



DOM DEVELOPMENT S.A.

Interim condensed financial statements for the three-month period ended 31 March 2017

Prepared 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 on 31 March 2017, comprising:

- interim condensed balance sheet prepared as at 31 March 2017 with the balance of assets and liabilities in the amount of PLN 2 034 471 thousand;
- interim condensed income statement for the three-month period ended 31 March 2017 with a net loss of PLN 235 thousand;
- interim condensed statement of comprehensive income for the three month periods ended 31 March 2017 with a net comprehensive loss of PLN 358 thousand;
- interim condensed statement of changes in shareholders' equity in the three-month period ended 31 March 2017 with the PLN 934 259 thousand shareholders' equity as at 31 March 2017;
- interim condensed cash flow statement for the three-month period ended 31 March 2017 with the PLN 372 624 thousand of cash and cash equivalents as at 31 March 2017;
- additional notes to the interim condensed financial statements

were prepared and approved by the Management Board of the Company on 25 April 2017.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board



2. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	31.03.2017 (unaudited)	31.12.2016
Fixed assets			
Intangible assets		3 640	3 923
Tangible fixed assets		6 818	6 973
Investments in subsidiaries, associates and jointly controlled entities	7.5	159 310	151 108
Long-term receivables		1 523	1 523
Other long-term assets		7 235	7 413
Total fixed assets		178 526	170 940
Current assets			
Inventory	7.6	1 435 182	1 360 371
Trade and other receivables		8 860	9 231
Income tax receivables		-	-
Other current assets		4 283	2 612
Short-term financial assets	7.7	34 996	22 763
Cash and cash equivalents	7.8	372 624	412 335
Total current assets		1 855 945	1 807 312
Total assets		2 034 471	1 978 252

EQUITY AND LIABILITIES	Note	31.03.2017 (unaudited)	31.12.2016
Shareholders' equity			
Share capital	7.9	24 868	24 782
Share premium	7.9	238 388	234 986
Other capital (supplementary capital)		542 696	542 696
Reserve capital from valuation of share options		-	-
Reserve capital from valuation of cash flow hedges		292	415
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit/(loss)		127 505	127 740
Total shareholders' equity		934 259	931 129
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.10	-	-
Bonds, long-term portion	7.11	210 000	260 000
Deferred tax provision		4 123	17 023
Long-term provisions		13 569	14 346
Other long-term liabilities		36 255	34 369
Total long-term liabilities		263 947	325 738
Short-term liabilities			
Trade payables, tax and other liabilities		224 967	219 827
Loans, short-term portion	7.10	-	-
Bonds, short-term portion	7.11	50 000	120 000
Accrued interest on loans and bonds	7.12	2 595	3 897
Corporate income tax payables		11 519	23 057
Short-term provisions		5 246	5 546
Deferred income		541 938	349 058
Total short-term liabilities		836 265	721 385
Total liabilities		1 100 212	1 047 123
Total equity and liabilities		2 034 471	1 978 252



3. INTERIM CONDENSED INCOME STATEMENT

	Note	Three-month period ended	
		31.03.2017 <i>(unaudited)</i>	31.03.2016 <i>(unaudited)</i>
Sales revenue	7.14	113 148	139 060
Cost of sales	7.15	(87 055)	(107 339)
Gross profit on sales		26 093	31 721
Selling costs	7.15	(15 069)	(11 501)
General administrative expenses	7.15	(10 355)	(12 204)
Other operating income		429	860
Other operating expenses		(1 089)	(1 518)
Operating profit		9	7 358
Financial income		383	319
Financial costs		(411)	(1 282)
Profit before tax		(19)	6 395
Income tax	7.16	(216)	(1 269)
Net profit		(235)	5 126
Earnings per share:			
Basic (PLN)	7.17	(0.01)	0.21
Diluted (PLN)	7.17	(0.01)	0.21



4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended	
	31.03.2017 <i>(unaudited)</i>	31.03.2016 <i>(unaudited)</i>
Net profit	(235)	5 126
Other comprehensive income		
Net change to cash flow hedges	(152)	(408)
Income tax	29	77
Other net comprehensive income	(123)	(331)
Total net comprehensive income	(358)	4 795



5. INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Three-month period ended	
		31.03.2017 <i>(unaudited)</i>	31.03.2016 <i>(unaudited)</i>
Cash flow from operating activities			
Profit/(loss) before tax		(19)	6 395
Adjustments:			
Depreciation		1 448	1 251
Profit/loss on foreign exchange differences		2	22
Profit/loss on investments		56	64
Interest cost/income		1 713	2 616
Changes in the operating capital:			
Changes in provisions		(1 077)	(34)
Changes in inventory		(74 557)	(33 085)
Changes in receivables		371	12 322
Changes in short-term liabilities, excluding loans and bonds		(1 756)	(7 248)
Changes in prepayments and deferred income		191 227	119 080
Other adjustments		(2)	(22)
Cash flow generated from operating activities		117 406	101 361
Interest received		1 359	857
Interest paid		(4 647)	(5 028)
Income tax paid		(24 625)	(3 068)
Net cash flow from operating activities		89 493	94 122
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		2	49
Proceeds from the sale of financial assets		-	-
Bank deposits with a maturity over three months (made and/or closed)	7.7	-	-
Acquisition of intangible and tangible fixed assets		(1 006)	(1 351)
Acquisition of financial assets and additional contributions to the share capital of subsidiaries	7.5	(8 200)	(4 000)
Net cash flow from investing activities		(9 204)	(5 302)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		-	464
Proceeds from contracted loans	7.10	-	-
Commercial papers issued	7.11	-	-
Repayment of loans and borrowings	7.10	-	(20 000)
Redemption of commercial papers	7.11	(120 000)	-
Dividends paid	7.23	-	-
Net cash flow from financing activities		(120 000)	(19 536)
Increase / (decrease) in net cash and cash equivalents		(39 711)	69 284
Cash and cash equivalents – opening balance	7.8	412 335	217 201
Cash and cash equivalents – closing balance	7.8	372 624	286 485



Dom Development S.A.

Interim condensed statement of changes in shareholders' equity
for the three-month period ended 31 March 2017
(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		
Balance as at 1 January 2017	24 782	234 986	542 696	510	415	0	127 740	931 129
Share capital increase by exercising share options (note 7.9)	86	3 402	-	-	-	-	-	3 488
Transfer of profit to supplementary capital	-	-	-	-	-	-	-	-
Dividends paid to shareholders (note 7.23)	-	-	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	-	-	(235)	(235)
Other net comprehensive income for the reporting period	-	-	-	-	(123)	-	-	(123)
Balance as at 31 March 2017 <i>(unaudited)</i>	24 868	238 388	542 696	510	292	0	127 505	934 259

	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		
Balance as at 1 January 2016	24 771	234 534	517 466	510	82	25 126	80 647	883 136
Share capital increase by exercising share options	-	-	-	-	-	-	-	-
Transfer of profit to supplementary capital	-	-	-	-	-	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	-	-
Net profit for the reporting period	-	-	-	-	-	-	5 126	5 126
Other net comprehensive income for the reporting period	-	-	-	-	(331)	-	-	(331)
Balance as at 31 March 2016 <i>(unaudited)</i>	24 771	234 534	517 466	510	(249)	25 126	85 773	887 931



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, Plac 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, 12th Commercial Division of the National Court Register.

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

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 March 2017, Dom Development B.V. controlled 59.22% 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 31 March 2017 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 ("IFRS") adopted by the European Union (EU) are normally included in annual financial statements, have been condensed or omitted in these financial statements 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 shareholders' equity are unaudited and they have not 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 of the Company and the notes thereto for the year ended 31 December 2016.

The Company has also prepared interim condensed consolidated financial statements for Dom Development S.A. Capital Group for the three-month period ended 31 March 2017. These statements were approved by the Management Board of the Company on 25 April 2017.



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 2016.

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 following standards, interpretations and amendments issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee that have not come into force:

- IFRS 9 *Financial Instruments* (published on 24 July 2014) – effective for annual periods beginning on or after 1 January 2018,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – the European Commission decided not to propose an interim standard for endorsement before the final standard is released – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016,
- IFRS 15 *Revenue from Contracts with Customers* (published on 28 May 2014) to include amendments to IFRS 15 Effective Date of IFRS 15 (published on 11 September 2015) – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014) – endorsement of these amendments have been deferred indefinitely by the EU – effective date deferred indefinitely by IASB,
- IFRS 16 *Leases* (published on 13 January 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IFRS 4 *Application of IFRS 9 Financial Instruments* with IFRS 4 *Insurance contracts* (published on 12 September 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 12 *Recognition of deferred tax assets for unrealised losses* (published on 19 January 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 7 *Disclosure Initiative* (published on 29 January 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017,
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (published on 12 April 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (published on 20 June 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018.
- *Improvements resulting from IFRS reviews 2014-2016* (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – Improvements to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, and Improvements to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018,
- Interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 40: *Transfer of Investment Property* (published on 8 December 2016) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018,



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2017
(all amounts in thousands PLN unless stated otherwise)

The Management Board is verifying effect of the above standards on the Company's financial position, operating results or the scope of information presented in the financial statements, and no significant changes are expected.

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:

- ongoing evaluation of the profitability of projects,
- verification of whether to create (or change) a potential inventory impairment write down or not,
- 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, parking places in the garage, 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. Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and jointly controlled entities have been presented in the table below:

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES	31.03.2017 (unaudited)		31.12.2016	
	Net carrying value	Company's interest in share capital of the entity (in %)	Net carrying value	Company's interest in share capital of the entity (in %)
Dom Development Morskie Oko sp. z o.o., under liquidation	50	100%	50	100%
Dom Development Grunty sp. z o.o.	2	46%	-	46%
Fort Mokotów sp. z o.o., under liquidation	-	49%	-	49%
Dom Development Wrocław sp. z o.o.	21 647	100%	14 647	100%
Fort Mokotów Inwestycje sp. z o.o., under liquidation*)	137 611	100%	136 411	100%
Total	159 310		151 108	

*) The costs incurred by the Company in connection with the purchase of shares in FMI has been included in the carrying value of the FMI investment.



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2017
(all amounts in thousands PLN unless stated otherwise)

Description of material changes in the period from 1 January until 31 March 2017

In this period a repayable additional contribution to the share capital in Fort Mokotów Inwestycje spółka z o.o. and Dom Development Wrocław spółka z o.o. was made in the amount of of PLN 1 200 thousand and PLN 700 thousand, respectively.

7.6. Inventory

INVENTORY	31.03.2017 <i>(unaudited)</i>	31.12.2016
Advances on deliveries	40 812	40 046
including: at purchase prices/production costs	40 981	40 215
write down to the net realisable value	(169)	(169)
Semi-finished goods and work in progress	1 214 231	1 060 476
including: at purchase prices/production costs	1 236 031	1 082 276
write down to the net realisable value	(21 800)	(21 800)
Finished goods	180 139	259 849
including: at purchase prices/production costs	188 550	268 172
write down to the net realisable value	(8 411)	(8 323)
Total	1 435 182	1 360 371

INVENTORY REVALUATION WRITE DOWNS	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
Opening balance	30 292	16 760
Increments	172	188
Decrease	(84)	-
Closing balance	30 380	16 948

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

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.03.2017 <i>(unaudited)</i>	31.12.2016
Carrying value of inventory used to secure liabilities	225 000	300 000
Mortgages:		
Value of mortgages established to secure real estate purchase agreements	-	-
Value of mortgages established to secure loan agreements (cap)	225 000	300 000

7.7. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	31.03.2017 <i>(unaudited)</i>	31.12.2016
Bank deposits with a maturity over three months	49	49
Cash in open-end residential escrow accounts	33 716	21 483
Cash in other escrow accounts	1 231	1 231
Total	34 996	22 763



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2017
(all amounts in thousands PLN unless stated otherwise)

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 Company's customers as advances for the sale of products which is deposited in open-end residential 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 open-end residential escrow accounts".

7.8. 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	31.03.2017 <i>(unaudited)</i>	31.12.2016	31.03.2016 <i>(unaudited)</i>
Cash in hand and at bank	1 189	4 032	2 300
Bank deposits with a maturity of three months or less	371 374	408 280	284 142
Other	61	23	43
Total	372 624	412 335	286 485

7.9. Share capital

Description of changes to the share capital in the Company in the period from 1 January until 31 March 2017

In the period from 1 January until 31 March 2017 the following change to the share capital in the Company took place:

Change in the reporting period	Share capital		Share premium
	Number of shares	Value at the nominal value	
Balance as at 31.12.2016	24 782 592	24 782	234 986
Change	85 830	86	3 402
Balance as at 31.03.2017	24 868 422	24 868	238 388

On 5 December 2016 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 85 830 W series ordinary bearer shares as a part of the authorised capital from PLN 24 782 592 up to PLN 24 868 422, that is by PLN 85 830. The W series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 10 January 2017. In the Company balance sheet as at 31 December 2016 these shares were not disclosed in the share capital, and the payments in the amount of PLN 3 488 thousand for the subscription of these shares were disclosed as "short-term liabilities".



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2017
(all amounts in thousands PLN unless stated otherwise)

SHARE CAPITAL (STRUCTURE) AS AT 31.03.2017

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
T	Bearer	-	-	1 000	1 000	cash	14.01.2015	27.03.2015
U	Bearer	-	-	10 320	10 320	cash	17.05.2016	01.06.2016
V	Bearer	-	-	1 000	1 000	cash	17.05.2016	01.06.2016
W	Bearer	-	-	85 830	85 830	cash	10.01.2017	07.03.2017
Total number of shares				24 868 422				
Total share capital					24 868 422			
Nominal value per share = PLN 1								

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 quarterly financial statements for the three- month period ended 30.09.2016
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	14 726 172	59.22	14 726 172	59.22	-
Jarosław Szanajca	1 454 050	5.85	1 454 050	5.85	(80 000)
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.28	1 313 383	5.28	no data
Grzegorz Kielpsz	1 280 750	5.15	1 280 750	5.15	-

*) Shareholding of Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A. (General Pension Society) has been presented as per the latest notice dated 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 31 March 2017
(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 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 quarterly financial statements for the three-month period ended 30.09.2016	
	Shares	Share options	Total	Shares	Share options
The Management Board					
Jarosław Szanajca	1 454 050	-	1 454 050	(80 000)	-
Janusz Zalewski	350 000	-	350 000	39 000	(69 000)
Małgorzata Kolarska	6 500	-	6 500	-	-
Janusz Stolarczyk	122 030	-	122 030	16 830	(16 830)
Terry Roydon	58 500	-	58 500	-	-
The Supervisory Board					
Grzegorz Kiełpsz	1 280 750	-	1 280 750	-	-
Mark Spiteri	900	-	900	-	-

7.10. Loans

Description of material changes in the three-month period ended 31 March 2017

On 3 February 2017 the PLN 50 million revolving loan agreement in the credit facility account between mBank S.A. and Dom Development S.A. expired.

On 31 March 2017 a loan agreement was entered into between mBank S.A. as one party and Dom Development S.A. and Dom Development Wrocław Sp. z o.o. as the other party. The bank has committed to make a PLN 85 million revolving loan available to Dom Development S.A. on the terms and conditions laid down in the agreement, with the funds intended to provide finance for the current operations of the Company. Under the agreement, Dom Development Wrocław Sp. z o.o. will be able to use some (up to PLN 35 million) of the credit limit granted to Dom Development S.A.

The total loan liabilities in the three-month period ended 31 March 2017 have not changed.

As of 31 March 2017 and 31 December 2016 the Company had no loan liabilities.

BANK LOANS AS AT 31.03.2017						
Bank	Registered office	Loan amount and currency as per agreement		Outstanding loan amount (less accrued interest) and currency		Due date
mBank	Warsaw	50 000*)	PLN	-	PLN	21.05.2019
PKO BP SA	Warsaw	100 000*)	PLN	-	PLN	26.07.2019
mBank	Warsaw	85 000**)	PLN	-	PLN	01.03.2021
Total bank loans				- PLN		

*) Revolving loan in the credit facility account

***) Revolving loan in the credit facility account up to PLN 85 million; Dom Development Wrocław Sp. z o.o. may use up to PLN 35 million of this credit limit.

As at 31 March 2017 and 31 December 2016 all the loans taken by the Company were expressed in Polish zloty.



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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	31.03.2017 <i>(unaudited)</i>	31.12.2016
Nominal value of the bonds issued, long-term portion	210 000	260 000
Nominal value of the bonds issued, short-term portion	50 000	120 000
Total nominal value of the bonds issued	260 000	380 000

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".

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 by the Company

On 5 November 2007, the Company and Bank BPH S.A. (currently Bank 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.

On 5 November 2014, the Company and Bank Pekao S.A. signed an Annex to the Bond Issue Programme Agreement dated 5 November 2007, pursuant to which the bond issue period has been extended by 7 years (until 5 November 2021).

Description of material changes in the three-month period ended 31 March 2017

On 2 February 2017, the Company redeemed 12 000 bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 120 million as maturing on this date.

BONDS ISSUED AS AT 31.03.2017				
Series	Issue date	Amount	Currency	Contractual maturity date
IV	26.03.2013	50 000	PLN	26.03.2018
V	12.06.2015	100 000	PLN	12.06.2020
VI	15.11.2016	110 000	PLN	15.11.2021
Total:		260 000	PLN	

7.12. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	31.03.2017 <i>(unaudited)</i>	31.12.2016
Accrued interest on bonds	2 595	3 897
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	2 595	3 897



7.13. Segment reporting

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

7.14. Operating income

REVENUE BREAKDOWN	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
Sales of finished goods	108 361	130 165
Sales of services	4 787	3 395
Sales of land	-	5 500
Total	113 148	139 060

7.15. Operating costs

OPERATING COSTS	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
Cost of sales		
Cost of finished goods sold	(81 511)	(98 074)
Cost of services sold	(5 456)	(4 254)
Cost of land sold	-	(4 823)
Inventory write down to the net realisable value	(88)	(188)
Total cost of sales	(87 055)	(107 339)
Selling costs, and general administrative expenses		
Selling costs	(15 069)	(11 501)
General administrative expenses	(10 355)	(12 204)
Total selling costs, and general administrative expenses	(25 424)	(23 705)
Selling costs, and general administrative expenses by kind		
Depreciation	(1 448)	(1 251)
Cost of materials and energy	(3 625)	(2 861)
External services	(7 428)	(5 585)
Taxes and charges	(38)	(37)
Remuneration	(9 478)	(10 627)
Social security and other benefits	(2 395)	(2 189)
Other prime costs	(1 012)	(1 155)
Total selling costs, and general administrative expenses by kind	(25 424)	(23 705)

7.16. Income tax in the income statement

INCOME TAX	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
Current income tax	(13 087)	(10 516)
Deferred tax in the income statement	12 871	9 247
Total	(216)	(1 269)



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7.17. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 31.03.2017	01.01 - 31.03.2016
	<i>(unaudited)</i>	<i>(unaudited)</i>
Basic earnings per share		
Profit for calculation of the basic earnings per share	(235)	5 126
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 858 885	24 771 272
Basic earnings per share (PLN)	(0.01)	0.21
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	(235)	5 126
Potential diluting shares related to the Management Share Option Programmes	-	27 570
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 858 885	24 798 842
Diluted earnings per share (PLN)	(0.01)	0.21

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

7.18. Transactions with related entities

In the three-month periods ended 31 March 2017 and 2016, the Company was a party to transactions with related entities, as listed below.

Counterparty	Transaction description	01.01- 31.03.2017	01.01- 31.03.2016
		<i>(unaudited)</i>	<i>(unaudited)</i>
DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:			
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007 as annexed	420	453
M & M Usługi Doradcze M. Kolarski	Consulting services	14	18
Hansom Property Company Limited	Other	-	250
Hansom Property Company Limited	Consulting services as per the agreement dated 2 January 2001 as annexed	128	69
Kirkley Advisory Limited	Consulting services as per the agreement dated 1 March 2012	-	124
Fort Mokotów Inwestycje sp. z o.o., under liquidation	Other	90	-
Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.)	Cooperation Agreements	176	-
DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES:			
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	24	24
Dom Development Grunty sp. z o.o.	Other	1	1
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	1	1
Fort Mokotów Inwestycje sp. z o.o., under liquidation	Other	1	-
Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.)	Cooperation Agreements	141	-
DOM DEVELOPMENT S.A. AS A LENDER:			
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	2	4



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DOM DEVELOPMENT S.A. AS A SUBSCRIBER FOR SHARES IN SHARE CAPITAL OF SUBSIDIARIES:

Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.)	Share capital contribution *)	-	4 000
Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.)	Additional contribution to the share capital *)	7 000	-
Fort Mokotów Inwestycje sp. z o.o., under liquidation	Additional contribution to the share capital *)	1 200	-

DOM DEVELOPMENT S.A. AS A PAYER OF PREPAYMENT UNDER THE AGENCY AGREEMENT:

Dom Development Grunty sp. z o.o.	(Net) prepayment transferred for the purchase of land	-	7 507
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*) Share capital contribution and additional contribution to the share capital of the subsidiaries have been recognised in the balance sheet under "Investments in subsidiaries, associates and jointly controlled entities".

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

Entity	Receivables from related entities		Liabilities to related entities	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Total balance	37 931	29 342	11	2 203
Subsidiaries	37 492	29 332	1	1 988
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the share capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	17 431	17 431	-	-
Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) additional contributions to the share capital	17 645	10 645	-	-
Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) other	56	95	1	1 988
Fort Mokotów Inwestycje sp. z o.o., under liquidation	13	14	-	-
Fort Mokotów Inwestycje sp. z o.o., under liquidation additional contributions to the share capital	1 200	-	-	-
Jointly controlled entities	10	10	-	-
Fort Mokotów sp. z o.o., under liquidation	10	10	-	-
Other entities	429	-	10	215
M&M Usługi Doradcze M. Kolarski	-	-	10	5
Woodsford Consulting Limited	-	-	-	210
Hansom Property Company Limited	340	-	-	-
Kirkley Advisory Limited	89	-	-	-

DOM DEVELOPMENT S.A. AS A SELLER (PLN)

Transactions with Members of the Management Board	Transaction description	Transaction date	Transaction amount
Małgorzata Kolarska and a person closely related	Agreement on the establishment of a separate ownership title to a non-residential unit, with floor area of 125.52 sq.m., and the sale of the same, and the sale agreement for a parking space in the "Dom pod Zegarem" project.	07.03.2017	1 114 341.36



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

Counterparty	01.01- 31.03.2017 <i>(unaudited)</i>	01.01- 31.03.2016 <i>(unaudited)</i>
The Management Board	4 457	3 380
The Supervisory Board	324	316

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

As at 31 March 2017 there was no active Management Option Programme at the Company.

Exercise of the share options

In the three-month period ended 31 March 2017 no share options were exercised at the Company.

On 5 December 2016, the Management Board of the Company adopted a resolution on the increase of share capital in the Company by issuing 85 830 W series ordinary bearer shares. The shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. These shares were registered by the District Court for the capital city of Warsaw on 10 January 2017 (this was described in note 7.9).

Grant of new share options

In the three-month period ended 31 March 2017 the Company did not grant any new share options.

Proposed adoption of a new share option programme

On March 28 2017, the Management Board of the Company adopted a resolution concerning the inclusion on the agenda of the General Shareholders' Meeting of the matter concerning a resolution to be adopted on the approval of Management Share Option Programme IV for Mrs Małgorzata Kolarska, the Vice President of the Management Board and the CEO (hereinafter "Programme IV").

In accordance with the terms of Program IV, Mrs Małgorzata Kolarska would only once receive options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options will be limited to 100 000 shares in any period of consecutive 12 months, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

The Supervisory Board of the Company has decided to give a positive opinion as regards the draft of the above mentioned resolution and to recommend to the General Shareholders' Meeting that this resolution be adopted with the body as proposed by the Management Board.



7.20. Contingent liabilities

CONTINGENT LIABILITIES	31.03.2017 <i>(unaudited)</i>	31.12.2016
Guarantees	111	111
Sureties	-	-
Total	111	111

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

COLLATERALS FOR LIABILITIES	31.03.2017 <i>(unaudited)</i>	31.12.2016
Promissory notes, including:		
- promissory notes as an additional guarantee for the PKO BP SA bank in respect of claims arising from the granted loan	100 000	100 000
Total	100 000	100 000

In the three-month period ended 31 March 2017 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 31 March 2017 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 31 March 2017 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 31 March 2017, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 28 383 thousand, including the total value of proceedings concerning liabilities at approx. PLN 25 578 thousand and the total value of proceedings concerning receivables at approx. PLN 2 804 thousand.

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

7.22. Factors and events with significant impact on the condensed financial statements

In the period from 1 January to 31 March 2017 the following material changes in the portfolio of the Company's real estate development projects under construction took place:

Projects where the construction commenced in the period from 1 January 2017 until 31 March 2017:

Project	Standard	Number of apartments	Number of commercial units
Premium, phase 5	Popular	109	4
Wilno IV, phase 1	Popular	300	9
Osiedle Forma, phase 1	Popular	89	6
Total:		498	19



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Projects where the construction was completed in the period from 1 January 2017 until 31 March 2017:

Project	Standard	Number of apartments	Number of commercial units
Premium, phase 1	Popular	191	15
Total:		191	15

Information on deliveries of residential and commercial units in the reporting period

Number of residential and commercial units delivered to customers in the three-month period ended 31 March 2017 has been presented in the following table:

Deliveries	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
Apartments and commercial units	230	256
Total	230	256

7.23. Dividends

On 28 February 2017, the Management Board requested that a part of the Company's net profit for 2016 in the amount of PLN 125 585 531.10, i.e. PLN 5.05 per share, be appropriated for the payment of a dividend to shareholders in Dom Development S.A., and a part of the net profit for 2016 in the amount of PLN 2 155 024.36 be allocated for the increase of supplementary capital of Dom Development S.A.

The Management Board of the Company proposed that the date of record be 26 June 2017 and the dividend payment date be 4 July 2017.

The Supervisory Board of the Company recommended to the General Shareholders' Meeting that the above petition be approved and resolution be adopted in respect of the distribution of profit for 2016 and the fixing of the date of record and the dividend payment date as proposed by the Management Board.

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.

**Dom Development S.A.**

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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	31.03.2017 <i>(unaudited)</i>	31.12.2016
	thousand Euro	thousand Euro
Total current assets	439 818	408 524
Total assets	482 125	447 164
Total shareholders' equity	221 399	210 472
Long-term liabilities	62 550	73 630
Short-term liabilities	198 176	163 062
Total liabilities	260 726	236 692
<i>PLN/EUR exchange rate as at the balance sheet date</i>	<i>4.2198</i>	<i>4.4240</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01 - 31.03.2017 <i>(unaudited)</i>	01.01 - 31.03.2016 <i>(unaudited)</i>
	thousand Euro	thousand Euro
Sales revenue	26 380	31 925
Gross profit on sales	6 084	7 282
Operating profit/(loss)	2	1 689
Profit/(loss) before tax	(4)	1 468
Net profit/(loss)	(55)	1 177
<i>Average PLN/EUR exchange rate for the reporting period</i>	<i>4.2891</i>	<i>4.3559</i>