DOM DEVELOPMENT S.A. CAPITAL GROUP

REPORT
BY THE SUPERVISORY BOARD OF
DOM DEVELOPMENT S.A.

ON THE ASSESSMENT OF:

- **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021,**
- **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021,**
- **MANAGEMENT BOARD'S REPORTS OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2021**

CONTENTS

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

1.1 SCOPE OF THE ASSESSMENT

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

a) Financial statements for the year ended 31 December 2021

The financial statements for the year ended 31 December 2021 were prepared in accordance with InternationaFinancial Reporting Standards (“IFRS”) as adopted by the EU, of Dom Development S.A. with its registered office at pl. Piłsudskiego 3 in Warsaw (“Company”), consisting of:

- balance sheet prepared as at 31 December 2021 with the balance of assets and liabilities in the amount of PLN 3 034 367 thousand;
- income statement for the twelve-month period ended 31 December 2021 showing a net profit of PLN 306 767 thousand;
- statement of comprehensive income for the twelve-month period ended 31 December 2021 showing a net comprehensive income of PLN 318 005 thousand;
- cash flow statement for the twelve-month period ended 31 December 2021 showing PLN 364 394 thousand net cash and cash equivalents as at 31 December 2021;
- statement of changes in shareholders' equity in the twelve-month period ended 31 December 2021 showing PLN 1 225 418 thousand balance of shareholders' equity as at 31 December 2021;
- additional notes to the financial statements.

b) consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2021

The consolidated financial statements for the year ended on 31 December 2021 prepared in accordance with IFRS, of Dom Development S.A. Capital Group, where Dom Development S.A. with its registered office at pl. Piłsudskiego 3 in Warsaw is the parent company, consisting of:

- consolidated balance sheet prepared as at 31 December 2021 with the balance of assets and liabilities in the amount
of PLN 3 877 643 thousand;
- consolidated income statement for the twelve-month period ended 31 December 2021 showing a net profit of
PLN 325 252 thousand;
- consolidated statement of comprehensive income for the twelve-month period ended 31 December 2021 showing a net comprehensive income of PLN 336 490 thousand;
- consolidated cash flow statement for the twelve-month period ended 31 December 2021 showing PLN 607 041 thousand net cash and cash equivalents as at 31 December 2021;
- consolidated statement of changes in shareholders' equity in the twelve-month period ended 31 December 2021 showing the PLN 1 249 178 thousand balance of shareholders' equity as at 31 December 2021;
- additional notes to the financial statements.

c) Management Board’s reports of activities of Dom Development S.A. and its capital group in 2021.

1.2 FINANCIAL STATEMENTS AUDIT

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

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

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

National Auditing Standards in the wording of the International Standards on Auditing, as adopted by resolution no. 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015, as amended,

Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

1.3 ASSESSMENT BY THE SUPERVISORY BOARD

In the opinion of the Supervisory Board:

a) The financial statements for the year ended on 31 December 2021:

- give a true and fair view of the assets and financial position of Dom Development as at 31 December 2021, as well as its financial result and cash flow for the period from 1 January 2021 to 31 December 2021,
- has been prepared in accordance with IFRS,
- are consistent with the laws and regulations regulating the preparation of financial statements and affecting the presentation and content of the financial statements,
- were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.

b) The consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2021:

- give a true and fair view of the assets and financial position of Dom Development S.A. Capital Group as at 31 December 2021, as well as its financial result and cash flow for the period from 1 January 2021 to 31 December 2021,
- has been prepared in accordance with IFRS,
- are consistent with the laws and regulations regulating the preparation of consolidated financial statements and affecting the presentation and content of the financial statements,
- were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.

c) Management Board's reports of activities of Dom Development S.A. and its capital group in 2021:

- is complete in accordance with the meaning of art. 49 of the Accounting Act and the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers and the terms of confirming equivalency of information required under the regulations of a non-Member State. The information contained in the Management Board's report of activities of the Dom Development S.A. Capital Group, is consistent with the information contained in the audited financial statements and in the consolidated financial statements,
- were prepared in line with the books, documents and the facts, and in accordance with the provisions of law.

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

ASSESSMENT OF THE POSITION OF THE COMPANY BASED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021 AND THE MANAGEMENT BOARD'S REPORTS OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2021

2.1 SIGNIFICANT SHAREHOLDERS IN DOM DEVELOPMENT S.A.

THE SHAREHOLDERS OF DOM DEVELOPMENT S.A. WHO HELD, BOTH DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING (GSM) AS AT 31 December 2021

As at 31 December 2021 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.74% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, significant shareholdings as at 31 December 2021:

STATUS AS AT 31 DECEMBER 2021	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2020	NUMBER OF VOTES AT THE GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	**14 155 491**	**-**	**14 155 491**	**55.74%**
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 dated 11 July 2011.

2.2 EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR 2021

2.2.1 BALANCE SHEET

STRUCTURE OF THE COMPANY'S ASSETS AS AT 31 December 2021, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2020.

ASSETS	31.122021 in thousand PLN	Share in assets	31.12.2020 in thousand PLN	Change 2021/2020
Total fixed assets	**477 015**	**16%**	**463 400**	**3%**
Current assets				
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%
Cash and cash equivalents and Short-term financial assets	396 998	13%	544 199	(27)%
Total current assets	**2 557 352**	**84%**	**2 292 056**	**12%**
Total assets	**3 034 367**	**100%**	**2 755 456**	**10%**

STRUCTURE OF THE COMPANY'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 December 2021, AND CHANGES AS COMPARED TO THE FIGURES AS AT THE END OF 2020

EQUITY AND LIABILITIES	31.12.021 in thousand PLN	Share in equity and liabilities	31.12.2020 in thousand PLN	Change 2021/2020
Shareholders' equity				
Share capital	25 398	1%	25 218	1%
Share premium less treasury shares	258 358	9%	251 038	3%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	941 662	31%	875 940	8%
Total shareholders' equity	**1 225 418**	**40%**	**1 152 196**	**6%**
Liabilities				
Total long-term liabilities	408 752	13%	382 473	7%
Total short-term liabilities	1 400 197	46%	1 220 787	15%
Total liabilities	**1 808 949**	**60%**	**1 603 260**	**13%**
Total equity and liabilities	**3 034 367**	**100%**	**2 755 456**	**10%**

2.2.2 INCOME STATEMENT

Selected data from the income statement of the Company for the year ended 31 December 2021 as compared to 2020:

	01.01-31.12.2021 in thousand PLN	Share in sales revenue	01.01-31.12.2020 in thousand PLN	Change 2021/2020
Sales revenue	1 234 988	100%	1 255 689	(2)%
Cost of sales	(856 935)	69%	(870 415)	(2)%
Gross profit on sales	378 053	31%	385 274	(2)%
Operating profit	242 702	20%	254 391	(5)%
Profit before tax	354 851	29%	314 009	13%
Net profit	306 767	25%	264 217	16%
Earnings per share (in PLN)	12.09	-	10.49	15%

In 2021, the Company recognised sales revenue of PLN 1 234 988 thousand, i.e. 2% less than the previous year. This drop is due to a change in the structure of unit deliveries and a higher share of the popular segment of flats. The volume of deliveries remained stable in the periods analysed, with 1 798 units delivered in 2021 as compared to 1 807 in the previous year.

A fall in gross profit on sales by 2% was proportional to the change in revenue level, while gross margin continued to exceed 30%.

The Company's profit before tax increased by 13% in 2021, increasing to PLN 354 851 thousand. This growth is mainly due to a higher dividend from profit received from subsidiaries (PLN 112 608 thousand in 2021 against PLN 67 635 thousand a year earlier).

In 2021 the Company earned PLN 306 767 thousand in net profit, which is 16% more than in the previous year. The net profit margin reached 25%.

2.2.3 CASH FLOW STATEMENT

	2021 in thousand PLN	2020 in thousand PLN	Change 2021/2020
Cash and cash equivalents – opening balance	531 841	220 111	142%
Net cash flow from operating activities	143 658	443 874	(68)%
Net cash flow from investing activities	(54 621)	91 431	(160)%
Net cash flows from financing activities	(256 484)	(223 575)	(15)%
Cash and cash equivalents – closing balance	**364 394**	**531 841**	**(31)%**

At the beginning of 2021, the cash balance stood at PLN 531 841 thousand, compared to PLN 364 394 thousand at the end of the year. Therefore in the period from 1 January until 31 December 2021 the balance of cash decreased by PLN 167 447 thousand.

In 2021, the Company recorded a net inflow of cash from operating activities in the amount of PLN 143 658 thousand which was 68% less than in the preceding year. This change was mainly due to higher cash outflows related to inventory. Inventory balance increased by PLN 282 745 thousand in 2021 in comparison to the decrease by PLN 93 338 thousand In 2020.

In 2021, the Company recorded net outflow of funds from investing activities in the amount of PLN 54 621 thousand compared to a net inflow of PLN 91 431 thousand in the preceding year. This difference is mainly attributed to the balance of cash flows related to the loans granted to the subsidiaries, with net outflow of PLN 136 964 thousand in 2021 as compared to net inflow of PLN 21 351 thousand in 2020.

In 2021, the Company recorded a net cash outflow from financing activities in the amount of PLN 256 484 thousand, i.e. 15% more outflow than that the year before. The excess of financial outflow over the inflow is mainly due to the payment of dividends by the Company in the amount of PLN 253 984 thousand.

2.2.4 PROFITABILITY RATIOS

The Company in 2021 remained strong. All ratios showing the profitability of the business activity of the Company in 2021 have been similar or higher than the previous year.

At the operational level, the Company's profitability in 2021 at 19.7% was close to that recorded in the previous year.

The Company's net margin in 2021 was 24.8%. The increase in net profit compared with 2020 translated into an improvement in the net profit margin of almost 4 percentage points and the related increase in return on equity. The return on assets in 2021 increased to the high level of 11.1% compared to 10.5% a year ago. In the opinion of the Supervisory Board, the level of Company's profitability was very satisfactory, and speaks for effective management of Company's assets.

PROFITABILITY RATIOS	2021	2020
Gross margin ratio (gross profit on sales / net sales revenue)	30.6%	30.7%
Operating profit margin (EBIT / net sales revenue)	19.7%	20.3%
Net profit margin (net profit / net sales revenue)	24.8%	21.0%
Return on assets (ROA; net profit / total assets at the beginning of the period)	11.1%	10.5%
Return on equity (ROE; net profit / shareholders' equity at the beginning of the period)	26.6%	23.7%

2.2.5 LIQUIDITY RATIOS

Special attention should be given to the fact that high financial liquidity has continued to be adequately maintained by the Company.

As at the end of 2021, both the current and quick liquidity ratios improved over the previous year, while the cash ratio decreased from 1.13 to a very adequate level of 1.03. These values demonstrate both the strong financial position of the Company as well as the flexibility of the Company to make investments as opportunities arise. The increase in the Company's liquidity results mainly from a decrease of 25% of short-term liabilities less deferred income.

Such consistently good liquidity ratios are 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, which is predominantly medium-term and long-term, compared 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 projects and concerning the product mix offered for sale) and the strategy for acquiring new land.

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

LIQUIDITY RATIOS	2020	2019
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 ratio: (cash and cash equivalents*) / short-term liabilities*))	1.03	1.13

*)Short-term liabilities less deferred income

2.2.6 LEVERAGE RATIOS

Appropriate operating policy (i.e. proper commencement and pace of sale of projects as well as controlled purchases of land) and financing policy (the financing structure) ensured that the leverage ratios were maintained at safe levels to support the business activity and maintain the Company's creditworthiness.

The leverage ratios were similar at the end of 2021 to those at the end of 2020, thus reflecting the conservative approach of the Company's governing bodies to the sources of finance for operations. A significant change was noted only for the net interest bearing debt ratio, which was still negative at the end of 2021 at (1.3)% compared to (15.1)% a year before. This change is due to a decrease in the cash balance as described in point 2.2.3 of this Report. Despite a decrease in the cash balance, the Company maintained surplus cash over its interest debt. In the opinion of the Supervisory Board, the level and structure of the Company's debt has remained at a level which is appropriate for the operations of the Company and the market environment.

LEVERAGE RATIOS	2021	2020
Equity ratio (shareholders' equity / total assets)	40.4%	41.8%
Debt to equity ratio (total liabilities / shareholders' equity)	147.6%	139.1%
Debt ratio (total liabilities / total assets)	59.6%	58.2%
Interest bearing debt ratio (interest bearing liabilities / 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

2.2.7 SUMMARY AND ASSESSMENT

On the basis of the financial statements of Dom Development S.A. for the financial year 2021 and the Management Board's report on the activities of the Company and its Capital Group for the financial year 2021, the Supervisory Board considers the year 2021 another good year for Dom Development S.A., in particular, in the context of uncertainty caused by the gobal COVID-19 pandemic in that period.

In 2021, the Company's financial management was focused on seeking sources of long-term external financing for the projects under construction and on maintaining more-than-adequate levels of liquidity. The Management Board regularly analyses the current financing structure and makes plans for the future optimum financing structure in order to achieve satisfactory financial ratios and financial results over the medium term, and at the same time, ensuring adequate liquidity and the financial security of the Company.

Following the Company's very strong performance in 2021, the year 2022 is shaping up as a year full of challenges not only for companies in the property development sector, but for the entire Polish economy. The following factors are likely to have the greatest impact:

- interest rate increases affecting the affordability of mortgage loans
- increased inflation,
- the still persisting COVID-19 pandemic,

but above all

- the Russian invasion of Ukraine launched on 24 February 2022, which is a factor significantly destabilising the economic environment throughout the region.

The Company and its subsidiaries operate exclusively in Poland and do not have any foreign investments, but war in Ukraine may affect demand for housing, construction costs, availability of subcontractors and practically all macroeconomic indicators.

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

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

- ensuring that adequate sources of finance are available to the Company, both for current and future development projects,
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of an apartment,
- adjusting the Company’s sales offer to the market demand,
- aligning land purchase outlays to the Company’s existing and future needs,
- utilising the existing land bank in the most appropriate manner,
- generating sales by improving the sales and marketing processes,
- maintaining customer confidence in the ‘Dom Development’ brand by maintaining quality,
- restructuring the organisation and employment levels to the anticipated level of operational activities,
- optimising overhead efficiency; and
- responding to legislative changes.

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

In 2021, the activities of the Company generated a significant profit as shown by the income statement.

Having analysed the financial statements for 2021 and the Management Board’s report of activities of the Company and its Capital Group in 2021, the Supervisory Board shares the opinion of the Management Board as to the strong financial position of Dom Development S.A. at the end of 2021, that provides solid foundations for the continuing development of the Company.

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

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

The Supervisory Board also appreciates the commitment of the Management Board of the Company in 2021 to the matters relating to the internal control and risk management systems of the Company.

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

ASSESSMENT OF THE POSITION OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. AND ITS CAPITAL GROUP IN 2021

3.1 SIGNIFICANT SHAREHOLDERS IN DOM DEVELOPMENT S.A.

THE SHAREHOLDERS OF DOM DEVELOPMENT S.A. WHO HELD, BOTH DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS' MEETING AS AT 31 December 2021

As at 31 December 2021 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 55.74% of the Company's shares.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries, significant shareholdings as at 31 December 2021:

STATUS AS AT 31 DECEMBER 2021	SHARES	CHANGE IN SHAREHOLDING SINCE 31 DECEMBER 2020	NUMBER OF VOTES AT THE GSM	SHARE IN CAPITAL AND VOTES AT THE GSM
Groupe Belleforêt S.à r.l.	**14 155 491**	**-**	**14 155 491**	**55.74%**
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 dated 11 July 2011.

3.2 EVALUATION OF BASIC ECONOMIC AND FINANCIAL FIGURES DISCLOSED IN THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR 2021

3.2.1 CONSOLIDATED BALANCE SHEET

STRUCTURE OF THE GROUP'S ASSETS AS AT 31 December 2021, AND CHANGES AS COMPARED TO THE FIGURES AT THE END OF 2020.

ASSETS	31.12.2021 in thousand PLN	Share in assets	31.12.2020 in thousand PLN	Change 2021/2020
Total fixed assets	110 193	3%	70 758	56%
Current assets				
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	669 601	17%	636 127	5%
Short-term financial assets				
Total current assets	3 767 450	97%	3 182 452	18%
Total assets	3 877 643	100%	3 253 210	19%

STRUCTURE OF THE GROUP'S SHAREHOLDERS' EQUITY AND LIABILITIES AS AT 31 December 2021, AND CHANGES COMPARED TO THE FIGURES AS AT THE END OF 2020

EQUITY AND LIABILITIES	31.12.2021 in thousand PLN	Share in equity and liabilities	31.12.2020 in thousand PLN	Change 2021/2020
Shareholders' equity				
Share capital	25 398	1%	25 218	1%
Share premium less treasury shares	258 358	7%	251 038	3%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	956 694	25%	881 177	9%
Total shareholders' equity	1 240 450	32%	1 157 433	7%
Non-controlling interests	8 728	<1%	38	22868%
Total shareholders' equity	1 249 178	32%	1 157 471	8%
Liabilities				
Total long-term liabilities	522 683	13%	431 003	21%
Total short-term liabilities	2 105 782	54%	1 664 736	26%
Total liabilities	2 628 465	68%	2 095 739	25%
Total equity and liabilities	3 877 643	100%	3 253 210	19%

3.2.2 CONSOLIDATED INCOME STATEMENT

Consolidated income statement of the Group for the year ended 31 December 2021 as compared to 2020:

	01.01-31.12.2021 in thousand PLN	Share in sales revenue	01.01-31.12.2020 in thousand PLN	Change 2021/2020
Sales revenue	1 897 491	100%	1 815 012	5%
Cost of sales	(1 272 307)	67%	(1 236 233)	3%
Gross profit on sales	625 184	33%	578 779	8%
Operating profit	413 053	22%	386 267	7%
Profit before tax	405 485	21%	378 627	7%
Net profit	325 252	17%	302 246	8%
Earnings per share (in PLN)	12.89		12.00	7%

In 2020 the Group recognised the highest financial result in its history generating net profit of PLN 325 252 thousand, i.e. an increase of 8% compared to the previous year, which had also been a record-breaking year. Such a solid performance was mainly due to an increase in sales revenue of 5%, resulting from the growth in the volume of residential units delivered to customers and reported in the results, by 11% - from 3 006 units in 2020 to 3 332 units in 2021, combined with a higher gross profit percentage (from 32% to 33%) which translated into a higher consolidated gross profit on sales (an increase by 8% y/y). This had a direct impact on the consolidated operating profit and the Group's net profit in 2021, which increased by, respectively, 7% and 8% compared to 2020.

3.2.3 CONSOLIDATED CASH FLOW STATEMENT

	2021 in thousand PLN	2020 in thousand PLN	Change 2021/2020
Cash and cash equivalents – opening balance	585 664	253 318	131%
Net cash flow from operating activities	393 724	679 320	(42)%
Net cash flow from investing activities	(66 451)	(38 142)	n.a.
Net cash flows from financing activities	(305 896)	(308 832)	n.a.
Cash and cash equivalents – closing balance	607 041	585 664	140%

The year 2021 began with a cash balance at PLN 585 664 thousand, which increased by PLN 21 377 thousand to PLN 607 041 thousand by the end of that year.

In 2021, the Group recorded a net inflow of cash from operating activities of PLN 393 724 thousand compared to the historically high inflow of PLN 679 320 thousand in 2020. The main reason for the decrease in operating cash flow was the PLN 367 781 thousand increase in the value of inventory compared to the PLN 125 740 thousand decrease in 2020.

The Group recorded a slight net outflow of cash from investing activities in the amount of PLN 66 451 thousand against PLN 38 142 thousand in 2020.

In 2021, the Group recorded a net cash outflow from financing activities of PLN 305 896 thousand compared to PLN 308 832 thousand in 2020. This amount was mainly due to the payment by the Company of a record-high dividend of PLN 253 984 thousand and a net repayment of loans and bonds in the amount of PLN 59 244 thousand.

3.2.4 PROFITABILITY RATIOS

The ratios showing profitability of the business activity pursued by the Group in 2021 have improved compared to the previous year. The Group's return on assets at 10.0% remained at a level similar to the preceding year. Special attention should be given to the Group’s very high return on equity (ROE), which reached 28.1% in 2021.

PROFITABILITY RATIOS	2021	2020
Gross margin ratio (gross profit on sales / net sales revenue)	32.9%	31.9%
Operating profit margin (EBIT / net sales revenue)	21.8%	21.3%
Net profit margin (net profit / net sales revenue)	17.1%	16.7%
Return on assets (ROA; net profit / total assets at the beginning of the period)	10.0%	10.2%
Return on equity (ROE; net profit / shareholders’ equity at the beginning of the period)	28.1%	27.9%

3.2.5 LIQUIDITY RATIOS

Special attention should be given to the fact that high financial liquidity has continued to be maintained by the Group.

All the liquidity ratios presented below remained at an elevated level in 2021, as in previous years. The current liquidity ratio has increased from 5.75 to 6.85, thanks to an 18% increase in current assets over the past year. The quick ratio was stable and in 2021 stood at 1.35 compared to 1.37 a year ago. The cash ratio which stood at 1.10 is indicative of the Group’s ability to repay all short-term liabilities (excluding deferred income) from its cash assets, if required.

Such consistently good liquidity ratios are due to a number of long-term decisions and actions taken by the Company’s Management Board and management boards of its subsidiaries. These high ratios to a large extent result from the relevant financing structure applied, which 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 projects and concerning the product mix offered for sale) and the strategy for acquiring new land.

The credibility of the Company and the Group in the financial market is high which is reflected by a diversified financing structure and by the willingness of banks as well as other financial institutions to grant new loans and other forms of long-term finance (such as bonds) to the Company. In the opinion of the Supervisory Board, such a high level of liquidity gives the Company a significant competitive advantage, allowing it to react quickly to dynamic changes in the market environment.

LIQUIDITY RATIOS	2020	2019
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

3.2.6 LEVERAGE RATIOS

Appropriate operating policy (i.e. proper commencement and pace of sale of projects as well as controlled purchases of land) and financing policy (the financing structure) ensured that the leverage ratios were maintained at safe levels to support the business activity and maintain the creditworthiness of the Company and its Capital Group.

The leverage ratios were very similar at the end of 2021 to values presented at the end of 2020, thus reflecting the conservative approach of the Company's Management Board to the sources of finance for operations of the Group. In the opinion of the Supervisory Board, the level and structure of Groups's debt have remained at the level appropriate for the operations of the Group and situation in the market environment.

LEVERAGE RATIOS	2020	2019
Equity ratio (shareholders' equity / total assets)	32.2%	35.6%
Debt to equity ratio (total liabilities / shareholders' equity)	210.4%	181.1%
Debt ratio (total liabilities / total assets)	67.8%	64.4%
Interest bearing debt ratio (interest bearing liabilities / shareholders' equity)	31.5%	32.0%
Net interest bearing debt to equity ratio (interest bearing liabilities less cash and cash equivalent*) / shareholders' equity)	(20.4)%	(23.0)%

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

3.2.7 SUMMARY AND ASSESSMENT

On the basis of the consolidated financial statements of Dom Development S.A. Capital Group for the financial year 2021 and the Management Board's report on the activities of the Company and its Capital Group for the financial year 2021, the Supervisory Board considers the year 2021 another very good year for Dom Development S.A. Capital Group, in particular, in the context uncertainty caused by the gobal COVID-19 pandemic in that period.

In 2021, the Group's financial management was focused on seeking sources of long-term external financing for the projects under construction and on maintaining more-than-adequate levels of liquidity. The Management Board of Dom Development S.A. and management boards of its subsidiaries operating within the Group regularly analyse the current financing structure and make plans for the future optimum financing structure in order to achieve satisfactory financial ratios and financial results over the medium term, and at the same time, ensuring adequate liquidity and the financial security of the Group.

Following the Group's very strong performance in 2021, the year 2022 is shaping up as a year full of challenges not only for companies in the property development sector, but for the entire Polish economy. The following factors are likely to have the greatest impact:

- interest rate increases affecting the affordability of mortgage loans
- increased inflation,
- the still persisting COVID-19 pandemic,
- but above all

the Russian invasion of Ukraine launched on 24 February 2022, which is a factor significantly destabilising the economic environment throughout the region.

the Group companies operate exclusively in Poland and do not have any foreign investments, but war in Ukraine may affect demand for housing, construction costs, availability of subcontractors and practically all macroeconomic indicators.

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

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

- ensuring that adequate sources of finance are available to the Group companies, both for current and future development projects,
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of an apartment,
- adjusting the Group's sales offer to the market demand,
- aligning land purchase outlays to Group's existing and future needs,
- utilising the existing land bank in the most appropriate manner,
- generating sales by improving the sales and marketing processes,
- maintaining customer confidence in the Dom Development, Euro Styl and Sento brands by maintaining quality,
- restructuring the organisation and employment levels to the anticipated level of operational activities,
- optimising overhead efficiency; and
- responding to legislative changes.

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

In 2021, the activities of the Group generated a significant profit as shown by the income statement.

Having analysed the consolidated financial statements for 2021 and the Management Board's consolidated report of activities of the Company and its Capital Group in 2021, the Supervisory Board shares the opinion of the Management Board as to the strong financial position of Dom Development S.A. Capital Group at the end of 2021, that provides solid foundations for the continuing development of the Group.

This opinion is based on both, the analysis of current operations and financial standing of the Group and the analysis of the activities of the Management Board of the Company and the management boards of its subsidiaries, and effectiveness of these activities. It relates predominantly to the prompt, effective and professional reaction to changes in the markets where the Group has been operating in recent years.

With its extensive experience in the design, development, sale and financing of development projects, the Group has built a well-established position in the residential market in Poland. In 2021, the Group retained its market share in all three agglomerations, in which it operates – in Warsaw, Tricity and Wrocław. The Group has been for many years an unquestioned leader on the Warsaw market, and last year it achieved the same position on the Tricity market. In 2021, the Group continued to develop its activity on the Wrocław market, while launching its operations on the Kraków market through the acquisition of the Sento S.A. Capital Group.

The Supervisory Board also appreciates the commitment of the Management Board of the Company in 2021 to the matters relating to the internal control and risk management systems in the Group.

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

Having examined the submitted statements and reports for the financial year 2021, the Supervisory Board issues a positive opinion on the following documents and recommends that the Ordinary General Shareholders' Meeting of Dom Development S.A. approves:

- Financial statements for the year ended 31 December 2021,
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2021;
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2021.

5 REPRESENTATIONS BY THE SUPERVISORY BOARD

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

the selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw for the purpose of performing a statutory audit on the annual financial statements of Dom Development S.A. for 2021 and the annual consolidated financial statements of Dom Development S.A. Capital Group for 2021 (the "Audit") was done in accordance with the laws, rules and procedures applicable to the selection of an audit firm,

the audit firm, i.e. PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw and the individual members of its audit team fulfilled the requirements for preparing an impartial and independent report on the Audit in accordance with applicable laws, professional best practices and rules of professional conduct,

Dom Development S.A. has complied with the regulations in force regarding the rotation of audit firms and of the key audit partner, and regarding mandatory cooling-off periods,

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

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

the Company's Audit Committee has performed all the audit committee tasks required by the applicable regulations.

This Report was approved by the Supervisory Board of the Company on 16 March 2022.