



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

ON THE ASSESSMENT OF:

- **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2019,**
- **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019,**
- **MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2019**

**for the period
from 1 January 2019 until 31 December 2019**



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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 2019

The financial statements for the year ended 31 December 2019 prepared in accordance with International Financial 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 2019 with the balance of assets and liabilities in the amount of PLN 2 512 192 thousand;
- income statement for the twelve-month period ended 31 December 2019 showing a net profit of PLN 304 665 thousand;
- statement of comprehensive income for the twelve-month period ended 31 December 2019 showing a net comprehensive income of PLN 304 652 thousand;
- cash flow statement for the twelve-month period ended 31 December 2019 with PLN 220 111 thousand net cash and cash equivalents as at 31 December 2019;
- statement of changes in shareholders' equity for the twelve-month period ended 31 December 2019 showing PLN 1 116 985 thousand balance of shareholders' equity as at 31 December 2019;
- additional notes to the financial statements.

b) Management Board's report of activities of Dom Development S.A. in 2019

c) consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2019

The consolidated financial statements for the year ended on 31 December 2019 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 2019 with the balance of assets and liabilities in the amount of PLN 2 960 936 thousand;
- consolidated income statement for the twelve-month period ended 31 December 2019 showing a net profit of PLN 256 018 thousand;
- consolidated statement of comprehensive income for the twelve-month period ended 31 December 2019 showing a net comprehensive income of PLN 256 005 thousand;
- consolidated cash flow statement for the twelve-month period ended 31 December 2019 with PLN 253 318 thousand net cash and cash equivalents as at 31 December 2019;
- consolidated statement of changes in shareholders' equity in the twelve-month period ended 31 December 2019 showing the PLN 1 084 231 thousand balance of shareholders' equity as at 31 December 2019;
- additional notes to the financial statements.

d) Management Board's Report of activities of Dom Development S.A. Capital Group in 2019

1.2. Financial statements audit

The financial statements and the consolidated financial statements for the year ended on 31 December 2019 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. Polna11, listed by the National Council of Statutory Auditors under number 144. The selection of statutory auditor was approved by resolution no. 05/12/17 adopted on 1 December 2017 by the Supervisory Board of Dom Development S.A.

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

- a) the Act of 11 May 2017 on statutory auditors, audit firms and public supervision,
- b) 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,
- c) 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 2019:
 - give a true and fair view of the assets and financial position of Dom Development as at 31 December 2019, as well as its financial result and cash flow for the period from 1 January 2019 to 31 December 2019,
 - 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;
- b) Management Board's report of activities of Dom Development S.A. in 2019:
 - 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 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 2019:
 - give a true and fair view of the assets and financial position of Dom Development S.A. Capital Group as at 31 December 2019, as well as its financial result and cash flow for the period from 1 January 2019 to 31 December 2019;
 - have 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;



d) The Management Board's Report of activities of Dom Development S.A. Capital Group in 2019:

- 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 consolidated financial statements.

The Supervisory Board have also noted that the 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 THE COMPANY BASED ON THE FINANCIAL STATEMENTS OF DOM DEVELOPMENT S.A. FOR THE YEAR ENDED 31 DECEMBER 2019 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. IN 2019

2.1. 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 2019

As at 31 December 2019 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 56.47% 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 2019.

Balance as at 31 December 2019				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Groupe Belleforêt S.à r.l.*)	14 155 941	56.47	14 155 941	56.47
Jarosław Szanajca	1 454 050	5.80	1 454 050	5.80
Aviva Otwarty Fundusz Emerytalny Aviva Santander **)	1 313 383	5.24	1 313 383	5.24
Grzegorz Kiełpsz	1 280 750	5.11	1 280 750	5.11

*) Formerly SCOP Poland S.à r.l.,

**) Shareholding of Aviva OFE Aviva Santander (formerly Aviva OFE Aviva BZ WBK) has been presented as per the latest notice as of 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A. (formerly Aviva PTE Aviva BZ WBK S.A.).



2.2. Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. for 2019

2.2.1 Balance sheet

Structure of the Company's assets as at 31 December 2019, and movements since the end of 2018.

ASSETS	31.12.2019 in thousand PLN	Share in assets	31.12.2018 in thousand PLN	Change 2019/2018
Total fixed assets	516 467	21%	386 462	34%
Current assets				
Inventory	1 736 487	69%	1 622 336	7%
Trade and other receivables	26 531	1%	27 017	(2)%
Other current assets	3 085	<1%	4 083	(24)%
Cash and cash equivalents and Short-term financial assets	229 622	9%	229 894	<1%
Total current assets	1 995 725	79%	1 883 330	6%
Total assets	2 512 192	100%	2 269 792	11%

Structure of the Company's shareholders' equity and liabilities as at 31 December 2019, and movements since the end of 2018

EQUITY AND LIABILITIES	31.12.2019 in thousand PLN	Share in equity and liabilities	31.12.2018 in thousand PLN	Change 2019/2018
Shareholders' equity				
Share capital	25 068	1%	24 968	<1%
Share premium less treasury shares	245 188	10%	241 788	1%
Reserve and supplementary capitals, and accumulated unappropriated pr	846 729	34%	763 855	11%
Total shareholders' equity	1 116 985	44%	1 030 611	8%
Liabilities				
Total long-term liabilities	361 018	14%	396 423	(9)%
Total short-term liabilities	1 034 189	41%	842 758	23%
Total liabilities	1 395 207	56%	1 239 181	13%
Total equity and liabilities	2 512 192	100%	2 269 792	11%

2.2.2 Income statement

Income statement of the Company for the year ended 31 December 2019 compared to 2018

	01.01- 31.12.2019 in thousand PLN	sale %	01.01- 31.12.2018 in thousand PLN	Change 2019/2018
Sales revenue	1 353 580	100%	1 267 639	7%
Cost of sales	951 786	70%	895 843	6%
Gross profit on sales	401 794	30%	371 796	8%
Operating profit	272 234	20%	243 057	12%
Profit before tax	358 898	27%	262 133	37%
Net profit	304 665	23%	214 098	42%
Earnings per share (in PLN)	12.16		8.58	42%



In 2019, the Company recognised sales revenue of PLN 1 353 580 thousand, i.e. at the level 7% higher than in the previous year. Likewise, the gross profit on sales and operating profit of the Company are higher than these generated in 2018.

The 37% increase of Profit before tax and 42% increase of net profit in 2019 resulted not only from the higher operating profit but also from the recognition in financial income of a much higher dividend for 2018 from subsidiaries in comparison with 2018. A significant contribution to the result of the Company for 2019 was attributable to the dividend from Euro Styl S.A. for 2018, which was PLN 87 694 thousand, compared to the dividend of PLN 18 050 thousand that was paid to the Company in the preceding year.

2.2.3 Cash flow statement

	(in thousand PLN)		Change
	2019	2018	
Cash and cash equivalents – opening balance	209 393	202 083	4%
Net cash flow from operating activities	256 480	219 041	17%
Net cash flow from investing activities	-22 393	-25 471	na.
Net cash flows from financing activities	-223 369	-186 260	na.
Cash and cash equivalents – closing balance	220 111	209 393	5%

Cash balances amounted to PLN 209 393 thousand at the beginning of 2019 and amounted to PLN 220 111 thousand at the end of the year. Therefore in the period from 1 January until 31 December 2019 the balance of cash increased by PLN 10 718 thousand.

In 2019, the Company recorded a net inflow of cash from the operating activities amounting to PLN 256 480 thousand which is 17% more than in the preceding year.

Cash flows from investing activities in 2019 was at a similar level to the previous year.

In 2019, the Company recorded a net cash outflow from the financing activities in the amount of PLN 223 369 thousand. The excess of financial outflow over the inflow is mainly due to the payment of dividends by the Company in the amount of PLN 226 869 thousand.

2.2.4 Profitability ratios

All the profitability ratios achieved by the Company in 2019 have improved compared to the previous year. The main factor behind the fast growth of the above metrics was the 42% increase of the Company's net profit compared to 2018. The key factor behind such a significant increase was primarily the dividend of PLN 87 694 thousand (compared to PLN 18 850 thousand in 2018) received from Euro Styl S.A., which was recorded as Financial income in the Company's income statement.

PROFITABILITY RATIOS	2019	2018
Operating profit margin <i>EBITDA / net sales revenue</i>	20.9%	19.7%
Net profit margin <i>Net profit / net sales revenue</i>	22.5%	16.9%
Return on assets (ROA) <i>Net profit / total assets</i>	12.1%	9.4%
Return on equity (ROE) <i>Net profit / shareholders' equity</i>	29.6%	21.4%

2.2.5 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 presented below stood at the end of 2019 at a level which was lower than in the previous year, however they are still satisfactory and relatively safe.

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 high extent result from the relevant financing structure applied, that is predominantly medium-term and long-term, as opposed to short-term and medium-term financing. The liquidity ratios are driven by decisions around financing of current investments (including decisions when to commence the construction of individual developments and concerning the product mix offered for sale) and the strategy of 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	2019	2018
Current ratio <i>current assets / short-term liabilities less deferred income</i>	4.17	5.14
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	0.54	0.71
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	0.46	0.57

2.2.6 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 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 2019 to those at the end of 2018 reflecting the conservative approach taken by the Company's governing bodies to the financing of its operations. They remain at an appropriate level for the business in the opinion of the Supervisory Board.

LEVERAGE RATIOS	2018	2017
Equity ratio <i>shareholders' equity / total assets</i>	44.5%	45.4%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	124.9%	120.2%
Liabilities to assets ratio <i>total liabilities / total assets</i>	55.5%	54.6%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	32.3%	35.0%
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>	11.8%	12.7%

2.2.7 Summary and assessment

Based on the financial statements of Dom Development S.A. for the financial year 2019 and the Management Board's report of activities of the Company in the financial year 2019, the Supervisory Board is of the opinion that 2019 was another very good year for Dom Development S.A. in the context of a continually strong market.

In 2019, 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 very good results in 2019 in a constructive economic environment, 2020 also 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 condition in the labour market or interest rate policy, which is expected to remain supportive, although there are regulatory headwinds and a pressure for an increase in the costs of construction and prices of land for development.

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 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 apartments;
- adjusting the Company's sales offer to the market demand;
- 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 regulatory amendments.

In 2019, the activities of the Company generated a significant profit as shown by the income statement.

Having analysed the financial statements for 2019 and the Management Board's report of activities of the Company in 2019, 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 2019, 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 2019 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 2019 AND THE MANAGEMENT BOARD'S REPORT OF ACTIVITIES OF DOM DEVELOPMENT S.A. CAPITAL GROUP IN 2019

3.1. 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 2019

As at 31 December 2019 the Group was controlled by Groupe Belleforêt S.à r.l. with its registered office in Luxembourg which held 56.47% 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 2019.

Balance as at 31 December 2019				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
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Jarosław Szanajca	1 454 050	5.80	1 454 050	5.80
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Grzegorz Kielpsz	1 280 750	5.11	1 280 750	5.11

*) Formerly SCOP Poland S.à r.l.,

***) Shareholding of Aviva OFE Aviva Santander (formerly Aviva OFE Aviva BZ WBK) has been presented as per the latest notice as of 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A. (formerly Aviva PTE Aviva BZ WBK S.A.).

3.2. Evaluation of basic economic and financial figures disclosed in the annual financial statements of Dom Development S.A. Capital Group for 2019

3.2.1 Consolidated balance sheet

Structure of the Group's assets as at 31 December 2019, and movements since the end of 2018.

ASSETS	31.12.2019 in thousand PLN	Share in assets	31.12.2018 in thousand PLN	Change 2019/2018
Total fixed assets	68 847	2%	49 940	38%
Current assets				
Inventory	2 509 632	85%	2 113 540	19%
Trade and other receivables	62 584	2%	52 768	19%
Other current assets	4 968	<1%	5 325	(7)%
Cash and cash equivalents and Short-term financial assets	314 905	11%	317 380	(1)%
Total current assets	2 892 089	98%	2 489 013	16%
Total assets	2 960 936	100%	2 538 953	17%



Structure of the Group's shareholders' equity and liabilities as at 31 December 2019, and movements since the end of 2018

EQUITY AND LIABILITIES	31.12.2019 in thousand PLN	Share in equity and liabilities	31.12.2018 in thousand PLN	Change 2019/2018
Shareholders' equity				
Share capital	25 068	1%	24 968	0%
Share premium less treasury shares	245 188	8%	241 788	1%
Reserve and supplementary capitals, and accumulated unappropriated profit (loss)	813 941	27%	779 717	4%
Total shareholders' equity	1 084 197	37%	1 046 473	4%
Non-controlling interests	34	0%	69	-51%
Total shareholders' equity	1 084 231	37%	1 046 542	4%
Liabilities				
Total long-term liabilities	469 015	16%	452 272	4%
Total short-term liabilities	1 407 690	48%	1 040 139	35%
Total liabilities	1 876 705	63%	1 492 411	26%
Total equity and liabilities	2 960 936	100%	2 538 953	17%

3.2.2 Consolidated income statement

Consolidated income statement of the Group for the year ended 31 December 2019 compared to 2018.

	01.01 - 31.12.2019 in thousand PLN	sale %	01.01 - 31.12.2018 in thousand PLN	Change 2019/2018
Sales revenue	1 661 721	100%	1 653 933	<1%
Cost of sales	1 161 601	70%	1 198 824	(3)%
Gross profit on sales	500 120	30%	455 109	10%
Operating profit	320 690	19%	282 019	14%
Profit before tax	320 482	19%	282 642	13%
Net profit	256 018	15%	227 023	13%
Basic earnings per share (in PLN)	10.22		9.10	12%

Owing to the significantly larger gross sales margin than in the previous year (an increase from 27.5 % in 2018 to 30.1% in 2019), with the selling costs and general administrative costs kept at appropriate levels, increases were recorded in terms of consolidated gross profit on sales, consolidated operating profit and consolidated net profit, with the latter increasing by 13 % compared to 2018, to reach a record level of PLN 256 018 thousand.

3.2.3 Consolidated cash flow statement

	(in thousand PLN)		Change
	2019	2018	
Cash and cash equivalents – opening balance	282 492	279 653	1%
Net cash flow from operating activities	162 055	232 787	(30)%
Net cash flow from investing activities	(17 578)	(43 340)	n/a
Net cash flows from financing activities	(173 651)	(186 608)	n/a
Cash and cash equivalents – closing balance	253 318	282 492	(10)%

Cash balances amounted to PLN 282 492 thousand at the beginning of 2019 and they amounted to PLN 253 318 thousand at the end of the year. Therefore in the period from 1 January until 31 December 2019 the balance of cash fell by PLN 29 174 thousand.

In 2019, the Group recorded a net inflow of cash from its operating activities amounting to PLN 162 055 thousand that is 30% less than in the preceding year. The lower inflows from operating activities than in 2018 was the consequence of the record-high expenditures of PLN 447 965 thousand on purchases and advance payments for the purchase of land for use in future projects. These expenditures were included in operating cash flows.

In 2019, the Group recorded a net cash outflow from the financing activities in the amount of PLN 173 651 thousand. The excess of financial outflow over inflows is mainly due to the payment of dividends by the Company in the amount of PLN 226 869 thousand.

3.2.4 Profitability ratios

The profitability ratios achieved by the Group in 2019 have improved compared to the previous year. The Group's return on assets at 8.6% remained at a level similar to that the preceding year. Special attention should be given to the very high Group's return on equity (ROE), which reached 24.5% in 2019.

PROFITABILITY RATIOS	2019	2018
Operating profit margin EBITDA / net sales revenue	20.2%	17.6%
Net profit margin net profit / net sales revenue	15.4%	13.7%
Return on assets (ROA) net profit / total assets	8.6%	8.9%
Return on equity (ROE) net profit / shareholders' equity	24.5%	22.6%

3.2.5 Liquidity ratios

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

In 2019, all the liquidity ratios were slightly lower than in 2018, while still remaining at relatively safe levels.

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 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	2019	2018
Current ratio <i>current assets / short-term liabilities less deferred income</i>	5.04	5.99
Quick ratio <i>current assets less inventory / short-term liabilities less deferred income</i>	0.67	0.90
Cash ratio <i>cash and cash equivalents, and bank deposits with a maturity of over 3 months / short-term liabilities less deferred income</i>	0.44	0.68

3.2.6 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 that the leverage ratios were maintained at comparatively safe levels to support the business activity and maintain the creditworthiness of the Company and the Group. The leverage ratios in 2019 were similar to those at the end of 2018 which reflects the conservative approach of the Company's governing bodies to the sourcing of finance for operations. The largest relative increase recorded was for the interest bearing debt to equity ratio, which was 14.4% at the end of 2019 compared to 7.5% in 2018, however this is still considered a very safe level that demonstrates a safe and comfortable position of the Group.

LEVERAGE RATIOS	2019	2018
Equity ratio <i>shareholders' equity / total assets</i>	36.6%	41.2%
Liabilities to equity ratio <i>total liabilities / shareholders' equity</i>	173.1%	142.6%
Liabilities to assets ratio <i>total liabilities / total assets</i>	63.4%	58.8%
Interest bearing debt to equity ratio <i>interest bearing liabilities (including accrued interest) / shareholders' equity</i>	41.2%	37.9%
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>	14.4%	7.5%

3.2.7 Summary and assessment

Based on the consolidated financial statements of the Group for the financial year 2019 and the Management Board's report of activities of the Group in the financial year 2019, the Supervisory Board is of the opinion that the year 2019 was another very good year for Dom Development S.A. Capital Group in the context of a strong market.

In 2019, 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 very good results in 2019 in a constructive economic environment, 2020 also has the potential to be another strong year for the real estate development industry. The residential real estate market will be impacted mostly by macroeconomic factors, such as conditions in the labour market or interest rate policy,

which is expected to remain supportive, although there are regulatory headwinds and a pressure for an increase in the costs of construction and prices of land for development.

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 included:

- ensuring that adequate sources of finance are available to the Group, both for current and future development projects;
- geographical diversification of activities of the Group through the development of Euro Styl S.A. Capital Group operating in the Tricity and its vicinity and Dom Development Wrocław Sp. z o.o.;
- 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;
- 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 regulatory amendments.

In 2019, the activities of the Group generated a significant profit as shown by the income statement.

Having analysed the consolidated financial statements for 2019 and the Management Board's report of activities of the Company in 2019, 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 2019 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 Group has been operating in recent years.

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

The Supervisory Board also notes that an important event contributing to the development of the Group was:

- the strengthening of its position in the Tri-City market of Euro Styl S.A. Group, which was acquired in 2017. Owing to that acquisition, Dom Development S.A. Capital Group enjoys a strong position in terms of sales in the Tri-City market.
- further gradual increase in the scale of operations of Dom Development Wrocław Sp. z o.o., through which the Group operates in the Wrocław market. The year 2019 was another year of intensive growth of the potential of the Wrocław-based subsidiary in respect of land purchases, growth in sales volume and the reinforcement of the team.
- growth in the operations of Dom Construction Sp. z o.o. that is now a core general contractor for the Group in the Warsaw and Wrocław markets.

The Supervisory Board also appreciates the commitment of the Management Board of the Company in 2019 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 2019, 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 on 31 December 2019;
- Management Board's report of activities of Dom Development S.A. in 2019;
- Consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2019;
- Management Board's Report of activities of Dom Development S.A. Capital Group in 2019.