



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

ON THE ASSESSMENT OF:

- **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2015,**
- **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2015**

**for the period
from 1 January 2015 until 31 December 2015**

CONTENTS

1.	ASSESSMENT OF THE FINANCIAL STATEMENTS AND MANAGEMENT BOARD'S REPORT OF ACTIVITIES	2
1.1.	SCOPE OF THE ASSESSMENT	2
1.2.	Financial statements audit.....	3
1.3.	Assessment by the Supervisory Board.....	3
2.	ASSESSMENT OF THE POSITION OF THE COMPANY BASED ON THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2015 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2015	4
2.1.	Certified Auditor's opinion on the financial statements of Dom Development S.A. for the financial year ended 31 December 2015	4
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 2015	4
2.3.	Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. for 2015	5
2.3.1	Balance sheet.....	5
2.3.2	Income statement	6
2.3.3	Cash flow statement	6
2.3.4	Profitability ratios.....	7
2.3.5	Liquidity ratios.....	7
2.3.6	Leverage ratios.....	8
2.3.7	Summary and assessment.....	8
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 2015 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2015	9
3.1.	Certified Auditor's opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2015	9
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 2015	10
3.3.	Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. Capital Group for 2015	10
3.3.1	Consolidated balance sheet	10
3.3.2	Consolidated income statement	11
3.3.3	Consolidated cash flow statement.....	11
3.3.4	Profitability ratios.....	12
3.3.5	Liquidity ratios.....	12
3.3.6	Leverage ratios.....	13
3.3.7	Summary and assessment.....	13
4.	EVALUATION OF THE MANAGEMENT BOARD'S PROPOSAL FOR THE APPROPRIATION OF PROFIT ...	14
5.	PROPOSALS TO THE GENERAL SHAREHOLDERS MEETING OF DOM DEVELOPMENT S.A.	14

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

1.1. SCOPE OF THE ASSESSMENT

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

a) Financial statements for the year ended 31 December 2015

The financial statements for the year ended on 31 December 2015 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**"), consisting of:

- balance sheet prepared as at 31 December 2015 with the balance of assets and liabilities in the amount of PLN **1 748 710** thousand;
- income statement for the financial year from 1 January 2015 to 31 December 2015 showing a net profit of PLN **80 647** thousand;
- statement of comprehensive income for the financial year from 1 January 2015 to 31 December 2015 with a comprehensive income of PLN **80 729** thousand;
- statement of changes in shareholders' equity in the financial year from 1 January 2015 to 31 December 2015 showing a PLN **25 009** thousand increase in shareholders' equity;
- cash flow statement for the financial year from 1 January 2015 to 31 December 2015 showing a PLN **100 181** 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 2015

c) consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2015

The consolidated financial statements for the year ended on 31 December 2015 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, consisting of:

- consolidated balance sheet prepared as at 31 December 2015 with the balance of assets and liabilities in the amount of PLN **1 752 953** thousand;
- consolidated income statement for the financial year from 1 January 2015 until 31 December 2015 showing a net profit of PLN **80 792** thousand;
- consolidated statement of comprehensive income for the financial year from 1 January 2015 to 31 December 2015 showing a net comprehensive income of PLN **80 874** thousand;
- consolidated statement of changes in shareholders' equity in the financial year from 1 January 2015 to 31 December 2015 showing a PLN **25 154** thousand increase in shareholders' equity;
- consolidated cash flow statement for the financial year from 1 January 2015 to 31 December 2015 showing a PLN **96 701** 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 2015.

1.2. Financial statements audit

The financial statements and the consolidated financial statements for the year ended on 31 December 2015 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. **03/03/15** adopted on 20 March 2015 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 2015;
- Management Board's report of activities of Dom Development S.A. in 2015;
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2015;
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2015;

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 2015:
 - give a true and fair view of the assets and financial position of Dom Development S.A. as at 31 December 2015, as well as its financial result for the period from 1 January 2015 to 31 December 2015;
 - 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 2015:
 - is complete in accordance with 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, is consistent with the information contained in the audited financial statements;

- c) The consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2015:
- give a true and fair view of the assets and financial position of Dom Development S.A. Capital Group as at 31 December 2015, as well as its financial result for the period from 1 January 2015 to 31 December 2015;
 - 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 2015:
- is complete in accordance with 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, is consistent with the information contained in the audited consolidated financial statements.

2. ASSESSMENT OF THE POSITION OF THE COMPANY BASED ON THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2015 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2015

2.1. Certified Auditor's opinion on the financial statements of Dom Development S.A. for the financial year ended 31 December 2015

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 2015.

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 2015

As at 31 December 2015 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 2015.

Balance as at 31 December 2015				
	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 2015

2.3.1 Balance sheet

Structure of the Company's assets as at 31 December 2015, and movements since the end of 2014.

ASSETS	31.12.2015 in thousand PLN	Share in assets	31.12.2014 in thousand PLN	Change 2015/2014
Total fixed assets	18 760	1%	13 200	42%
Current assets				
Inventory	1 478 660	85%	1 230 738	20%
Trade and other receivables	27 674	2%	5 558	398%
Other current assets	2 668	<1%	3 224	(17)%
Cash and cash equivalents and Short-term financial assets	220 948	13%	351 845	(37)%
Total current assets	1 729 950	99%	1 591 365	9%
Total assets	1 748 710	100%	1 604 565	9%

Structure of the Company's shareholders' equity and liabilities as at 31 December 2015, and movements since the end of 2014.

EQUITY AND LIABILITIES	31.12.2015 in thousand PLN	Share in equity and liabilities	31.12.2014 in thousand PLN	Change 2015/2014
Shareholders' equity				
Share capital	24 771	1%	24 770	<1%
Share premium less treasury shares	234 534	13%	234 520	<1%
Reserve and supplementary capitals, and accumulated unappropriated profit	623 831	36%	598 837	4%
Total shareholders' equity	883 136	51%	858 127	3%
Liabilities				
Total long-term liabilities	432 147	25%	317 367	36%
Total short-term liabilities	433 427	25%	429 071	1%
Total liabilities	865 574	49%	746 438	16%
Total equity and liabilities	1 748 710	100%	1 604 565	9%

2.3.2 Income statement

Income statement of the Company for the year ended 31 December 2015 compared to 2014.

	01.01- -31.12.2015	sale %	01.01- -31.12.2014	Change 2015/2014
Sales revenue	904 206	100%	784 274	15%
Cost of sales	(700 248)	77%	(632 215)	11%
Gross profit on sales	203 958	23%	152 059	34%
Operating profit	102 270	11%	68 790	49%
Profit before tax	100 435	11%	69 208	45%
Net profit	80 647	9%	55 822	44%
Earnings per share (in PLN)	3.26		2.25	45%

2.3.3 Cash flow statement

	(in thousand PLN)		Change
	2015	2014	
Cash and cash equivalents – opening balance	317 382	321 307	(1)%
Net cash flow from operating activities	(43 724)	136 482	na.
Net cash flow from investing activities	23 278	(36 182)	na.
Net cash flows from financing activities	(79 735)	(104 225)	na.
Cash and cash equivalents – closing balance	217 201	317 382	(32)%

The year 2015 opened with a cash and cash equivalents balance of PLN 317 382 thousand and closed with a balance of PLN 217 201 thousand. As such, in the period between 1 January 2015 and 31 December 2015, the balance of cash and cash equivalents decreased by PLN 100 181 thousand.

In 2015, the Company recorded a net cash outflow from operating activities amounting to PLN 43 724 thousand. This is predominantly a result of increased inventory of the Company due to the increased scale of operations, namely the number of ongoing projects and major purchases of land in 2015.

In 2015, the Company disclosed a net inflow of cash from investing activities amounting to PLN 23 278 thousand. This relates mostly to the presentation of closed bank deposits with a maturity of over 3 months as investing activities.

In 2015, the Company recorded a net cash outflow resulting from financing activities amounting to PLN 79 735 thousand. The excess of financial outflow over inflow results from a combination of repaying loans (net cash outflow of PLN 24 000 thousand) and the dividend distributed by the Company amounting to PLN 55 735 thousand.

2.3.4 Profitability ratios

The operating profit margin and net profit margin in 2015 have improved compared to the previous year. This predominantly results from the fact that the average gross margin (mainly in terms of a higher absolute gross margin per unit) generated on products delivered in 2015 was higher than on products delivered in 2014. At the same time a significant increase in ROE and ROA was noted compared to 2014.

PROFITABILITY RATIOS	2015	2014
Operating profit margin <i>EBITDA / net sales revenue</i>	11.8%	9.2%
Net profit margin <i>Net profit / net sales revenue</i>	8.9%	7.1%
Return on assets (ROA) <i>Net profit / total assets</i>	4.6%	3.5%
Return on equity (ROE) <i>Net profit / shareholders' equity</i>	9.1%	6.5%

2.3.5 Liquidity ratios

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

All the liquidity ratios remained high in 2015. The reduction in the cash balance held at the end of 2015 compared to the end of 2014 was mainly a result of major land purchases, which were financed without any increase in externally sourced finance.

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 land 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	2015	2014
Current ratio <i>current assets / short-term liabilities less deferred income</i>	8.72	5.73
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	1.27	1.30
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	1.09	1.25

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) ensured ratios were maintained at appropriate levels to support the business activity and maintain the Company's creditworthiness. The majority of the leverage ratios at the end of 2015 were similar to those at the end of 2014. Despite the fact that an increase in the leverage ratios were recorded for the liabilities to equity ratio and the net interest bearing debt to equity ratio, they remain at an appropriate level for the business in the opinion of the Supervisory Board.

LEVERAGE RATIOS	2015	2014
Equity ratio <i>shareholders' equity / total assets</i>	50.5%	53.5%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	98.0%	87.0%
Liabilities to assets ratio <i>total liabilities / total assets</i>	49.5%	46.5%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	42.3%	46.4%
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>	17.3%	5.3%

2.3.7 Summary and assessment

Based on the financial statements of Dom Development S.A. for the financial year 2015 and the Management Board's report of activities of the Company in the financial year 2015, the Supervisory Board is of the opinion that the year 2015 was a good year for Dom Development S.A. in the context of a relatively strong market.

In 2015, 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 adequate liquidity and the financial security of the Company.

After satisfactory results in 2015 in a constructive economic environment, 2016 has the potential to be another strong 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 regulatory headwinds as illustrated by the introduction of the new Developers Act or increasingly difficult access to mortgages which comes about from the deposit levels increasing and banks passing on higher costs to customers in the form of higher margins. 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 2015, the activities of the Company generated a significant profit as shown by the income statement.

Having analysed the financial statements for 2015 and the Management Board's report of activities of the Company in 2015, 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 2015, 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 2015 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 2015 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2015

3.1. Certified Auditor's opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2015

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 2015.

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 2015

As at 31 December 2015 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 2015.

Balance as at 31 December 2015				
	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 Kielpsz	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.

3.3. Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. Capital Group for 2015

3.3.1 Consolidated balance sheet

Structure of the Group's assets as at 31 December 2015, and movements since the end of 2014.

ASSETS	31.12.2015 in thousand PLN	Share in assets	31.12.2014 in thousand PLN	Change 2015/2014
Total fixed assets	18 710	1%	13 150	42%
Current assets				
Inventory	1 478 660	84%	1 231 538	20%
Trade and other receivables	27 528	2%	5 541	397%
Other current assets	2 668	<1%	3 224	(17)%
Cash and cash equivalents and Short-term financial assets	225 387	13%	352 804	(36)%
Total current assets	1 734 243	99%	1 593 107	9%
Total assets	1 752 953	100%	1 606 257	9%

Structure of the Group's shareholders' equity and liabilities as at 31 December 2015, and movements since the end of 2014.

EQUITY AND LIABILITIES	31.12.2015 in thousand PLN	Share in equity and liabilities	31.12.2014 in thousand PLN	Change 2015/2014
Shareholders' equity				
Share capital	24 771	1%	24 770	<1%
Share premium less treasury shares	234 534	13%	234 520	<1%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	624 299	36%	599 227	4%
Total shareholders' equity	883 604	50%	858 517	3%
Non-controlling interests	(179)	<1%	(246)	(27)%

Total shareholders' equity	883 425	50%	858 271	3%
Liabilities				
Total long-term liabilities	432 147	25%	317 648	36%
Total short-term liabilities	437 381	25%	430 338	2%
Total liabilities	869 528	50%	747 986	16%
Total equity and liabilities	1 752 953	100%	1 606 257	9%

3.3.2 Consolidated income statement

Consolidated income statement of the Group for the year ended 31 December 2015 compared to 2014.

	01.01 -31.12.2015 in thousand PLN	sale %	01.01 -31.12.2014 in thousand PLN	Change 2015/2014
Sales revenue	904 195	100%	784 264	15%
Cost of sales	(700 248)	77%	(632 215)	11%
Gross profit on sales	203 947	23%	152 049	34%
Operating profit	102 459	11%	69 019	48%
Profit before tax	100 613	11%	69 434	45%
Net profit	80 792	9%	55 935	44%
Basic earnings per share (in PLN)	3.26		2.25	45%

3.3.3 Consolidated cash flow statement

	(in thousand PLN)		Change
	2015	2014	
Cash and cash equivalents – opening balance	318 341	322 250	(1)%
Net cash flow from operating activities	(40 029)	136 943	na.
Net cash flow from investing activities	23 063	(36 627)	na.
Net cash flows from financing activities	(79 735)	(104 225)	na.
Cash and cash equivalents – closing balance	221 640	318 341	(30)%

The year 2015 opened with a cash and cash equivalents balance of PLN 318 341 thousand and closed with a balance of PLN 221 640 thousand. As such, in the period between 1 January 2015 and 31 December 2015, the balance of cash and cash equivalents decreased by PLN 96 701 thousand.

In 2015, the Group recorded a net cash outflow from operating activities amounting to PLN 40 029 thousand. This is predominantly a result of increased inventory of the Company due to the increased scale of operations, namely the number of ongoing projects and major purchases of land in 2015.

In 2015, the Group disclosed a net inflow of cash from investing activities amounting to PLN 23 063 thousand. This relates mostly to the presentation of closed bank deposits with a maturity of over 3 months as investing activities.

In 2015, the Group recorded a net cash outflow resulting from financing activities amounting to PLN 79 735 thousand. The excess of financial outflow over inflow results from a combination of repaying loans (net cash outflow of PLN 24 000 thousand) and the dividend distributed by the Company amounting to PLN 55 735 thousand.

3.3.4 Profitability ratios

The operating profit margin and net profit margin in 2015 have improved compared to the previous year. This predominantly results from the fact that the average gross margin (mainly in terms of a higher absolute gross margin per unit) generated on products delivered in 2015 was higher than on products delivered in 2014. At the same time A significant increase in ROE and ROA was noted compared to 2014.

PROFITABILITY RATIOS	2015	2014
Operating profit margin <i>EBITDA / net sales revenue</i>	11.8%	9.2%
Net profit margin <i>net profit / net sales revenue</i>	8.9%	7.1%
Return on assets (ROA) <i>net profit / total assets</i>	4.6%	3.5%
Return on equity (ROE) <i>net profit / shareholders' equity</i>	9.1%	6.5%

3.3.5 Liquidity ratios

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

All the liquidity ratios remained high in 2015. The reduction in the cash balance held at the end of 2015 compared to the end of 2014 was mainly a result of major land purchases, which were financed without any increase in externally sourced finance.

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 land 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	2015	2014
Current ratio <i>current assets / short-term liabilities less deferred income</i>	8.57	5.71
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	1.26	1.30
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	1.10	1.25

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) ensured ratios were maintained at appropriate levels to support the business activity and maintain the Company's and Group's creditworthiness. The majority of the leverage ratios at the end of 2015 were similar to those at the end of 2014. Despite the fact that an increase in the leverage ratios were recorded for the liabilities to equity ratio and the net interest bearing debt to equity ratio, they remain at an appropriate level for the business in the opinion of the Supervisory Board.

LEVERAGE RATIOS	2015	2014
Equity ratio <i>shareholders' equity / total assets</i>	50.4%	53.4%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	98.4%	87.2%
Liabilities to assets ratio <i>total liabilities / total assets</i>	49.6%	46.6%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	42.3%	46.3%
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>	16.8%	5.2%

3.3.7 Summary and assessment

Based on the consolidated financial statements of the Group for the financial year 2015 and the Management Board's report of activities of the Group in the financial year 2015, the Supervisory Board is of the opinion that the year 2015 was a good year for Dom Development S.A. Capital Group in the context of a relatively strong market.

In 2015, 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 adequate liquidity and the financial security of the Group.

After satisfactory results in 2015 in a constructive economic environment, 2016 has the potential to be another strong 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 regulatory headwinds as illustrated by the introduction of the new Developers Act or increasingly difficult access to mortgages which comes about from the deposit levels increasing and banks passing on higher costs to customers in the form of higher margins. 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 2015, the activities of the Group generated a significant profit as shown by the income statement.

Having analysed the consolidated financial statements for 2015 and the Management Board's report of activities of the Group in 2015, 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 2015, 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 2015 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 21 March 2016, the Management Board of Dom Development S.A. adopted resolution no. 03/03/16 on the amendment to the motion of the Management Board concerning the distribution of the Dom Development S.A. net profit for 2015. According to this resolution the Management Board proposes that part of Dom Development S.A.'s net profit for 2015 in the amount of PLN 80 543 424.00 (eighty million five hundred and forty-three thousand four hundred and twenty-four zlotys), i.e. PLN 3.25 (three 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 2015 in the amount of PLN 103,942.31 (one hundred and three thousand nine hundred and forty-two zlotys and thirty-one 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 2015 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 2015;
- Management Board's report of activities of Dom Development S.A. in 2015;
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2015;
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2015,

and issues a positive opinion on the Management Board's proposal on the appropriation of profit for 2015 and recommends that the General Shareholders' Meeting adopts such resolution as proposed by the Management Board of Dom Development S.A. in resolution no. 03/03/16 dated 21 March 2016.