



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

ON THE ASSESSMENT OF:

- **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2014,**
- **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2014**

**for the period
from 1 January 2014 until 31 December 2014**

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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 2014

The financial statements for the year ended on 31 December 2014 prepared in accordance with International Financial Reporting Standards (IFRS), of Dom Development S.A. with its registered office at Pl. Piłsudskiego 3 in Warsaw ("**Company**"), consist of:

- balance sheet prepared as at 31 December 2014 with the balance of assets and liabilities in the amount of PLN **1 604 565** thousand;
- income statement for the period from 1 January 2014 to 31 December 2014 with a net profit of PLN **55 822** thousand;
- statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a comprehensive income of PLN **55 844** thousand;
- statement of changes in shareholders' equity in the period from 1 January 2014 to 31 December 2014 with the PLN **1 617** thousand increase in shareholders' equity;
- cash flow statement for the period from 1 January 2014 to 31 December 2014 with PLN **3 925** thousand net cash and cash equivalents decrease;
- additional notes to the financial statements.

b) Management Board's report of activities of Dom Development S.A. in 2014

c) consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2014

The consolidated financial statements for the year ended on 31 December 2014 prepared in accordance with International Financial Reporting Standards (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, consist of:

- consolidated balance sheet prepared as at 31 December 2014 with the balance of assets and liabilities in the amount of PLN **1 606 257** thousand;
- consolidated income statement for the period from 1 January 2014 until 31 December 2014 with a net profit of PLN **55 935** thousand;
- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a net comprehensive income of PLN **55 957** thousand;
- consolidated statement of changes in shareholders' equity in the period from 1 January 2014 to 31 December 2014 with the PLN **1 730** thousand increase in shareholders' equity;
- consolidated cash flow statement for the period from 1 January 2014 to 31 December 2014 with PLN **3 909** thousand net cash and cash equivalents decrease;
- additional notes to the financial statements.

d) Management Board's Report of activities of Dom Development S.A. Capital Group in 2014.

1.2. Financial statements audit

The financial statements and the consolidated financial statements for the year ended on 31 December 2014 were audited on the basis of an agreement between Dom Development S.A. and Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa (*limited partnership*) with its registered office in Warsaw at RONDO ONZ 1, listed by the National Council of Statutory Auditors under number 130. The selection of certified auditor was approved by resolution no. **03/03/14** adopted on 24 March 2014 by the Supervisory Board of Dom Development S.A.

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

- a) Chapter 7 of the Polish Accounting Act dated 24 September 1994 (Journal of Laws of 2013 item 330, as amended),
- b) national auditing standards issued by the National Council of Statutory Auditors in Poland.

The Supervisory Board assessed the following statements and reports submitted by the Management Board:

- Financial statements for the year ended on 31 December 2014
- Management Board's report of activities of Dom Development S.A. in 2014
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2014
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2014.

and came to the conclusion, sharing the opinion of the Certified Auditor, that the information contained therein is consistent with the accounting books and documents as well as factual circumstances.

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 2014:
 - give a true and fair view of the assets and financial position of Dom Development S.A. as at 31 December 2014, as well as its financial result for the period from 1 January 2014 to 31 December 2014;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are consistent with the laws and regulations regulating the preparation of financial statements and affecting the presentation and content of the financial statements;
- b) The Management Board's report of activities of Dom Development S.A. in 2014:
 - is complete in the meaning of art. 49 par. 2. of the Accounting Act and the Regulation by the Minister of Finance dated 19 February 2009 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 (consolidated text: Journal of Laws of 2014 item 133). The information contained in the Management Board's report of activities of the Company, which is taken from the audited financial statements, is consistent with them;



- c) The consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2014:
- give a true and fair view of the assets and financial position of Dom Development S.A. Capital Group as at 31 December 2014, as well as its financial result for the period from 1 January 2014 to 31 December 2014;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are consistent with the laws and regulations regulating the preparation of consolidated financial statements and affecting the presentation and content of the financial statements;
- d) The Management Board's Report of activities of Dom Development S.A. Capital Group in 2014:
- is complete in the meaning of art. 49 par. 2. of the Accounting Act and the Regulation by the Minister of Finance dated 19 February 2009 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 (consolidated text: Journal of Laws of 2014 item 133). The information contained in the Management Board's report of activities of the Dom Development S.A. Capital Group, which is taken from the audited consolidated financial statements, is consistent with them.

2. ASSESSMENT OF THE POSITION OF THE COMPANY BASED ON THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2014 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2014

2.1. Certified Auditor's opinion on the financial statements of Dom Development S.A. for the financial year ended 31 December 2014

The Supervisory Board is pleased to note that the independent certified auditor issued an unqualified opinion on the financial statements of Dom Development S.A. for the financial year ended 31 December 2014.

2.2. 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 2014

As at 31 December 2014 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 59.45% 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 2014.

Balance as at 31 December 2014				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Dom Development B.V.	14 726 172	59.45	14 726 172	59.45
Jarosław Szanajca	1 534 050	6.19	1 534 050	6.19
Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.30	1 313 383	5.30
Grzegorz Kiełpsz	1 280 750	5.17	1 280 750	5.17

*) Shareholding of Aviva Powszechnie Towarzystwo Emerytalne (*General Pension Society*) Aviva BZ WBK S.A. ("Society") has been presented as per the latest notice as of 11.07.2011 received by the Company from the Society.

2.3. Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. for 2014

2.3.1 Balance sheet

Structure of the Company's assets as at 31 December 2014, and movements since the end of 2013.

ASSETS	31.12.2014 in thousand PLN	Share in assets	31.12.2013 in thousand PLN	Change 2014/2013
Total fixed assets	13 200	1%	7 557	75%
Current assets				
Inventory	1 230 738	77%	1 344 296	(8)%
Trade and other receivables	5 558	<1%	43 421	(87)%
Other current assets	3 224	<1%	4 071	(21)%
Cash and cash equivalents and Short-term financial assets	351 845	22%	326 464	8%
Total current assets	1 591 365	99%	1 718 252	(7)%
Total assets	1 604 565	100%	1 725 809	(7)%

Structure of the Company's shareholders' equity and liabilities as at 31 December 2014, and movements since the end of 2013.

EQUITY AND LIABILITIES	31.12.2014 in thousand PLN	Share in equity and liabilities	31.12.2013 in thousand PLN	Change 2014/2013
Shareholders' equity				
Share capital	24 770	2%	24 753	<1%
Share premium less treasury shares	234 520	15%	234 283	<1%
Reserve and supplementary capitals, and accumulated unappropriated profit	598 837	37%	597 474	<1%
Total shareholders' equity	858 127	53%	856 510	<1%
Liabilities				
Total long-term liabilities	317 367	20%	486 065	(35)%
Total short-term liabilities	429 071	27%	383 234	12%
Total liabilities	746 438	47%	869 299	(14)%



Total equity and liabilities	1 604 565	100%	1 725 809	(7)%
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2.3.2 Income statement

Income statement of the Company for the year ended 31 December 2014 compared to 2013.

	01.01- -31.12.2014	sale %	01.01- -31.12.2013	Change 2014/2013
Sales revenue	784 274	100%	676 387	16%
Cost of sales	632 215	81%	519 316	22%
Gross profit on sales	152 059	19%	157 071	(3)%
Operating profit	68 790	9%	73 042	(6)%
Profit before tax	69 208	9%	69 451	<1%
Net profit	55 822	7%	54 352	3%
Earnings per share (in PLN)	2.25		2.20	2%

2.3.3 Cash flow statement

	(in thousand PLN)		Change
	2014	2013	
Cash and cash equivalents – opening balance	321 307	173 045	86%
Net cash flow from operating activities	136 482	(7 103)	na.
Net cash flow from investing activities	(36 182)	231 825	na.
Net cash flows from financing activities	(104 225)	(76 460)	na.
Cash and cash equivalents – closing balance	317 382	321 307	(1)%

The year 2014 opened with a cash and cash equivalents balance of PLN 312 307 thousand and closed with a balance of PLN 317 382 thousand. As such, in the period between 1 January 2014 and 31 December 2014, the balance of cash and cash equivalents decreased by PLN 3 925 thousand.

In 2014, the Company recorded a net cash inflow from operating activities amounting to PLN 136 482 thousand. This is a result of significant revenue from the sale of apartments in new and existing developments. At the same time, the Company also started numerous new development projects. The Company spent significantly less purchasing land for its future projects in 2014 than it did in 2013.

In 2014, the Company disclosed a net outflow of cash from investing activities amounting to PLN 36 182 thousand. This relates mostly to the presentation of closed bank deposits with a maturity of over 3 months as investing activities. If such deposits are included in the definition of cash the cash balance of the Company at the end of 2014 amounted to PLN 347 430 thousand.

In 2014, the Company recorded a net cash outflow resulting from financing activities amounting to PLN 104 225 thousand. The excess of financial outflow over inflow results from a combination of repaying loans (net cash outflow of PLN 50 000 thousand) and the dividend distributed by the Company amounting to PLN 54 495 thousand. Meanwhile the Company received PLN 270 thousand from the issuance of ordinary shares in the Company as a result of the exercise of the share options by the participants in the Management Options Program II.

2.3.4 Profitability ratios

The operating profit margin and net profit margin in 2014 have slightly deteriorated compared to the previous year. This predominantly results from the fact that the average gross margin generated on products delivered in 2014 was lower than on products delivered in 2013. However, a marginal increase in ROE and ROA was noted compared to 2013.

PROFITABILITY RATIOS	2014	2013
Operating profit margin <i>EBITDA / net sales revenue</i>	9.2%	11.3%
Net profit margin <i>Net profit / net sales revenue</i>	7.1%	8.0%
Return on assets (ROA) <i>Net profit / total assets</i>	3.5%	3.1%
Return on equity (ROE) <i>Net profit / shareholders' equity</i>	6.5%	6.3%

2.3.5 Liquidity ratios

Special attention should be given to the fact that financial liquidity has been adequately secured.

All the liquidity ratios remained high in 2014, although there was reduction in most ratios when compared to 2013, with the movement mainly resulting in the re-categorisation of some interest bearing liabilities from long-term to short-term liability as they are due to be repaid by the Company in 2015. Such good liquidity ratios are due to a number of long-term decisions and actions taken by the Company's Management Board. It is also largely a result of the relevant financing structure being applied, with a policy of securing medium and longer term debt maturities. Liquidity is also impacted by decisions regarding the management of construction and financing of current investments (including decisions when to commence the construction of individual projects and concerning the product mix offered for sale), the purchase strategy of new properties and management of suitable employment levels and overheads.

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	2014	2013
Current ratio <i>current assets / short-term liabilities less deferred income</i>	5.73	11.33
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	1.30	2.47
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	1.25	2.12

2.3.6 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) maintained presented ratios at appropriate levels to support the business activity and maintain the Company's creditworthiness. The leverage ratios at the end of 2014 were substantially similar to those at the end of 2013.

LEVERAGE RATIOS	2014	2013
Equity ratio <i>shareholders' equity / total assets</i>	53.5%	49.6%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	87.0%	101.5%
Liabilities to assets ratio <i>total liabilities / total assets</i>	46.5%	50.4%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	46.4%	52.3%
Net interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) less cash and cash equivalents, and bank deposits with a maturity of over 3 month / shareholders' equity</i>	5.3%	14.2%

2.3.7 Summary and assessment

Based on the financial statements of Dom Development S.A. for the financial year 2014 and the Management Board's report of activities of the Company in the financial year 2014, the Supervisory Board is of the opinion that the year 2014 was a satisfactory year for Dom Development S.A in the context of a relatively strong market.

In 2014, 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 both 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 the liquidity and financial security of the Company.

After satisfactory results in 2014 in a constructive economic environment, 2015 has the potential to be a better year for the real estate development industry and for the economy as a whole. The residential real estate market will be impacted mostly by macroeconomic factors, such as interest rate policy, which is expected to remain supportive, although there are potentially regulatory headwinds as illustrated by the recent introduction of the Consumer Act and the potential introduction of a new Developers Act. The major responsibility of the Management Board is not only to ensure that the Company is prepared to react quickly to new challenges but most of all to maintain a leading position in an improving residential market, absent any major shocks. The major steps undertaken in this respect include:

- 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 apartments;
- adjusting the Company's sales offer to the market demand, with particular attention to utilising any potential government-subsidised programmes that support purchases of apartments;
- aligning land purchases to the Company's existing and future needs;
- utilising the existing land bank in the most appropriate manner;
- generating sales by improving the sales and marketing processes;
- maintaining customer confidence in the 'Dom Development' brand by maintaining quality;

- restructuring the organization and employment levels to the anticipated level of operational activities;
- optimising overhead efficiency; and
- responding to new regulatory hurdles.

In 2014, the activities of the Company generated a significant profit as shown by the income statement.

Having analysed the financial statements for 2014 and the Management Board's report of activities of the Company in 2014, 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 2014 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 of these activities. 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 2014 to the matters relating to the internal control and risk management systems of the Company.

3. ASSESSMENT OF THE POSITION OF THE DOM DEVELOPMENT S.A. CAPITAL GROUP BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. CAPITAL GROUP FOR THE YEAR ENDED 31 DECEMBER 2014 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2014

3.1. Certified Auditor's opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2014

The Supervisory Board is pleased to note that the independent certified auditor issued an unqualified opinion on the consolidated financial statements of Dom Development S.A. Capital Group for the financial year ended 31 December 2014.

3.2. 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 2014

As at 31 December 2014 the Group was controlled by Dom Development B.V. which held 59.45% of the shares in Dom Development S.A.

The table below shows the list of shareholders who have, directly or indirectly through subsidiaries significant shareholdings as at 31 December 2014.

Balance as at 31 December 2014				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Dom Development B.V.	14 726 172	59.45	14 726 172	59.45
Jarosław Szanajca	1 534 050	6.19	1 534 050	6.19
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.30	1 313 383	5.30
Grzegorz Kielpsz	1 280 750	5.17	1 280 750	5.17

*) Shareholding of Aviva Powszechne Towarzystwo Emerytalne (*General Pension Society*) Aviva BZ WBK S.A. ("Society") has been presented as per the latest notice as of 11.07.2011 received by the Company from the Society.

3.3. Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. Capital Group for 2014

3.3.1 Consolidated balance sheet

Structure of the Group's assets as at 31 December 2014, and movements since the end of 2013.

ASSETS	31.12.2014 in thousand PLN	Share in assets	31.12.2013 in thousand PLN	Change 2014/2013
Total fixed assets	13 150	1%	7 489	76%
Current assets				
Inventory	1 231 538	77%	1 346 599	(9)%
Trade and other receivables	5 541	<1%	43 328	(87)%
Other current assets	3 224	<1%	4 071	(21)%
Cash and cash equivalents and Short-term financial assets	352 804	22%	327 407	8%
Total current assets	1 593 107	99%	1 721 405	(8)%
Total assets	1 606 257	100%	1 728 894	(7)%

Structure of the Group's shareholders' equity and liabilities as at 31 December 2014, and movements since the end of 2013.

EQUITY AND LIABILITIES	31.12.2014 in thousand PLN	Share in equity and liabilities	31.12.2013 in thousand PLN	Change 2014/2013
Shareholders' equity				
Share capital	24 770	2%	24 753	<1%
Share premium less treasury shares	234 520	15%	234 283	<1%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	599 227	37%	598 018	<1%
Total shareholders' equity	858 517	53%	857 054	<1%
Non-controlling interests	(246)	<1%	(513)	(52)%
Total shareholders' equity	858 271	53%	856 541	<1%
Liabilities				
Total long-term liabilities	317 648	20%	488 638	(35)%
Total short-term liabilities	430 338	27%	383 715	12%
Total liabilities	747 986	47%	872 353	(14)%
Total equity and liabilities	1 606 257	100%	1 728 894	(7)%

3.3.2 Consolidated income statement

Consolidated income statement of the Group for the year ended 31 December 2014 compared to 2013.

	01.01 -31.12.2014 in thousand PLN	sale %	01.01 -31.12.2013 in thousand PLN	Change 2014/2013
Sales revenue	784 264	100%	676 377	16%
Cost of sales	632 215	81%	519 316	22%
Gross profit on sales	152 049	19%	157 061	(3)%
Operating profit	69 019	9%	73 334	(6)%
Profit before tax	69 434	9%	69 693	<(1)%
Net profit	55 935	7%	54 540	3%
Basic earnings per share (in PLN)	2.25		2.20	2%

3.3.3 Consolidated cash flow statement

	(in thousand PLN)		Change
	2014	2013	
Cash and cash equivalents – opening balance	322 250	175 918	86%
Net cash flow from operating activities	136 943	(8 764)	na.
Net cash flow from investing activities	(36 627)	231 466	na.
Net cash flows from financing activities	(104 225)	(76 460)	na.
Cash and cash equivalents – closing balance	318 341	322 250	(1)%

The year 2014 opened with a cash and cash equivalents balance of PLN 322 250 thousand and closed with a balance of PLN 318 341 thousand. As such, in the period between 1 January 2014 and 31 December 2014, the balance of cash and cash equivalents decreased by PLN 3 909 thousand.

In 2014, the Group recorded a net cash inflow from operating activities amounting to PLN 136 943 thousand. This is a result of significant revenue from the sale of apartments in new and existing developments. At the same time, the Group also started numerous new development projects. The Group spent significantly less purchasing land for its future projects in 2014 than it did in 2013.

In 2014, the Group disclosed a net outflow of cash from investing activities amounting to PLN 36 627 thousand. This relates mostly to the presentation of closed bank deposits with a maturity of over 3 months as investing activities. If such deposits are included in the definition of cash the cash balance of the Group at the end of 2014 amounted to PLN 348 389 thousand.

In 2014, the Group recorded a net cash outflow resulting from financing activities amounting to PLN 104 225 thousand. The excess of financial outflow over inflow results from a combination of repaying loans (net cash outflow of PLN 50 000 thousand) and the dividend distributed by the Company amounting to PLN 54 495 thousand. Meanwhile the Company received PLN 270 thousand from the issuance of ordinary shares in the Company as a result of the exercise of the share options by the participants in the Management Options Program II.

3.3.4 Profitability ratios

The operating profit margin and net profit margin in 2014 have slightly deteriorated compared to the previous year. This predominantly results from the fact that the average gross margin generated on products delivered in 2014 was lower than on products delivered in 2013. However, a marginal increase in ROE and ROA was noted compared to 2013.

PROFITABILITY RATIOS	2014	2013
Operating profit margin <i>EBITDA / net sales revenue</i>	9.2%	11.3%
Net profit margin <i>net profit / net sales revenue</i>	7.1%	8.1%
Return on assets (ROA) <i>net profit / total assets</i>	3.5%	3.2%
Return on equity (ROE) <i>net profit / shareholders' equity</i>	6.5%	6.4%

3.3.5 Liquidity ratios

Special attention should be given to the fact that financial liquidity has been adequately secured.

All the liquidity ratios remained high in 2014, although there was a reduction in most ratios when compared to 2013, with the movement mainly resulting in the re-categorisation of some interest bearing liabilities from long-term to short-term liability as they are due to be repaid in 2015. Such good liquidity ratios are due to a number of long-term decisions and actions taken by the Company's Management Board. It is also largely a result of the relevant financing structure being applied, with a policy of securing medium and longer term debt maturities. Liquidity is also impacted by decisions regarding the management of construction and financing of current investments (including decisions when to commence the construction of individual projects and concerning the product mix offered for sale), the purchase strategy of new properties and management of suitable employment levels and overheads.

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.

LIQUIDITY RATIOS	2014	2013
Current ratio <i>current assets / short-term liabilities less deferred income</i>	5.71	11.31
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	1.30	2.46
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	1.25	2.12

3.3.6 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), maintained presented ratios at appropriate levels to support the business activity and maintain the Company's and Group's creditworthiness. The leverage ratios at the end of 2014 were similar to those at the end of 2013.

LEVERAGE RATIOS	2014	2013
Equity ratio <i>shareholders' equity / total assets</i>	53.4%	49.5%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	87.2%	101.8%
Liabilities to assets ratio <i>total liabilities / total assets</i>	46.6%	50.5%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	46.3%	52.3%
Net interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) less cash and cash equivalents, and bank deposits with a maturity of over 3 month / shareholders' equity</i>	5.2%	14.1%

3.3.7 Summary and assessment

Based on the consolidated financial statements of the Group for the financial year 2014 and the Management Board's report of activities of the Group in the financial year 2014, the Supervisory Board is of the opinion that the year 2014 was a satisfactory year for Dom Development S.A. Capital Group in the context of a relatively strong market.

In 2014, 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 regularly analyses both 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 the liquidity and financial security of the Group.

After satisfactory results in 2014 in a constructive economic environment, 2015 has the potential to be a better year for the real estate development industry and for the economy as a whole. The residential real estate market will be impacted mostly by macroeconomic factors, such as interest rate policy, which is expected to remain supportive, although there are potentially regulatory headwinds as illustrated by the recent introduction of the Consumer Act and the potential introduction of a new Developers Act. The major responsibility of the Management Board is not only to ensure that the Group is prepared to react quickly to new challenges but most of all to maintain a leading position in an improving residential market, absent any major shocks. The major steps undertaken in this respect include:

- ensuring that adequate sources of finance are available to the Group, both for current and future development projects;
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of apartments;
- adjusting the Group's sales offer to the market demand, with particular attention to utilising any potential government-subsidised programmes that support purchases of apartments;
- aligning land purchases to the 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' brand by maintaining quality;
- restructuring the organization and employment levels to the anticipated level of operational activities;
- optimising overhead efficiency; and
- responding to new regulatory hurdles.

In 2014, the activities of the Group generated a significant profit as shown by the income statement.

Having analysed the consolidated financial statements for 2014 and the Management Board's report of activities of the Group in 2014, 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 2014 that provides solid foundations for the continuing development of the Group.

This opinion is based on both the analysis of current operations and the financial standing of the Group and the analysis of the Management Board's activities and effectiveness of these activities. 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 Group 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 2014 to the matters relating to the internal control and risk management systems in the Group.

4. EVALUATION OF THE MANAGEMENT BOARD'S PROPOSAL FOR THE APPROPRIATION OF PROFIT

On 25 February 2015, the Management Board of Dom Development S.A. adopted resolution no. 01/02/15 on the motion of the Management Board concerning the distribution of the Dom Development S.A. net profit for 2014 and concerning the dividend day and the date of payment of dividends. According to this resolution the Management Board proposes that part of Dom Development S.A.'s net profit for 2014 in the amount of PLN **55 735 362.00** (fifty-five million seven hundred and thirty-five thousand three hundred and sixty-two zlotys), i.e. PLN 2.25 (two zlotys and twenty-five groszes) per share, be distributed among the Dom Development S.A. shareholders as a dividend and the remaining part of Dom Development S.A.'s net profit for 2014 in the amount of PLN **86 610.22** (eighty-six thousand six hundred and ten zlotys and twenty-two groszes) be allocated to increase the supplementary capital of Dom Development S.A.

The Supervisory Board gives its consent to the above proposal of the Management Board.

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

Having examined the submitted statements and reports for the financial year 2014 and having familiarised itself with the opinion, report and clarifications by the auditor's representative and the Management Board of Dom Development S.A., the Supervisory Board issues a positive opinion on the following documents and recommends that the General Shareholders Meeting of Dom Development S.A. approves:

- Financial statements for the year ended on 31 December 2014;
- Management Board's report of activities of Dom Development S.A. in 2014;
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2014;
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2014,



and issues a positive opinion on the Management Board's proposal on the appropriation of profit for 2014 and recommends that the General Shareholders' Meeting adopts such resolution as proposed by the Management Board of Dom Development S.A. in resolution no. 01/02/15 dated 25 February 2015.