Current Report No. **19/2017**

Report Date:
17 May 2017, 6:08 PM

Abbreviated name of the issuer:
DOM DEVELOPMENT S.A.

Subject:

Conclusion of preliminary sale agreement for shares and equity

Legal basis:
Article 17.1 of the Market Abuse Regulation – inside information

The Report:

In reference to the 2/2017, 3/2017 and 18/2017 current reports, the Management Board of Dom Development S.A ("the Company") hereby informs that today, 17 May 2017, a preliminary share purchase agreement was signed between the Company and Forum IV fundusz inwestycyjny zamknięty (closed-end investment fund) based in Krakow ("Forum") whereby the Company will acquire 100% shares in Euro Styl S.A. based in Gdansk and 100% of equity of Euro Styl Development sp. z o.o. based in Gdansk ("the Transaction"). As a result of the Transaction Dom Development S.A. will have full control over the Capital Group of Euro Styl S.A. operating in the housing development segment in the Tri-city area and its surroundings. The total final Transaction price will be PLN 260m (in words: two hundred and sixty million).

To guarantee the Company's potential warranty claims, 10% of the Transaction price will be held in escrow for a period of two years from the date of signing the final share purchase agreement.

The President of the Office of Competition and Customer Protection has approved the Transaction.

The Board forecasts that the final contract will be signed by 14 June 2017. The Company will report the signature of the final share purchase agreement separately

Prior to the signing of the preliminary share purchase agreement, eminent professional firms performed extensive legal, financial and technical due diligence, which has allowed the Company to investigate in depth the quality of the assets the Company is buying, and confirm that the acquisition is reasonable and its price is favourable.

The Company's strong balance sheet and high cash balances will enable the acquisition to be funded without the need for the Company to raise new equity.

The Board forecasts that after the acquisition, the Company's gearing will continue to be among the lowest in the Polish housebuilding sector. Accordingly, the Board does not propose changing the current dividend pay-out policy, which is virtually 100% of net profits.

The acquisition is expected to lead to a significant boost to the Company's turn-over and profits, which the Board intends to quantify to the market after the final agreement is signed.

The acquisition will also enable the Company to benefit from some economies of scale.

The new build residential market in Tri-city represents some 9,000 units per annum (as per REAS), which makes it one of the biggest in Poland.
According to the Board, it has strong potential, more than doubling sales over the last five years, and expanding into this market will significantly improve the Company's position as a leading Polish housebuilder, operating in three major cities, all of which enjoy strong housing markets.

After the acquisition, Euro Styl S.A. Board Members Mr. Mikołaj Konopka and Mr. Daniel Bojanowski, who have proven track records running Euro Styl S.A. operations since its inception, will continue to run Euro Styl S.A.. The Company's Board is confident that they will also make substantial contributions to Dom's top management.

The Euro Styl S.A acquisition provides the Company with a template for expansion into further cities in future.

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Below we present selected Euro Styl S.A. figures as of 30 April 2017.

- 4-months sales - 232 units
- Stock on offer - 406 units on 11 projects
- Land bank - 1357 units
- Cash balance - 55.9m PLN
- Interest bearing debt - 2.1m

Signatures of persons representing the Company:

Jarosław Szanajca – President of the Management Board

Janusz Zalewski – Vice President of the Management Board