



# **DOM DEVELOPMENT S.A.**

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



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## **1. APPROVAL OF THE INTERIM CONDENSED 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.

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Jarosław Szanajca,  
President of the Management Board

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Janusz Zalewski,  
Vice President of the Management Board

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Jerzy Ślusarski,  
Vice President of the Management Board

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Janusz Stolarczyk,  
Member of the Management Board

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Terry R. Roydon,  
Member of the Management Board



## 2. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.06.2012 <i>(unaudited)</i>	31.12.2011
<b>Fixed assets</b>			
Intangible assets		996	1 204
Tangible fixed assets		5 177	4 711
Investments in subsidiaries, associates and a joint venture		896	935
Long-term receivables		1 681	1 588
Other financial assets		405	-
<b>Total fixed assets</b>		<b>9 155</b>	<b>8 438</b>
<b>Current assets</b>			
Inventory	7.5	1 473 685	1 465 828
Trade and other receivables		31 524	49 269
Other current assets		4 391	13 248
Cash and cash equivalents	7.7	465 799	376 833
<b>Total current assets</b>		<b>1 975 399</b>	<b>1 905 178</b>
<b>Total assets</b>		<b>1 984 554</b>	<b>1 913 616</b>

EQUITY AND LIABILITIES	Note	30.06.2012 <i>(unaudited)</i>	31.12.2011
<b>Shareholders' equity</b>			
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)		30 232	82 839
<b>Total shareholders' equity</b>		<b>830 671</b>	<b>835 252</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
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		12 707	13 597
Other long-term liabilities		28 064	35 049
<b>Total long-term liabilities</b>		<b>479 504</b>	<b>318 974</b>
<b>Short-term liabilities</b>			
Trade payables, tax and other liabilities		193 598	196 148
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	2 179
Short-term provisions		4 790	4 394
Deferred income		417 731	327 315
<b>Total short-term liabilities</b>		<b>674 379</b>	<b>759 390</b>
<b>Total liabilities</b>		<b>1 153 883</b>	<b>1 078 364</b>
<b>Total equity and liabilities</b>		<b>1 984 554</b>	<b>1 913 616</b>



### 3. INTERIM CONDENSED INCOME STATEMENT

	Note	Six-month period ended	
		30.06.2012 <i>(unaudited)</i>	30.06.2011 <i>(unaudited)</i>
Sales revenue	7.14	308 156	166 265
Cost of sales	7.15	(225 248)	(114 912)
<b>Gross profit on sales</b>		<b>82 908</b>	<b>51 353</b>
Selling costs	7.15	(19 130)	(17 967)
General administrative expenses	7.15	(23 500)	(22 687)
Other operating income		1 236	806
Other operating expenses		(3 882)	(2 320)
<b>Operating profit/(loss)</b>		<b>37 632</b>	<b>9 185</b>
Financial income		3 248	2 577
Financial costs		(3 180)	(2 490)
<b>Profit/(loss) before tax</b>		<b>37 700</b>	<b>9 272</b>
Income tax	7.16	(7 468)	(2 133)
<b>Net profit/(loss)</b>		<b>30 232</b>	<b>7 139</b>
<b>Earnings/(loss) per share:</b>			
Basic (PLN)	7.17	1.23	0.29
Diluted (PLN)	7.17	1.22	0.29



#### 4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended	
	30.06.2012 <i>(unaudited)</i>	30.06.2011 <i>(unaudited)</i>
<b>Net profit/(loss)</b>	<b>30 232</b>	<b>7 139</b>
<b>Other comprehensive income</b>		
Net change to cash flow hedges	(78)	-
Income tax	15	-
<b>Other net comprehensive income</b>	<b>(63)</b>	-
<b>Total net comprehensive income</b>	<b>30 169</b>	<b>7 139</b>



## 5. INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Six-month period ended	
		30.06.2012 <i>(unaudited)</i>	30.06.2011 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Profit/(loss) before tax		<b>37 700</b>	<b>9 272</b>
Adjustments:			
Depreciation		1 471	1 143
Profit/loss on foreign exchange differences		110	35
Profit/loss on investments		298	(731)
Interest cost/income		7 000	4 205
Cost of the management option programmes		613	1 307
Changes in the operating capital:			
Changes in provisions		(495)	(301)
Changes in inventory		(215)	(192 852)
Changes in receivables		17 652	9 442
Restricted cash in an escrow account		-	(168 250)
Changes in short term liabilities, excluding loans and bonds		(9 876)	87 593
Changes in prepayments and deferred income		89 695	165 860
Other adjustments		(110)	(35)
<b>Cash flow generated from operating activities</b>		<b>143 843</b>	<b>(83 312)</b>
Interest received		14 082	8 538
Interest paid		(15 753)	(13 225)
Income tax paid		(11 145)	(837)
<b>Net cash flow from operating activities</b>		<b>131 027</b>	<b>(88 836)</b>
<b>Cash flow from investing activities</b>			
Proceeds from the sale of intangible assets and tangible fixed assets		116	23
Proceeds from financial assets, including dividends		-	709
Proceeds from borrowings granted		78	-
Other income from financial assets		-	965
Acquisition of intangible and tangible fixed assets		(1 466)	(1 798)
Acquisition of financial assets		(880)	-
<b>Net cash flow from investing activities</b>		<b>(2 152)</b>	<b>(101)</b>
<b>Cash flows from financing activities</b>			
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)
<b>Net cash flow from financing activities</b>		<b>(39 909)</b>	<b>(117 969)</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>		<b>88 966</b>	<b>(206 906)</b>
<b>Cash and cash equivalents – opening balance</b>	<b>7.7</b>	<b>376 833</b>	<b>430 751</b>
<b>Cash and cash equivalents – closing balance</b>	<b>7.7</b>	<b>465 799</b>	<b>223 845</b>



## Dom Development S.A.

Interim condensed statement of changes in shareholders' equity  
for the six-month period ended 30 June 2012  
(all amounts in thousands PLN unless stated otherwise)

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

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated, unappropriated profit (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
<b>Balance as at 1 January 2012</b>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	<b>-</b>	<b>24 280</b>	<b>82 839</b>	<b>835 252</b>
Share capital increase by exercising share options (note 7.8)	110	1 532	-	-	-	-	-	<b>1 642</b>
Transfer of profit to supplementary capital	-	-	45 834	-	-	-	(45 834)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(37 005)	<b>(37 005)</b>
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	613	-	<b>613</b>
Net profit for the reporting period	-	-	-	-	-	-	30 232	<b>30 232</b>
Other net comprehensive income for the reporting period	-	-	-	-	(63)	-	-	<b>(63)</b>
<b>Balance as at 30 June 2012</b> <i>(unaudited)</i>	<b>24 670</b>	<b>233 067</b>	<b>517 362</b>	<b>510</b>	<b>(63)</b>	<b>24 893</b>	<b>30 232</b>	<b>830 671</b>

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated, unappropriated profit (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
<b>Balance as at 1 January 2011</b>	<b>24 560</b>	<b>231 535</b>	<b>453 943</b>	<b>510</b>	<b>-</b>	<b>22 610</b>	<b>39 689</b>	<b>772 847</b>
Share capital increase	-	-	-	-	-	-	-	-
Transfer of profit to supplementary capital	-	-	17 585	-	-	-	(17 585)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(22 104)	<b>(22 104)</b>
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	1 307	-	<b>1 307</b>
Net profit for the reporting period	-	-	-	-	-	-	7 139	<b>7 139</b>
Other net comprehensive income for the reporting period	-	-	-	-	-	-	-	-
<b>Balance as at 30 June 2011</b> <i>(unaudited)</i>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	<b>-</b>	<b>23 917</b>	<b>7 139</b>	<b>759 189</b>





## **7. ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

### **7.1. General information about Dom Development S.A.**

The joint stock company Dom Development S.A. (the „Company“) is the parent company of Dom Development S.A. Capital Group. The registered office of the Company is in Warsaw (00-078 Warsaw, pl. Piłsudskiego 3). The Company has been entered into the National Court Register under number 0000031483 maintained by the District Court for the capital city of Warsaw, 12<sup>th</sup> 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 Company 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, Dom Development B.V. controlled 61.64 % of the Company's shares.

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

The Company conducts its activities in the territory of Poland in compliance with the Code of Commercial Companies and Partnerships and its term of operations is unlimited.

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

### **7.2. Basis for the preparing of the interim condensed financial statements**

The interim condensed 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 financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, „Interim Financial Reporting“ (IAS 34).

The interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

The Polish zloty („PLN“) is the functional currency for the Company. The condensed financial statements are stated in Polish zloty. Financial data included in the interim condensed financial statements are expressed in thousands of PLN unless stated otherwise.

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

The Company also prepares interim condensed consolidated financial statements for Dom Development Capital Group 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 Company to prepare its interim condensed 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 Company, there are no differences in the IFRS policies applied by the Company and IFRS that have been endorsed by the EU.

The interim condensed 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 financial statements are prepared based on the same accounting policies as for the financial statements of the Company 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 Company 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 Company and do not affect the financial data presented in these interim condensed 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 Company is not subject to any major seasonality.

#### 7.5. Inventory

INVENTORY	30.06.2012 (unaudited)	31.12.2011
<b>Advances on deliveries</b>	<b>11 763</b>	<b>8 197</b>
including: at purchase prices/production costs	11 832	8 266
including: write down to the net realisable value	(69)	(69)
<b>Semi-finished goods and work in progress</b>	<b>1 069 071</b>	<b>1 237 579</b>
including: at purchase prices/production costs	1 078 653	1 247 551
including: write down to the net realisable value	(9 582)	(9 972)
<b>Finished goods</b>	<b>392 851</b>	<b>220 052</b>
including: at purchase prices/production costs	400 216	227 260
including: write down to the net realisable value	(7 365)	(7 208)
<b>Total</b>	<b>1 473 685</b>	<b>1 465 828</b>



<b>WRITE DOWN TO THE NET REALISABLE VALUE</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance</b>	<b>17 249</b>	<b>12 989</b>
Increments	3 311	958
Reversal	(3 544)	(1 481)
<b>Closing balance</b>	<b>17 016</b>	<b>12 466</b>

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

<b>CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED</b>	<b>30.06.2012</b>	<b>31.12.2011</b>
	<i>(unaudited)</i>	
Carrying value of inventory used to secure liabilities	337 000	454 000
<b>Mortgages:</b>		
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

<b>CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance</b>	<b>3 809</b>	<b>3 577</b>
a) Additions	455	125
b) Disposals	(169)	(63)
<b>Closing balance</b>	<b>4 095</b>	<b>3 639</b>

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.

<b>CASH AND CASH EQUIVALENTS</b>	<b>30.06.2012</b>	<b>31.12.2011</b>	<b>30.06.2011</b>
	<i>(unaudited)</i>		<i>(unaudited)</i>
Cash in hand and at bank	5 245	6 075	1 348
Short-term deposits	460 508	370 707	222 459
Other	46	51	49
Overdrafts	-	-	(11)
<b>Total</b>	<b>465 799</b>	<b>376 833</b>	<b>223 845</b>

The Company 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
<b>Total number of shares</b>				<b>24 670 397</b>				
<b>Total share capital</b>					<b>24 670 397</b>			
<b>Nominal value per share = PLN 1</b>								

### 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
<b>Total number of shares</b>				<b>24 560 222</b>				
<b>Total share capital</b>					<b>24 560 222</b>			
<b>Nominal value per share = PLN 1</b>								

#### 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, 12<sup>th</sup> 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 Kiełpsz	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	Shares	Share options
<b>The Management Board</b>					
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	-	-
<b>The Supervisory Board</b>					
Grzegorz Kiełpsz	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 <i>(unaudited)</i>	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	-	-
<b>Total loans</b>	<b>210 000</b>	<b>217 134</b>
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
<b>Total bank loans</b>		<b>210 000</b>	<b>PLN</b>		

As at 30 June 2012 and 31 December 2011 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".

### Bank overdrafts

In the case that the Company 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 Company 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
<b>Total overdrafts</b>		<b>5 000</b>	<b>PLN</b>	<b>- PLN</b>	



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
<b>Total overdrafts</b>		<b>5 000</b>	<b>PLN</b>	<b>-</b>	<b>PLN</b>	

### 7.11. Bonds

BONDS	30.06.2012 <i>(unaudited)</i>	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
<b>Nominal value of the bonds issued</b>	<b>272 530</b>	<b>270 000</b>

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	
<b>Total</b>		<b>272 530</b>	<b>PLN</b>		



### 7.12. Accrued interest on loans and bonds

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

### 7.13. Segment reporting

The Company operates within a single segment.

### 7.14. Operating income

<b>REVENUE BREAKDOWN</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	
Sales of finished goods	297 219	160 156
Sales of services	10 937	6 109
<b>Total</b>	<b>308 156</b>	<b>166 265</b>

### 7.15. Operating costs

<b>OPERATING COSTS</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	
<b>Cost of sales</b>		
Cost of finished goods sold	(214 118)	(109 092)
Cost of services sold	(11 174)	(6 343)
Cost of goods (land) sold	-	-
Inventory write down to the net realisable value	44	523
<b>Total cost of sales</b>	<b>(225 248)</b>	<b>(114 912)</b>
<b>Selling costs, and general administrative expenses</b>		
Selling costs	(19 130)	(17 967)
General administrative expenses	(23 500)	(22 687)
<b>Total selling costs, and general administrative expenses</b>	<b>(42 630)</b>	<b>(40 654)</b>
<b>Selling costs, and general administrative expenses by kind</b>		
Depreciation	(1 471)	(1 143)
Cost of materials and energy	(5 829)	(6 971)
External services	(11 623)	(9 970)
Taxes and charges	(89)	(95)
Remuneration	(18 650)	(16 937)
Social security and other benefits	(2 490)	(2 405)
Management Option Programme	(613)	(1 307)
Other prime costs	(1 865)	(1 826)
<b>Total selling costs, and general administrative expenses by kind</b>	<b>(42 630)</b>	<b>(40 654)</b>





#### 7.16. Income tax in the income statement

<b>INCOME TAX</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	9 049	-
Deferred tax in the income statement	(1 581)	2 133
<b>Total</b>	<b>7 468</b>	<b>2 133</b>

#### 7.17. Earnings per share

<b>CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>01.01- - 30.06.2012</b>	<b>01.01- - 30.06.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Basic earnings per share</b>		
Profit for calculation of the basic earnings per share	30 232	7 139
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 626 811	24 560 222
<b>Basic earnings per share (PLN)</b>	<b>1.23</b>	<b>0.29</b>
<b>Diluted earnings per share</b>		
Profit for calculation of the diluted earnings per share	30 232	7 139
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
<b>Diluted earnings per share (PLN)</b>	<b>1.22</b>	<b>0.29</b>

As the Company 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 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.

<b>DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES</b>			
<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.06.2012</b>	<b>01.01- 30.06.2011</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
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**

<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.06.2012</b> <i>(unaudited)</i>	<b>01.01- 30.06.2011</b> <i>(unaudited)</i>
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)**

<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.06.2012</b> <i>(unaudited)</i>	<b>01.01- 30.06.2011</b> <i>(unaudited)</i>
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**

<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.06.2012</b> <i>(unaudited)</i>	<b>01.01- 30.06.2011</b> <i>(unaudited)</i>
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom" under liquidation	Refund of the value of contributed shares in association with liquidation of the Towarzystwo <i>(insurance company)</i>	-	1 674

**DOM DEVELOPMENT S.A. AS A LENDER**

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

**DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER**

<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.06.2012</b> <i>(unaudited)</i>	<b>01.01- 30.06.2011</b> <i>(unaudited)</i>
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 <i>(unaudited)</i>	31.12.2011 <i>(unaudited)</i>	30.06.2012 <i>(unaudited)</i>	31.12.2011
<b>Total balance</b>	<b>2 578</b>	<b>2 646</b>	-	<b>224</b>
<b>Subsidiaries</b>	<b>2 486</b>	<b>2 525</b>	-	-
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	-	-
<b>Joint-ventures</b>	<b>92</b>	<b>121</b>	-	-
Fort Mokotów sp. z o.o., under liquidation	92	121	-	-
<b>Other entities</b>	-	-	-	<b>224</b>
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 <i>(unaudited)</i>	01.01- 30.06.2011 <i>(unaudited)</i>
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.

**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
<b>Total</b>				<b>735 825</b>	



### 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

<b>CONTINGENT LIABILITIES</b>	<b>30.06.2012</b>	<b>31.12.2011</b>
	<i>(unaudited)</i>	
Guarantees	2 105	2 110
Sureties	510	727
<b>Total</b>	<b>2 615</b>	<b>2 837</b>

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

<b>COLLATERALS FOR LIABILITIES</b>	<b>30.06.2012</b>	<b>31.12.2011</b>
	<i>(unaudited)</i>	
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
<b>Total</b>	<b>216 889</b>	<b>181 889</b>

In the six-month period ended 30 June 2012 the Company 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 Company 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 Company

In the period from 1 January to 30 June 2012 the following material changes in the portfolio of the Company'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 1, 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 Company for at least the next six months

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

- The economic trend in the residential market, where the Company 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 Company 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 Company 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 Company.

#### 7.26. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.06.2012	31.12.2011
	(unaudited)	(unaudited)
	thousand Euro	thousand Euro
Total current assets	463 567	431 348
Total assets	465 716	433 259
Total shareholders' equity	194 934	189 108
Long-term liabilities	112 525	72 218
Short-term liabilities	158 257	171 933
Total liabilities	270 782	244 151
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<b>4.2613</b>	<b>4.4168</b>

SELECTED DATA FROM THE INCOME STATEMENT	01.01- - 30.06.2012	01.01- - 30.06.2011
	(unaudited)	(unaudited)
	thousand Euro	thousand Euro
Sales revenue	72 943	41 909
Gross profit on sales	19 625	12 944
Operating profit/(loss)	8 908	2 315
Profit/(loss) before tax	8 924	2 337
Net profit/(loss)	7 156	1 799
<i>Average PLN/EURO exchange rate for the reporting period</i>	<b>4.2246</b>	<b>3.9673</b>