



DOM DEVELOPMENT S.A.

**Interim condensed financial statements
for the six-month period ended
30 June 2017**



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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 on 30 June 2017, comprising:

- interim condensed balance sheet prepared as at 30 June 2017 with the balance of assets and liabilities in the amount of PLN 2 156 573 thousand;
- interim condensed income statement for the six-month period ended 30 June 2017 with a net profit of PLN 45 130 thousand;
- interim condensed statement of comprehensive income for the six-month period ended 30 June 2017 with a net comprehensive profit of PLN 44 934 thousand;
- interim condensed statement of changes in shareholders' equity in the six-month period ended 30 June 2017 with the PLN 853 966 thousand shareholders' equity as at 30 June 2017;
- interim condensed cash flow statement for the six-month period ended 30 June 2017 with the PLN 227 133 thousand of cash and cash equivalents as at 30 June 2017;
- additional notes to the interim condensed financial statements

were prepared and approved by the Management Board of the Company on 23 August 2017.

Jarosław Szanajca, President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Małgorzata Kolarska,
Vice President of the Management Board

Janusz Stolarczyk,
Member of the Management Board

Terry R. Roydon,
Member of the Management Board



2. INTERIM CONDENSED BALANCE SHEET

| ASSETS | Note | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|---|------|----------------------------------|------------------|
| Fixed assets | | | |
| Intangible assets | | 3 962 | 3 923 |
| Tangible fixed assets | | 7 138 | 6 973 |
| Investments in subsidiaries, associates and jointly controlled entities | 7.5 | 301 726 | 151 108 |
| Long-term receivables | | 1 578 | 1 523 |
| Other long-term assets | | 3 741 | 7 413 |
| Total fixed assets | | 318 145 | 170 940 |
| Current assets | | | |
| Inventory | 7.6 | 1 536 802 | 1 360 371 |
| Trade and other receivables | | 26 113 | 9 231 |
| Income tax receivables | | - | - |
| Other current assets | | 3 518 | 2 612 |
| Short-term financial assets | 7.7 | 44 862 | 22 763 |
| Cash and cash equivalents | 7.8 | 227 133 | 412 335 |
| Total current assets | | 1 838 428 | 1 807 312 |
| Total assets | | 2 156 573 | 1 978 252 |

| EQUITY AND LIABILITIES | Note | 30.06.2017 <i>(unaudited)</i> | 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) | | 544 851 | 542 696 |
| Reserve capital from valuation of share options | | - | - |
| Reserve capital from valuation of cash flow hedges | | 219 | 415 |
| Reserve capital from reduction of share capital | | 510 | 510 |
| Accumulated, unappropriated profit/(loss) | | 45 130 | 127 740 |
| Total shareholders' equity | | 853 966 | 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 | | 9 169 | 17 023 |
| Long-term provisions | | 13 500 | 14 346 |
| Other long-term liabilities | | 38 919 | 34 369 |
| Total long-term liabilities | | 271 588 | 325 738 |
| Short-term liabilities | | | |
| Trade payables, tax and other liabilities | | 236 584 | 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 | 1 263 | 3 897 |
| Corporate income tax payables | | 14 985 | 23 057 |
| Dividends payables | 7.23 | 125 586 | - |
| Short-term provisions | | 5 223 | 5 546 |
| Deferred income | 7.24 | 597 378 | 349 058 |
| Total short-term liabilities | | 1 031 019 | 721 385 |
| Total liabilities | | 1 302 607 | 1 047 123 |
| Total equity and liabilities | | 2 156 573 | 1 978 252 |



3. INTERIM CONDENSED INCOME STATEMENT

| | Note | Six-month period ended | |
|---------------------------------|-------------|----------------------------------|----------------------------------|
| | | 30.06.2017 <i>(unaudited)</i> | 30.06.2016 <i>(unaudited)</i> |
| Sales revenue | 7.14 | 420 091 | 367 733 |
| Cost of sales | 7.15 | (307 024) | (287 864) |
| Gross profit on sales | | 113 067 | 79 869 |
| Selling costs | 7.15 | (28 275) | (22 856) |
| General administrative expenses | 7.15 | (24 653) | (25 372) |
| Other operating income | | 516 | 2 959 |
| Other operating expenses | | (5 284) | (3 860) |
| Operating profit | | 55 371 | 30 740 |
| Financial income | | 1 529 | 588 |
| Financial costs | | (673) | (1 613) |
| Profit before tax | | 56 227 | 29 715 |
| Income tax | 7.16 | (11 097) | (6 055) |
| Net profit | | 45 130 | 23 660 |
| Earnings per share: | | | |
| Basic (PLN) | 7.17 | 1.82 | 0.96 |
| Diluted (PLN) | 7.17 | 1.82 | 0.95 |



4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | Six-month period ended | |
|---------------------------------------|----------------------------------|----------------------------------|
| | 30.06.2017 <i>(unaudited)</i> | 30.06.2016 <i>(unaudited)</i> |
| Net profit | 45 130 | 23 660 |
| Other comprehensive income | | |
| Net change to cash flow hedges | (242) | (384) |
| Income tax | 46 | 73 |
| Other net comprehensive income | (196) | (311) |
| Total net comprehensive income | 44 934 | 23 349 |



5. INTERIM CONDENSED CASH FLOW STATEMENT

| | Note | Six-month period ended | |
|---|-------------|----------------------------------|----------------------------------|
| | | 30.06.2017 <i>(unaudited)</i> | 30.06.2016 <i>(unaudited)</i> |
| Cash flow from operating activities | | | |
| Profit/(loss) before tax | | 56 227 | 29 715 |
| Adjustments: | | | |
| Depreciation | | 2 941 | 2 566 |
| Profit/loss on foreign exchange differences | | 8 | 21 |
| Profit/loss on investments | | (118) | 60 |
| Interest cost/income | | 4 386 | 6 599 |
| Changes in the operating capital: | | | |
| Changes in provisions | | (1 169) | (928) |
| Changes in inventory | | (38 769) | (142 823) |
| Changes in receivables | | (16 818) | (6 492) |
| Changes in short-term liabilities, excluding loans and bonds | | 2 431 | 29 293 |
| Changes in prepayments and deferred income | | 251 247 | 227 959 |
| Other adjustments | | (8) | (22) |
| Cash flow generated from operating activities | | 260 358 | 145 948 |
| Interest received | | 2 834 | 1 981 |
| Interest paid | | (8 611) | (7 721) |
| Income tax paid | | (26 976) | (5 945) |
| Net cash flow from operating activities | | 227 605 | 134 263 |
| Cash flow from investing activities | | | |
| Proceeds from the sale of intangible assets and tangible fixed assets | | 31 | 98 |
| Proceeds from the sale of financial assets | | - | - |
| Acquisition of intangible and tangible fixed assets | | (2 913) | (3 174) |
| Acquisition of financial assets and additional contributions to the share capital of subsidiaries | | (289 925) | (12 645) |
| Net cash flow from investing activities | | (292 807) | (15 721) |
| 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 | | (185 202) | 99 006 |
| Cash and cash equivalents – opening balance | 7.8 | 412 335 | 217 201 |
| Cash and cash equivalents – closing balance | 7.8 | 227 133 | 316 207 |



Dom Development S.A.

Interim condensed statement of changes in shareholders' equity
for the six-month period ended 30 June 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 | - | - | 2 155 | - | - | - | (2 155) | - |
| Dividends allocated to shareholders (note 7.23) | - | - | - | - | - | - | (125 585) | (125 585) |
| Net profit for the reporting period | - | - | - | - | - | - | 45 130 | 45 130 |
| Other net comprehensive income for the reporting period | - | - | - | - | (196) | - | - | (196) |
| Balance as at 30 June 2017 <i>unaudited</i> | 24 868 | 238 388 | 544 851 | 510 | 219 | 0 | 45 130 | 853 966 |

| | 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 | 11 | 452 | - | - | - | - | - | 463 |
| Transfer of profit to supplementary capital | - | - | 104 | - | - | - | (104) | - |
| Dividends allocated to shareholders (note 7.23) | - | - | - | - | - | - | (80 543) | (80 543) |
| Net profit for the reporting period | - | - | - | - | - | - | 23 660 | 23 660 |
| Other net comprehensive income for the reporting period | - | - | - | - | (311) | - | - | (311) |
| Balance as at 30 June 2016 <i>unaudited</i> | 24 782 | 234 986 | 517 570 | 510 | (229) | 25 126 | 23 660 | 826 405 |



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, 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, and in Wrocław and the Tricity area through its subsidiaries.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 June 2017, Dom Development B.V. controlled 57.65% 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 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, however they 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 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 Capital Group for the six-month period ended 30 June 2017. These statements were approved by the Management Board of the Company on 23 August 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,
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021,
- IFRIC 23 *Uncertainty over Income Tax Treatments* (published on 7 June 2017) – 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.

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 Company's financial statements, and no substantial changes are expected.

As concerning changes to IFRS 15 *Revenue from Contracts with Customers*, the Management Board has analysed the impact of this standard on the financial situation, the operational results of the Company and the scope of information presented in the financial statements. No substantial changes are expected in this respect.

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 | 30.06.2017 (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. w likwidacji | 50 | 100% | 50 | 100% |
| Dom Development Grunty sp. z o.o. | 4 | 46% | - | 46% |
| Dom Land sp. z o.o. | - | - | - | - |
| Fort Mokotów sp. z o.o. w likwidacji | - | 49% | - | 49% |
| Dom Development Wrocław sp. z o.o. | 35 947 | 100% | 14 647 | 100% |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji *) | - | - | 136 411 | 100% |
| Euro Styl S.A. | 265 473 | 100% | - | - |
| Euro Styl Development spółka z o.o. | 252 | 100% | - | - |
| Total | 301 726 | | 151 108 | |

*) The costs incurred by the Company in connection with the purchase of shares in Fort Mokotów Inwestycje sp. z o.o. w likwidacji has been included in the carrying value of the FMI investment. The Fort Mokotów Inwestycje sp. z o.o. w likwidacji was wound up on 19 May 2017.

Description of material changes in the period from 1 January until 30 June 2017

- Acquisition of Eurostyl S.A. Capital Group ("Euro Styl Group")**

On 8 June 2017, the Company acquired 100% of the shares in Euro Styl S.A. with its registered office in Gdańsk for PLN 259 750 thousand and 100% of the shares in the share capital of Euro Styl Development sp. z o.o. with its registered office in Gdańsk for PLN 250 thousand from Forum IV fundusz inwestycyjny zamknięty (*closed-end investment fund*) with its registered office in Cracow (the "Transaction"). The entire price was paid in cash. As a result of the Transaction, Dom Development S.A. controls the Euro Styl S.A. Capital Group that is a residential developer in the market of Tricity and its vicinity. The composition of Euro Styl Group is presented in the table below:

| Companies operating within the Euro Styl Group | Percentage share in the SPVs operating within the Euro Styl Group as at 30.06.2017 | |
|---|--|-------------------------------------|
| | Euro Styl S.A. | Euro Styl Development spółka z o.o. |
| Euro Styl Construction Sp. z o.o. | 100.00% | - |
| Euro Styl Development Sp. z o.o. OLIWA PARK Sp.k. | 99.96% | 0.04% |
| Euro Styl Development Sp. z o.o. MORSKIE Sp.k. | 99.83% | 0.17% |
| Euro Styl Development Sp. z o.o. VIRIDIS Sp.k. | 99.91% | 0.09% |
| Euro Styl Development Sp. z o.o. ŻNIWNA Sp.k. | 99.92% | 0.08% |
| Euro Styl Development Sp. z o.o. CYTRUSOWE Sp.k. | 99.90% | 0.10% |
| Euro Styl Development Sp. z o.o. SPEKTRUM Sp.k. | 99.90% | 0.10% |
| Euro Styl Development Sp. z o.o. GAMMA Sp.k. | 99.50% | 0.50% |

The purpose of the acquisition for Dom Development Capital Group is to establish its presence in the Tricity market where the Euro Style Group operates, and ensure a significant increase in the consolidated revenues and profits of the Company.

The cost of this acquisition in the amount of PLN 5 725 thousand has been accounted for in the balance sheet as investment in subsidiaries. Additional acquisition costs of PLN 1 824 thousand which were not incurred as a condition for



the transactions (such as due diligence in many areas) has been recognized directly in the income statement as "other operating expenses".

- Repayable additional contributions to the share capital

From 1 January until 30 June 2017, a repayable additional contribution to the share capital in Fort Mokotów Inwestycje spółka z o.o. w likwidacji and Dom Development Wrocław spółka z o.o. was made in the amount of of PLN 2 100 thousand and PLN 21 300 thousand, respectively.

- Completion of winding up of Fort Mokotów Inwestycje sp. z o.o. w likwidacji

In 2016, the Company purchased Fort Mokotów Inwestycje Sp. z o.o. (hereinafter "FMI") for PLN 129 400 thousand, thus it indirectly acquired the perpetual usufruct right to the property that was owned by FMI. Due to the nature of the transaction, this purchase was disclosed in the consolidated financial statements of the Dom Development S.A. Capital Group as purchase of assets rather than purchase of an enterprise.

On 19 May 2017, FMI was wound up, and as a result the perpetual usufruct right to the land and cash of FMI have been transferred to the Company.

7.6. Inventory

| INVENTORY | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|---|---|-------------------|
| Advances on deliveries | 51 857 | 40 046 |
| including: at purchase prices/production costs | 52 026 | 40 215 |
| write down to the net realisable value | (169) | (169) |
| Semi-finished goods and work in progress | 1 284 581 | 1 060 476 |
| including: at purchase prices/production costs | 1 306 381 | 1 082 276 |
| write down to the net realisable value | (21 800) | (21 800) |
| Finished goods | 200 364 | 259 849 |
| including: at purchase prices/production costs | 208 509 | 268 172 |
| write down to the net realisable value | (8 145) | (8 323) |
| Total | 1 536 802 | 1 360 371 |

| INVENTORY REVALUATION WRITE DOWNS | 01.01 - 30.06.2017 <i>(unaudited)</i> | 01.01 - 30.06.2016 <i>(unaudited)</i> |
|--|---|---|
| Opening balance | 30 292 | 16 760 |
| Increments | 272 | 576 |
| Decrease | (450) | (98) |
| Closing balance | 30 114 | 17 238 |

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 | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|---|---|-------------------|
| Carrying value of inventory used to secure liabilities | 327 643 | 300 000 |
| Mortgages: | | |
| Value of mortgages established to secure real estate purchase agreements | - | - |
| Value of mortgages established to secure loan agreements (cap) | 352 500 | 300 000 |



7.7. Short-term financial assets

| SHORT-TERM FINANCIAL ASSETS | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|---|---|-------------------|
| Bank deposits with a maturity over three months | 49 | 49 |
| Cash in open-end residential escrow accounts | 43 582 | 21 483 |
| Cash in other escrow accounts | 1 231 | 1 231 |
| Total | 44 862 | 22 763 |

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 | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 | 30.06.2016 <i>(unaudited)</i> |
|---|---|-------------------|---|
| Cash in hand and at bank | 1 673 | 4 032 | 1 254 |
| Bank deposits with a maturity of three months or less | 225 436 | 408 280 | 314 912 |
| Other | 24 | 23 | 41 |
| Total | 227 133 | 412 335 | 316 207 |

7.9. Share capital

Description of changes to the share capital in the Company in the period from 1 January until 30 June 2017

In the period from 1 January until 30 June 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 30.06.2017 | 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



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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. The ordinary bearer shares were registered in the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW) and were introduced into trading in the regulated market under the standard procedure on 10 March 2017.

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2017

| 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 31.03.2017 |
|--|---|-----------------|----------------------------------|--------------------------|---|
| | Shares | % of capital | Number of votes at the GSM | % of votes at the GSM | Shares |
| Dom Development B.V. | 14 335 879 | 57.65 | 14 335 879 | 57.65 | (390 293) |
| Jarosław Szanajca | 1 454 050 | 5.85 | 1 454 050 | 5.85 | - |
| Aviva Otwarty Fundusz Emerytalny 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 Otwarty Fundusz Emerytalny Aviva BZ WBK S.A. (open-end pension fund) has been presented as per the latest notice dated 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A.



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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 31.03.2017 | |
|------------------------------|--|---------------|-----------|---|---------------|
| | Shares | Share options | Total | Shares | Share options |
| The Management Board | | | | | |
| Jarosław Szanajca | 1 454 050 | - | 1 454 050 | - | - |
| Janusz Zalewski | 350 000 | - | 350 000 | - | - |
| Małgorzata Kolarska | 31 500 | - | 31 500 | 25 000 | - |
| Janusz Stolarczyk | 122 030 | - | 122 030 | - | - |
| Terry Roydon | 58 500 | - | 58 500 | - | - |
| The Supervisory Board | | | | | |
| Grzegorz Kielpsz | 1 280 750 | - | 1 280 750 | - | - |
| Mark Spiteri | 900 | - | 900 | - | - |

7.10. Loans

Description of material changes in the six-month period ended 30 June 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 six-month period ended 30 June 2017 have not changed.

As of 30 June 2017 and 31 December 2016 the Company had no loan liabilities.

| BANK LOANS AS AT 30.06.2017 | | | | | | |
|-----------------------------|-------------------|---|-----|--|------------|------------|
| 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.



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As at 30 June 2017 and 31 December 2016 all the loans taken by the Company were expressed in Polish zloty.

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

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

7.11. Bonds

| BONDS | 30.06.2017 <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 six-month period ended 30 June 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 30.6.2017 | | | | | |
|-------------------------------------|-------------------|----------------|-----------------|----------------------------------|--|
| 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 | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|--|---|-------------------|
| Accrued interest on bonds | 1 263 | 3 897 |
| Accrued interest on loans | - | - |
| Total accrued interest on loans and bonds | 1 263 | 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 - 30.06.2017 <i>(unaudited)</i> | 01.01 - 30.06.2016 <i>(unaudited)</i> |
|--------------------------|---|---|
| Sales of finished goods | 412 392 | 352 913 |
| Sales of services | 7 699 | 9 320 |
| Sales of land | - | 5 500 |
| Total | 420 091 | 367 733 |

7.15. Operating costs

| OPERATING COSTS | 01.01 - 30.06.2017 <i>(unaudited)</i> | 01.01 - 30.06.2016 <i>(unaudited)</i> |
|---|---|---|
| Cost of sales | | |
| Cost of finished goods sold | (298 628) | (271 792) |
| Cost of services sold | (8 574) | (10 771) |
| Cost of land sold | - | (4 823) |
| Inventory write down to the net realisable value | 178 | (478) |
| Total cost of sales | (307 024) | (287 864) |
| Selling costs, and general administrative expenses | | |
| Selling costs | (28 275) | (22 856) |
| General administrative expenses | (24 653) | (25 372) |
| Total selling costs, and general administrative expenses | (52 928) | (48 228) |
| Selling costs, and general administrative expenses by kind | | |
| Depreciation | (2 941) | (2 566) |
| Cost of materials and energy | (7 078) | (5 533) |
| External services | (15 752) | (12 104) |
| Taxes and charges | (71) | (64) |
| Remuneration | (21 173) | (22 129) |
| Social security and other benefits | (3 763) | (3 393) |
| Other prime costs | (2 150) | (2 439) |
| Total selling costs, and general administrative expenses by kind | (52 928) | (48 228) |



7.16. Income tax in the income statement

| INCOME TAX | 01.01 - 30.06.2017 | 01.01 - 30.06.2016 |
|--------------------------------------|-------------------------------|-------------------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Current income tax | (18 904) | (17 281) |
| Deferred tax in the income statement | 7 807 | 11 226 |
| Total | (11 097) | (6 055) |

7.17. Earnings per share

| CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE | 01.01 - 30.06.2017 | 01.01 - 30.06.2016 |
|---|-------------------------------|-------------------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Basic earnings per share | | |
| Profit for calculation of the basic earnings per share | 45 130 | 23 660 |
| The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share | 24 863 680 | 24 774 009 |
| Basic earnings per share (PLN) | 1.82 | 0.96 |
| Diluted earnings per share | | |
| Profit for calculation of the diluted earnings per share | 45 130 | 23 660 |
| Potential diluting shares related to the Management Share Option Programmes | - | 29 987 |
| The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share | 24 863 680 | 24 803 996 |
| Diluted earnings per share (PLN) | 1.82 | 0.95 |

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



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7.18. Transactions with related entities

In the six-month periods ended 30 June 2017 and 2016, the Company was a party to transactions with related entities, as listed below.

| Counterparty | Transaction description | 01.01- 30.06.2017 (unaudited) | 01.01- 30.06.2016 (unaudited) |
|--|--|-------------------------------------|-------------------------------------|
| 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 | 1 047 | 912 |
| M&M Usługi Doradcze M. Kolarski | Consulting services | 23 | 48 |
| Hansom Property Company Limited | Other | 341 | 250 |
| Hansom Property Company Limited | Consulting services as per the agreement dated 2 January 2001 as annexed | 252 | 138 |
| Kirkley Advisory Limited | Other | - | 124 |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | Other | 150 | - |
| Dom Land sp. z o.o. | Marketing services | 252 | - |
| Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) | Cooperation Agreements | 385 | - |
| DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES: | | | |
| Fort Mokotów sp. z o.o. w likwidacji | Repair services as per the agreement dated 22 July 2005 | 48 | 48 |
| Dom Development Grunty sp. z o.o. | Other | 3 | 3 |
| Dom Development Morskie Oko sp. z o.o. w likwidacji | Other | 2 | 2 |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | Other | 2 | - |
| Dom Land sp. z o.o. | Other | 2 | 2 |
| Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) | Cooperation Agreements | 220 | 14 |
| DOM DEVELOPMENT S.A. AS A LENDER: | | | |
| Dom Development Grunty sp. z o.o. | Interest accrued on the borrowing | 4 | 8 |
| DOM DEVELOPMENT S.A. AS A CONTRIBUTOR OF SHARE CAPITAL TO 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 *) | 21 300 | 8 645 |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | Additional contribution to the share capital *) | 2 100 | - |
| DOM DEVELOPMENT S.A. AS A TRANSFEREE OF ASSETS FOLLOWING THE LIQUIDATION OF SUBSIDIARIES: | | | |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | Right of perpetual usufruct of the land (<i>long-term leasehold</i>) | 138 500 | - |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | Cash receivable | 118 | - |
| 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 | - | 1 205 |

*) 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".



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| Counterparty | Transaction description | 01.01- 30.06.2017 | 01.01- 30.06.2016 |
|---|-----------------------------------|----------------------|----------------------|
| | | (<i>unaudited</i>) | (<i>unaudited</i>) |
| DOM DEVELOPMENT S.A. AS A BUYER OF THE TITLE TO LAND: | | | |
| Dom Development Grunty sp. z o.o. | Purchase of freehold | - | 7 512 |
| DOM DEVELOPMENT S.A. AS A SELLER OF THE TITLE TO LAND: | | | |
| Dom Development Grunty sp. z o.o. | Sale of interest in real property | 10 802 | - |
| Dom Land sp. z o.o. | Sale of interest in real property | 2 448 | - |

| BALANCES WITH RELATED ENTITIES – balances as in the books of the Company | | | | |
|--|-----------------------------------|----------------------|---------------------------------|----------------------|
| Entity | Receivables from related entities | | Liabilities to related entities | |
| | 30.06.2017 | 31.12.2016 | 30.06.2017 | 31.12.2016 |
| | (<i>unaudited</i>) | (<i>unaudited</i>) | (<i>unaudited</i>) | (<i>unaudited</i>) |
| Total balance | 66 890 | 29 383 | 179 | 2 248 |
| Subsidiaries | 63 832 | 29 332 | - | 1 988 |
| Dom Development Morskie Oko sp. z o.o. w likwidacji additional contributions to the share capital | 1 147 | 1 147 | - | - |
| Dom Development Grunty sp. z o.o. | 30 721 | 17 431 | - | - |
| Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) additional contributions to the share capital | 31 945 | 10 645 | - | - |
| Dom Development Wrocław sp. z o.o. (formerly Vratislavia Dom Development sp. z o.o.) other | 19 | 95 | - | 1 988 |
| Fort Mokotów Inwestycje sp. z o.o. w likwidacji | - | 14 | - | - |
| Jointly controlled entities | 10 | 10 | - | - |
| Fort Mokotów sp. z o.o. w likwidacji | 10 | 10 | - | - |
| Other entities | 3 048 | 41 | 179 | 260 |
| Dom Land sp. z o.o. | 3 048 | 41 | - | 45 |
| M&M Usługi Doradcze M. Kolarski | - | - | 3 | 5 |
| Woodsford Consulting Limited | - | - | 176 | 210 |
| Hansom Property Company Limited | - | - | - | - |

| 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 |

| REMUNERATION AND FEES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS OF DOM DEVELOPMENT S.A. | | | |
|--|----------------------|----------------------|--|
| Counterparty | 01.01- 30.06.2017 | 01.01- 30.06.2016 | |
| | (<i>unaudited</i>) | (<i>unaudited</i>) | |
| The Management Board | 5 599 | 4 495 | |
| The Supervisory Board | 649 | 634 | |



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 30 June 2017 there was no active Management Option Programme at the Company.

Exercise of the share options

In the six-month period ended 30 June 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 six-month period ended 30 June 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 gave a positive opinion as regards the draft of the above mentioned resolution and recommended to the General Shareholders' Meeting that this resolution be adopted with the body as proposed by the Management Board.

On 25 May 2017 the Ordinary General Meeting of Shareholders of the Company adopted a resolution on the authorization of the Supervisory Board of the Company to accept on the above terms the provisions of and to implement Management Share Option Programme IV for the Vice President of the Management Board - CEO concerning 500 000 shares in Dom Development S.A.


The said share options have not been granted up until the date of the preparation of these interim condensed consolidated financial statements.



7.20. Contingent liabilities

| CONTINGENT LIABILITIES | 30.06.2017 <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 | 30.06.2017 <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 six-month period ended 30 June 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 30 June 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 subsidiaries, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 June 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 30 June 2017, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 29 085 thousand, including the total value of proceedings concerning liabilities at approx. PLN 26 871 thousand and the total value of proceedings concerning receivables at approx. PLN 2 214 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 30 June 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 30 June 2017:

| Project | Standard | Number of apartments | Number of commercial units |
|------------------------|-----------------|-----------------------------|-----------------------------------|
| Wilno VI phase 1 | Popular | 300 | 9 |
| Premium phase 4 | Popular | 248 | 0 |
| Premium phase 5 | Popular | 109 | 4 |
| Osiedle Forma phase 1 | Popular | 89 | 6 |
| Osiedle Forma phase 2 | Popular | 192 | 7 |
| Amsterdam phase 2 | Popular | 307 | 7 |
| Cybernetyki 17 phase 1 | Popular | 145 | 1 |
| Cybernetyki 17 phase 2 | Popular | 236 | 11 |
| Moderna phase 3 | Popular | 163 | 24 |
| Wille Lazurowa phase 2 | Popular | 102 | 0 |

Projects where the construction was completed in the period from 1 January 2017 until 30 June 2017:

| Project | Standard | Number of apartments | Number of commercial units |
|--------------------------------|-----------------|-----------------------------|-----------------------------------|
| Premium phase 1 | Popular | 191 | 15 |
| Osiedle Przyjaciół phase 3 | Popular | 93 | 2 |
| Apartamenty Mokotów nad Skarpą | Popular | 183 | 1 |
| Moderna phase 1 | Popular | 167 | 4 |

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

Number of residential and commercial units delivered to customers in the six-month period ended 30 June 2017 has been presented in the following table:

| Deliveries | 01.01 - 30.06.2017 (unaudited) | 01.01 - 30.06.2016 (unaudited) |
|---------------------------------|---|---|
| Apartments and commercial units | 865 | 820 |

7.23. Dividends

On 25 May 2017, the Ordinary General Meeting of the Shareholders of the Company resolved to appropriate PLN 125 585 531.10 from the Company's profit for 2016 to dividends. This implies the payment of PLN 5.05 per share. While the amount of PLN 2 155 024.36 was allocated to the increase of the Company's supplementary capital.

The date of record was set at 26 June 2017 and the dividend payment day was set at 4 July 2016. The dividend was paid out in accordance with the resolution.

In the preceding year, PLN 80 543 424.00 was appropriated to dividends and the dividend payment amounted to PLN 3.25 per share, while PLN 103 942.31 was allocated to the increase of the Company's supplementary capital.



7.24. Deferred income

Payments from customers on account of the purchase of apartments and parking spaces are recorded as deferred income until the time that they are delivered to the buyer and are recognised in the income statement as "sales revenue". This balance sheet item is closely dependent over time on the relationship between the sales rate (which as it increases, increases this item) and the deliveries rate (which as it decreases, decreases this item).

A significant increase of this item, from PLN 349 058 thousand at the end of 2016 up to PLN 597 378 thousand as at 30 June 2017, is a result of the good advance sale of apartments and commercial units in the projects developed by the Company and less projects completed (deliveries) in the first half of the year.

7.25. Material post-balance sheet events

The conclusion of purchase agreements concerning perpetual usufruct (*long-term leasehold*) right to investment real properties in Warsaw, shares in a limited liability company and copyrights for documentation

On 27 July 2017 a preliminary purchase agreement and conditional purchase agreement concerning perpetual usufruct of real properties located in the Żoliborz District, Warsaw were entered into by the Company and Acciona Nieruchomości Żoliborz sp. z o.o.

In addition to this, on 27 July 2017 a conditional purchase agreement for 100% of shares in the share capital of the company under the business name of Mirabelle Investments sp. z o.o. with its registered office in Warsaw that is an addressee of administrative decisions and holder of copyrights for the documentation as well as a party to the contracts that are necessary to develop a housing project on the said real properties was entered into by the Company with Alicionak spółka z ograniczoną odpowiedzialnością spółka komandytowa (*limited partnership*) with its registered office in Warsaw and Fasby Bears Sociedad Limitada with its registered office in La Coruña, Spain.

Moreover, on 27 July 2017 the Company entered into a conditional purchase agreement with Apricot Capital Group sp. z o.o. with its registered office in Warsaw and Mirabelle Investments sp. z o.o. with its registered office in Warsaw, concerning rights in a development project that may be developed on the said properties and, signed a memorandum of understanding with Mirabelle Investments sp. z o.o., concerning a waiver by the said company of their rights to the real properties concerned.

The aggregate amount of the fees which the Company undertook to pay to the above companies under the said agreements shall be not more than PLN 184.6 million.

The provisions of the said agreements do not differ from standards commonly used in such agreements.

All these agreements were signed in order for the Company to acquire the perpetual usufruct right to the real properties located in the Żoliborz District, Warsaw and the rights in the documentation prepared under predevelopment of a real property project, with a view to develop a housing project by the Company. It is not the Company's intention to carry out operations through Mirabelle Investments sp. z o.o. The area of the real properties concerned is 43 603 sq.m. The Company intends to develop a multi-stage development project with approximately 1 350 units on the said real property.

7.26. Forecasts

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

**Dom Development S.A.**

Additional notes to the interim condensed financial statements
for the six-month period ended 30 June 2017
(all amounts in thousands PLN unless stated otherwise)

7.27. Selected financial data translated into euro

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

| SELECTED DATA FROM THE BALANCE SHEET | 30.06.2017 <i>(unaudited)</i> | 31.12.2016 |
|--|---|----------------------|
| | thousand Euro | thousand Euro |
| Total current assets | 434 976 | 408 524 |
| Total assets | 510 250 | 447 164 |
| Total shareholders' equity | 202 050 | 210 472 |
| Long-term liabilities | 64 258 | 73 630 |
| Short-term liabilities | 243 942 | 163 062 |
| Total liabilities | 308 200 | 236 692 |
| <i>PLN/EUR exchange rate as at the balance sheet date</i> | <i>4.2265</i> | <i>4.4240</i> |

| SELECTED DATA FROM THE INCOME STATEMENT | 01.01 - 30.06.2017 <i>(unaudited)</i> | 01.01 - 30.06.2016 <i>(unaudited)</i> |
|--|---|---|
| | thousand Euro | thousand Euro |
| Sales revenue | 98 905 | 83 948 |
| Gross profit on sales | 26 620 | 18 233 |
| Operating profit/(loss) | 13 036 | 7 017 |
| Profit/(loss) before tax | 13 238 | 6 783 |
| Net profit/(loss) | 10 625 | 5 401 |
| <i>Average PLN/EUR exchange rate for the reporting period</i> | <i>4.2474</i> | <i>4.3805</i> |