

Dear Ladies and Gentlemen,

I am truly pleased to present to you the Report for the year 2019. Once again, we are able to boast of a record financial result and continued growth and diversification of the business of the Capital Group of Dom Development S.A.



Experienced, well-run and financially stable developers are able to respond to strong demand by effectively managing their offering and competently developing new projects. In 2019 we maintained the scale of our activities at a high level, close to that of the previous year. We sold 3661 units, including 2347 units in Warsaw, where we have been the undisputed leader for many years. We successfully continued to diversify the Group's operations by significantly increasing the scale of our business in Tri-City and in Wrocław, where we sold 859 and 455 residential units respectively, 14% and 69% more units than the year before.

Warsaw, Tri-City and Wrocław are regions that are highly attractive to new residents, which translates into a high demand for homes. The supply of housing available on the market is increasingly unable to meet the strong demand. Consequently, prices rose in all three markets in which we operate, and this had a positive impact on our margins and financial results.

The higher margins are also due to improved cost efficiency. Our own general contracting business, which saw robust expansion in 2019, made an important contribution in this area. Dom Construction Sp. z o.o., a company established in 2018, is a superbly run general contractor, which during the last year was able to successfully combine the fast pace of growth in Warsaw and Wrocław with effective, timely project completions while maintaining the highest quality.

In line with the chosen strategy, over the past year we focused primarily on further strengthening the land banks in Tri-City and in Wrocław and on supplementing the land bank in Warsaw. Prices of plots remain high, especially in the capital where the complicated legal situation and administrative hurdles exacerbate the limits on supply of new real estate assets. We closely monitor the land market and make our purchasing decisions based on the potential to achieve a satisfactory margin.

The margin maximization strategy has brought measurable effects – the Capital Group of Dom Development S.A. obtained a 30% gross margin on sales in 2019 and a record consolidated net profit of PLN 256 million.

We have consistently pursued our dividend policy to maximize payouts, taking into account the current position of the company and the Group, our growth plans and the market situation. Since its announcement in 2013, we have paid our Shareholders over PLN 820 million whilst maintaining high cash balances and low net interest-bearing debt levels. This year, we again recommend paying out a record dividend of PLN 9.50 per share, i.e. almost PLN 240 million. In forthcoming years, we would like to provide our Shareholders with ever higher dividends, while retaining a part of our profit to continue building up the capacity of the company and the Group.

In the past year we have been one of the main beneficiaries of the strong demand for housing. In 2020 we will continue to pursue our adopted strategy, whilst taking advantage of the opportunities created by favourable market conditions. We see great potential for future growth in Tri-City and Wrocław, which in combination with the dominant position of Dom Development S.A. in Warsaw, should bring a further increase in the scale of operations of the Group.

Jarosław Szanajca
President of the Management Board, Dom
Development S.A.