



DOM DEVELOPMENT S.A.

Interim condensed consolidated financial statements for the three-month period ended 31 March 2018



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

These interim condensed consolidated financial statements for the three-month period ended on 31 March 2018, comprising:

- interim condensed consolidated balance sheet prepared as at 31 March 2018 with the balance of assets and liabilities in the amount of PLN 2 480 672 thousand;
- interim condensed consolidated income statement for the three-month period ended 31 March 2018 with a net profit of PLN 17 512 thousand;
- interim condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2018 with a net comprehensive income of PLN 16 484 thousand;
- interim condensed statement of changes in consolidated shareholders' equity in the three-month period ended 31 March 2018 with the PLN 1 023 756 thousand shareholders' equity as at 31 March 2018;
- interim condensed consolidated cash flow statement for the three-month period ended 31 March 2018 with the PLN 233 342 thousand net cash and cash equivalents as at 31 March 2018;
- additional notes to the interim condensed consolidated financial statements,

were prepared and approved by the Management Board of the Company on 25 April 2018.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board



2. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| ASSETS | Note | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|--|------|----------------------------------|------------------|
| Fixed assets | | | |
| Intangible assets | | 10 365 | 10 444 |
| Tangible fixed assets | | 10 778 | 10 528 |
| Deferred tax assets | | 4 060 | 1 434 |
| Long-term receivables | | 1 612 | 1 612 |
| Other long-term assets | | 6 081 | 6 767 |
| Total fixed assets | | 32 896 | 30 785 |
| Current assets | | | |
| Inventory | 7.5 | 2 095 138 | 1 989 052 |
| Trade and other receivables | | 35 362 | 34 942 |
| Other current assets | | 5 446 | 3 971 |
| Income tax receivables | | - | 486 |
| Short-term financial assets | 7.6 | 78 488 | 51 506 |
| Cash and cash equivalents | 7.7 | 233 342 | 279 653 |
| Total current assets | | 2 447 776 | 2 359 610 |
| Total assets | | 2 480 672 | 2 390 395 |
| EQUITY AND LIABILITIES | Note | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
| Shareholders' equity | | | |
| Share capital | 7.8 | 24 968 | 24 868 |
| Share premium | | 241 788 | 238 388 |
| Other capital (supplementary capital) | | 550 703 | 549 257 |
| Reserve capital from valuation of cash flow hedges | | (844) | 184 |
| Reserve capital from reduction of share capital | | 510 | 510 |
| Unappropriated profit | | 206 567 | 189 052 |
| Equity attributable to the shareholders of parent company | | 1 023 692 | 1 002 259 |
| Non-controlling interests | | 64 | 67 |
| Total shareholders' equity | | 1 023 756 | 1 002 326 |
| Liabilities | | | |
| Long-term liabilities | | | |
| Loans, long-term portion | 7.9 | 35 000 | 35 000 |
| Bonds, long-term portion | 7.10 | 260 000 | 260 000 |
| Deferred tax provision | | 29 786 | 45 192 |
| Long-term provisions | | 14 313 | 14 321 |
| Other long-term liabilities | | 56 123 | 56 188 |
| Total long-term liabilities | | 395 222 | 410 701 |
| Short-term liabilities | | | |
| Trade payables, tax and other liabilities | | 243 840 | 271 442 |
| Loans, short-term portion | 7.9 | - | 50 000 |
| Bonds, short-term portion | 7.10 | - | 50 000 |
| Accrued interest on loans and bonds | 7.11 | 3 123 | 1 373 |
| Corporate income tax payables | | 14 911 | 27 531 |
| Short-term provisions | | 8 542 | 8 716 |
| Deferred income | 7.23 | 791 278 | 568 306 |
| Total short-term liabilities | | 1 061 694 | 977 368 |
| Total liabilities | | 1 456 916 | 1 388 069 |
| Total equity and liabilities | | 2 480 672 | 2 390 395 |



Dom Development S.A.

Interim condensed consolidated income statement
for the three-month period ended 31 March 2018
(all amounts in thousands PLN unless stated otherwise)

3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | Three-month period ended | |
|--|------|----------------------------------|----------------------------------|
| | | 31.03.2018 <i>(unaudited)</i> | 31.03.2017 <i>(unaudited)</i> |
| Sales revenue | 7.13 | 203 480 | 113 011 |
| Cost of sales | 7.14 | (142 707) | (86 993) |
| Gross profit on sales | | 60 773 | 26 018 |
| Selling costs | 7.14 | (17 597) | (15 119) |
| General administrative expenses | 7.14 | (19 579) | (11 238) |
| Other operating income | | 706 | 434 |
| Other operating expenses | | (1 759) | (1 045) |
| Operating profit | | 22 544 | (950) |
| Financial income | | 338 | 386 |
| Financial costs | | (486) | (418) |
| Profit before tax | | 22 396 | (982) |
| Income tax | 7.15 | (4 884) | (27) |
| Net profit | | 17 512 | (1 009) |
| Net profit attributable to: | | | |
| Shareholders of the parent company | | 17 515 | (1 008) |
| Non-controlling interests | | (3) | (1) |
| Earnings per share: | | | |
| Basic, from the profit for the period, attributable to parent company's shareholders (PLN) | 7.16 | 0.70 | (0.04) |
| Diluted, from the profit for the period, attributable to parent company's shareholders (PLN) | 7.16 | 0.70 | (0.04) |



Dom Development S.A.

Interim condensed consolidated statement of comprehensive income
for the three-month period ended 31 March 2018
(all amounts in thousands PLN unless stated otherwise)

4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Three-month period ended | |
|--|----------------------------------|----------------------------------|
| | 31.03.2018 <i>(unaudited)</i> | 31.03.2017 <i>(unaudited)</i> |
| Net profit | 17 512 | (1 009) |
| Other comprehensive income | | |
| Net change to cash flow hedges | (1 257) | (152) |
| Income tax | 229 | 29 |
| Other net comprehensive income | (1 028) | (123) |
| Total net comprehensive income | 16 484 | (1 132) |
| Net comprehensive income attributable to: | | |
| Shareholders of the parent company | 16 487 | (1 131) |
| Non-controlling interests | (3) | (1) |



5. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Note | Three-month period ended | |
|---|------|----------------------------------|----------------------------------|
| | | 31.03.2018 <i>(unaudited)</i> | 31.03.2017 <i>(unaudited)</i> |
| Cash flow from operating activities | | | |
| Profit/(loss) before tax | | 22 396 | (982) |
| Adjustments: | | | |
| Depreciation | | 2 324 | 1 484 |
| Profit/loss on foreign exchange differences | | (31) | 2 |
| Profit/loss on investments | | 28 | 56 |
| Interest cost/income | | 1 776 | 1 718 |
| Share options valuation | | 1 446 | - |
| Changes in the operating capital: | | | |
| Changes in provisions | | (219) | (1 077) |
| Changes in inventory | | (105 093) | (88 146) |
| Changes in receivables | | (436) | 51 |
| Changes in short-term liabilities, excluding loans and bonds | | (59 160) | 4 779 |
| Changes in prepayments and deferred income | | 224 449 | 191 670 |
| Other adjustments | | 31 | (2) |
| Cash flow generated from operating activities | | 87 511 | 109 553 |
| Interest received | | 539 | 1 363 |
| Interest paid | | (1 505) | (4 794) |
| Income tax paid | | (34 809) | (24 685) |
| Net cash flow from operating activities | | 51 736 | 81 437 |
| Cash flow from investing activities | | | |
| Proceeds from the sale of intangible assets and tangible fixed assets | | 347 | 2 |
| Acquisition of intangible and tangible fixed assets | | (1 771) | (1 020) |
| Acquisition of financial assets less cash acquired in the target subsidiary | | - | - |
| Net cash flow from investing activities | | (1 424) | (1 018) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares (exercise of share options) | 7.8 | 3 500 | - |
| Proceeds from contracted loans | 7.9 | - | - |
| Commercial papers issued | 7.10 | - | - |
| Repayment of loans and borrowings | 7.9 | (50 000) | - |
| Redemption of commercial papers | 7.10 | (50 000) | (120 000) |
| Dividends paid | | - | - |
| Payment of financial lease liabilities | | (123) | - |
| Net cash flow from financing activities | | (96 623) | (120 000) |
| Increase / (decrease) in net cash and cash equivalents | | (46 311) | (39 581) |
| Cash and cash equivalents – opening balance | 7.7 | 279 653 | 414 310 |
| Cash and cash equivalents – closing balance | 7.7 | 233 342 | 374 729 |



Dom Development S.A.

Interim condensed statement of changes in consolidated shareholders' equity
for the three-month period ended 31 March 2018
(all amounts in thousands PLN unless stated otherwise)

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

| | Share capital | Share premium less treasury shares | Other capital (supplementary capital) | Reserve capital | | Accumulated unappropriated profit (loss) | Equity attributable to the shareholders of parent company | Non-controlling interests | Total shareholders' equity |
|---|---------------|------------------------------------|---------------------------------------|---------------------------------|------------------------------------|--|---|---------------------------|----------------------------|
| | | | | from reduction of share capital | from valuation of cash flow hedges | | | | |
| Balance as at 1 January 2018 | 24 868 | 238 388 | 549 257 | 510 | 184 | 189 052 | 1 002 259 | 67 | 1 002 326 |
| Share capital increase by exercising share options (note 7.8) | 100 | 3 400 | - | - | - | - | 3 500 | - | 3 500 |
| Dividends to shareholders | - | - | - | - | - | - | - | - | - |
| Share options (note 7.18) | - | - | 1 446 | - | - | - | 1 446 | - | 1 446 |
| Net profit for the reporting period | - | - | - | - | - | 17 515 | 17 515 | (3) | 17 512 |
| Other net comprehensive income for the reporting period | - | - | - | - | (1 028) | - | (1 028) | - | (1 028) |
| Balance as at 31 March 2018 <i>(unaudited)</i> | 24 968 | 241 788 | 550 703 | 510 | (844) | 206 567 | 1 023 692 | 64 | 1 023 756 |

| | Share capital | Share premium less treasury shares | Other capital (supplementary capital) | Reserve capital | | Accumulated unappropriated profit (loss) | Equity attributable to the shareholders of parent company | Non-controlling interests | Total shareholders' equity |
|--|---------------|------------------------------------|---------------------------------------|---------------------------------|------------------------------------|--|---|---------------------------|----------------------------|
| | | | | from reduction of share capital | from valuation of cash flow hedges | | | | |
| Balance as at 1 January 2017 | 24 782 | 234 986 | 542 696 | 510 | 415 | 126 118 | 929 507 | (46) | 929 461 |
| Share capital increase by exercising share options | 86 | 3 402 | - | - | - | - | 3 488 | - | 3 488 |
| Dividends to shareholders | - | - | - | - | - | - | - | - | - |
| Net profit for the reporting period | - | - | - | - | - | (1 008) | (1 008) | (1) | (1 009) |
| Other net comprehensive income for the reporting period | - | - | - | - | (123) | - | (123) | - | (123) |
| Balance as at 31 March 2018 <i>(unaudited)</i> | 24 868 | 238 388 | 542 696 | 510 | 292 | 125 110 | 931 864 | (47) | 931 817 |



7. ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1. General information about Dom Development S.A. and the Dom Development S.A. Capital Group

General information about the parent company of the Dom Development S.A. Capital Group

The parent company of Dom Development S.A. Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") with its registered office in Warsaw (00-078 Warsaw, Plac Piłsudskiego 3) entered into the National Court Register under number 0000031483, maintained by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the scope of activity of the companies operating within the Group is the development of building projects – PKD 4110Z (NACE F41.1). The Group conducts its activities mainly in Warsaw and its vicinity, and in Wrocław and the Tricity area.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 March 2018 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 56.87% of the Company's shares.

General information about the Group and joint ventures

The Group's structure and the parent company interest in the share capital of the entities comprising the Group as at 31 March 2018 is presented in the table below:

| Entity | Country of registration | % of the share capital held by the parent company | % of the votes held by the parent company | Consolidation method |
|---|-------------------------|---|---|----------------------|
| Subsidiaries | | | | |
| Dom Development Grunty sp. z o.o. | Poland | 46% | 100% | full consolidation |
| Dom Development Kredyty sp. z o.o. | Poland | 100% | 100% | full consolidation |
| Dom Development Morskie Oko sp. z o.o. w likwidacji (under liquidation) | Poland | 100% | 100% | full consolidation |
| Dom Development Wrocław sp. z o.o. | Poland | 100% | 100% | full consolidation |
| Dom Land sp. z o.o. | Poland | - | - | full consolidation |
| Euro Styl S.A.*) | Poland | 100% | 100% | full consolidation |
| Euro Styl Development sp. z o.o.*) | Poland | 100% | 100% | full consolidation |
| Mirabelle Investments sp. z o.o. | Poland | 100% | 100% | full consolidation |
| Dom Development Construction sp. z o.o. | Poland | 100% | 100% | full consolidation |
| The Group has been also engaged in the joint venture: | | | | |
| Fort Mokotów sp. z o.o. w likwidacji (under liquidation) | Poland | 49% | 49% | equity method |

*) Euro Styl S.A. is the parent company of the Euro Styl S.A. Capital Group, with non-controlling interests held by Euro Styl Development sp. z o.o. As a result of the acquisition of both these companies, Dom Development S.A. has full control over the Euro Styl S.A. Capital Group.

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

Dom Development Grunty sp. z o.o. is fully consolidated as its financial and operational policy is managed by members of the management board nominated by Dom Development S.A. The area of activities of this subsidiary is the purchase of real estate to be further developed by the Group. Dom Development S.A. does not have a stake in the Dom Land sp. z o.o., but it controls



this company through the persons holding office in the management board of the company. Dom Land sp. z o.o. holds 54% shares in Dom Development Grunty sp. z o.o.

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies and Partnerships and their term of operation is unlimited, except for Fort Mokotów sp. z o.o., w likwidacji (under liquidation) and Dom Development Morskie Oko sp. z o.o., w likwidacji (under liquidation).

In the three-month period ended 31 March 2018 the Group did not discontinue any of its activities.

Material changes to the Group structure, including as a result of a merger, acquisition or sale of the companies operating within the capital group, long-term investments, demerger, restructuring or discontinuation of activities, win the three-month period ended 31 March 2018.

- **Establishment of Dom Development Construction sp. z o.o.**

In the first quarter of 2018, the Management Board of Dom Development S.A. decided to diversify the manner of developing projects by the Company. Dom Development S.A. projects have been developed by a third-party general contractor up until now. The Company intends to make use of the expertise and experience of Euro Styl S.A., a Tricity developer acquired in June 2017, which through its in-house contractor company has been successfully developing its projects. Dom Development S.A. will progressively introduce the development of projects with its own resources. Eventually, this is to complement the existing model of cooperation with third-party general contractors.

For this purpose, a subsidiary company Dom Development Construction Sp. z o.o. was established on 13 March 2018, with 100% shares held by Dom Development S.A. The share capital of this company is PLN 100 thousand and has been paid up in full. The company has not commenced its operations as at 31 March 2018. This company was registered with the National Court Register (KRS) on 11 April 2018.

The Management Board is of the opinion that the change in the manner of project development will allow it the current efficiency of the Company's operations to be sustained.

Within the three-month period ended 31 March 2018, in addition to the establishment of the subsidiary the Group did not make any other material changes in the structure of investing in subsidiaries, associates and joint ventures.

7.2. Basis for the preparing of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements have been prepared on a historical cost basis.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union (EU) are normally included in annual consolidated 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 consolidated financial statements have been prepared on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future.

The functional currency of the parent company and other companies incorporated in these condensed consolidated financial statements is Polish zloty (PLN). The condensed consolidated financial statements are stated in Polish zloty. Financial data included in the interim condensed consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The presented interim condensed consolidated balance sheet, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed statement of changes in consolidated shareholders' equity are unaudited and they have not been the subject of review by an independent certified auditor. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required from annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Group and the notes thereto for the year ended 31 December 2017.



The Company has also prepared interim condensed financial statements for Dom Development S.A. for the three-month period ended 31 March 2018. These statements were approved by the Management Board of the Company on 25 April 2018.

7.3. Accounting policies

Polish law requires the Group to prepare its interim condensed consolidated financial statements in accordance with IFRS, applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34). At this particular time, due to the endorsement of IFRS by the EU and the activities of the Group, there are no differences in the IFRS policies applied by the Group and IFRS that have been endorsed by the EU.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable in the interim financial reporting (IAS 34) and all applicable IFRS that have been adopted by the EU.

These interim condensed consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2017, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2018:

- IFRS 15 *Revenue from Contracts with Customers* published on 24 May 2014) (and Clarifications to IFRS 15 *Revenue from Contracts with Customers* published on 12 April 2016).
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 Group and the scope of information presented in the financial statements. The above analysis covered chiefly the moment of recognition of revenue from sales of goods (specifically residential units, retail premises or parking spaces). As a result of the said analysis no material changes in relation to the accounting policy applied by the Group in this area to date have been identified by the Management Board.
- IFRS 9 *Financial Instruments* (published on 24 July 2014),
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (published on 20 June 2016),
- *Improvements resulting from IFRS reviews 2014-2016* (published on 8 December 2016).

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

The Group has not decided for earlier adoption of any standard, interpretation or improvement/amendment, which was published and has not yet come into force.

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 16 *Leases* (published on 13 January 2016) – effective for annual periods beginning on or after 1 January 2019,
- 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,
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) – 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,
- Amendments to IFRS 9 *Revenue from Contracts with Customers* (published on 12 October 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,



- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (published on 12 October 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,
- Amendments to IAS 19 *Employee Benefits* – 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 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.

The Management Board is verifying effect of the above standards on the Group'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 Group is not subject to any major seasonality.

**7.5. Inventory**

| INVENTORY | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|---|---|-------------------|
| Advances on deliveries | 68 955 | 68 628 |
| including: at purchase prices/production costs | 68 955 | 68 628 |
| write down to the net realisable value | - | - |
| Semi-finished goods and work in progress | 1 884 930 | 1 640 470 |
| including: at purchase prices/production costs | 1 917 399 | 1 672 939 |
| write down to the net realisable value | (32 469) | (32 469) |
| Finished goods | 141 253 | 279 954 |
| including: at purchase prices/production costs | 151 046 | 289 987 |
| write down to the net realisable value | (9 793) | (10 033) |
| Total | 2 095 138 | 1 989 052 |

| INVENTORY REVALUATION WRITE DOWNS | 01.01 - 31.03.2018 <i>(unaudited)</i> | 01.01 - 31.03.2017 <i>(unaudited)</i> |
|--|---|---|
| Opening balance | 42 502 | 30 292 |
| Increments | 161 | 172 |
| Decreases | (401) | (84) |
| Closing balance | 42 262 | 30 380 |

The inventory revaluation write downs to the net realisable value have resulted from the impairment tests and analysis performed by the Group.

| CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|---|---|-------------------|
| Carrying value of inventory used to secure liabilities | 375 600 | 375 600 |
| Mortgages: | | |
| Value of mortgages established to secure real estate purchase agreements | - | - |
| Value of mortgages established to secure loan agreements (cap) | 375 600 | 375 600 |

7.6. Short-term financial assets

| SHORT-TERM FINANCIAL ASSETS | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|---|---|-------------------|
| Bank deposits with a maturity over three months | 49 | 49 |
| Cash in open-end residential escrow accounts | 78 439 | 51 457 |
| Cash in other escrow accounts | - | - |
| Total | 78 488 | 51 506 |

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



Cash received from the Group's customers as advances for the sale of products which is deposited in 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".

7.7. Cash and cash equivalents

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

| CASH AND CASH EQUIVALENTS | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 | 31.03.2017 <i>(unaudited)</i> |
|---|---|-------------------|---|
| Cash in hand and at bank | 89 160 | 77 755 | 2 083 |
| Bank deposits with a maturity of three months or less | 144 160 | 201 855 | 372 585 |
| Other | 22 | 43 | 61 |
| Total | 233 342 | 279 653 | 374 729 |

7.8. Share capital

Description of changes to the share capital in the Company in the period from 1 January until 31 March 2018

| Change in the reporting period | Share capital | | Share premium |
|---------------------------------------|----------------------|----------------------------|----------------------|
| | Number of shares | Value at the nominal value | |
| Balance as at 01.01.2018 | 24 868 422 | 24 868 | 238 388 |
| Change | 100 000 | 100 | 3 400 |
| Balance as at 31.03.2018 | 24 968 422 | 24 968 | 241 788 |

On 17 January 2018, the Management Board increased the share capital of the Company from the current amount of PLN 24 868 422.00 to PLN 24 968 422.00, i.e. by PLN 100 000.00, by way of issue of 100 000 series Y bearer ordinary shares with the nominal value of PLN 1.00 each. The issue of series Y shares took place through a private placement. The purpose of the series Y shares issue was to enable the Company to fulfil its obligations arising from Management Options Programme IV for Ms Małgorzata Kolarska related to 500 000 shares in Dom Development S.A. (see note 7.18). The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series Y bearer ordinary shares. The reason for the exclusion of the pre-emptive right from the existing shareholders is that the issue of series Y shares is addressed only to Ms Małgorzata Kolarska as a participant in Programme IV and in order to allow her to exercise her rights under subscription warrants.

On 25 January 2018, Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for the shares. The issue price for the new series Y shares was PLN 35.00 per share.

On 30 January 2018, the Management Board of the Company adopted a resolution on the allocation of 100 000 series Y shares to Ms Małgorzata Kolarska.

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 29 March 2018.



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SHARE CAPITAL (STRUCTURE) AS AT 31.03.2018

| 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 |
| Y | Bearer | - | - | 100 000 | 100 000 | cash | 29.03.2018 | *) |
| Total number of shares | | | | 24 968 422 | | | | |
| Total share capital | | | | 24 968 422 | | | | |
| Nominal value per share = PLN 1 | | | | | | | | |

*) On 11 April 2018 the Company filed an application for the registration of 100 000 Y series ordinary bearer shares with Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities). This application had not been processed up until the date that these statements were approved, and therefore the shares have not yet been admitted for trading at the Warsaw Stock Exchange.

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 30.09.2017 |
|---|--|--------------|----------------------------|-----------------------|---|
| | Shares | % of capital | Number of votes at the GSM | % of votes at the GSM | Shares |
| Dom Development B.V. | 14 199 879 | 56.87 | 14 199 879 | 56.87 | (60 000) |
| Jarosław Szanajca | 1 454 050 | 5.82 | 1 454 050 | 5.82 | - |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK SA *) | 1 313 383 | 5.26 | 1 313 383 | 5.26 | - |
| Grzegorz Kielpsz | 1 280 750 | 5.13 | 1 280 750 | 5.13 | - |

*) 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 30.09.2017 | |
|------------------------------|--|---------------|-----------|---|---------------|
| | 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 | 131 500 | 400 000 | 531 500 | 100 000 | 400 000 |
| Mikołaj Konopka | 1 292 | - | 1 292 | n/a | n/a |
| Terry Roydon | 58 500 | - | 58 500 | - | - |
| The Supervisory Board | | | | | |
| Grzegorz Kiełpsz | 1 280 750 | - | 1 280 750 | - | - |
| Mark Spiteri | 900 | - | 900 | - | - |

7.9. Loans

Description of material changes in the three-month period ended 31 March 2018

There were no loan agreements or any other agreements within the Group that expired in the three-month period ended 31 March 2018. Total loan liabilities decreased by PLN 50 million.

The structure of these liabilities in terms of their maturity has been presented in the table below.

| LOANS DUE WITHIN | 31.03.2018 | 31.12.2017 |
|---|---------------|---------------|
| Less than 1 year | - | 50 000 |
| More than 1 year and less than 2 years | - | - |
| More than 2 years and less than 5 years | 35 000 | 35 000 |
| Over 5 years | - | - |
| Total loans | 35 000 | 85 000 |
| including: long-term | 35 000 | 35 000 |
| short-term | - | 50 000 |

| BANK LOANS AS AT 31.03.2018 | | | | |
|-----------------------------|-------------------|---|--|------------|
| 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 | 35 000 PLN | 01.03.2021 |
| PKO BP SA | Warsaw | 12 500***) PLN | - PLN | 29.09.2018 |
| Total bank loans | | | 35 000 PLN | |

*) Revolving loan in the credit facility account

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

***) Overdraft working capital loan in current account Euro Styl SA. - the available commitment amount.



As at 31 March 2018 and 31 December 2017 all the loans available and drawn by and for the Group 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 Group approximately equals their book value, including accrued interest.

In the "Loans" item the Group 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".

7.10. Bonds

| BONDS | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|---|---|-------------------|
| Nominal value of the bonds issued, long-term portion | 260 000 | 260 000 |
| Nominal value of the bonds issued, short-term portion | - | 50 000 |
| Total nominal value of the bonds issued | 260 000 | 310 000 |

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

- Agreement with PeKaO S.A.

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).

- Agreement with Trigon Dom Maklerski S.A. with its registered office in Cracow and Trigon Investment Banking Spółka z ograniczoną odpowiedzialnością & Wspólnicy S.K.

On 17 November 2017, the Company signed an agreement with Trigon Dom Maklerski S.A., with its registered office in Cracow, and with Trigon Investment Banking Spółka z ograniczoną odpowiedzialnością & Wspólnicy S.K., with its registered office in Warsaw, concerning the launch by the Company of the Dom Development S.A. Bond Issue Programme with a total value of no more than PLN 400 million understood as the nominal value of all bonds issued and outstanding (the "Programme"). The limit of the Programme is renewable.

In accordance with the agreement, bonds may be issued by the Company in various series over the period of ten years following the date of signing of the Programme Agreement. The bonds shall be issued in accordance with art. 33 par. 2 of the Bonds Act of 15 January 2015, i.e. otherwise than in a public placement, and shall be ordinary bearer bonds.



Description of material changes in the three-month period ended 31 March 2018

On 26 March 2018, the Company redeemed 5 000 bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 50 million as maturing on this date.

| BONDS ISSUED AS AT 31.03.2018 | | | | |
|--------------------------------------|-------------------|----------------|-----------------|----------------------------------|
| Series | Issue date | Amount | Currency | Contractual maturity date |
| DOMDE5120620 | 12.06.2015 | 100 000 | PLN | 12.06.2020 |
| DOMDE6151121 | 15.11.2016 | 110 000 | PLN | 15.11.2021 |
| DOMDET11512227 | 15.12.2017 | 50 000 | PLN | 15.12.2022 |
| Total: | | 260 000 | PLN | |

7.11. Accrued interest on loans and bonds

| ACCRUED INTEREST ON LOANS AND BONDS | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|--|---|-------------------|
| Accrued interest on bonds | 3 120 | 1 368 |
| Accrued interest on loans | 3 | 5 |
| Total accrued interest on loans and bonds | 3 123 | 1 373 |

7.12. Segment reporting

The operations of the Group are generally in a single segment and involve mainly the development and sale of residential and retail (commercial) units and related support activities. The Company operates only in the Warsaw market, while Dom Development S.A. Capital Group with the Company as the parent, also operates on the Tricity and Wrocław markets. The operations on the Wrocław and Tricity markets are carried out through the Group's subsidiaries.

The results of activities in the individual markets are assessed mainly on the basis of sale revenues and profit, and gross margin on sales generated by the individual markets.

In view of the above, segmentation for reporting purposes was made within the Group on the basis of the geographical location:

- the Warsaw segment
- the Tricity segment
- the Wrocław segment



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Financial data grouped together on the basis of the geographical location of the Group's real property development projects have been presented below:

| Figures for the three-month period ended 31.03.2018 | Segments | | | Total |
|---|---------------|------------|--------------|---------------|
| | Warsaw | Wrocław | Tricity | |
| Sales revenue | 189 010 | 2 072 | 12 398 | 203 480 |
| Gross profit on sales, before the allocation of purchase price *) | 57 882 | 295 | 4 098 | 62 275 |
| Allocation of the Euro Styl S.A. Capital Group purchase price **) | - | - | (1 502) | (1 502) |
| Gross profit on sales after the allocation of purchase price | 57 882 | 295 | 2 596 | 60 773 |
| Selling costs, and general administrative expenses | | | | (37 176) |
| Other operating income and expenses, net | | | | (1 053) |
| Operating profit | | | | 22 544 |
| Financial income and costs, net | | | | (148) |
| Profit before tax | | | | 22 396 |
| Income tax | | | | (4 884) |
| Net profit | | | | 17 512 |

| Figures for the three-month period ended 31.03.2018 | Segments | | | Total |
|---|---------------|--------------|----------|----------------|
| | Warsaw | Wrocław | Tricity | |
| Sales revenue | 104 212 | 8 799 | - | 113 011 |
| Gross profit on sales, before the allocation of purchase price *) | 24 711 | 1 307 | - | 26 018 |
| Allocation of the Euro Styl S.A. Capital Group purchase price **) | - | - | - | - |
| Gross profit on sales after the allocation of purchase price | 24 711 | 1 307 | - | 26 018 |
| Selling costs, and general administrative expenses | | | | (26 357) |
| Other operating income and expenses, net | | | | (611) |
| Operating profit | | | | (950) |
| Financial income and costs, net | | | | (32) |
| Profit before tax | | | | (982) |
| Income tax | | | | (27) |
| Net profit | | | | (1 009) |

*) for the Tricity, the gross profit on sales results from the financial data of the Euro Styl S.A. Group and does not include the cost of the Euro Styl S.A. Capital Group acquisition that was additionally allocated in the consolidation as resulting from the measurement of the Euro Styl S.A. Capital Group inventory as of the purchase date at fair value (see also the comments below)

**)) the additional cost resulting from the allocation of the Euro Styl S.A. Capital Group acquisition price. This cost is the difference between the carrying value of the Euro Styl S.A. Capital Group's inventory and the fair value assessed as at the date when the Group was purchased by the Company. This cost in the consolidated financial statements is adequately recognised as production cost of products sold that was accounted for in the income statement in the specific financial period.



7.13. Operating income

| REVENUE BREAKDOWN | 01.01 - 31.03.2018 <i>(unaudited)</i> | 01.01 - 31.03.2017 <i>(unaudited)</i> |
|-------------------------|---|---|
| Sales of finished goods | 196 316 | 108 361 |
| Sales of services | 7 121 | 4 650 |
| Sales of land | 43 | - |
| Total | 203 480 | 113 011 |

7.14. Operating costs

| OPERATING COSTS | 01.01 - 31.03.2018 <i>(unaudited)</i> | 01.01 - 31.03.2017 <i>(unaudited)</i> |
|---|---|---|
| Cost of sales | | |
| Cost of finished goods sold | (136 456) | (81 511) |
| Cost of services sold | (6 450) | (5 394) |
| Cost of land sold | (41) | - |
| Inventory write down to the net realisable value | 240 | (88) |
| Total cost of sales | (142 707) | (86 993) |
| Selling costs, and general administrative expenses | | |
| Selling costs | (17 597) | (15 119) |
| General administrative expenses | (19 579) | (11 238) |
| Total selling costs, and general administrative expenses | (37 176) | (26 357) |
| Selling costs, and general administrative expenses by kind | | |
| Depreciation | (2 324) | (1 484) |
| Cost of materials and energy | (3 637) | (3 635) |
| External services | (10 763) | (7 518) |
| Taxes and charges | (137) | (50) |
| Remuneration | (13 372) | (10 136) |
| Social security and other benefits | (3 017) | (2 515) |
| Management Option Programme | (1 446) | - |
| Other prime costs | (2 480) | (1 019) |
| Total selling costs, and general administrative expenses by kind | (37 176) | (26 357) |

7.15. Income tax in the income statement

| INCOME TAX | 01.01 - 31.03.2018 <i>(unaudited)</i> | 01.01 - 31.03.2017 <i>(unaudited)</i> |
|--------------------------------------|---|---|
| Current income tax | (22 675) | (13 087) |
| Deferred tax in the income statement | 17 791 | 13 060 |
| Total | (4 884) | (27) |

**7.16. Earnings per share**

| CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE | 01.01 - 31.03.2018 | 01.01 - 31.03.2017 |
|---|-------------------------------|-------------------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Basic earnings per share | | |
| Profit for calculation of the basic earnings per share | 17 515 | (1 008) |
| The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share | 24 870 644 | 24 858 885 |
| Basic earnings per share (PLN) | 0.70 | (0.04) |
| Diluted earnings per share | | |
| Profit for calculation of the diluted earnings per share | 17 515 | (1 008) |
| Potential diluting shares related to the Management Share Option Programmes | 130 973 | - |
| The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share | 25 001 617 | 24 858 885 |
| Diluted earnings per share (PLN) | 0.70 | (0.04) |

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

7.17. Transactions with related entities

In the three-month periods ended 31 March 2018 and 2017, the Company was a party to transactions with related entities, as listed below.

| DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES | | | |
|---|--|------------------------------|------------------------------|
| Counterparty | Transaction description | 01.01- 31.03.2018 | 01.01- 31.03.2017 |
| Woodsford Consulting Limited | Consulting services as per the agreement dated 27.06.2007 as annexed | 449 | 420 |
| Hansom Property Company Limited | Consulting services as per the agreement dated 02.01.2001 as annexed | 123 | 128 |
| Kirkley Advisory Limited | Consulting services as per the agreement dated 29.09.2017 | 24 | - |
| M & M Usługi Doradcze M. Kolarski | Consulting services | 161 | 14 |

| DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES | | | |
|--|---|------------------------------|------------------------------|
| Counterparty | Transaction description | 01.01- 31.03.2018 | 01.01- 31.03.2017 |
| Fort Mokotów sp. z o.o. w likwidacji (under liquidation) | Repair services as per the agreement dated 22 July 2005 | 32 | 24 |



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

| Entity | Receivables from related entities | | Liabilities to related entities | |
|---|-----------------------------------|------------|---------------------------------|------------|
| | 31.03.2018 | 31.12.2017 | 31.03.2018 | 31.12.2017 |
| Total balance | 608 | 20 | 10 | 146 |
| Jointly controlled entities | - | 20 | - | - |
| Fort Mokotów sp. z o.o. w likwidacji (Under liquidation) | - | 20 | - | - |
| Other entities | 608 | - | 10 | 146 |
| M&M Usługi Doradcze M. Kolarski | - | - | 10 | 3 |
| Woodsford Consulting Limited | 93 | - | - | 143 |
| Hansom Property Company Limited | 515 | - | - | - |

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

| Counterparty | 01.01- 31.03.2018 <i>(unaudited)</i> | 01.01- 31.03.2017 <i>(unaudited)</i> |
|-----------------------|--|--|
| The Management Board | 3 754 | 4 457 |
| The Supervisory Board | 324 | 324 |

The above listing does not take into account the cost of the management options programme which was PLN 1 446 thousand and PLN 0 (see note 7.18) and was accounted for in the income statement in the three-month periods ended 31 March 2018 and 2017 respectively.

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

| Transactions with members of the Management Board and the Supervisory Board | Transaction description | Transaction date | Transaction amount |
|---|--|------------------|--------------------|
| Grzegorz Kielpsz and a person closely related | Sale agreement for real estate comprising the undeveloped plot of land no. 24/46 with an area of 26 m ² | 01.03.2018 | 33 358.00 |

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.

7.18. Incentive Plan – Management Option Programmes

As at 31 March 2018 there was one active Management Option Programme adopted as part of the Incentive Scheme for the Management staff of the Company.

| Name of the Programme | Options in the programme (number of shares) | Options granted (number of shares) | Options exercised (number of shares) |
|-----------------------|---|------------------------------------|--------------------------------------|
| 31.03.2018 | | | |
| Programme IV | 500 000 | 500 000 | 100 000 |

| Options in the programme (number of shares) | Options granted (number of shares) | Options exercised (number of shares) |
|---|------------------------------------|--------------------------------------|
| 31.12.2017 | | |
| 500 000 | 500 000 | - |

**Exercise of the share options**

On 17 January 2018, the Management Board of the Company adopted a resolution on the increase of share capital in the Company by issuing 100 000 Y series ordinary bearer shares. The shares were issued in a private placement addressed to Mr Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV (which was described in detail in note 7.8). These shares were registered by the District Court for the capital city of Warsaw on 29 March 2018.

Grant of new share options

In the three-month period ended 31 March 2018 the Company did not grant any new share options.

Expiry of share options

In the three-month period ended 31 March 2018 no share options expired.

Cost of Management Option Programmes accounted for in the income statement and the shareholders' equity

In the three-month period ended 31 March 2018 and 2017 the amounts of PLN 1 446 thousand and PLN 0 thousand respectively, were accounted for in the income statement for the management options granted and in the supplementary capital.

Share options granted and exercisable as at respective balance sheet dates, and changes in the presented periods:

| SHARE OPTIONS | | 01.01- 31.03.2018 | 01.01- 31.03.2017 |
|---|---|------------------------------|------------------------------|
| Unexercised options at the beginning of the period | Number of options | 500 000 | - |
| | Total exercise price | 17 500 | - |
| Options granted in the period | Number of options | - | - |
| | Total option exercise value | - | - |
| Options expired in the period | Number of options | - | - |
| | Total option exercise value | - | - |
| Options exercised in the period | Number of options | 100 000 | - |
| | Total option exercise value | 3 500 | - |
| | Weighted average exercise price per share (PLN per share) | 35,00 | - |
| Unexercised options at the end of the period | Number of options | 400 000 | - |
| | Total exercise price | 14 000 | - |
| Exercisable options at the beginning of the period | Number of options | 100 000 | - |
| | Total exercise price | 3 500 | - |
| Exercisable options at the end of the period | Number of options | - | - |
| | Total exercise price | - | - |

7.19. Contingent liabilities

| CONTINGENT LIABILITIES | 31.03.2018 <i>(unaudited)</i> | 31.12.2017 |
|-------------------------------|---|-------------------|
| Guarantees | 111 | 111 |
| Sureties | 852 | 365 |
| Total | 963 | 476 |



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Additionally, some liabilities of the companies operating within the Group are secured with promissory notes:

| COLLATERALS FOR LIABILITIES | 31.03.2018 | 31.12.2017 |
|---|--------------------|-------------------|
| | <i>(unaudited)</i> | |
| 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 |
| - promissory note as a security for the claims of Bank Pekao S.A. from the sale of credit products | 4 000 | 2 000 |
| - promissory notes as a security for lease agreements | 250 | 403 |
| Total | 104 250 | 102 403 |

In the three-month period ended 31 March 2018 the companies operating within the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

7.20. Material court cases

As of 31 March 2018 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 Group's shareholders' equity.

As of 31 March 2018 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 Group's shareholders' equity.

As of 31 March 2018, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 32 486 thousand, including the total value of proceedings concerning liabilities at approx. PLN 30 774 thousand and the total value of proceedings concerning receivables at approx. PLN 1 712 thousand.

The proceedings involving the Company or any of its subsidiaries have no significant impact on the Group's activity.

7.21. Factors and events with significant impact on the condensed consolidated financial statements of the Group

In the three-month period from 1 January to 31 March 2018 the following material changes in the portfolio of the Group's real estate development projects under construction took place:

Projects where the construction commenced in the period from 1 January 2018 until 31 March 2018:

| Project | Company | Standard | Number of apartments | Number of commercial units | Started in |
|-----------------------------|------------------------------------|-----------------|-----------------------------|-----------------------------------|-------------------|
| Cybernetyki 17, phase 3 | Dom Development S.A. | Popular | 240 | - | Q1 2018 |
| Regaty, phase 2 | Dom Development S.A. | Popular | 198 | 2 | Q1 2018 |
| Amsterdam, phase 3 | Dom Development S.A. | Popular | 188 | 14 | Q1 2018 |
| Apartamenty Dolny Mokotów | Dom Development S.A. | Apartments | 148 | 5 | Q1 2018 |
| Studio Arte | Dom Development Wrocław Sp. z o.o. | Apartments | 51 | 1 | Q1 2018 |
| Osiedle Spektrum building C | Euro Styl S.A. | Apartments | 152 | 5 | Q1 2018 |
| Osiedle Spektrum building D | Euro Styl S.A. | Apartments | 64 | 11 | Q1 2018 |
| Total | | | 1 041 | 38 | |



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Projects where the construction was completed in the period from 1 January 2018 until 31 March 2018:

| Project | Company* | Standard | Number of apartments | Number of commercial units | Completed in |
|--------------------------------------|------------------------------------|------------|----------------------|----------------------------|--------------|
| Osiedle Premium 3 (phase 2, stage 1) | Dom Development S.A. | Popular | 134 | - | Q1 2018 |
| Apartamenty Włodarzewska 30 | Dom Development S.A. | Popular | 114 | 9 | Q1 2018 |
| Moderna, phase 4 | Dom Development S.A. | Popular | 189 | - | Q1 2018 |
| Klasyków Wille Miejskie 2, phase 2 | Dom Development S.A. | Popular | 204 | - | Q1 2018 |
| Osiedle Aura 2 | Dom Development Wrocław Sp. z o.o. | Popular | 172 | - | Q1 2018 |
| Idea building 4 | Euro Styl S.A. | Apartments | 31 | - | Q1 2018 |
| Total | | | 844 | 9 | |

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 2018 has been presented in the following table:

| Deliveries | 01.01 - 31.03.2018 (unaudited) | 01.01 - 31.03.2017 (unaudited) |
|---------------------------------|-----------------------------------|-----------------------------------|
| Apartments and commercial units | 416 | 230 |

7.22. Dividends

On 29 March 2018, the Management Board of the Company adopted a resolution on the distribution of net profit of the Company for 2017 and appropriation of a portion of the supplementary capital for payment of a dividend.

Pursuant to the resolution by the Management board of the Company, the Management Board petitioned that the aggregate amount of PLN 189 760 007.20 be appropriated for the payment of a dividend to the Shareholders in Dom Development S.A. The aggregate amount includes:

- PLN 186 112 545.02 net profit of Dom Development S.A. for the year ended 31 December 2017, and
- PLN 3 647 462.18 that is a portion of the supplementary capital derived from the profit carried forward.

The recommended amount allows for a dividend of PLN 7.60 per share to be paid out.

The Management Board of the Company proposed that the date of record be 26 June 2018 and the dividend payment date be 4 July 2018.

On 10 April 2018, the Supervisory Board of the Company adopted a resolution wherein the Supervisory Board positively assesses and agrees to the said petition on the distribution of net profit of the Company for 2017 and fixing the date of record and the dividend payment date as proposed by the Management Board.

7.23. 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).

| DEFERRED INCOME | 31.03.2018 (unaudited) | 31.12.2017 |
|--|---------------------------|----------------|
| Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement | 791 276 | 564 082 |
| Other | 2 | 4 224 |
| Total | 791 278 | 568 306 |



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2018
(all amounts in thousands PLN unless stated otherwise)

7.24. Material post-balance sheet events

- Mr Włodzimierz Bogucki resigned from the held function of a Member of the Supervisory Board of the Company.

Mr Włodzimierz Bogucki resigned from his position as a member of the Supervisory Board of the Company on 10 April 2018, with effect on the date of the most recent General Shareholders' Meeting of the Company.

The reason for the resignation is that Mr Włodzimierz Bogucki has been a Member of the Supervisory Board at Dom Development S.A. for nearly 12 years, and from September 2018 he will have ceased to meet the criterion defining an independent member of the Supervisory Board of Dom Development S.A., a criterion referred to in art. 129 par. 3 point 8) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and in article 7.7.8 of the Company's Articles of Association.

- The appointment of Mr Mikołaj Konopka to be a Member of the Management Board of the Company.

On 10 April 2018, the Supervisory Board of the Company appointed Mr Mikołaj Konopka, effective as of 10 April 2018, as a member of the Management Board of Dom Development S.A. for a joint three-year term of office.

Mr Mikołaj Konopka also holds the position of the President of the Management Board of Euro Styl S.A.

7.25. Forecasts

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

7.26. Selected financial data translated into euro

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

| SELECTED DATA FROM THE BALANCE SHEET | 31.03.2018 <i>(unaudited)</i> thousand Euro | 31.12.2017 thousand Euro |
|--|--|------------------------------------|
| Total current assets | 581 627 | 565 732 |
| Total assets | 589 443 | 573 113 |
| Total shareholders' equity | 243 259 | 240 314 |
| Long-term liabilities | 93 910 | 98 468 |
| Short-term liabilities | 252 274 | 234 330 |
| Total liabilities | 346 184 | 332 798 |
| <i>PLN/EUR exchange rate as at the balance sheet date</i> | <i>4.2085</i> | <i>4.1709</i> |

| SELECTED DATA FROM THE INCOME STATEMENT | 01.01 - 31.03.2018 <i>(unaudited)</i> thousand Euro | 01.01 - 31.03.2017 <i>(unaudited)</i> thousand Euro |
|--|--|--|
| Sales revenue | 48 698 | 26 348 |
| Gross profit on sales | 14 545 | 6 066 |
| Operating profit/(loss) | 5 395 | (221) |
| Profit/(loss) before tax | 5 360 | (229) |
| Net profit/(loss) | 4 191 | (235) |
| <i>Average PLN/EUR exchange rate for the reporting period</i> | <i>4.1784</i> | <i>4.2891</i> |