

LETTER TO SHAREHOLDERS



Dear Shareholders,

I am very pleased to present to you the results of the Dom Development S.A. Capital Group for the financial year ending on 31st December 2007. It was a year in which, despite enormous challenges presented to our company by the market environment, especially in the second half of the year, we managed to achieve record high financial results.

Financial Results

In the last year Dom Development S.A. Capital Group has recorded historically high levels of income and profit. In 2007 sales revenues of the Group amounted to PLN 878.8m and increased by 20.4% as compared to 2006. The consolidated net profit of the Company exceeded PLN 200m. In 2007 the Group's net profit growth increased by 50% as compared to 2006, which demonstrates that we managed to live up to the expectations of the market. In the last year profit per share amounted to PLN 8.17 and gained 34.8% as compared with 2006, whereas the Group's consolidated own capital increased in the same period by 41.5%, achieving PLN 696m.

The very good financial results achieved by the Company in 2007 are a result of the accumulation of huge areas of land, which the Group has been acquiring for many years now, as well as a consequently employed strategy allowing the Group to take full advantage of the favourable situation on the housing market. The good results are also attributable to a strong team of devoted employees consisting of top-class specialists.

Dividend

The magnificent financial results achieved by the Company in 2007 and the strong, stable financial situation of the Company permits, in the opinion of the Management Board, a

recommendation to the General Meeting of Shareholders a distribution of dividend in the amount of 25% of the Group's net profit, i.e. higher than planned. This means that the Management Board shall recommend disbursement to the shareholders of the dividend in the amount of PLN 2.04 per share, that is PLN 1.89 per share more than last year. The intention of the Management Board is to uphold this positive dynamic of growth in the dividend paid out to the Company's shareholders in the years to come.

Company's Operations in 2007

In 2007 the Company completed nine projects encompassing in total 1,922 apartments and houses, and from the beginning of its operation to the end of 2007 within the framework of all projects completed by the Company almost 10,800 apartments and houses were developed. Additionally, at the end of 2007 the Company was preparing projects allowing to build around another 8,400 apartments and houses. Together with projects under construction and ready apartments it will make it possible for the Company to commission to its customers almost 12,000 premises within the next couple of years. Moreover, at the end of 2007 the Company was conducting negotiations concerning purchase of land on which another 9,500 apartments could be built.

The Company has been developing very rapidly, and in 2007 it was recognised for its financial and business achievements on numerous occasions. The most important prize the Company was awarded was the top ranking on the list of big Forbes' Diamonds as the company which took the best advantage of the favorable economic situation in the years 2004-2006 and the company with highest dynamics of value appreciation in that period. The next award was given to the Company for the apartment complex Patria in Warsaw which was acclaimed by the magazine "Apartamenty i Mieszkania" ("Apartments and Flats") the most luxurious investment in Poland. Furthermore, the magazine awarded our Company the title and statuette of "Kryształowy Deweloper 2007" ("Crystal Developer 2007") for gaining a significant and stable position on the Warsaw development market as well as for our ethical and fair business practices. The Company also came second in the ranking "pearls of the Polish economy" and was awarded the Best Residential Development 2007 prize. All these distinctions confirm our long experience, care for quality and high standard of fittings as well as our ability to create friendly living environments fulfilling all the expectations of our customers.

Last year also featured a very important event for the Group. In July we purchased a plot of land in central Wrocław, on which the first project of the Company located outside Warsaw will be developed. It will consist of around 500 apartments. Initiation of the project is planned for third quarter of 2008. This is the first prominent sign that the Company is pursuing the strategy of expanding its operations beyond the boundaries of Warsaw.

Development Prospects

Beginning from the second half of 2007 the market environment in which Dom Development S.A. Capital Group operates became highly competitive. In some respect it remains under the influence of the situation on the global real estate market. Nevertheless, in the opinion of the Management Board, the foundations of the real estate market in Poland are still robust and solid. The existing deferred demand for apartments together with the increasing

purchasing power of society constitute a firm and secure basis for the plans concerning further development of the Group. Additionally, the huge financial potential of the Group builds an excellent foundation for exploiting market opportunities which may arise in the coming months. The maturing Warsaw market, which is heading towards stabilisation, favours leaders with well-established and stable positions, such as our Company.

The main objective of the development strategy of our Group is a systematic strengthening of our position as the leading developer on the Warsaw housing market and, in a couple of years, joining the ranks of leaders on selected markets in other big Polish cities. At present we are concentrating primarily on the sale of popular apartments. We also remain active in the segment of high-standard apartments and are also intensifying our involvement in the segment of single-family houses.

To sum up, the Management Board is of the opinion that the applied action strategy is correct. We believe that thanks to this strategy, the prospects for the Group for the coming years are very bright.

Best regards,

Jarosław Szanajca
President of the Management Board

Warsaw, March 2008