



Dear Ladies and Gentlemen,

The past year brought great success, not only for our Group but also for all the shareholders of Dom Development S.A., as the record-high PLN 227 million consolidated net profit allowed us to pay a record-high dividend of PLN 9.05 per share.

2018 was a year of strong demand and supply-side challenges, which, in my opinion, Dom Development S.A. and the entire Group negotiated with aplomb. We capitalised on the favourable market trends to maximise our profit margin. The historically low interest rates, the robust employment market and steady wage increases have driven stable demand for apartments.

On the supply side, we faced numerous challenges and were among the few to overcome them. The rising costs of construction and the limited availability of construction services coupled with difficulties in obtaining administrative permits led to a limited market offering. At the time, Dom Development Group had maintained a diverse and attractive portfolio - last year, we began the construction of 30 projects comprising more than 3 600 apartments. We further navigated these obstacles by increasing the scale of our in-house general contractor services and relying on our high-quality land reserves, which allowed us to quickly commence construction.

The mix of strong demand and insufficient supply has led to an increase in real estate prices. Having predicted such a scenario as far back as a year ago, we made the commitment then to focus on profit margins rather than on sales volume. This strategy has proved to be correct. In 2018, we sold 3 602 apartments at comparatively higher price points over all our projects. The Dom Development brand is particularly strong in the premium apartment segment. In 2018, we expanded our portfolio after delivering the first stages of our flagship projects: Marina Mokotów and Żoliborz Artystyczny. Both projects enjoyed considerable interest from customers.

Dom Development S.A. Group also coped very well with problems specific to the construction industry. As planned, we completed the construction of 34 projects with more than 4 400 apartments and handed over a record 3 632 apartments to customers while maintaining a high level of quality and customer satisfaction.

As we stated a year ago, we have been strongly developing the Group's operations outside Warsaw. Warsaw remains to be the key market in our business, with 70% of the Group's sales and deliveries, but we see great potential in the Tricity and Wrocław, whose contribution to the group's overall output should continue to rise in the coming years. After the first full year of consolidation of Euro Styl S.A., a recognised Tricity property developer with 10% of local market share, I am further buoyed by the prospects of our Group in the Tricity. In April 2018, Mikołaj Konopka, President of the Management Board of Euro Styl S.A., became a Member of the Management Board of Dom Development S.A., as we appreciate the professionalism of our Tricity team and continue to utilise it for the benefit of our entire Group.

In 2018, we significantly expanded our land reserves in the Tricity where we secured 5 plots with the potential for the development of more than 1 400 apartments, and in Wrocław where, over the last twelve months, we purchased land for four projects encompassing over 900 apartments. In the more challenging Warsaw market, we added another project with 400 high-end apartments to our land reserves and secured the exclusive rights to purchase some plots with significant potential. All the purchased land allows us to rapidly commence projects while maintaining attractive profit margins.

In 2018, a new company was added to Dom Development S.A. Group, namely Dom Construction Sp. z o.o., a general contractor company. The development of in-house construction capabilities came as a response to the problems of the construction industry, including the dearth of services and rapidly rising costs. In a short time, we have been able to forge a well organised and efficient construction company that has defied the difficult market conditions to efficiently manage the construction of three prestigious projects: Żoliborz Artystyczny, Apartamenty Dolny Mokotów and Apartamenty Ogródowa.

This year, I expect 2018 trends to continue, with the main challenge still revolving around delivering an attractive and diverse offering in response to the strong demand fuelled by low interest rates. To meet the demand, we must successfully contend with the limited availability of land and difficulties in obtaining administrative permits, particularly in Warsaw. The Group's extensive experience, efficient organisation and balance sheet results hold us in good stead to continue to deliver the satisfactory margins that we have already enjoyed for years over such large-scale operations. Our significant cash reserves and very low debt allow us to make decisions carefully with an eye on the long-term growth of the shareholder value of the Company and the Group.

I believe that Dom Development S.A. Group has embraced a proper strategy in the present market conditions. In 2019, we will continue to focus on maximising profit margins, build the share of our Tricity and Wrocław operations within the Group's overall activities and increase the scale of in-house general contractor services through the development of Dom Construction Sp. z o.o.

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