



Warsaw, 2 July 2020

Dom Development S.A. Consolidated Group: Trading update Q2 2020

1. Sales

In Q2 2020 the Dom Development Group sold 816 units net (2% less than in Q2 2019), including 603 units in Warsaw, 147 in the Tri-City area and 66 in Wrocław. We achieved the biggest sales volumes on the following Warsaw projects: Żoliborz Artystyczny (120 units), Metro Zachód (116) and Wilno (108). Total H1 2020 Group's sales amounted to 1 631 units, i.e. 7% less than in H1 2019.

2. Deliveries

In Q2 2020 the Group delivered 692 units (up by 57% YoY). The deliveries volume was in line with the plan and its breakdown by market was as follows: Warsaw - 500 units, Tri-City – 189, Wrocław – 3. The financial results of Q2 2020 were mostly influenced by deliveries on the following projects: Marina Mokotów (204 units) and Wilno (137) in Warsaw and Spektrum (86 units) in the Tri-City.

Total H1 2020 Group's deliveries amounted to 1 241 units, i.e. 25% less than in H1 2019.

3. Market

The COVID-19 epidemic in Poland lasted throughout the entire second quarter of 2020. It was a time of tremendous changes in the market environment and a trial which Dom Development Group passed successfully. The past three months were very dynamic – sales declined noticeably in April, but May and June saw strong demand rebound, especially in Warsaw. In response, the Group in late April promptly launched four new projects in Warsaw totalling over 470 units, which all sold well.

Significant support to the housing market came from the Central Bank of Poland, which so far this year has made three interest rate cuts, taking its base rate down to 0.1%, resulting in negative real interest rates on bank deposits. At the same time, household bank deposits broke another record, reaching PLN 950bn at the end of May. These two factors strongly supported housing demand – in Q2 cash transactions amounted to approx. 40% of the total Group's sales. High uncertainty caused by the epidemic and its economic consequences drove savers to search for safe investments. Accordingly, they favour financially-strong, long-established developers like Dom Development.

Near-zero interest rates helped borrowers, as debt servicing costs dropped, improving affordability. Although banks strongly tightened their lending criteria in early Q2, our in-house mortgage brokerage has already seen signs of easing since June.

Market supply and demand were balanced in Q2, with relatively stable sales prices and lower transaction volumes. Increased insecurity prolonged clients' decision making and most developers limited new launches. We do not expect a significant increase of market supply in the forthcoming months – administrative delays, problems with obtaining permissions and the low motivation of land vendors to sell are effectively limiting developers' offer. Our Group, with its significant and high quality land bank, is in a favourable position – on all of our markets we have land plots ready for launch.

The dearth of new launches on the market did increase construction availability and subcontractors' willingness to lower their prices. Most of the Group's projects are built by in-house general contractors, enabling the Group to benefit from construction costs drops even on projects already under construction.

Assured and stable financing plays a key role in the current market situation. The freezing of the bond market and tightening of conditions for banks' lending to developers may significantly differentiate the market players' growth potential. Our Group is in a distinctly favourable position – as of the end of June the Group's cash exceeded the total value of outstanding bonds and bank loans, which also have distant maturities, giving flexibility to our future plans.

The Company's Management Board is cautiously optimistic about the future. We are carefully observing changes in the market environment and we are looking for growth opportunities. A strong balance sheet, agile organization and solid land bank will help us build on this satisfactory first half of 2020.

Jarosław Szanajca – CEO

Janusz Zalewski – CFO