



Warsaw, 7 January 2019

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

1. Sales

In 2018, the Dom Development Group sold 3 602 units net (-9% YoY), including: 2 580 units in Warsaw, 752 in the Tri-City area, and 270 in Wrocław. The group's sales in Q4 amounted to 1 006 units.

We achieved the biggest yearly sales volumes on the following projects: Wilno (269 units), Forma (256), Cybernetyki 17 (252), Amsterdam (248), Port Żerań (224), Żoliborz Artystyczny (203) and Premium (199) in Warsaw and Spektrum (187 units) in the Tri-City area.

2. Deliveries

In 2018 3 632 units were delivered (+24% YoY), of which a record-breaking 1 604 units were delivered in the fourth quarter itself (1 290 in Warsaw, 297 in the Tri-City area and 17 in Wrocław).

The result for the fourth quarter of 2018 was predominantly affected by deliveries on the following projects: Wilno (257 units), Cybernetyki 17 (222), Moderna (150), Apartamenty Mokotów nad Skarpą (145), Premium (144) and Forma (128) in Warsaw and Spektrum (150 units) in the Tri-City area.

3. Market

2018 was a challenging year for the developers' industry. It also offered great opportunities to the industry leaders. Construction costs increased in the first half, then stabilized. Sales prices increased. Shrinking land banks and difficulties in obtaining administrative permissions led to delays in new project commencements, particularly in Warsaw, resulting in reduced supply and price inflation. Consequently, sales volume dropped despite strong demand. Well-organized companies with an attractive offer were able to capitalise on this. Dom Development's expansion into Wrocław and Tricity produced huge dividends as both these markets were strong in terms of volume, prices and land availability.

Strong employment statistics and low interest rates supported housing demand. Cash buyers, including individual investor purchases, accounted for a substantial proportion of the market.

As we expected, supply in 2018 was the biggest challenge for the market – exorbitant land prices, obstacles in obtaining administrative permits (especially in Warsaw), labour shortages and a surge in the cost of labour in the construction industry significantly limited total volume in 2018.

The capability to commence and complete projects became a key success factor for developers.

All 2018 completions of the Dom Development Group were on time and without compromise on quality. According to our monitoring, our clients' satisfaction in 2018 remained at a very high level.

The industry-wide drop in new project commencements in the second half of the year has increased the availability of subcontractors specialised in early-stage construction and we expect that this effect will apply also in later phases. From Dom Development's Group perspective, this is a positive factor – higher availability of construction services should cap cost and facilitate completing projects on time.

We expect sales volumes to remain elevated in 2019, even if no record is broken. Given the supply-side challenges, we expect that once again only the strongest and best-managed developers will be able to maximise the rewards offered by strong demand and rising prices. Careful monitoring of sales pace and timely commencement of new projects in order to maintain an attractive offer is a demanding, but potentially highly profitable, strategy. It will enable experienced and well-organized developers to continue earning satisfactory margins on rising turnover.

Jarosław Szanajca – CEO

Janusz Zalewski – CFO