



DOM DEVELOPMENT S.A.

Interim condensed consolidated financial statements for the six-month period ended 30 June 2014



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

These interim condensed consolidated financial statements for the six-month period ended on 30 June 2014, comprising:

- interim condensed consolidated balance sheet prepared as at 30 June 2014 with the balance of assets and liabilities in the amount of PLN 1 616 607 thousand;
- interim condensed consolidated income statement for the six-month period from 1 January 2014 to 30 June 2014 with a net profit of PLN 10 948 thousand;
- interim condensed consolidated statement of comprehensive income for the six-month period from 1 January 2014 to 30 June 2014 with a net comprehensive income of PLN 10 948 thousand;
- interim condensed consolidated statement of changes in shareholders' equity in the six-month period from 1 January 2013 to 30 June 2014 with the PLN 813 261 thousand shareholders' equity as at 30 June 2014;
- interim condensed consolidated cash flow statement for the six-month period from 1 January 2014 to 30 June 2014 with the PLN 285 720 thousand net cash and cash equivalents as at 30 June 2014;
- additional notes to the interim condensed consolidated financial statements

were prepared and approved by the Management Board of the Company on 20 August 2014.

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	30.06.2014 <i>(unaudited)</i>	31.12.2013
Fixed assets			
Intangible assets		1 415	1 189
Tangible fixed assets		5 528	4 690
Long-term receivables		1 601	1 601
Other financial assets		594	9
Total fixed assets		9 138	7 489
Current assets			
Inventory	7.5	1 301 561	1 346 599
Trade and other receivables		5 323	43 328
Income tax receivables		1 136	-
Other current assets		4 766	4 071
Short-term financial assets	7.6	8 963	5 157
Cash and cash equivalents	7.7	285 720	322 250
Total current assets		1 607 469	1 721 405
Total assets		1 616 607	1 728 894

EQUITY AND LIABILITIES	Note	30.06.2014 <i>(unaudited)</i>	31.12.2013
Shareholders' equity			
Share capital	7.8	24 770	24 753
Share premium		234 520	234 283
Other capital (supplementary capital)		517 379	517 521
Reserve capital from valuation of share options		25 125	25 113
Reserve capital from valuation of cash flow hedges		(22)	(22)
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		11 424	54 896
Equity attributable to the shareholders of parent company		813 706	857 054
Non-controlling interests		(445)	(513)
Total shareholders' equity		813 261	856 541
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.10	144 000	174 000
Bonds, long-term portion	7.11	170 000	270 000
Deferred tax provision		3 812	7 779
Long-term provisions		13 889	13 162
Other long-term liabilities		25 553	23 697
Total long-term liabilities		357 254	488 638
Short-term liabilities			
Trade payables, tax and other liabilities		144 593	140 361
Loans, short-term portion	7.10	-	-
Bonds, short-term portion	7.11	100 000	-
Accrued interest on loans and bonds	7.12	3 735	3 803
Corporate income tax payables		-	1 682
Short-term provisions		6 010	6 316
Deferred income		191 754	231 553
Total short-term liabilities		446 092	383 715
Total liabilities		803 346	872 353
Total equity and liabilities		1 616 607	1 728 894



3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six-month period ended	
		30.06.2014 <i>(unaudited)</i>	30.06.2013 <i>(unaudited)</i>
Sales revenue	7.14	361 620	340 190
Cost of sales	7.15	(307 958)	(261 469)
Gross profit on sales		53 662	78 721
Selling costs	7.15	(20 107)	(21 175)
General administrative expenses	7.15	(23 040)	(20 856)
Other operating income		9 400	1 025
Other operating expenses		(8 068)	(2 861)
Operating profit		11 847	34 854
Financial income		4 573	1 703
Financial costs		(2 163)	(2 601)
Profit before tax		14 257	33 956
Income tax	7.16	(3 309)	(6 606)
Net profit		10 948	27 350
Net profit attributable to:			
Shareholders of the parent company		10 880	27 376
Non-controlling interests		68	(26)
Earnings per share:			
Basic, from the profit for the period, attributable to parent company's shareholders (PLN)	7.17	0.44	1.11
Diluted, from the profit for the period, attributable to parent company's shareholders (PLN)	7.17	0.44	1.11



Dom Development S.A.

Interim condensed consolidated statement of comprehensive income
for the six-month period ended 30 June 2014
(all amounts in thousands PLN unless stated otherwise)

4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended	
	30.06.2014 <i>(unaudited)</i>	30.06.2013 <i>(unaudited)</i>
Net profit	10 948	27 350
Other comprehensive income		
Net change to cash flow hedges	-	26
Income tax	-	(5)
Other net comprehensive income	-	21
Total net comprehensive income	10 948	27 371
Net comprehensive income attributable to:		
Shareholders of the parent company	10 880	27 397
Non-controlling interests	68	(26)



5. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Six-month period ended	
		30.06.2014 <i>(unaudited)</i>	30.06.2013 <i>(unaudited)</i>
Cash flow from operating activities			
Profit before tax		14 257	33 956
Adjustments:			
Depreciation		1 473	1 593
Profit/loss on foreign exchange differences		(77)	(170)
Profit/loss on investments		(42)	(76)
Interest cost/income		8 712	7 302
Cost of the management option programmes		12	12
Changes in the operating capital:			
Changes in provisions		422	(1 027)
Changes in inventory		44 130	42 743
Changes in receivables		38 028	(4 511)
Changes in short-term liabilities, excluding loans and bonds		2 175	(22 110)
Changes in prepayments and deferred income		(40 646)	(65 101)
Other adjustments		77	170
Cash flow generated from operating activities		68 521	(7 219)
Interest received		4 248	12 207
Interest paid		(11 968)	(14 117)
Income tax paid		(10 095)	(8 639)
Net cash flow from operating activities		50 706	(17 768)
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		100	73
Bank deposits with a maturity over three months, made and/or closed	7.6	-	233 013
Acquisition of intangible and tangible fixed assets		(2 571)	(1 637)
Acquisition of financial assets		(585)	
Net cash flow from investing activities		(3 056)	231 449
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		254	387
Proceeds from contracted loans		-	-
Commercial papers issued		-	50 000
Repayment of loans and borrowings		(30 000)	-
Redemption of commercial papers		-	-
Dividends paid		(54 434)	(90 930)
Net cash flow from financing activities		(84 180)	(40 543)
Increase / (decrease) in net cash and cash equivalents		(36 530)	173 138
Cash and cash equivalents – opening balance	7.7	322 250	175 918
Cash and cash equivalents – closing balance	7.7	285 720	349 056



Dom Development S.A.

Interim condensed statement of changes in consolidated shareholders' equity
for the six-month period ended 30 June 2014
(all amounts in thousands PLN unless stated otherwise)

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 valuation of cash flow hedges	from valuation of share options				
Balance as at 1 January 2014	24 753	234 283	517 521	510	(22)	25 113	54 896	857 054	(513)	856 541
Share capital increase by exercising share options (note 7.8)	17	237	-	-	-	-	-	254	-	254
Transfer of profit to supplementary capital	-	-	(142)	-	-	-	142	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	(54 494)	(54 494)	-	(54 494)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	12	-	12	-	12
Net profit for the reporting period	-	-	-	-	-	-	10 880	10 880	68	10 948
Other net comprehensive income for the reporting period	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2014 (unaudited)	24 770	234 520	517 379	510	(22)	25 125	11 424	813 706	(445)	813 261

	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 valuation of cash flow hedges	from valuation of share options				
Balance as at 1 January 2013	24 715	233 733	517 362	510	(58)	25 089	91 671	893 022	(621)	892 401
Share capital increase	26	361	-	-	-	-	-	387	-	387
Transfer of profit to supplementary capital	-	-	159	-	-	-	(159)	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	(91 048)	(91 048)	-	(91 048)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	12	-	12	-	12
Net profit for the reporting period	-	-	-	-	-	-	27 376	27 376	(26)	27 350
Other net comprehensive income for the reporting period	-	-	-	-	21	-	-	21	-	21
Balance as at 30 June 2013 (unaudited)	24 741	234 094	517 521	510	(37)	25 101	27 840	829 770	(647)	829 123



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 scope of activity of the companies operating within the Group 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 2014 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 59.45% 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 2014 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 has been also engaged in the joint venture:				
Fort Mokotów sp. z o.o., under liquidation	Poland	49%	49%	equity method

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. and Dom Development Morskie Oko sp. z o.o., both under liquidation.

In the six-month period ended 30 June 2014 the Group did not discontinue any of its activities.

In the six-month period ended 30 June 2014 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 (PLN). The condensed consolidated financial statements are stated in Polish zloty. Financial data included in the interim 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 consolidated statement of changes in shareholders' equity are unaudited and they have been the subject of review by a certified independent 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 of the Group and the notes thereto for the year ended 31 December 2013.

The Company has also prepared interim condensed financial statements for Dom Development S.A. for the six-month period ended 30 June 2014. These statements were approved by the Management Board of the Company on 20 August 2014.

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 2013, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2014:

- Amendments to IAS 32 *Financial instruments: presentation: Offsetting of Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – effective for financial years beginning on 1 January 2014.
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-financial Assets* (issued on 29 May 2013) – effective for financial years beginning on or after 1 January 2014.
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27 June 2013) – effective for financial years beginning on or after 1 January 2014.

The introduced amendments were scrutinized by the Group and they do not materially affect the Company's financial position, operating results or the scope of information presented in these interim condensed consolidated financial statements.

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.



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	30.06.2014	31.12.2013
	<i>(unaudited)</i>	
Advances on deliveries, including	51 600	20 895
at purchase prices/production costs	51 600	20 895
write down to the net realisable value	-	-
Semi-finished goods and work in progress, including	1 043 803	1 167 078
at purchase prices/production costs	1 056 871	1 178 652
write down to the net realisable value	(13 068)	(11 574)
Finished goods, including	206 158	158 626
at purchase prices/production costs	210 192	162 876
write down to the net realisable value	(4 034)	(4 250)
Total	1 301 561	1 346 599



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the six-month period ended 30 June 2014
(all amounts in thousands PLN unless stated otherwise)

INVENTORY REVALUATION WRITE DOWNS	01.01 - 30.06.2014 <i>(unaudited)</i>	01.01 - 30.06.2013 <i>(unaudited)</i>
Opening balance	15 824	21 568
Increments	1 494	498
Decrease	(216)	(3 480)
Closing balance	17 102	18 586

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	30.06.2014 <i>(unaudited)</i>	31.12.2013
Carrying value of inventory used to secure liabilities	276 631	270 320
Mortgages:		
Value of mortgages established to secure real estate purchase agreements	10 000	21 000
Value of mortgages established to secure loan agreements (maximum amount)	366 000	291 000

7.6. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	30.06.2014 <i>(unaudited)</i>	31.12.2013
Bank deposits with a maturity over three months	47	47
Cash in an escrow account	8 916	5 110
Total	8 963	5 157

Bank deposits with a maturity over three months as of the date when they are made are presented in "Bank deposits with a maturity over three months".

The Company makes bank deposits with various maturity based on current analysis of cash needs and realizable rate of return on deposits offered by banks.

Cash received from the Group's customers as advances for the sale of products which is deposited in escrow accounts until the relevant requirements specified in the "Act on the Protection of Rights of a Dwelling Unit or House Buyer" are met, is presented in "Cash in an escrow account".

7.7. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank and cash in hand, including short-term bank deposits with up to three months maturity on the date when they are made. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	30.06.2014 <i>(unaudited)</i>	31.12.2013	30.06.2013 <i>(unaudited)</i>
Cash in hand and at bank	6 643	7 042	9 172
Bank deposits with a maturity of three months or less	279 031	315 176	339 849
Other	46	32	35
Total	285 720	322 250	349 056



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the six-month period ended 30 June 2014
(all amounts in thousands PLN unless stated otherwise)

7.8. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2014								
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	07.05.2012
M	Bearer	-	-	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	-	-	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	-	-	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	-	-	925	925	cash	31.10.2013	23.12.2013
R	Bearer	-	-	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	-	-	17 075	17 075	cash	20.03.2014	02.05.2014
Total number of shares				24 770 272				
Total share capital					24 770 272			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2013								
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	07.05.2012
M	Bearer	-	-	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	-	-	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	-	-	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	-	-	925	925	cash	31.10.2013	23.12.2013
R	Bearer	-	-	11 000	11 000	cash	31.10.2013	23.12.2013
Total number of shares				24 753 197				
Total share capital					24 753 197			
Nominal value per share = PLN 1								

Description of changes to the share capital in the Company in the period from 1 January until 30 June 2014

On 21 January 2014 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 17 075.00 S series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 753 197.00 up to PLN 24 770 272.00, that is by PLN 17 075.00. The increase of the Company's share capital by issuance of 17 075 S 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 20 March 2014. The S series shares were issued in a private



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the six-month period ended 30 June 2014
(all amounts in thousands PLN unless stated otherwise)

placement procedure addressed to participants in Management Share Option Programme II. The 17 075 shares were registered at the stock exchange and introduced to trading on 2 May 2014.

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 these financial statements				Change in the period from publication of the interim financial statements for the three-month period ended 31.03.2014
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	14 726 172	59.45	14 726 172	59.45	-
Jarosław Szanajca	1 534 050	6.19	1 534 050	6.19	-
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.30	1 313 383	5.30	no data
Grzegorz Kielpsz	1 280 750	5.17	1 280 750	5.17	-

*) 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 31.03.2014	
	Shares	Share options	Total	Shares	Share options
The Management Board					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Zalewski Janusz	311 000	92 534	403 534	-	-
Jerzy Ślusarski	5 363	72 784	78 147	-	-
Janusz Stolarczyk	105 200	43 597	148 797	-	-
Terry Roydon	58 500	11 767	70 267	-	-
The Supervisory Board					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-
Markham Dumas	-	-	-	-	-
Mark Spiteri	500	2 330	2 830	-	-

7.9. Dividends

On 22 May 2014, the Ordinary General Meeting of the Shareholders of the Company resolved to assign PLN 54 352 343.33 from the Company's profit for 2013 and PLN 142 255.07 from the Company's supplementary capital for the payment of dividends. This implies the payment of PLN 2.20 per share.

The dividend day was set at 12 June 2014 and the dividend payment day was set at 27 June 2014. The dividend was paid out in accordance with the resolution.

In the preceding year, the dividend allocation was PLN 91 047 880.96 and the dividend payment amounted to PLN 3.68 per share.



7.10. Loans

Description of material changes in the six-month period ended 30 June 2014

On 5 February 2014 the Company and mBank Spółka Akcyjna entered into an agreement for the loan facility in aggregate amount of PLN 50 000 thousand to be used to finance current business operations of the Company. The term of the Agreement is until 3 February 2017.

On 28 February 2014, the Company prematurely repaid an instalment of the loan at PKO Bank Polski S.A. in the amount of PLN 20 000 thousand.

In the first half of 2014, outstanding balance of the loan at Alior Bank S.A. has been reduced by PLN 10 000 thousand.

LOANS DUE WITHIN	30.06.2014	31.12.2013
	<i>(unaudited)</i>	
Less than 1 year	-	-
More than 1 year and less than 2 years	46 000	66 000
More than 2 years and less than 5 years	98 000	108 000
Over 5 years	-	-
Total loans	144 000	174 000
including: long-term	144 000	174 000
short-term	-	-

BANK LOANS AS AT 30.06.2014						
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	124 000	PLN	31.12.2016
Alior Bank	Warsaw	50 000	PLN	20 000	PLN	18.09.2016
mBank	Warsaw	50 000	PLN	-	PLN	03.02.2017
Total bank loans				144 000	PLN	

As at 30 June 2014 and 31 December 2013 all the loans taken by the Company 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 Company 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".

7.11. Bonds

BONDS	30.06.2014	31.12.2013
	<i>(unaudited)</i>	
Nominal value of the bonds issued, long-term portion	170 000	270 000
Nominal value of the bonds issued, short-term portion	100 000	-
Total nominal value of the bonds issued	270 000	270 000

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



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

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 2014

The total bond issue liabilities in the first half of 2014 and their maturity structure have not changed.

BONDS ISSUED AS AT 30.06.2014					
Series	Issue date	Amount	Currency	Contractual maturity date	
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	
IV	26.03.2013	50 000	PLN	26.03.2018	
Total:		270 000	PLN		

7.12. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	30.06.2014 (unaudited)	31.12.2013
Accrued interest on bonds	3 735	3 803
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	3 735	3 803

7.13. Segment reporting

The Group does not prepare segment reporting as its activities take place within a single segment.

7.14. Operating income

REVENUE BREAKDOWN	01.01 - 30.06.2014 (unaudited)	01.01 - 30.06.2013 (unaudited)
Sales of finished goods	354 879	335 233
Sales of services	6 590	4 957
Sales of land	151	-
Total	361 620	340 190



7.15. Operating costs

OPERATING COSTS	01.01 - 30.06.2014 <i>(unaudited)</i>	01.01 - 30.06.2013 <i>(unaudited)</i>
Cost of sales		
Cost of finished goods sold	(298 857)	(257 355)
Cost of services sold	(7 672)	(5 795)
Cost of land sold	(151)	-
Inventory write down to the net realisable value	(1 278)	1 681
Total cost of sales	(307 958)	(261 469)
Selling costs, and general administrative expenses		
Selling costs	(20 107)	(21 175)
General administrative expenses	(23 040)	(20 856)
Total selling costs, and general administrative expenses	(43 147)	(42 031)
Selling costs, and general administrative expenses by kind		
Depreciation	(1 473)	(1 593)
Cost of materials and energy	(7 622)	(6 839)
External services	(10 094)	(10 918)
Taxes and charges	(67)	(76)
Remuneration	(18 736)	(18 116)
Social security and other benefits	(2 986)	(2 864)
Management Option Programme	(12)	(12)
Other prime costs	(2 157)	(1 613)
Total selling costs, and general administrative expenses by kind	(43 147)	(42 031)

7.16. Income tax in the income statement

INCOME TAX	01.01 - 30.06.2014 <i>(unaudited)</i>	01.01 - 30.06.2013 <i>(unaudited)</i>
Current income tax	7 276	12 184
Deferred tax in the income statement	(3 967)	(5 578)
Total	3 309	6 606



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7.17. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 30.06.2014	01.01 - 30.06.2013
	<i>(unaudited)</i>	<i>(unaudited)</i>
Basic earnings per share		
Profit for calculation of the basic earnings per share	10 880	27 376
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 762 819	24 732 079
Basic earnings per share (PLN)	0.44	1.11
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	10 880	27 376
Potential diluting shares related to the Management Share Option Programmes	34 708	17 657
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 797 527	24 749 736
Diluted earnings per share (PLN)	0.44	1.11

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 2014 and 2013, the Company was 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- 30.06.2014	01.01- 30.06.2013
		<i>(unaudited)</i>	<i>(unaudited)</i>
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	809	723
Hansom Property Company Limited	Consulting services as per the agreement dated 2 January 2001	127	122
Hansom Property Company Limited	Other	190	117
Kirkley Advisory Limited	Consulting services as per the agreement dated 1 March 2012	31	26
Kirkley Advisory Limited	Other	91	56

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)			
Counterparty	Transaction description	01.01- 30.06.2014	01.01- 30.06.2013
		<i>(unaudited)</i>	<i>(unaudited)</i>
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	74	72
Fort Mokotów sp. z o.o., under liquidation	Other	28	30
Dom Development Grunty sp. z o.o.	Other	3	3
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	2	2



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DOM DEVELOPMENT S.A. AS A LENDER

Counterparty	Transaction description	01.01- 30.06.2014	01.01- 30.06.2013
		(unaudited)	(unaudited)
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	30	39

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER

Counterparty	Transaction description	01.01- 30.06.2014	01.01- 30.06.2013
		(unaudited)	(unaudited)
Dom Development B.V.	Dividends	32 398	55 959

DOM DEVELOPMENT S.A. AS A BUYER OF THE TITLE TO LAND

Counterparty	Transaction description	01.01- 30.06.2014	01.01- 30.06.2013
		(unaudited)	(unaudited)
Dom Development Grunty sp. z o.o.	Purchase of freehold	26 994	-

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

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2014 (unaudited)	31.12.2013	30.06.2014 (unaudited)	31.12.2013
Total balance	2 203	2 184	6 915	123
Subsidiaries	2 178	2 147	6 915	-
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	1 031	1 000	6 915	-
Joint-ventures	25	37	-	-
Fort Mokotów sp. z o.o., under liquidation	25	37	-	-
Other entities	-	-	-	123
Woodsford Consulting Limited	-	-	-	123
Holland Park Advisory Limited	-	-	-	-

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

Counterparty	01.01 - 30.06.2014	01.01 - 30.06.2013
	(unaudited)	(unaudited)
The Management Board	3 974	3 404
The Supervisory Board	698	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 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 2014:

Programme	Grant date	Exercise start date	Maturity date	Number of options	Exercise price per option (PLN)
Programme II	7.12.2007	7.12.2010	7.12.2014	114 275	114.48
Programme II	8.12.2008	8.12.2011	8.12.2015	1 000	14.91
Programme II	10.12.2009	10.12.2012	10.12.2016	162 185	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	96 466*)	1.00
Total				379 926	

*) The above table includes the options (96 466 share options) granted under Programme III that have not yet expired. As significant entitlement condition has not been met for the exercise of these options, the options under Programme III will not be able to be exercised.

Expiry of share options

In the six-month period ended 30 June 2014 the number of share options eligible to participate in Programme II of Management Option Programmes was reduced by 20 000 options as a result of termination of employment contracts with the persons eligible to participate in the programmes.

Exercise of the share options

The 17 075 shares in the Company were subscribed in the first half of 2014 in a private placement procedure addressed to participants in Management Share Option Programme II. The shares were registered and admitted to trading (see note 7.8).

Grant of new share options

In the six-month period ended 30 June 2014 the Company did not grant any new share options.

Changes to the Management Option Programmes

In the six-month period ended 30 June 2014 no changes were made to the Management Option Programme.

7.20. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2014 <i>(unaudited)</i>	31.12.2013
Guarantees	141	141
Sureties	358	357
Total	499	498

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

COLLATERALS FOR LIABILITIES	30.06.2014 <i>(unaudited)</i>	31.12.2013
Promissory notes, including:		
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	210 000
Total	210 000	210 000

In the six-month period ended 30 June 2014 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 2014 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 2014 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 2014, the Group was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 56 353 thousand, including the total value of proceedings concerning liabilities at approx. PLN 40 973 thousand and the total value of proceedings concerning receivables at approx. PLN 15 380 thousand.

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

7.22. Additional information on the operating activity of the Group

In the period from 1 January to 30 June 2014 the following material changes in the portfolio of the Group's real estate development projects under construction took place:

Projects where the construction commenced in the period from 1 January 2014 until 30 June 2014:

Project	Standard	Number of apartments
Żoliborz Artystyczny, phase 3	Popular	228
Aura, phase 1b	Popular	64
Willa Lindego	Popular	121
Wilno, phase 2 (stage 2A)	Popular	149
Rezydencja Mokotów	Luxury apartments	133
Apartamenty Saska nad Jeziorem, phase 2	Popular	224
Aleja Piastów , phase 1	Popular	91
Aleja Piastów , phase 2	Popular	80
Żoliborz Artystyczny, phase 4	Popular	222

Projects where the construction was completed in the period from 1 January 2014 until 30 June 2014:

Project	Standard	Number of apartments
Derby 14, phase 3	Popular	189
Młyny Królewskie	Popular	294
Klasyków I, phase 2	Popular	236
Wilno, phase 2b	Popular	124
Adria, phase 3	Popular	183
Willa na Harfowej	Popular	90

**7.23. The factors that will impact the results achieved by the Group in 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,
- 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 Group.

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	30.06.2014 <i>(unaudited)</i> thousand Euro	31.12.2013 thousand Euro
Total current assets	386 327	415 076
Total assets	388 523	416 882
Total shareholders' equity	195 453	206 535
Long-term liabilities	85 860	117 823
Short-term liabilities	107 210	92 524
Total liabilities	193 070	210 347
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.1609</i>	<i>4.1472</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01 - 30.06.2014 <i>(unaudited)</i> thousand Euro	01.01 - 30.06.2013 <i>(unaudited)</i> thousand Euro
Sales revenue	86 545	80 729
Gross profit on sales	12 843	18 681
Operating profit/(loss)	2 835	8 271
Profit/(loss) before tax	3 412	8 058
Net profit/(loss)	2 620	6 490
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.1784</i>	<i>4.2140</i>