



# **DOM DEVELOPMENT S.A.**

## **INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED**

**30 SEPTEMBER 2011**

Drafted in accordance  
with the International Financial Reporting Standards



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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 three-month period ended 30 September 2011 were drafted and approved by the Management Board of the Company on 3 November 2011.

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Jarosław Szanajca,  
President of the Management Board

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Janusz Zalewski,  
Vice President of the Management Board



## 2. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.09.2011 ( <i>unaudited</i> )	31.12.2010
<b>Fixed assets</b>			
Intangible assets		896	852
Tangible fixed assets		4 790	4 606
Investments in subsidiaries, associates and a joint venture		2 024	2 931
Long-term receivables		1 257	15 791
<b>Total fixed assets</b>		<b>8 967</b>	<b>24 180</b>
<b>Current assets</b>			
Inventory	7.5	1 464 556	1 118 968
Trade and other receivables		84 279	42 600
Corporate income tax receivables		-	-
Other current assets		3 129	3 398
Cash and cash equivalents	7.7	243 031	430 751
<b>Total current assets</b>		<b>1 794 995</b>	<b>1 595 717</b>
<b>Total assets</b>		<b>1 803 962</b>	<b>1 619 897</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	7.8	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		24 953	22 610
Other capital (supplementary capital)		471 528	453 943
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		43 873	39 689
<b>Total shareholders' equity</b>		<b>796 959</b>	<b>772 847</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term loans	7.10	45 000	107 330
Deferred tax provision		13 147	4 398
Bonds	7.11	270 000	270 000
Long-term provisions		12 527	12 179
Other long-term liabilities		36 240	19 018
<b>Total long-term liabilities</b>		<b>376 914</b>	<b>412 925</b>
<b>Short-term liabilities</b>			
Trade payables, tax and other liabilities		198 025	132 340
Short-term part of long-term loans	7.10	76 347	100 532
Accrued interest on loans and bonds	7.12	3 662	1 637
Corporate income tax payables		2 629	564
Short-term provisions		4 043	3 939
Deferred income		345 383	195 113
<b>Total short-term liabilities</b>		<b>630 089</b>	<b>434 125</b>
<b>Total liabilities</b>		<b>1 007 003</b>	<b>847 050</b>
<b>Total equity and liabilities</b>		<b>1 803 962</b>	<b>1 619 897</b>



**Dom Development S.A.**  
Interim condensed income statement  
for the three-month and nine-month period ended 30 September 2011  
(all amounts in thousands PLN unless stated otherwise)

### 3. INTERIM CONDENSED INCOME STATEMENT

	Note	Nine-month period ended		Three-month period ended	
		30.09.2011 <i>(unaudited)</i>	30.09.2010 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>	30.09.2010 <i>(unaudited)</i>
<b>Sales revenue</b>	<b>7.14</b>	367 822	417 303	201 557	114 505
<b>Cost of sales</b>	<b>7.15</b>	(248 105)	(314 633)	(133 193)	(84 774)
<b>Gross profit on sales</b>		<b>119 717</b>	<b>102 670</b>	<b>68 364</b>	<b>29 731</b>
Selling costs	<b>7.15</b>	(26 411)	(19 941)	(8 444)	(5 640)
General administrative expenses	<b>7.15</b>	(33 778)	(31 732)	(11 091)	(10 932)
Other operating income		3 673	1 618	2 867	262
Other operating expenses		(6 969)	(2 605)	(4 649)	(178)
<b>Operating profit/(loss)</b>		<b>56 232</b>	<b>50 010</b>	<b>47 047</b>	<b>13 243</b>
Financial income	<b>7.16</b>	4 140	2 549	1 563	1 201
Financial costs		(4 848)	(9 982)	(2 358)	(3 712)
<b>Profit/(loss) before tax</b>		<b>55 524</b>	<b>42 577</b>	<b>46 252</b>	<b>10 732</b>
Income tax	<b>7.17</b>	(11 651)	(8 886)	(9 518)	(2 336)
<b>Net profit/(loss)</b>		<b>43 873</b>	<b>33 691</b>	<b>36 734</b>	<b>8 396</b>
<b>Earnings/(loss) per share:</b>					
Basic (PLN)	<b>7.18</b>	<b>1.79</b>	<b>1.37</b>	<b>1.50</b>	<b>0.34</b>
Diluted (PLN)	<b>7.18</b>	<b>1.77</b>	<b>1.36</b>	<b>1.49</b>	<b>0.34</b>



## Dom Development S.A.

Interim condensed statement of comprehensive income  
for the three-month and nine-month period ended 30 September 2011  
(all amounts in thousands PLN unless stated otherwise)

### 4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Nine-month period ended		Three-month period ended	
	30.09.2011 <i>(unaudited)</i>	30.09.2010 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>	30.09.2010 <i>(unaudited)</i>
<b>Net profit/(loss)</b>	<b>43 873</b>	<b>33 691</b>	<b>36 734</b>	<b>8 396</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>43 873</b>	<b>33 691</b>	<b>36 734</b>	<b>8 396</b>



## 5. INTERIM CONDENSED CASH FLOW STATEMENT

	Nine-month period ended	
	30.09.2011 <i>(unaudited)</i>	30.09.2010 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>		
Profit/(loss) before tax	55 524	42 577
Adjustments:		
Depreciation	1 795	1 771
Profit/loss on foreign exchange differences	(109)	13
Profit/loss on investments	(748)	20
Interest cost/income	8 268	16 928
Cost of the management option programmes	2 343	2 985
Changes in the operating capital:		
Changes in provisions	452	(555)
Changes in inventory	(344 268)	60 067
Changes in receivables	(27 144)	12 864
Changes in trade payables and other liabilities	82 906	(6 109)
Changes in prepayments and deferred income	149 126	(19 655)
Other adjustments	109	(75)
<b>Cash flow generated from operating activities</b>	<b>(71 746)</b>	<b>110 831</b>
Interest paid and received	(6 133)	(14 215)
Income tax paid	(837)	(15 354)
<b>Net cash flow from operating activities</b>	<b>(78 716)</b>	<b>81 262</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of intangible assets and tangible fixed assets	40	23
Dividends received	709	-
Other income from financial assets	965	40
Acquisition of intangible and tangible fixed assets	(2 022)	(2 392)
<b>Net cash flow from investing activities</b>	<b>(308)</b>	<b>(2 329)</b>
<b>Cash flows from financing activities</b>		
Proceeds from contracted loans	14 144	81 843
Commercial papers issued	-	99 690
Repayment of loans and borrowings	(100 658)	(134 565)
Dividends paid	(22 104)	(19 648)
Borrowings granted	-	(1 300)
Payment of financial lease liabilities	(78)	(105)
<b>Net cash flow from financing activities</b>	<b>(108 696)</b>	<b>25 915</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>	<b>(187 720)</b>	<b>104 848</b>
<b>Cash and cash equivalents – opening balance</b>	<b>430 751</b>	<b>225 828</b>
<b>Cash and cash equivalents – closing balance</b>	<b>243 031</b>	<b>330 676</b>



## Dom Development S.A.

Interim condensed statement of changes in shareholders' equity  
for the nine-month period ended 30 September 2011  
(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 from reduction of share capital	Reserve capital from valuation of share options	Accumulated, unappropriated profit (loss)	Total shareholders' equity
<b>Balance as at 1 January 2011</b>	<b>24 560</b>	<b>231 535</b>	<b>453 943</b>	<b>510</b>	<b>22 610</b>	<b>39 689</b>	<b>772 847</b>
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	-	-	-	-	2 343	-	<b>2 343</b>
Total comprehensive income for the nine-month period ended 30 September 2011	-	-	-	-	-	43 873	<b>43 873</b>
<b>Balance as at 30 September 2011</b> <i>(unaudited)</i>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	<b>24 953</b>	<b>43 873</b>	<b>796 959</b>

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from valuation of share options	Accumulated, unappropriated profit (loss)	Total shareholders' equity
<b>Balance as at 1 January 2010</b>	<b>24 560</b>	<b>231 535</b>	<b>388 361</b>	<b>510</b>	<b>18 726</b>	<b>85 230</b>	<b>748 922</b>
Transfer of profit to supplementary capital	-	-	65 582	-	-	(65 582)	-
Payment of dividends to shareholders	-	-	-	-	-	(19 648)	<b>(19 648)</b>
Creation of reserve capital from the valuation of the share options	-	-	-	-	2 985	-	<b>2 985</b>
Total comprehensive income for the nine-month period ended 30 September 2010	-	-	-	-	-	33 691	<b>33 691</b>
<b>Balance as at 30 September 2010</b> <i>(unaudited)</i>	<b>24 560</b>	<b>231 535</b>	<b>453 943</b>	<b>510</b>	<b>21 711</b>	<b>33 691</b>	<b>765 950</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 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 September 2011, Dom Development B.V. controlled 61.91 % 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 three-month period ended 30 September 2011 the Company did not discontinue any of its activities.

### **7.2. Basis for the drafting of the financial statements**

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

The condensed financial statements are stated in Polish zloty (PLN). 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 and they have not been the subject of review by a certified independent 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 2010.

The Company also drafts interim condensed consolidated financial statements for Dom Development Capital Group for the three-month period ended 30 September 2011. These statements were approved by the Management Board of the Company on 3 November 2011.

### **7.3. Accounting policies**

Polish law requires the Company to draft 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 drafted 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 drafted based on the same accounting policies as for the financial statements of the Company for the year ended 31 December 2010, except for the matter described in note 7.27 and the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2011:

- IAS 24 *Related Party Disclosures* (revised in November 2009). The adoption of this revision had no impact on the financial position, performance of the Company or the scope of information presented in the financial statements of the Company,
- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues*. The adoption of these amendments had no impact on the financial position or performance of the Company,
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of the Minimum Funding Requirements*. The adoption of these amendments had no impact on the financial position or performance of the Company,
- IFRIC 19 *Extinguishing Conversion of Financial Liabilities with Equity Instruments*. The adoption of this interpretation had no impact on the financial position or performance of the Company,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*. This amendment has not been applied in relation to the Company,
- Improvements resulting from IFRS reviews (published in May 2010). The adoption of these improvements had no impact on the financial position or performance of the Company.

The Company has not decided for earlier adoption of any other 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 assumptions and basis for estimates**

In addition to the accounting estimations, when applying the Company's 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 drafted 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.



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2011  
(all amounts in thousands PLN unless stated otherwise)

### Seasonality

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

### 7.5. Inventory

<b>INVENTORY</b>	<b>30.09.2011</b>	<b>31.12.2010</b>
	<i>(unaudited)</i>	
<b>Advances on deliveries</b>	<b>8 137</b>	<b>22 375</b>
including: at purchase prices/production costs	8 206	22 444
including: write down to the net realisable value	(69)	(69)
<b>Semi-finished goods and work in progress</b>	<b>1 258 168</b>	<b>899 712</b>
including: at purchase prices/production costs	1 266 708	909 435
including: write down to the net realisable value	(8 540)	(9 723)
<b>Finished goods</b>	<b>198 251</b>	<b>196 881</b>
including: at purchase prices/production costs	202 662	200 078
including: write down to the net realisable value	(4 411)	(3 197)
<b>Total</b>	<b>1 464 556</b>	<b>1 118 968</b>

<b>WRITE DOWN TO THE NET REALISABLE VALUE</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance</b>	<b>12 989</b>	<b>25 449</b>
Increments	1 592	3 912
Reversal	(1 561)	(5 926)
<b>Closing balance</b>	<b>13 020</b>	<b>23 435</b>

Write down to the net realisable value resulting 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>30.09.2011</b>	<b>31.12.2010</b>
	<i>(unaudited)</i>	
Carrying value of inventory used to secure liabilities	256 638	379 468
<b>Mortgages:</b>		
Value of mortgages used to secure real estate purchase agreements	34 000	-
Value of mortgages used to secure loan agreements	223 980	776 111

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

<b>CHANGE IN THE WRITE DOWNS OF TRADE AND OTHER RECEIVABLES</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance</b>	<b>3 577</b>	<b>3 547</b>
a) Additions	153	849
b) Disposals	(9)	-
<b>Closing balance</b>	<b>3 721</b>	<b>4 396</b>

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



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2011  
(all amounts in thousands PLN unless stated otherwise)

### 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>30.09.2011</b> <i>(unaudited)</i>	<b>31.12.2010</b>	<b>30.09.2010</b> <i>(unaudited)</i>
Cash in hand and at bank	3 348	1 737	2 842
Short-term deposits	239 656	428 982	327 806
Other	27	32	28
<b>Total</b>	<b>243 031</b>	<b>430 751</b>	<b>330 676</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

<b>SHARE CAPITAL (STRUCTURE) AS AT 30.09.2011 AND 31.12.2010</b>								
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)
<b>A</b>	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
<b>F</b>	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
<b>H</b>	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
<b>I</b>	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
<b>J</b>	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
<b>L</b>	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 2011 to the date of drafting of these financial statements.**

In the period from 1 January 2011 to the date of drafting of these financial statements there have been no changes in the shareholders capital.

**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 drafted and approved by the Company's Management Board.**

	<b>Status as at the date of drafting of these financial statements</b>				<b>Change in the period from publication of the interim financial statements for the six- month period ended 31.06.2011</b>
	<b>Shares</b>	<b>% of capital</b>	<b>Number of votes at the GSM</b>	<b>% of votes at the GSM</b>	<b>Shares</b>
Dom Development B.V.	15 206 172	61.91	15 206 172	61.91	-
Jarosław Szanajca	1 534 050	6.25	1 534 050	6.25	-
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.35	1 313 383	5.35	no data
Grzegorz Kielpsz	1 280 750	5.21	1 280 750	5.21	-

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



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2011  
(all amounts in thousands PLN unless stated otherwise)

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 drafted and approved by the Company's Management Board.

	Status as at the date of drafting of the financial statements			Change in the period from publication of the interim financial statements for the six-month period ended 31.06.2011	
	Shares	Share options	Total	Shares	Share options*)
<b>The Management Board</b>					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Janusz Zalewski	300 000	123 534	423 534	-	-
Jerzy Ślusarski	9 363	109 634	118 997	-	-
Janusz Stolarczyk	100 200	64 447	164 647	-	-
Terry Roydon	58 500	61 767	120 267	-	-
<b>The Supervisory Board</b>					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-
Markham Dumas	5 000	-	5 000	5 000	-

\*) The share options shown in the table cover share options conditionally granted under the first tranche of Programme III on 13 December 2010 by resolution of the Supervisory Board. On 19 May 2011 the General Meeting of Shareholders adopted a resolution identifying the persons eligible to participate in Programme III, in particular to cover the shares under terms and conditions specified in the resolution by the Supervisory Board.

### 7.9. Dividends

On 19 May 2011 the Ordinary General Meeting of the Shareholders of the Company resolved to assign PLN 22 104 thousand from the Company's profit for 2010 to dividends. This implies the payment of PLN 0.90 per share. The dividend day was set at 7 June 2011 and the dividend payment day was set at 22 June 2011. The dividend was paid out in accordance with the resolution. While the amount of PLN 17 585 thousand was allocated to the increase of the Company's supplementary capital. In the preceding year, the dividend allocation was PLN 19 648 thousand and the dividend payment amounted to PLN 0.80 per share.

### 7.10. Loans

LOANS DUE	30.09.2011 (unaudited)	31.12.2010
Less than 1 year	76 347	100 532
More than 1 year and less than 2 years	45 000	107 330
More than 2 years and less than 5 years	-	-
Over 5 years	-	-
<b>Total loans</b>	<b>121 347</b>	<b>207 862</b>
including: long-term	45 000	107 330
short-term	76 347	100 532

As at 30 September 2011 and 31 December 2010 the Company did not have borrowing-related liabilities.

As at 30 September 2011 and 31 December 2010 all the loans taken by the Company were expressed in Polish zloty.



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### BANK LOANS AS AT 30.09.2011

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
PKO BP	Warsaw	200 000	PLN	90 000	PLN	31.12.2012
BOŚ	Warsaw	11 990	PLN	8 290	PLN	31.12.2011
PKO BP	Warsaw	15 000	PLN	224	PLN	31.05.2012
BOŚ	Warsaw	17 330	PLN	17 330	PLN	30.09.2012
Bank Millennium	Warsaw	15 000	PLN	5 503	PLN	30.06.2012
<b>Total bank loans</b>				<b>121 347</b>	<b>PLN</b>	

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 carrying value.

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).

### ASSET REDUCING OVERDRAFTS AS AT 30.09.2011

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
<b>Total overdrafts</b>				<b>5 000</b>	<b>PLN</b>	

### ASSET REDUCING OVERDRAFTS AS AT 30.09.2010

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
<b>Total overdrafts</b>				<b>5 000</b>	<b>PLN</b>	

## 7.11. Bonds

BONDS	30.09.2011 (unaudited)	31.12.2010
Nominal value of the bonds issued	270 000	270 000

On 5 November 2007, the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement, pursuant to which during the seven-year term of the programme 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 400 000 000, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme. The return on the bonds depends on the market conditions on the date of sale and is calculated according to WIBOR plus margin. According to the agreement, the bonds shall be issued in series and offered to selected investors. The Company does not plan to introduce the bonds issued under the programme to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such programmes.

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20 000 I series bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 200 000 000 under the Bond Issue



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Programme Agreement signed with Bank BPH S.A. on 5 November 2007. The maturity date for these bonds is 28 November 2012 and the interest rate at WIBOR 3M plus bank margin is payable every three months until the settlement date. The interest becomes due and payable in February, May, August and November during the term of the agreement. The proceeds from the issue of bonds are used for financing the development of the Company. The bonds are an unsecured liability of the Company.

On 22 December 2010 the Company redeemed 3 000 I series bonds with a total value of PLN 30 000 000.

On 30 June 2010, the Company issued 8 500 II series unsecured ordinary bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 85 000 000. The maturity date for these bonds is 30 June 2015. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin. The bonds are an unsecured liability of the Company.

On 15 July 2010, the Company issued 1 500 II series unsecured ordinary bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 15 000 000. The maturity date for these bonds is 30 June 2015. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin.

<b>BONDS ISSUED AS AT 31.09.2011</b>					
<b>Series</b>	<b>Issue date</b>	<b>Amount</b>	<b>Currency</b>	<b>Contractual maturity date</b>	
I	28.11.2007	170 000	PLN	28.11.2012	
II	30.06.2010	85 000	PLN	30.06.2015	
II	15.07.2010	15 000	PLN	30.06.2015	
<b>Total</b>		<b>270 000</b>	PLN		

### 7.12. Accrued interest on loans and bonds

<b>ACCRUED INTEREST ON LOANS AND BONDS</b>	<b>30.09.2011</b>	<b>31.12.2010</b>
	<i>(unaudited)</i>	
Accrued interest on bonds	3 082	963
Accrued interest on loans	580	674
<b>Total accrued interest on loans and bonds</b>	<b>3 662</b>	<b>1 637</b>

### 7.13. Segment reporting

The Company does not conduct segment reporting as its activities take place within a single segment.

### 7.14. Operating income

<b>REVENUE BREAKDOWN</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>	<b>1.07- -30.09.2011</b>	<b>1.07- -30.09.2010</b>
	<i>(unaudited)</i>			
Sales of finished goods	358 602	408 698	198 446	111 721
Sales of services	9 220	8 605	3 111	2 784
<b>Total</b>	<b>367 822</b>	<b>417 303</b>	<b>201 557</b>	<b>114 505</b>



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### 7.15. Operating costs

<b>OPERATING COSTS</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>	<b>1.07- -30.09.2011</b>	<b>1.07- -30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cost of sales</b>				
Cost of finished goods sold	(238 115)	(305 973)	(129 023)	(81 108)
Cost of services sold	(9 959)	(10 674)	(3 616)	(3 037)
Cost of goods (land) sold	-	-	-	-
Inventory write down to the net realisable value	(31)	2 014	(554)	(629)
<b>Total cost of sales</b>	<b>(248 105)</b>	<b>(314 633)</b>	<b>(133 193)</b>	<b>(84 774)</b>
<b>Selling costs, and general administrative expenses</b>				
Selling costs	(26 411)	(19 941)	(8 444)	(5 640)
General administrative expenses	(33 778)	(31 732)	(11 091)	(10 932)
<b>Total selling costs, and general administrative expenses</b>	<b>(60 189)</b>	<b>(51 673)</b>	<b>(19 535)</b>	<b>(16 572)</b>
<b>Selling costs, and general administrative expenses by kind</b>				
Depreciation	(1 795)	(1 771)	(652)	(613)
Cost of materials and energy	(9 508)	(6 980)	(2 537)	(2 191)
External services	(15 012)	(12 980)	(5 042)	(4 234)
Taxes and charges	(159)	(126)	(64)	(54)
Remuneration	(25 335)	(22 057)	(8 398)	(7 184)
Social security and other benefits	(3 245)	(3 053)	(840)	(796)
Management Option Programme	(2 343)	(2 985)	(1 036)	(1 006)
Other prime costs	(2 792)	(1 721)	(966)	(494)
<b>Total selling costs, and general administrative expenses by kind</b>	<b>(60 189)</b>	<b>(51 673)</b>	<b>(19 535)</b>	<b>(16 572)</b>

### 7.16. Financial income

<b>FINANCIAL INCOME</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>	<b>1.07- -30.09.2011</b>	<b>1.07- -30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividends	709	-	-	-
Interest	3 271	2 390	1 406	1 091
Other	160	159	157	110
<b>Total</b>	<b>4 140</b>	<b>2 549</b>	<b>1 563</b>	<b>1 201</b>

### 7.17. Income tax

<b>INCOME TAX</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>	<b>1.07- -30.09.2011</b>	<b>1.07- -30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	2 902	14 987	2 902	6 233
Deferred tax	8 749	(6 101)	6 616	(3 897)
<b>Total</b>	<b>11 651</b>	<b>8 886</b>	<b>9 518</b>	<b>2 336</b>





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### 7.18. Earnings per share

<b>CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>01.01- - 30.09.2011</b>	<b>01.01- - 30.09.2010</b>	<b>1.07- -30.09.2011</b>	<b>1.07- -30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Basic earnings per share</b>				
Profit for calculation of the basic earnings per share	43 873	33 691	36 734	8 396
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 560 222	24 560 222	24 560 222	24 560 222
<b>Basic earnings per share (PLN)</b>	<b>1.79</b>	<b>1.37</b>	<b>1.50</b>	<b>0.34</b>
<b>Diluted earnings per share</b>				
Theoretical profit for calculation of the diluted earnings per share	43 873	33 691	36 734	8 396
Potential diluting shares related to the Management Share Option Programme II	167 321	134 151	130 884	131 841
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 727 543	24 694 373	24 691 106	24 692 063
<b>Diluted earnings per share (PLN)</b>	<b>1.77</b>	<b>1.36</b>	<b>1.49</b>	<b>0.34</b>

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

### 7.19. Transactions with related entities

In the nine-month periods ended 30 September 2011 and 2010, 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- 30.09.2011</b>	<b>01.01- 30.09.2010</b>	
		<i>(unaudited)</i>	<i>(unaudited)</i>	
Woodsford Consulting Limited	Consulting services as per the agreement dated 1 February 2000, as amended	1 086	1 068	
Hansom Property Company Limited	Consulting services as per the agreement dated 31 March 1999	165	168	
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2010	280	281	
Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" under liquidation	Insurance of financial loss risk	-	(116)	

<b>DOM DEVELOPMENT S.A. AS A LAND BUYER UNDER AN AGENCY AGREEMENT</b>				
<b>Counterparty</b>	<b>Transaction description</b>	<b>01.01- 30.09.2011</b>	<b>01.01- 30.09.2010</b>	
		<i>(unaudited)</i>	<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	-	54 796	
Dom Development Grunty sp. z o.o.	Additional payments to invoices for land ownership transfer to Dom Development S.A.	-	967	



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### DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)

Counterparty	Transaction description	01.01- 30.09.2011 (unaudited)	01.01- 30.09.2010 (unaudited)
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	212	108
Fort Mokotów sp. z o.o., under liquidation	Other	37	17
Dom Development Grunty sp. z o.o.	Other	4	4
Dom Development B.V.	Other	25	-
Dom Development Morskie Oko sp. z o.o.	Other	3	36

### DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES

Counterparty	Transaction description	01.01- 30.09.2011 (unaudited)	01.01- 30.09.2010 (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- 30.09.2011 (unaudited)	01.01- 30.09.2010 (unaudited)
Dom Development Grunty sp. z o.o.	Borrowing	-	1 300
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	58	15

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

Counterparty	Transaction description	01.01- 30.09.2011 (unaudited)	01.01- 30.09.2010 (unaudited)
Dom Development B.V.	Dividends	13 686	12 397

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

Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2011 (unaudited)	31.12.2010	30.09.2011 (unaudited)	31.12.2010
<b>Total balance</b>	<b>2 520</b>	<b>2 546</b>	<b>284</b>	<b>220</b>
<b>Subsidiaries</b>	<b>2 505</b>	<b>2 463</b>	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to the capital	1 147	1 147	-	-
Dom Development Morskie Oko sp. z o.o.	-	16	-	-
Dom Development Grunty sp. z o.o.	1 358	1 300	-	-
<b>Joint-ventures</b>	<b>15</b>	<b>83</b>	-	-
Fort Mokotów sp. z o.o., under liquidation	15	83	-	-
<b>Other entities</b>	-	-	<b>284</b>	<b>220</b>
Woodsford Consulting Limited	-	-	183	130
Holland Park Advisory Limited	-	-	101	90



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

Counterparty	01.01- 30.09.2011 <i>(unaudited)</i>	01.01- 30.09.2010 <i>(unaudited)</i>
The Management Board	3 643	3 838
The Supervisory Board	774	639

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

### 7.20. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 30 September 2011:

Programme	Grant date	Number of options	Exercise price per option (PLN)
Programme II	6.12.2006	149 400	114.48
Programme II	7.12.2007	158 400	114.48
Programme II	10.12.2008	183 175	14.91
Programme II	15.01.2009	31 000	16.97
Programme II	10.12.2009	198 025	40.64
Programme III	13.12.2010	120 000	1.00
<b>Total</b>		<b>840 000</b>	

The 120 000 of share options shown in the table granted under Programme III on are the first tranche of the options to be granted under this Programme. These share options were conditionally granted by Supervisory Board's resolution on 13 December 2010. On 19 May 2011 the General Meeting of Shareholders adopted a resolution identifying the persons eligible to participate in Programme III, in particular to cover the shares under terms and conditions specified in the resolution by the Supervisory Board.

In the nine-month period ended 30 September 2011 the number of share options eligible to participate in Programme II of Management Option Programmes was reduced by 6 000 options as a result of termination of employment contracts with the persons eligible to participate in the programme.

### Allocation of new share options

In the nine-month period ended 30 September 2011 the Company did not grant any new share options.

### 7.21. Contingent liabilities

CONTINGENT LIABILITIES	30.09.2011 <i>(unaudited)</i>	31.12.2010
Guarantees	3 059	3 051
Sureties	813	804
<b>Total</b>	<b>3 872</b>	<b>3 855</b>



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

<b>COLLATERALS FOR LIABILITIES</b>	<b>30.09.2011</b>	<b>31.12.2010</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	34 320	134 320
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	15 000	65 000
– promissory notes as an additional guarantee for TU Euler Hermes arising from the good performance guarantee	1 889	1 889
<b>Total</b>	<b>51 209</b>	<b>201 209</b>

In the nine-month period ended 30 September 2011 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.

### **7.22. Material court cases**

As of 30 September 2011 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 September 2011 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 September 2011, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 27 877 thousand, including the total value of proceedings concerning liabilities at approx. PLN 27 337 thousand and the total value of proceedings concerning receivables at approx. PLN 540 thousand.

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

### **7.23. Additional information on the operating activity of the Company**

In the period from 1 January to 30 September 2011 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 until 30 September 2011:

<b>Project</b>	<b>Standard</b>	<b>Number of apartments</b>
Akropol	Popular	366
Wilno I, phase 2A stage 1	Popular	117
Derby 14, phase 1	Popular	174
Adria, phase 2	Popular	230
Oaza, phase 1	Popular	116
Saska I, phase 2B	Popular	144
Regaty, phase 6	Popular	160
Saska I, phase 2C	Popular	105
Oaza, phase 2	Popular	130
Opera B	Luxury apartments	11



Projects ended in the period from 1 January until 30 June 2011:

Project	Standard	Number of apartments
Derby 9	Popular	258
Klasyków, phase 1	Popular	135
Saska I, stage 1A	Popular	325
Regaty, phase 4	Popular	202

#### **7.24. The factors that will impact the results achieved by the Company in at least the next three months**

The most important factors that may impact the financial situation of the Company in at least the next three 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.

#### **7.25. Material post-balance sheet events**

On 11 October 2011, the Company entered into a major agreement with Powszechna Kasa Oszczędności Bank Polski S.A. with registered office in Warsaw. The subject of this agreement is a loan in the amount of PLN 160 000 for the statutory operations of the Company and its SPVs, in which the Company will hold over 50% of shares and contributions. The term of the Agreement is until 31 December 2016. The interest on this loan is based on WIBOR 3M plus bank margin. The major security for the loan is a joint mortgage. The funds will be disbursed in one tranche on 14 October 2011.

#### **7.26. Forecasts**

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

#### **7.27. Change in the presentation of provision for repair costs**

The Company has changed the presentation of provision for repair costs. In the balance sheet presented in the financial statements for the twelve-month period ended 31 December 2010 the provision for repair costs was disclosed entirely in short-term liabilities as "Short-term provisions". In these financial statements a long-term portion of the provision for repairs was disclosed in long-term liabilities as "Long-term provisions". As a result of this change, a long-term portion of the provision for repairs in the amount of PLN 12 179 thousand was moved from "Short-term provisions" to "Long-term provisions" in the balance sheet drafted as at 31 December 2010 and incorporated in these financial statements.



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**7.28. Selected financial data translated into EURO**

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

<b>SELECTED DATA FROM THE BALANCE SHEET</b>	<b>30.09.2011</b>	<b>31.12.2010</b>
	<i>(unaudited)</i>	
	thousand Euro	thousand Euro
Total current assets	406 918	402 928
Total assets	408 950	409 034
Total shareholders' equity	180 667	195 149
Long-term liabilities	85 445	104 266
Short-term liabilities	142 838	109 619
Total liabilities	228 283	213 885
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.4112</i>	<i>3.9603</i>

<b>SELECTED DATA FROM THE INCOME STATEMENT</b>	<b>01.01-30.09.2011</b>	<b>01.01-30.09.2010</b>	<b>1.07-30.09.2011</b>	<b>1.07-30.09.2010</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
Sales revenue	91 016	104 256	48 111	28 629
Gross profit on sales	29 624	25 651	16 318	7 433
Operating profit/(loss)	13 915	12 494	11 230	3 311
Profit/(loss) before tax	13 739	10 637	11 040	2 683
Net profit/(loss)	10 856	8 417	8 768	2 099
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.0413</i>	<i>4.0027</i>	<i>4.1894</i>	<i>3.9996</i>