

Dear All!

2010 was a breakthrough year during which, after market stagnation experienced in 2008 and 2009, sales of new flats increased to reach the pre-crisis levels. It was, undoubtedly, also a result of the banks' more flexible approach to extending loans and a large number of attractive developments commenced in 2010 which greatly expanded the offer of flats available in the market.



The financial condition of households in 2010 was also noticeably better than in the two previous years which had a positive impact on sales of new flats. I must stress that our investments sold already at the so called "hole in the ground" which was a clear signal to us that the real estate market was growing and the customers were actively searching for flats. We have not noticed, however, a comeback of purchases for investment purposes, the majority of flats were bought for one's own needs and the purchase structure was clearly dominated by small flats.

Dom Development has once again emerged stronger after the crisis. Thanks to the consistent implementation of our strategy we had a very strong cash position which was additionally strengthened by a successful issue of PLN 100 million unsecured bonds and a large bank of land. That allowed us great flexibility and made us a leader in introducing new projects for sale in 2010. That year we commenced sale of as many as 12 new real estate projects in Warsaw whereunder we are currently constructing 2151 flats. We have also materially changed the structure of our flats by adjusting them to customer needs who look for two- or three-room flats of up to 55 m<sup>2</sup>.

We have used the time needed by the market to recover for an increase of our market share. Thanks to new projects and active sales policy our Company maintained the largest share in the Warsaw market in 2010 which in the fourth quarter of 2010 amounted to 16.6%.

I also wish to note that this is rather exceptional on the European market, no developer has achieved such great advantage over its competitors in any of the capital cities of the countries of the European Union.

The last quarter of 2010 has seen very high sales of flats which was probably the result of the general expectations related to the changes in the government programme for the first family flat "*Rodzina na swoim*". In consequence of those changes the price range that would qualify a flat for the programme will be restricted and the programme itself will be limited to the primary market only which was feared by the persons who decided to buy a flat in 2010.

The sales values achieved in 2010 confirm the strengthening of Dom Development's leading position on the Warsaw housing market and thus confirm the consistent implementation of a very good strategy both for the time of crisis and for the time of emerging from such crisis. The experience acquired during the 2002 – 2003 crisis, but mostly the strong financial position of Dom Development as well as the highly qualified team of professionals secured a strong and stable position of our Firm. At the end of 2010 the Company had cash in excess of PLN 434 million which allows us to implement the plans of the company and to strengthen our leading position. Our financial results will reflect our intense sales and marketing efforts already in 2011.

In 2010 the housing market has become more stable and I believe that no great change should be expected in 2011. Both the real estate prices and the conditions of households will not be subject to any considerable change in 2011 which means that the real estate prices may remain similar to those existing at present. I expect, however, that the developers will be more prone to commence new investments in light of more accessible financing and relatively greater demand for interesting investments at attractive prices. A good signal for our industry is the restriction of the government programme to the primary market, because it was the secondary market that has actually seen significantly more transactions assisted by the "*Rodzina na swoim*" programme. Thanks to such restriction the demand for housing bought under that programme will be channelled to the new investments. It means growth of the developers' market and, consequently, new jobs which could have a positive impact on our economy.

Dom Development starts 2011 as the unquestioned leader who knew how to benefit from the difficult market conditions. This year will be yet another time of challenges and reinforcement of our position. We intend to use our experience also outside of Warsaw, thus it will also be a time of creating our brand and winning the trust of customers outside the capital city.

Jarosław Szanajca

President of the Management Board of Dom Development S.A.

