, (iii) control of the independence and objectivity of the statutory auditor, in particular in respect of a possible replacement of the statutory auditor, and of their remuneration, (iv) verification of the statutory auditor's work.

In executing its duties, the Audit Committee works with the Supervisory Board, the Management Board, middle management and the external and internal audit unit.

The Vice President of the Management Board responsible for finance, Deputy Financial Director, Financial Controller and representatives of the external and internal audit teams may attend Audit Committee meetings, if invited. In 2021, the Audit Committee held 7 meetings.

The audit firm that audited the Company's financial statements provided permissible non-audit services to the Company in 2021. Independence of the audit firm was assessed, and the Audit Committee agreed to have these services provided by this firm.

Under the auditor selection policy in effect at the Company, the choice of the audit firm to carry out the audit is made by the Supervisory Board of Dom Development S.A., acting on the basis of a recommendation made by the Audit Committee. Transparent and non-discriminatory selection criteria were defined to be used to evaluate the bids submitted by audit firms, which the Audit Committee is guided by during the preparation of the recommendation and the Supervisory Board is guided by during the selection of the audit firm. These are:

- a. independence and impartiality of the audit firm as a prerequisite, assuming that the audit firm submits, by the date of the statutory audit of financial statements, written confirmation of its independence from Dom Development S.A. and the companies of Dom Development S.A. Capital Group once a year to the Audit Committee. The above-mentioned entity shall also discuss with the Audit Committee all risks to its independence as well as the measures used to mitigate those risks;
- b. the fee for the audit, which cannot be based on any form of contingency, this includes not being subject to the results of the audit and being dependant or contingent on the provision of additional non-audit services for the audited company or an affiliated entity by the audit firm, an affiliated entity or a member of its network, and one of the basic criteria for the selection of an audit firm to statutory audit of financial statements is the quality and reliability of the services provided;
- c. experience gained and potential of the entity in the audit of statements of public interest entities and audit of the statements of entities with similar profile of activity, specifically in the property development or real estate sector;
- d. ability to conduct the audit throughout the country and to ensure the provision of services within the required scope;
- e. ability to monitor ongoing changes in legislation;
- f. checking the professional qualifications and experience of persons directly involved in the audit.

In accordance with the policy, as prevailing at the Company concerning permitted non-audit services rendered by an audit firm that provides statutory audit of financial statements, by an affiliate to such audit firm or by a member of the audit firm's network, no audit firm appointed for a statutory audit of financial statements, no entity affiliated with the audit firm or any member of the audit firm's network may provide directly or indirectly to Dom Development S.A. nor to its affiliated entities any prohibited services other than non-audit services nor services which are related to financial review, from the first day of the period covered by the audit to the release of the audit report. In the case of internal audit, risk management, or information system procedures, this restriction is effective in the financial year immediately preceding the audited period. The prohibited services are not the services listed in Article 136(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. The services may be provided only insofar as such services are unrelated to the tax policy of Dom

#### REMUNERATION COMMITTEE

In the period from 1 January 2021 until 31 December 2021 the Remuneration Committee was composed of the following members:

- Marek Moczulski,  
Chairman of the Remuneration Committee,
- Mark Spiteri,  
Member of the Remuneration Committee,
- Krzysztof Grzyliński,  
Member of the Remuneration Committee.

The Remuneration Committee is a permanent committee at the Supervisory Board. It is composed of at least three members appointed by the Supervisory Board from amongst its members, with at least two members of the Remuneration Committee being Independent Members of the Supervisory Board within the meaning of article 7.7 of the Articles of Association. The Supervisory Board appoints one member of the Remuneration Committee to the position of Chairman of the Remuneration Committee. This member serves concurrently as an Independent Member of the Supervisory Board within the meaning of article 7.7 of the Articles of Association. The

Development S.A. after the Audit Committee has assessed threats to independence and the safeguards applied, and after the consent of the Audit Committee is granted. Where the auditor or audit firm provides services for Dom Development S.A. or the Dom Development S.A. Capital Group companies for a period of at least three consecutive financial years, the total fee for such services will be limited to not more than 70% of the average fee paid in the subsequent three financial years for the audit of financial statements of Dom Development S.A. and consolidated financial statements of Dom Development S.A. Capital Group.

The recommendation of the Audit Committee of 19 April 2021 concerning the selection of the audit firm complies with the conditions set out in Article 130(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

Supervisory Board may dismiss any Member of the Remuneration Committee at any time.

The duties and competences of the Remuneration Committee are set forth in unclassified and publicly available Remuneration Committee Bylaws approved by the Supervisory Board.

The duties of the Remuneration Committee include, in particular (i) periodically assessing the remuneration principles for the members of the Management Board and providing the Supervisory Board with relevant recommendations in this respect, (ii) preparation of suggestions as regards remuneration and additional benefits for individual members of the Management Board, including in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) to be reviewed by the Supervisory Board, (iii) submission of projects concerning the Company's remuneration policy.

The President of the Management Board and the HR Director may attend meetings of the Remuneration Committee, if invited. In 2021, the Remuneration Committee held 9 meetings.

## 4.7 REMUNERATION POLICY REPORT

### 4.7.1 REMUNERATION SYSTEM AT THE COMPANY

The purpose of the remuneration policy for members of the management and supervisory bodies, and for key managers at Dom Development S.A. is to support the Company's strategy and its short- and long-term objectives.

No significant changes in the implementation of the remuneration policy adopted by the Company on 31 August 2020 by the Annual General Shareholders Meeting of Dom Development S.A. took place at the Company in the financial year 2021.

The Remuneration Policy was prepared in line with Polish and European regulations concerning remuneration in public companies. It takes into account the current business environment and the remuneration practice prevailing in the market. Its objective is to provide transparent and clear rules for remunerating members of the Management Board and the Supervisory Board, and to support the Company's business strategy, taking into account the current business environment as well as the current market practice regarding remuneration in public companies.

In particular, the Remuneration Policy takes into account the need to:

- Contribute to the implementation of the Company's business strategy and the long-term interests of the Company, its shareholders, investors and stakeholders, and to support the sustainable development of the Company;
- Ensure transparency of the rules for remunerating Members of the Management Board by establishing a single remuneration title covering all the duties performed for the Company. The Members of the Management Board may concurrently serve on governing bodies in subsidiaries;
- Set the remuneration for Members of the Supervisory Board in a manner consistent with the remuneration practice throughout the Company and in the market;
- Ensure effective management of Remuneration Policy, and prevent conflicts of interest in this area.

### 4.7.2 TERMS AND AMOUNTS OF REMUNERATION, BONUSES AND BENEFITS RECEIVED BY INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY

In accordance with the Articles of Association of the Company, the terms of contracts and remuneration for the President of the Management Board and the other Members of the Management Board is the responsibility of the Supervisory Board, upon the recommendation of the Remuneration Committee in this regard.

The Remuneration Committee reviews the remuneration principles for the members of the Management Board periodically and provides the Supervisory Board with relevant recommendations in this respect, suggests amounts of remuneration and additional benefits for individual members of the Management Board, in particular benefits under a management share option programme (options convertible into shares in the Company's share capital) for

individual Members of the Management Board, to be reviewed by the Supervisory Board.

Remuneration for the Members of the Management Board of the Company and key managers stems from the Remuneration Policy adopted and consists of a fixed part (base salary), a variable part based on results (bonus system) and fringe benefits. In 2021, the principles of the remuneration system were the same as these applied in previous years, i.e. the remuneration was based on the incentive system linked to financial performance, business and financial objectives of the Company. The granting of the annual discretionary bonus was contingent on the degree of implementation of individual annual targets associated with the business objectives of the Company.

REMUNERATION AND BONUSES RECEIVED BY THE MEMBERS OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. (in PLN '000)	Fixed remuneration items	Variable remuneration items*	Non-pay benefits
<b>for serving on the governing bodies of Dom Development S.A.</b>			
Jarosław Szanajca	1 279	1 612	46
Małgorzata Kolarska	1 200	4 642	104
Leszek Stankiewicz	1 072	995	49
Janusz Zalewski	216	-	161
Mikołaj Konopka	120	660	-
Terry Roydon	72	1 263	-

\* Variable remuneration based on the estimated calculation of the bonus for 2021 before the acceptance of the underlying financial statements.

In 2021, the amount of remuneration (including bonuses) accrued or potentially accrued to individual members of

the management bodies for serving on these bodies at the Company and at its subsidiaries, was as follows:

REMUNERATION AND BONUSES RECEIVED BY THE MEMBERS OF THE MANAGEMENT BOARD OF DOM DEVELOPMENT S.A. (in PLN '000)	Entity name	Fixed remuneration items	Variable remuneration items	Non-pay benefits
<b>for holding a position in the subsidiaries of the Company</b>				
	Jarosław Szanajca	Euro Styl S.A.	60	-
	Jarosław Szanajca	Dom Development Wrocław Sp. z o.o.	60	-
	Małgorzata Kolarska	-	-	-
	Leszek Stankiewicz	Dom Construction Sp. z o.o.	48	-
	Janusz Zalewski	-	-	-
	Mikołaj Konopka	Euro Styl S.A.	600	1 404
	Mikołaj Konopka	Euro Styl Construction Sp. z o.o.	6	-
	Mikołaj Konopka	Euro Styl Development Sp. z o.o.	6	-
	Mikołaj Konopka	Euro Styl Montownia Sp. z o.o.	6	-
	Mikołaj Konopka	GGI Dolne Miasto Sp. z o.o.	4	-
	Mikołaj Konopka	Your Destination Sp. z o.o.	2	-
	Terry Roydon	-	-	-

There was no distributions from profit, except for the dividend, to executives at the Company in 2021.

In addition to this, there are Management Option Programmes at the Company which are described in detail in section 3.8 to this report and in note 7.43 to the Group's 2021 consolidated financial statements.

Options granted to and exercised by members of the Management Board of Dom Development S.A. are shown in the table below.

SHARE OPTIONS GRANTED AND EXERCISED IN 2021	Options granted as of 1 January 2021 (number of shares)	Options granted in 2021 (number of shares)	Options exercised in 2021 (number of shares)	Price of one share in the Company on the option grant date	Exercise price for one option	Option exercise date
Jarosław Szanajca	-	-	-	-	-	-
Małgorzata Kolarska	200 000	-	100 000	PLN 74.49	PLN 35.00	25.01.2021
Leszek Stankiewicz	-	-	-	-	-	-
Janusz Zalewski	-	-	-	-	-	-
Mikołaj Konopka	200 000	-	50 000	PLN 95.20	PLN 50.00	25.01.2021
Terry Roydon	-	-	-	-	-	-

#### 4.7.3 NON-FINANCIAL COMPONENTS OF REMUNERATION FOR THE MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS

The remuneration of the Members of the Management Board of the Company, the Members of the Supervisory Board of the Company and key managers at the Group

also consists of fringe benefits such as private health care or a company car that can also be used for private purposes.

#### 4.7.4 LIABILITIES ARISING FROM RETIREMENT PENSIONS FOR FORMER MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF THE COMPANY

The Company has no liabilities arising from retirement pensions or similar benefits for its former management or supervisory executives.

#### 4.7.5 AGREEMENTS WITH THE MEMBERS OF THE MANAGEMENT BOARD IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL

All members of the Company's Management Board have been remunerated on the basis of resolutions of the Supervisory Board.

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members: Jarosław Szanajca, Małgorzata Kolarska, Leszek Stankiewicz and Mikołaj Konopka, in the case of dismissal

for reasons other than violation of their fundamental obligations or non re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations was entitled to payment equal to one full month salary as calculated for the period from the day following the expiry of his term of office to 1 October 2021.

#### 4.7.6 AMOUNT OF REMUNERATION, BONUSES AND BENEFITS RECEIVED BY INDIVIDUAL MEMBERS OF THE SUPERVISORY BOARD

In 2021, the amount of remuneration paid, accrued or potentially accrued to individual members of the supervisory bodies was as follows:

REMUNERATION AND BONUSES RECEIVED BY THE MEMBERS OF THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A. (in PLN '000)	in Dom Development S.A.	in other companies operating within the Group
Grzegorz Kiełpsz	624	-
Marek Moczulski	110	-
Janusz Zalewski	96	-
Michael Cronk	28	-
Mark Spiteri	110	-
Markham Dumas	110	-
Dorota Podedworna-Tarnowska	110	-
Krzysztof Grzyliński	121	-

In 2021, there were no distributions from profit to members of the supervisory bodies of the Company, except for the dividend.

#### 4.7.7 ASSESSMENT OF THE REMUNERATION POLICY OPERATION

The Management Board of the Company is of the opinion that Members of the Management Board and the Supervisory Board of the Company have been remunerated in compliance with the Remuneration Policy, and having the remunerations of Board Members

tied to economic performance, while meeting business objectives, is the strong foundation for maintaining the viability of the company and the long-term increase in value for shareholders.

## 4.8 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**

	AS AT 31 DECEMBER 2021			CHANGE FROM 31 DECEMBER 2020		
	Shares	Nominal value of the shares (in PLN '000)	Share options	Shares and options, total	Shares	Share options
<b>MANAGEMENT BOARD</b>						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska*)	303 544	304	100 000	403 544	83 309	(100 000)
Leszek Stankiewicz	-	-	-	-	-	-
Mikołaj Konopka*)	88 981	89	150 000	238 981	50 000	(50 000)
Terry Roydon	58 500	59	-	58 500	-	-
<b>SUPERVISORY BOARD</b>						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Janusz Zalewski	300 000	300	-	300 000	-	-
Marek Moczulski	-	-	-	-	-	-
Mark Spiteri	900	1	-	900	-	-
Markham Dumas	-	-	-	-	-	-
Krzysztof Grzyliński	-	-	-	-	-	-
Dorota Podedworna-Tarnowska	-	-	-	-	-	-

\*) On 1 February 2022 Małgorzata Kolarska and Mikołaj Konopka subscribed respectively, for 100 000 and 50 000 shares in Dom Development S.A. in the exercise of the Company's share options. Detailed information about the said transaction has been presented in note 7.49 of the Consolidated Financial Statements of Dom Development S.A. Capital Group: Material post-balance sheet events.

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

except for in Dom Land Sp. z o.o., in which Jarosław Szanajca, Grzegorz Kiełpsz and Mark Spiteri held 20% of the shares each at 31 December 2021.

## 4.9 MANAGEMENT OPTION PROGRAMMES

### 4.9.1 EXISTING EMPLOYEE SHARE SCHEMES

**INFORMATION ON THE AGREEMENTS THAT ARE KNOWN TO THE COMPANY AND THAT WERE CONCLUDED IN THE LAST FINANCIAL YEAR WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE CURRENT SHAREHOLDERS**

There are two management option programmes in place at the Company.

On 1 December 2017, the Supervisory Board of the Company adopted resolution no. 01/12/17 concerning the approval of the provisions of the Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board – CEO, concerning 500 000 shares in Dom Development S.A. ("Programme IV"). In accordance with the terms of Programme IV, Ms Małgorzata Kolarska received one-off options authorising her to subscribe for 500 000 shares in Dom Development

S.A. for the price of PLN 35.00 (thirty-five zlotys only) per share. The exercise of these options is limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

On 29 November 2019, the Supervisory Board of the Company adopted resolution no. 02/11/19 concerning the approval of the provisions of the Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A.,

concerning 250 000 shares in Dom Development S.A. ("Programme V"). In accordance with the terms of Programme V, Mr Mikołaj Konopka received one-off options authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. The exercise of these options is limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, while the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

On 1 December 2020, the Supervisory Board of the Company adopted resolution no. 01/12/20 concerning the approval of the provisions of the Management Option Programme VI for Marcin Drobek, the Adviser to the Management Board and Chief Construction Officer, concerning 150 000 shares in Dom Development S.A. ("Programme VI"). In accordance with the terms of Programme VI, Mr Marcin Drobek received one-off

#### 4.9.2 EMPLOYEE SHARE SCHEME CONTROL SYSTEM

The management option programmes in place at the Company were adopted by the Company's General Meeting of Shareholders which also authorised the Supervisory Board of the Company to adopt specific rules for the implementation of the schemes.

On 30 May 2019, the Company's Management Board was authorised by the General Shareholders' Meeting of the Company to increase its share capital within the authorised capital and to issue warrants allowing subscription for shares by the participant in Management Option Programme IV for Małgorzata Kolarska, Vice

options authorising him to subscribe for 150 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share. Due to the termination of the employment contract between Marcin Drobek and the Company by agreement of the parties, on 30 November 2021 the Company's Supervisory Board adopted a resolution according to which the options granted to Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer under Management Options Programme VI, comprising 150 000 shares in Dom Development S.A., authorising Mr Marcin Drobek to subscribe for a total of 120 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share, expired and may not be exercised. Therefore, Programme VI has been discontinued.

Management Option Programmes are described in detail in the Consolidated Financial Statements of the Group for 2021 in note 7.43.

President of the Management Board and the CEO, for 500 000 Shares in Dom Development S.A., in Management Option Programme V for Mikołaj Konopka, Member of the Management Board of Dom Development S.A. for 250 000 Shares in Dom Development S.A. and in Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and Chief Construction Officer, for 150 000 Shares in Dom Development S.A. The Management Board is then entitled to adopt a resolution concerning the increase of the share capital upon the consent of the Supervisory Board.

## 4.10 APPLICATION OF THE DIVERSITY POLICY IN RELATION TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the opinion of the Management Board of the Company, the composition of the Management Board and the Supervisory Board of Dom Development S.A provided the diversity of age, education and professional experience necessary to achieve a multidimensional perspective supporting the activities of and supervision over the Company.

In 2021, the Company's Management Board was composed of 5 members: 4 men and 1 woman. 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. Their track record and broad perspective allow the Management Board to make strategic decisions effectively.

In order to safeguard the development of the Company and of the Group, the Management Board has emphasised the development of key managers and its diversity. The directors and vice-directors of the individual divisions and departments include women and men of different educational backgrounds, professional experience and age.

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 and 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 (Ms 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. Such diversity provides a wide perspective on the operation of the Management

Board of the Company and the development paths undertaken. As at 31 December 2021, the Company's Supervisory Board was composed of 6 men and 1 woman.

## 4.11 INTERNAL CONTROL AND RISK MANAGEMENT

The Management Board of the Company is responsible for the internal control system within the Group and its effectiveness as regards the preparation of financial statements.

The effectiveness of the Group's internal control and risk management systems in financial reporting is ensured through the following means:

- Clear division of duties and competences in the process of preparing financial information

Accounting books are kept and financial reporting is performed by highly qualified financial and accounting teams, both at the Company and companies operating within the Group. The Group's consolidated financial statements are prepared by highly qualified employees from the finance and accounting division.

The effectiveness of internal controls and the quality of the accounts are ensured, inter alia, by the appropriate allocation of competences and responsibilities within the teams and by the assignment of relevant authorisations in the IT systems used by the Group.

There are also independent teams within the Group that are responsible for budgeting and management reporting processes.

- Structure and scope of financial reporting applied by the Group

The Group's finance and accounting system is a source of data for both financial statements and consolidated financial statements. It is also a source of information for the Group's management reporting, the financial part of which is based on the accounting policy adopted by the Group (in compliance with the International Financial Reporting Standards).

Operational quantitative forecasts and financial forecasts are incorporated in the monthly financial and operational management reports, in addition to historic financial data sourced from the accounting books. These reports are scrutinised by middle and executive management of individual organisational units of the Group and by the Management Boards of the companies operating within the Group and by the Management Board of the Company. As regards closed reporting periods, the Group's financial results are scrutinised versus budgets and forecasts. In view of the specific nature of the industry, we analyse not only the aggregated groups of costs and revenues, but also the financial and operating data for the respective property development projects are analysed separately.

Any identified deviations and errors, where possible, are verified, clarified and corrected in the books of the Group companies on an ongoing basis.

Both managerial and statutory reporting takes place under supervision of the financial controller and the Vice-President of the Management Board - Chief Financial Officer.

- Verification of the Group's financial statements by an independent statutory auditor

In accordance with the standards adopted by the Group, the Group's financial statements are always audited by a leading and highly qualified statutory auditor.

A so-called Audit Life Cycle has been developed in the Company. This is a cyclical schedule of communication between the Management Board, the statutory auditor and the Audit Committee of the Supervisory Board. The purpose of this schedule is to ensure appropriate interaction and communication between the Audit Committee and the statutory auditor.

- Formalised process for significant assessments that considerably affect the Company's financial statements

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

The basis for calculating the cost of products sold, due to the accounting policy applied in this respect, is not only the costs recorded in the books, but also the detailed development project budgets prepared in accordance with the Group's best knowledge and experience. The budgets for all development projects are updated at least once every three months, during the execution of the projects. This process is governed by the formalised rules in place at the Group, and is scrutinised by the management boards of the companies concerned, as well as the Management Board of the Company.

Moreover, it is relevant in the process of consolidation to eliminate intra-group sales, with particular regard to accurate assessment, and then elimination of the margin realised on such sales by the Group's construction companies.

- Risk management process and internal audit

There has been a formalised risk management procedure in operation within the Company since 2000. Under this procedure the risk is managed through the identification



and assessment of risk areas for all aspects of the activities in which the Company and the Group are involved, together with defining activities required to reduce or eliminate such risks (including through procedures and internal audit system). Risk management also covers the accuracy and quality of data having a bearing on the accuracy and quality of the financial statements.

## 4.12 MATERIAL LEGAL PROCEEDINGS

As at 31 December 2021 the companies operating within the Group were not a party to any material court cases.

## 4.13 AUDITOR

### INFORMATION ON THE AGREEMENT FOR THE AUDIT AND REVIEW OF THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS CONCLUDED WITH THE AUTHORISED AUDITOR

On 19 April 2021, in accordance with the powers granted under article 7.12.3 of the Company's Articles of Association and the applicable regulations and professional standards, the Supervisory Board of the Company on the basis of the recommendation made by the Company's Audit Committee, contained in its Resolution 01/04/21 of 19 April 2021, selected PricewaterhouseCoopers Polska Sp. z o.o. Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) with its registered office in Warsaw, to audit the annual financial statements of Dom Development S.A. for the year ended 31 December 2021 and the consolidated financial statements of the Dom Development S.A. Capital Group for the year ended 31 December 2021, and to review the condensed financial statements of Dom Development S.A. for the period of six months ended 30 June 2021 and the condensed consolidated financial statements of the Dom Development S.A. Capital Group, prepared for the period of six months ended 30 June 2021.

PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw at al. Polna 11 is registered as an entity licensed to audit financial statements under reg. no. 144.

The agreement with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw was concluded on 16 April 2018 for the period necessary to carry out the review and audit of the said financial statements.

The Company had previously used the services of PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2002 and 2011 and of certain companies affiliated with PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. with its registered office in Warsaw with regard to training programmes in 2013 and 2014 and legal services in 2012-2015. The audit firm in charge of auditing the Company's financial statements for 2021 and the Group's

The Company has an in-house internal audit unit, which carries out internal audits mainly of processes relating to risks identified in the said risk management procedure. The activities of the internal audit unit are subject to regular supervision of the Audit Committee. The findings of internal audits are reported to the Audit Committee and to experts appointed by this Committee.

consolidated financial statements for 2021 also provided permissible non-audit services as contracted by the Company.

The financial statements for 2018, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.

Information on remuneration due to the audit firm for 2021 and 2020 is presented in note 7.52 to the Group's Consolidated Financial Statements for the year 2021.

In accordance with the statement of the Supervisory Board of the Company, the Company's Management Board reports that:

- the selection of the audit firm to conduct the audit of annual consolidated financial statements for the year 2021 has been carried out in line with laws, including the provisions on selection of and the selection procedure for an audit firm,
- the audit firm and the members of the team performing the assignment fulfilled the prerequisites for preparing an impartial and independent audit report concerning the annual consolidated accounts in accordance with applicable laws, professional best practice and the rules of professional conduct,
- the existing provisions related to the rotation of the audit firm and the key statutory auditor and the compulsory withdrawal periods are respected,
- the Company has a policy in place regarding the choice of the audit firm and the policy in respect of the provision of additional non-audit services, including services conditionally exempted from the prohibition of the provision thereof by the audit firm, to the Company by the audit firm, an affiliate of the audit firm or a member of its professional network.

**5 APPROVAL BY THE MANAGEMENT BOARD  
OF DOM DEVELOPMENT S.A.  
OF THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES  
OF THE COMPANY AND ITS CAPITAL GROUP IN 2021**



This Management Board's report of activities of Dom Development S.A. and its Capital Group in 2021 was prepared and approved by the Management Board of the Company on 17 March 2022.

The Management Board of the Company represents that this Report of activities of Dom Development S.A. and its Capital Group in 2021 presents a true view of the development, achievements and situation of the Company, 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.