



Dear All,

2017 was a breakthrough year for Dom Development S.A. during which we reached a level of business unprecedented on the Polish housing market. We sold nearly 4,000 units, delivering over 2,900. We developed our strategic potential by forcefully expanding outside Warsaw through the acquisition of the Euro Styl S.A. Capital Group from the Tri-City area, and ramped up our activity at Dom Development Wrocław Sp. z o.o.. With all these changes and a jump in the scale of our business in the last year, we still managed timely completion of the construction of almost 3,000 units, establishing another record.

The acquisition of Euro Styl S.A. Capital Group is a milestone in Dom Development S.A.'s history. Entirely with our own financial resources, we purchased a developer with a solid financial condition and approx. 10% of the Tri-City market. Combined with organic growth, this acquisition enabled a surge in our business scale – the Group's sales increased by 45% in 2017. Euro Styl S.A. is a very good fit for the Dom Development S.A. Capital Group, positioning its offer in the upper tier of the popular segment, emphasising quality in reputation and product.

The past year was also a milestone for our business in Wrocław. Dom Development Wrocław Sp. z o.o., reinvigorated with experienced staff, acquired land plots with a potential of construction of over 500 units in 4 locations. In 2018 we expect measurable results from the effort made to increase the Group's potential on the Wrocław market – a significant rise in sales and market share. In the upcoming years we expect to see a marked increase of the Tri-City and Wrocław significance in the Group's results.

However, Dom Development S.A. Capital Group's activity was still strongly concentrated in Warsaw, where we have been an unchallenged leader for many years. This market has seen another sales volume record, and we have maintained an 11% share here. Despite fierce competition we have acquired attractive land for further investments, among others a plot for over 1,300 units for a continuation of our flagship Żoliborz Artystyczny project.

The record-high results of Dom Development S.A. were supported by low interest rates, growing wages and low unemployment. In Warsaw, Tri-City and Wrocław we see workforce shortages, which stimulate migration to these cities. Population inflow supports investment demand, as newcomers usually seek rentals. The strong labour market and economic growth also contribute to the decision to improve living conditions.

The shortage of manpower has also affected the construction segment. General contractors are struggling with a lack of workers and a wage increase pressure. Builders' problems have had a relatively small impact on us – in the past year all 23 projects with almost 3,000 units were completed on time. That said, the difficulties faced by construction companies intensified in the second half of 2017 and in the current year bigger problems may occur.

In 2017 the market continued to be balanced, yet in Q4 developers commenced fewer projects. The market offer shrank and price increases accelerated. The supply side may be struggling, and if demand remains strong, price growth may be forseen. Dom Development S.A. Capital Group has managed to meet the pace imposed by the strong market – in 2017 we commenced the construction of 29 projects with 3,743 units and secured our future offer through land purchases with a construction potential of over 4,200 units spending PLN 351m.

We consistently maintain a very strong balance sheet – we finished 2017 with PLN 351m of consolidated cash and only 6.4% gearing. We have continued our full payout dividend policy – the Management Board recommends payment of 100% of the consolidated net profit from 2017 to shareholders. With the achieved result of PLN 190.8m, that means a dividend of PLN 7.60 per share, a record high in our history.

Our target for 2018 is the optimal use of our abundant resources in order to maximise the benefits from the very favourable market situation. We plan to concentrate on maximising profit margins and maintain the Group's business scale. There are still many customers willing to buy a flat and the offer is shrinking.

Jarosław Szanajca

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