



DOM DEVELOPMENT S.A.

**Interim condensed consolidated
financial statements
for the six-month period ended
30 June 2012**



CONTENTS

1.	APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY	2
2.	INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	3
3.	INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	4
4.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
5.	INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT	6
6.	INTERIM CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	7
7.	ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	8
7.1.	General information about Dom Development S.A. and the Dom Development S.A. Capital Group	8
7.2.	Basis for the preparing of the interim condensed consolidated financial statements	9
7.3.	Accounting policies	9
7.4.	Key figures based on professional judgement and basis for estimates	10
7.5.	Inventory	10
7.6.	Change in the write-downs of short-term receivables	11
7.7.	Cash and cash equivalents	11
7.8.	Share capital	11
7.9.	Dividends	13
7.10.	Loans	13
7.11.	Bonds	14
7.12.	Accrued interest on loans and bonds	15
7.13.	Segment reporting	15
7.14.	Operating income	15
7.15.	Operating costs	16
7.16.	Income tax in the income statement	16
7.17.	Earnings per share	16
7.18.	Transactions with related entities	17
7.19.	Incentive Plan – Management Option Programmes	19
7.20.	Contingent liabilities	19
7.21.	Material court cases	20
7.22.	Additional information on the operating activity of the Group	20
7.23.	The factors that will impact the results achieved by the Group for at least the next six months	21
7.24.	Material post-balance sheet events	21
7.25.	Forecasts	21
7.26.	Selected financial data translated into EURO	21



1. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY

These interim condensed financial statements for the six-month period ended 30 June 2012 were prepared and approved by the Management Board of the Company on 22 August 2012.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Jerzy Ślusarski,
Vice President of the Management Board

Janusz Stolarczyk,
Member of the Management Board

Terry R. Roydon,
Member of the Management Board



2. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2012 (unaudited)	31.12.2011
Fixed assets			
Intangible assets		996	1 204
Tangible fixed assets		5 178	4 713
Investments in subsidiaries, associates and a joint venture		-	-
Long-term receivables		1 681	1 588
Other financial assets		405	-
Total fixed assets		8 260	7 505
Current assets			
Inventory	7.5	1 473 685	1 465 828
Trade and other receivables		31 477	49 271
Other current assets		4 392	13 249
Cash and cash equivalents	7.7	468 943	380 247
Total current assets		1 978 497	1 908 595
Total assets		1 986 757	1 916 100

EQUITY AND LIABILITIES	Note	30.06.2012 (unaudited)	31.12.2011
Shareholders' equity			
Share capital	7.8	24 670	24 560
Share premium		233 067	231 535
Reserve capital from valuation of share options		24 893	24 280
Reserve capital from valuation of cash flow hedges		(63)	-
Other capital (supplementary capital)		517 362	471 528
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		30 680	83 293
Equity attributable to the shareholders of parent company		831 119	835 706
Non-controlling interests		(644)	(637)
Total shareholders' equity		830 475	835 069
Liabilities			
Long-term liabilities			
Long-term loans	7.10	210 000	160 000
Deferred tax provision		8 733	10 328
Bonds, long-term portion	7.11	220 000	100 000
Long-term provisions		14 238	15 216
Other long-term liabilities		28 064	35 049
Total long-term liabilities		481 035	320 593
Short-term liabilities			
Trade payables, tax and other liabilities		193 955	196 640
Short-term part of long-term loans	7.10	-	57 134
Bonds, short-term portion	7.11	52 530	170 000
Accrued interest on loans and bonds	7.12	5 648	2 220
Corporate income tax payables		82	2 194
Short-term provisions		5 301	4 935
Deferred income		417 731	327 315
Total short-term liabilities		675 247	760 438
Total liabilities		1 156 282	1 081 031
Total equity and liabilities		1 986 757	1 916 100



3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six-month period ended	
		30.06.2012 (unaudited)	30.06.2011 (unaudited)
Sales revenue	7.14	308 047	166 193
Cost of sales	7.15	(225 172)	(114 882)
Gross profit on sales		82 875	51 311
Selling costs	7.15	(19 130)	(17 967)
General administrative expenses	7.15	(23 611)	(23 030)
Other operating income		1 384	1 227
Other operating expenses		(3 915)	(2 425)
Operating profit/(loss)		37 603	9 116
Financial income		3 264	1 974
Financial costs		(3 180)	(2 512)
Profit/(loss) before tax		37 687	8 578
Income tax	7.16	(7 468)	(2 009)
Net profit/(loss)		30 219	6 569
Net profit/(loss) attributable to:			
Shareholders of the parent company		30 226	7 123
Non-controlling interests		(7)	(554)
Earnings/(loss) per share:			
Basic (PLN)	7.17	1.23	0.29
Diluted (PLN)	7.17	1.22	0.29



4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended	
	30.06.2012 (unaudited)	30.06.2011 (unaudited)
Net profit/(loss)	30 219	6 569
Other comprehensive income		
Net change to cash flow hedges	(78)	-
Income tax	15	-
Other net comprehensive income	(63)	-
Total net comprehensive income	30 156	6 569
Comprehensive income attributable to:		
Shareholders of the parent company	30 163	7 123
Non-controlling interests	(7)	(554)



5. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Six-month period ended	
	Note	30.06.2012 <i>(unaudited)</i>	30.06.2011 <i>(unaudited)</i>
Cash flow from operating activities			
Profit/(loss) before tax		37 687	8 578
Adjustments:			
Depreciation		1 472	1 146
Profit/loss on foreign exchange differences		110	35
Profit/loss on investments		298	(759)
Interest cost/income		7 039	4 244
Cost of the management option programmes		613	1 307
Changes in the operating capital:			
Changes in provisions		(612)	(1 703)
Changes in inventory		(215)	(192 853)
Changes in receivables		17 701	10 528
Restricted cash in an escrow account		-	(168 250)
Changes in short term liabilities, excluding loans and bonds		(10 010)	87 518
Changes in prepayments and deferred income		89 694	165 865
Other adjustments		(110)	618
Cash flow generated from operating activities		143 667	(83 726)
Interest received		14 082	8 538
Interest paid		(15 753)	(13 225)
Income tax paid		(11 161)	(839)
Net cash flow from operating activities		130 835	(89 252)
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		116	28
Proceeds from financial assets, including dividends		-	732
Other income from financial assets		-	1 014
Acquisition of intangible and tangible fixed assets		(1 466)	(1 798)
Acquisition of financial assets		(880)	-
Net cash flow from investing activities		(2 230)	(24)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		1 642	-
Proceeds from contracted loans		50 000	3 011
Commercial papers issued		120 000	-
Repayment of loans and borrowings		(57 134)	(98 958)
Redemption of commercial papers		(117 470)	-
Dividends paid		(36 944)	(21 969)
Payment of financial lease liabilities		(3)	(53)
Net cash flow from financing activities		(39 909)	(117 969)
Increase / (decrease) in net cash and cash equivalents		88 696	(207 245)
Cash and cash equivalents – opening balance	7.7	380 247	434 691
Cash and cash equivalents – closing balance	7.7	468 943	227 446



6. INTERIM CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
				from reduction of share capital	from reduction of share capital	from reduction of share capital				
Balance as at 1 January 2012	24 560	231 535	471 528	510	-	24 280	83 293	835 706	(637)	835 069
Share capital increase by exercising share options (note 7.8)	110	1 532	-	-	-	-	-	1 642	-	1 642
Transfer of profit to supplementary capital	-	-	45 834	-	-	-	(45 834)	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	(37 005)	(37 005)	-	(37 005)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	613	-	613	-	613
Net profit for the reporting period	-	-	-	-	-	-	30 226	30 226	(7)	30 219
Other net comprehensive income for the reporting period	-	-	-	-	(63)	-	-	(63)	-	(63)
Balance as at 30 June 2012 (unaudited)	24 670	233 067	517 362	510	(63)	24 893	30 680	831 119	(644)	830 475

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholders' equity
				from reduction of share capital	from reduction of share capital	from reduction of share capital				
Balance as at 1 January 2011	24 560	231 535	453 943	510	-	22 610	40 323	773 481	(101)	773 380
Share capital increase	-	-	-	-	-	-	-	-	-	-
Transfer of profit to supplementary capital	-	-	17 585	-	-	-	(17 585)	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	(22 104)	(22 104)	-	(22 104)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	1 307	-	1 307	-	1 307
Net profit for the reporting period	-	-	-	-	-	-	7 123	7 123	(554)	6 569
Other net comprehensive income for the reporting period	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2011 (unaudited)	24 560	231 535	471 528	510	-	23 917	7 757	759 807	(655)	759 152



7. ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1. General information about Dom Development S.A. and the Dom Development S.A. Capital Group

General information about the parent company of the Dom Development S.A. Capital Group

The parent company of Dom Development S.A. Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") with its registered office in Warsaw (00-078 Warsaw, Plac Piłsudskiego 3) entered into the National Court Register under number 0000031483, maintained by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the Company's scope of activity is the development of building projects – PKD 4110Z (NACE F41.1). The Group conducts its activities mainly in Warsaw and its vicinity, and Wrocław.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 June 2012 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 61.64 % of the Company's shares.

General information about the Group and joint ventures

The Group's structure and the parent company interest in the share capital of the entities comprising the Group as at 30 June 2012 is presented in the table below:

Entity	Country of registration	% of the share capital held by the parent company	% of the votes held by the parent company	Consolidation method
Subsidiaries				
Dom Development Morskie Oko sp. z o.o., under liquidation	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
The Group is also involved in a joint-venture				
Fort Mokotów sp. z o.o., under liquidation	Poland	49%	49%	proportionate consolidation

The main area of activity of the Group is the construction and sale of residential real estate.

The main area of activity of Dom Development Grunty sp. z o.o., a subsidiary is purchase of real estate for development activities of the Group.

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies and Partnerships and their term of operation is unlimited, except for Fort Mokotów sp. z o.o., under liquidation.

In the six-month period ended 30 June 2012 the Group did not discontinue any of its activities.

In the six-month period ended 30 June 2012 the Group did not make any material changes to its structure, including mergers, acquisitions or sale of the Group's entities, long-term investments, demergers, restructuring or discontinuation of activities.



7.2. Basis for the preparing of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements have been prepared on a historical cost basis.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards adopted by the European Union (EU) are normally included in annual consolidated financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34).

The interim condensed consolidated financial statements have been prepared on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future.

The functional currency of the parent company and other companies incorporated in these condensed consolidated financial statements is Polish zloty. The condensed consolidated financial statements are stated in Polish zloty. Financial data included in the condensed consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The presented interim condensed consolidated balance sheet, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed statement of changes in consolidated shareholders' equity are unaudited but they have been the subject of review by an independent certified auditor. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required from annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended 31 December 2011.

The Company also prepares interim condensed financial statements for Dom Development S.A. for the six-month period ended 30 June 2012. These statements were approved by the Management Board of the Company on 22 August 2012.

7.3. Accounting policies

Polish law requires the Group to prepare its interim condensed consolidated financial statements in accordance with IFRS, applicable to interim financial reporting as adopted by the European Union ("EU") (IAS 34). At this particular time, due to the endorsement of IFRS by the EU and the activities of the Group, there are no differences in the IFRS policies applied by the Group and IFRS that have been endorsed by the EU.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable in the interim financial reporting (IAS 34) and all applicable IFRS that have been adopted by the EU.

These interim condensed consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2011, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2012.

- Amendments to IFRS 7 *Financial instruments: Disclosures: Transfer of Financial Assets* – effective for annual periods beginning on or after 1 July 2011.

The Group has not decided for earlier adoption of any standard, interpretation or improvement/amendment, which was published and has not yet come into force.

The introduced amendments were scrutinized by the Group and do not affect the financial data presented in these interim condensed consolidated financial statements.



7.4. Key figures based on professional judgement and basis for estimates

In addition to the accounting estimations, when applying the accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

Budgets of the construction projects

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

- verification of their profitability and any potential inventory impairment write down,
- preparation of financial forecasts, annual budgets and medium term plans.

Recognition of revenue from the sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

Seasonality

The operating activity of the Group is not subject to any major seasonality.

7.5. Inventory

INVENTORY	30.06.2012 <i>(unaudited)</i>	31.12.2011
Advances on deliveries	11 763	8 197
including: at purchase prices/production costs	11 832	8 266
including: write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	1 069 071	1 237 579
including: at purchase prices/production costs	1 080 035	1 248 933
including: write down to the net realisable value	(10 964)	(11 354)
Finished goods	392 851	220 052
including: at purchase prices/production costs	400 216	227 260
including: write down to the net realisable value	(7 365)	(7 208)
Total	1 473 685	1 465 828

WRITE DOWN TO THE NET REALISABLE VALUE	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Opening balance	18 631	14 371
Increments	3 311	958
Reversal	(3 544)	(1 481)
Closing balance	18 398	13 848

Write down to the net realisable value have resulted from the impairment tests and analysis performed by the Group.



CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	30.06.2012 <i>(unaudited)</i>	31.12.2011
Carrying value of inventory used to secure liabilities	337 000	454 000
Mortgages:		
Value of mortgages used to secure real estate purchase agreements	22 000	34 000
Value of mortgages used to secure loan agreements	315 000	420 000

7.6. Change in the write-downs of short-term receivables

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Opening balance	3 017	2 785
a) Additions	455	125
b) Disposals	(169)	(63)
Closing balance	3 303	2 847

As of the balance sheet date there were no trade or other receivables in foreign currencies.

7.7. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank and cash in hand. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	30.06.2012 <i>(unaudited)</i>	31.12.2011	30.06.2011 <i>(unaudited)</i>
Cash in hand and at bank	5 385	6 309	1 477
Short-term deposits	463 512	373 887	225 931
Other	46	51	(11)
Overdrafts	-	-	49
Total	468 943	380 247	227 446

The Group discloses overdrafts as a reduction in cash and cash equivalents when it holds deposits that exceed the overdrafts in the same banks (see note 7.10).

7.8. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2012								
Series/ issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	-	-	110 175	110 175	cash	12.03.2012	12.03.2012
Total number of shares				24 670 397				
Total share capital					24 670 397			
Nominal value per share = PLN 1								



SHARE CAPITAL (STRUCTURE) AS AT 31.12.2011

Series/ issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Total number of shares				24 560 222				
Total share capital					24 560 222			
Nominal value per share = PLN 1								

Description of changes to the share capital in the Company in the period from 1 January 2012 to the date of preparing of these financial statements.

On 20 January 2012, the Company's Management Board adopted a resolution on the increase of the share capital of the Company, within the authorised capital, from the amount of PLN 24,560,222.00 to PLN 24,670,397.00 by issuing 110,175 "Ł" series ordinary bearer shares.

The increase of the Company's share capital by issuance of 110 175 "Ł" series ordinary bearer shares was registered by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register on 12 March 2012. The "Ł" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

List of shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at the date that these financial statements are prepared and approved by the Company's Management Board.

	Status as at the date of preparing of the financial statements				Change in the period from publication of the interim financial statements for the three-month period ended 31.03.2012
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	15 206 172	61.64	15 206 172	61.64	-
Jarosław Szanajca	1 534 050	6.22	1 534 050	6.22	-
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.32	1 313 383	5.32	no data
Grzegorz Kiępsz	1 280 750	5.19	1 280 750	5.19	-

*) Shareholding of Aviva Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A. (*General Pension Society*) ("Society") has been presented as per the latest notice as of 11.07.2011 received by the Company from the Society.



The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development S.A. as at the date that these financial statements are prepared and approved by the Company's Management Board.

Status as at the date of preparing of these financial statements			Change in the period from publication of the interim financial statements for the three-month period ended 31.03.2012	
	Shares	Share options	Total	
The Management Board				
Jarosław Szanajca	1 534 050	-	1 534 050	-
Zalewski Janusz	300 000	123 534	423 534	-
Jerzy Ślusarski	40 363	78 634	118 997	-
Janusz Stolarczyk	115 200	49 447	164 647	-
Terry Roydon	58 500	61 767	120 267	-
The Supervisory Board				
Grzegorz Kielpsz	1 280 750	-	1 280 750	-
Markham Dumas	5 000	-	5 000	-
Mark Spiteri	511	12 330	12 841	-

7.9. Dividends

On 23 May 2012 the Ordinary General Meeting of the Shareholders of the Company resolved to assign PLN 37 005 thousand from the Company's profit for 2011 to dividends. This implies the payment of PLN 1.50 per share. The dividend day was set at 12 June 2012 and the dividend payment day was set at 26 June 2011. The dividend was paid out in accordance with the resolution. While the amount of PLN 45 834 thousand was allocated to the increase of the Company's supplementary capital. In the preceding year, the dividend allocation was PLN 22 104 thousand and the dividend payment amounted to PLN 0.90 per share.

7.10. Loans

Description of material changes in the six-month period ended 30 June 2012

The total loan liabilities provided to the Company in the first half of 2012 has not changed significantly, however their maturity structure has. In the first six months of 2012, the Company prematurely repaid two loans: the last tranche of the loan in the amount of PLN 45 million provided by PKO BP S.A. due on 31 December 2012 and the investment loan in the amount of PLN 12.1 million provided by Bank Millennium S.A. due on 30 June 2012. On 29 March 2012, the Company and PKO BP S.A. signed Annex no. 1 to the investment loan agreement dated 11 October 2011 under which the loan amount was increased up to PLN 210 million. The loan is to be entirely repaid in December 2016.

LOANS DUE WITHIN	30.06.2012 (unaudited)	31.12.2011
Less than 1 year	-	57 134
More than 1 year and less than 2 years	33 000	25 000
More than 2 years and less than 5 years	177 000	135 000
Over 5 years	-	-
Total loans	210 000	217 134
including: long-term	210 000	160 000
short-term	-	57 134



BANK LOANS AS AT 30.06.2012

Bank	Registered office	Loan amount and currency as per agreement		Outstanding loan amount (less accrued interest) and currency		Due date
PKO BP	Warsaw	210 000	PLN	210 000	PLN	31.12.2016
Total bank loans				210 000	PLN	

As at 30 June 2012 and 31 December 2011 all the loans taken by the Group were expressed in Polish zloty.

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the loans taken by the Company approximately equals their book value, including accrued interest.

In the "Loans" item the Group states the nominal value of the loan liabilities, and the interest charged as at the balance sheet date are presented separately in the item "Accrued interest on loans and bonds".

Bank overdrafts

In the case that the Group holds overdrafts and deposits in the same banks and the amount of deposits exceeds the amount of overdrafts, and the deposit end date falls earlier than repayment of the overdrafts, the Group discloses these overdrafts as a reduction in cash and cash equivalents in the balance sheet (see note 7.7).

OVERDRAFTS AS AT 30.06.2012

Bank	Registered office	Loan amount and currency as per agreement		Outstanding loan amount (less accrued interest) and currency		Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
Total overdrafts				-	PLN	

OVERDRAFTS AS AT 31.12.2011

Bank	Registered office	Loan amount and currency as per agreement		Outstanding loan amount (less accrued interest) and currency		Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
Total overdrafts				-	PLN	

7.11. Bonds

BONDS	30.06.2012 (unaudited)	31.12.2011
Nominal value of the bonds issued, long-term portion	220 000	100 000
Nominal value of the bonds issued, short-term portion	52 530	170 000
Nominal value of the bonds issued	272 530	270 000

In the "Bonds" item the Group states the nominal value of the liability, and the interests charged as at the balance sheet date are presented separately in the item "Accrued interest on loans and bonds".



Core details concerning the bonds issued

On 5 November 2007, the Company and Bank BPH S.A. (currently Pekao S.A.) signed a Bond Issue Programme Agreement, pursuant to which Dom Development S.A. is allowed to issue mid-term bonds (with a maturity over 1 year and under 7 years) with an aggregate value of no more than PLN 400 million, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme.

Description of material changes in the six-month period ended 30 June 2012

On 2 February 2012, the Company issued 12 000 unsecured bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 120 000 000. The maturity date for these bonds is 2 February 2017. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin.

Concurrently, on 2 February 2012 and 24 February 2012 the Company purchased for redemption 9 120 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 77 520 000, and 700 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 5 950 000 respectively. The maturity date for these bonds is 28 November 2012. The purchase price equals their nominal value.

On 3 April 2012 the Company purchased for redemption 4 000 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 34 000 000. The maturity date for these bonds is 28 November 2012. The purchase price equals their nominal value.

BONDS ISSUED AS AT 30.06.2012					
Series	Issue date	Amount	Currency	Contractual maturity date	
I	28.11.2007	52 530	PLN	28.11.2012	
II	30.06.2010	85 000	PLN	30.06.2015	
II	15.07.2010	15 000	PLN	30.06.2015	
III	02.02.2012	120 000	PLN	02.02.2017	
Total		272 530	PLN		

7.12. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	30.06.2012 <i>(unaudited)</i>	31.12.2011
Accrued interest on bonds	4 500	1 093
Accrued interest on loans	1 148	1 127
Total accrued interest on loans and bonds	5 648	2 220

7.13. Segment reporting

The Group operates within a single segment.

7.14. Operating income

REVENUE BREAKDOWN	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Sales of finished goods	297 232	160 156
Sales of services	10 815	6 037
Total	308 047	166 193



7.15. Operating costs

OPERATING COSTS	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Cost of sales		
Cost of finished goods sold	(214 118)	(109 092)
Cost of services sold	(11 098)	(6 313)
Cost of goods (land) sold	-	-
Inventory write down to the net realisable value	44	523
Total cost of sales	(225 172)	(114 882)
Selling costs, and general administrative expenses		
Selling costs	(19 130)	(17 967)
General administrative expenses	(23 611)	(23 030)
Total selling costs, and general administrative expenses	(42 741)	(40 997)
Selling costs, and general administrative expenses by kind		
Depreciation	(1 472)	(1 146)
Cost of materials and energy	(5 832)	(6 977)
External services	(11 657)	(10 189)
Taxes and charges	(98)	(109)
Remuneration	(18 704)	(17 021)
Social security and other benefits	(2 499)	(2 417)
Management Option Programme	(613)	(1 307)
Other prime costs	(1 866)	(1 831)
Total selling costs, and general administrative expenses by kind	(42 741)	(40 997)

7.16. Income tax in the income statement

INCOME TAX	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Current income tax	9 049	-
Deferred tax in the income statement	(1 581)	2 009
Total	7 468	2 009

7.17. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- - 30.06.2012 <i>(unaudited)</i>	01.01- - 30.06.2011 <i>(unaudited)</i>
Basic earnings per share		
Profit for calculation of the basic earnings per share	30 226	7 123
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 626 811	24 560 222
Basic earnings per share (PLN)	1.23	0.29
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	30 226	7 123
Potential diluting shares related to the Management Share Option Programmes	54 728	167 994
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 681 539	24 728 216
Diluted earnings per share (PLN)	1.22	0.29



As the Group has no discontinued operations, the earnings per share from the continued operations equal the earnings per share calculated above.

7.18. Transactions with related entities

In the six-month periods ended 30 June 2012 and 2011, the companies operating within the Group were a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES			
Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	791	708
Woodsford Consulting Limited	Marketing services	10	-
Kirkley Advisory Limited	Consulting services as per the agreement dated 01 March 2012	19	-
Hansom Property Company Limited	Consulting services as per the agreement dated 30 June 1999	130	106
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2010	98	179

DOM DEVELOPMENT S.A. AS A LAND BUYER UNDER AN AGENCY AGREEMENT			
Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development Grunty sp. z o.o. in the performance of mandate contracts	-	-
Dom Development Grunty sp. z o.o.	Additional payments to invoices for land ownership transfer to Dom Development S.A.	-	-

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)			
Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	295	102
Fort Mokotów sp. z o.o., under liquidation	Other	11	35
Dom Development Grunty sp. z o.o.	Other	3	3
Dom Development B.V.	Other	-	25
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	2	2

DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES			
Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom" under liquidation	Refund of the value of contributed shares in association with liquidation of the Towarzystwo (insurance company)	-	1 674



DOM DEVELOPMENT S.A. AS A LENDER

Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	39	39

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER

Counterparty	Transaction description	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
Dom Development B.V.	Dividends	22 809	13 686

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2012 (unaudited)	31.12.2011	30.06.2012 (unaudited)	31.12.2011
Total balance	2 578	2 646	-	224
Subsidiaries	2 486	2 525	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the capital	1 147	1 147	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation	-	-	-	-
Dom Development Grunty sp. z o.o.	1 339	1 378	-	-
Joint-ventures	92	121	-	-
Fort Mokotów sp. z o.o., under liquidation	92	121	-	-
Other entities	-	-	-	224
Woodsford Consulting Limited	-	-	-	120
Holland Park Advisory Limited	-	-	-	104

REMUNERATION AND FEES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS OF DOM DEVELOPMENT S.A.

Counterparty	01.01- 30.06.2012 (unaudited)	01.01- 30.06.2011 (unaudited)
The Management Board	3 111	2 651
The Supervisory Board	516	516

Except for as stated above, the Company did not enter into any other transactions with the Management Board or Supervisory Board members.

The transactions with the related entities are based on the arm's length principle.

The transactions stated above also include transactions with subsidiaries and the joint venture that has been eliminated in these consolidated financial statements.



7.19. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 30 June 2012:

Programme	Grant date	Exercise start date	Maturity date	Number of options	Exercise price per option (PLN)
Programme II	6.12.2006	6.12.2009	6.12.2013	149 400	114.48
Programme II	7.12.2007	7.12.2010	7.12.2014	158 400	114.48
Programme II	8.12.2008	8.12.2011	8.12.2015	73 000	14.91
Programme II	15.01.2009	15.01.2012	15.01.2016	31 000	16.97
Programme II	10.12.2009	10.12.2012	10.12.2016	198 025	40.64
Programme II	12.07.2011	12.07.2014	12.07.2017	6 000	44.16
Programme III	13.12.2010	13.06.2014	13.12.2015	120 000	1.00
Total				735 825	

Exercise of the share options

The increase of the Company's share capital by issuance of 110 175 series "Ł" ordinary bearer shares was registered on 12 March 2012 (see note 7.8). The "Ł" series shares were issued in a private placement procedure addressed to participants in the Management Share Option Programme II based on the share options granted on 8 October 2008.

Grant of new share options

In the six-month period ended 30 June 2012 the Company did not grant any new share options.

Changes to the Management Option Programmes

On 29 March 2012 the Supervisory Board of the Company adopted a resolution concerning Management Share Option Programme II for 726 000 Shares in Dom Development S.A. (hereinafter "Program II") and Management Share Option Programme III for Senior Executives for 360 000 Shares in Dom Development S.A. (hereinafter "Program III"), pursuant to which the Supervisory Board decided not to grant any options to any person under the programmes concerned.

The Supervisory Board granted 726 000 options under Programme II. In the case that any of these options expires, the number of shares attributable to the expired options will not be taken into account by the Supervisory Board and the options will not be granted again.

The Supervisory Board granted 120 000 options under Programme III. None of the remaining 240 000 options will be granted by the Supervisory Board. Just like in Programme II, in the case that any of these 120 000 options expires, the number of shares attributable to the expired options will not be taken into account by the Supervisory Board and the options will not be granted again.

7.20. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2012 (unaudited)	31.12.2011
Guarantees	2 105	2 110
Sureties	510	727
Total	2 615	2 837



Additionally, some of the Company's liabilities are secured with promissory notes:

COLLATERALS FOR LIABILITIES	30.06.2012 <i>(unaudited)</i>	31.12.2011
Promissory notes, including:		
– promissory notes as an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	5 000	5 000
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	175 000
– promissory notes as an additional guarantee for TU Euler Hermes arising from the good performance guarantee	1 889	1 889
Total	216 889	181 889

In the six-month period ended 30 June 2012 the companies operating within the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

7.21. Material court cases

As of 30 June 2012 there was no individual proceeding before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company or its subsidiary, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 June 2012 there were not two or more proceedings before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 June 2012, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 15 912 thousand, including the total value of proceedings concerning liabilities at approx. PLN 15 384 thousand and the total value of proceedings concerning receivables at approx. PLN 527 thousand.

The proceedings involving the Company have no significant impact on the Company's activity.

7.22. Additional information on the operating activity of the Group

In the period from 1 January to 30 June 2012 the following material changes in the portfolio of the Group's real estate development projects under construction took place:

Projects commenced in the period from 1 January 2012 until 30 June 2012:

Project	Standard	Number of apartments
Derby 14, phase 2	Popular	154
Derby 14, phase 3	Popular	189
Klasyków 1, phase 2	Popular	236
Młyny Królewskie	Popular	294
Saska 1, phase 3/1	Popular	159
Wilno, phase 2B	Popular	124
Wilno, phase 4	Popular	109



Projects ended in the period from 1 January 2012 until 30 June March 2012:

Project	Standard	Number of apartments
Klasyków I, phase 3	Popular	187
Przy Ratuszu	Popular	465
Regaty, phase 5	Popular	180
Saska 1, phase 1/2	Popular	190
Wilno, phase 1A	Popular	130
Wilno, phase 1B	Popular	84
Opera B	Luxury apartments	11

7.23. The factors that will impact the results achieved by the Group for at least the next six months

The most important factors that may impact the financial situation of the Group in at least the next six months are:

- The economic trend in the residential market, where the Group operates,
- The impact of the worldwide financial situation on the Polish economy and banking system,
- The availability of mortgages, and in particular their convenient terms for potential clients,
- Achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments,
- The timely delivery of the construction works in line with the schedules by the construction companies completing individual investments of the Group in the general contractor system,
- Availability of external financing (loans, bonds) for real estate developers,
- No sudden changes in the legal and tax regulations that may influence market demand for products offered by the Group in an uncontrolled manner,
- Maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

7.24. Material post-balance sheet events

No material post-balance sheet events took place at the Company.

7.25. Forecasts

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning the Group.

7.26. Selected financial data translated into EURO

The following financial data of the Group have been translated into euro:

SELECTED DATA FROM THE BALANCE SHEET	30.06.2012 (unaudited)	31.12.2011
	thousand Euro	thousand Euro
Total current assets	464 294	432 122
Total assets	466 233	433 821
Total shareholders' equity	194 887	189 067
Long-term liabilities	112 885	72 585
Short-term liabilities	158 461	172 169
Total liabilities	271 346	244 754
<i>PLN/EURO exchange rate as at the balance sheet date</i>	4.2613	4.4168



SELECTED DATA FROM THE INCOME STATEMENT	01.01- - 30.06.2012 (unaudited) thousand Euro	01.01- - 30.06.2011 (unaudited) thousand Euro
Sales revenue	72 917	41 891
Gross profit on sales	19 617	12 934
Operating profit/(loss)	8 901	2 298
Profit/(loss) before tax	8 921	2 163
Net profit/(loss)	7 153	1 656
<i>Average PLN/EURO exchange rate for the reporting period</i>	4.2246	3.9673