



Dear All,

2012 was a challenging year for the whole Polish economy, and especially for the construction and the development sector, including Dom Development. In summing up the year, I can say that we have managed to succeed in the face of this adversity, largely thanks to our long years of experience and knowledge built up over our time in the business. With an eye always on Dom Development's long-term strategic goals, we successfully maintained a balance between stimulating sales through careful price reductions and maintaining margins appropriate to our business.

Our risk-averse and liquidity-focused strategy has proved to be prudent. Our February 2012 issue of 5-year bonds worth PLN 120m was a very timely placement. We finished 2012 with PLN 411m in cash and net borrowings of only 2% of our equity, making us stand out in the sector.

2012 saw a gradual lowering of upper price limits in the 'Family's Own Home' programme and its eventual closure at the end of the year. Households' credit-worthiness was squeezed and expectations for the outlook of the labour market were pessimistic. Dom Development successfully faced obstacles caused by these factors. In 2012 we maintained our position as market leader, with net sales of 1 436 flats. We also managed to maintain a satisfactory gross margin on sales of 24% and make PLN 91.2m in consolidated net profit. By delivering a record-high 1 970 flats to clients, we have once again shown that our leading position is based on a secure foundation of efficient organization and highly competent staff.

The implementation of the Developers Act on 29 April 2012 was a test of our organizational skills. It obliged us to create and update information packs for each of our projects and to set up escrow accounts for projects launched after that date. We were one of the first developers to offer our clients the ability to secure their purchase through an escrow account. This, and the preparation of the information packs required big changes on our side. 10 months after the act came into force, it is clear to me that we have been completely successful in implementing its provisions.

2012 demanded flexibility in the face of rapidly changing conditions, and 2013 may well be as unstable. Dom Development is fully prepared for a continuing slowdown, but also ready to act if an upswell in market conditions appears. We are still launching new projects, and keeping our offer attractive. We are confident about financing, ready for any new challenges, and prepared to strengthen our position in Warsaw and Wrocław.

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