



Warsaw, 4 July 2018

Dom Development S.A. Consolidated Group: Trading update Q2 2018

1. Sales

In Q2 2018, the Dom Development Group sold 802 units net, including: 566 units in Warsaw, 183 in the Tri-City area, and 53 in Wrocław.

We achieved the biggest quarterly sales volumes on the following projects: Amsterdam (101 units), Wilno (80), Osiedle Cybernetyki 17 (64) in Warsaw, and Spektrum (49) in the Tri-City.

2. Deliveries

In the past quarter, 1 025 units were delivered, i.e. 52% more than in Q2 2017.

The result for the first quarter of 2018 has been affected predominantly by deliveries on the following projects: Klasyków (173 units), Moderna (159), and Premium (121) in Warsaw, Impuls (136) in the Tri-City, and Aura (133) in Wrocław.

3. Market

The residential sales market was similar to the previous quarter; demand was still strong, but supply shrank, accelerating the pace of price increases.

Interest in new housing remained high. Cash buyers accounted for over 35% of sales at Dom Development S.A., while the volume and value of mortgage-assisted sales also increased significantly over recent quarters.

The problems faced by many developers in replenishing their offers deepened. Supply was restricted by three main factors: land cost and availability, administrative obstacles, and the limited availability and increased costs of construction services.

Of all these problems, recently the most acute are related to general contractors. In H2 2017, we saw a significant increase in construction costs, which continued in H1 2018, although to a lesser degree. A structural labour shortage is also a problem which the industry will face in the coming years. However, the recent stabilization of steel prices may be an indication that construction costs are levelling off.

Dom's answer was the launch of Dom Construction Sp. z o.o., which commenced activity in Q2 2018. The company will act as general contractor for some of Dom Development S.A.'s projects, capitalizing on the decade-long construction experience of Euro Styl S.A. This step is aimed at ensuring control of construction costs and quality, which is vital for our long-term profitability.

Land prices remained high in Q2, with strong competition for smaller plots affordable for smaller developers. This affords Dom Development S.A. profitable opportunities to deploy its significant cash resources into bigger, multi-phase projects.

New projects starts are frequently delayed by a lack of administrative permissions. This problem is especially acute in Warsaw. All developers are affected, and less experienced companies they may suffer a significant threat to business continuity.

In the Management Board's opinion, Dom Development S.A. Capital Group is very well placed to exploit the opportunities provided by the current strong demand, which we expect to continue. Having dealt with the recent construction challenge, we expect increasing margins to continue compensating for marginally smaller volumes.

Jarostaw Szanajca – CEO

Janusz Zalewski – CFO