



DOM DEVELOPMENT S.A.

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



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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 six-month period ended on 30 June 2017, comprising:

- interim condensed consolidated balance sheet prepared as at 30 June 2017 with the balance of assets and liabilities in the amount of 2 288 393 thousand;
- interim condensed income statement for the six-month period ended 30 June 2017 with a net profit of PLN 47 969 thousand;
- interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2017 with a net comprehensive profit of PLN 47 773 thousand;
- interim condensed statement of changes in consolidated shareholders' equity in the six-month period ended 30 June 2017 with the PLN 855 137 thousand shareholders' equity as at 30 June 2017;
- interim condensed consolidated cash flow statement for the six-month period ended 30 June 2017 with the PLN 300 475 thousand of cash and cash equivalents as at 30 June 2017;
- additional notes to the interim condensed consolidated 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 CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2017 (unaudited)	31.12.2016
Fixed assets			
Intangible assets		11 141	3 923
Tangible fixed assets		10 092	7 576
Deferred tax assets		868	-
Long-term receivables		1 653	1 598
Other long-term assets		3 787	7 413
Total fixed assets		27 541	20 510
Current assets			
Inventory	7.5	1 870 592	1 507 595
Trade and other receivables		20 206	9 347
Income tax receivables		-	-
Other current assets		4 800	2 767
Short-term financial assets	7.6	64 779	22 763
Cash and cash equivalents	7.7	300 475	414 310
Total current assets		2 260 852	1 956 782
Total assets		2 288 393	1 977 292
EQUITY AND LIABILITIES	Note	30.06.2017 (unaudited)	31.12.2016
Shareholders' equity			
Share capital	7.8	24 868	24 782
Share premium	7.8	238 388	234 986
Other capital (supplementary capital)		544 851	542 696
Reserve capital from valuation of cash flow hedges		219	415
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit/(loss)		46 351	126 118
Equity attributable to the shareholders of parent company		855 187	929 507
Non-controlling interests		(50)	(46)
Total shareholders' equity		855 137	929 461
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.9	-	-
Bonds, long-term portion	7.10	210 000	260 000
Deferred tax provision		29 046	16 594
Long-term provisions		14 152	14 346
Other long-term liabilities		41 538	34 369
Total long-term liabilities		294 736	325 309
Short-term liabilities			
Trade payables, tax and other liabilities		256 223	218 705
Loans, short-term portion	7.9	-	-
Bonds, short-term portion	7.10	50 000	120 000
Accrued interest on loans and bonds	7.11	1 263	3 897
Corporate income tax payables		15 760	23 117
Dividends payables	7.22	125 586	-
Short-term provisions		5 623	7 696
Deferred income	7.23	684 065	349 107
Total short-term liabilities		1 138 520	722 522
Total liabilities		1 433 256	1 047 831
Total equity and liabilities		2 288 393	1 977 292



3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six-month period ended	
		30.06.2017 <i>(unaudited)</i>	30.06.2016 <i>(unaudited)</i>
Sales revenue	7.13	435 516	367 715
Cost of sales	7.14	(319 164)	(287 856)
Gross profit on sales		116 352	79 859
Selling costs	7.14	(28 944)	(22 856)
General administrative expenses	7.14	(27 306)	(25 525)
Other operating income		8 334	2 959
Other operating expenses		(11 106)	(3 860)
Operating profit		57 330	30 577
Financial income		1 594	587
Financial costs		(876)	(1 613)
Profit before tax		58 048	29 551
Income tax	7.15	(10 079)	(6 030)
Net profit		47 969	23 521
Net profit attributable to:			
Shareholders of the parent company		47 973	23 533
Non-controlling interests		(4)	(12)
Earnings per share:			
Basic, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	1.93	0.95
Diluted, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	1.93	0.95



Dom Development S.A.

Interim condensed consolidated statement of comprehensive income
for the six-month period ended 30 June 2017
(all amounts in thousands PLN unless stated otherwise)

4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended	
	30.06.2017 <i>(unaudited)</i>	30.06.2016 <i>(unaudited)</i>
Net profit	47 969	23 521
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	47 773	23 210
Net comprehensive income attributable to:		
Shareholders of the parent company	47 777	23 222
Non-controlling interests	(4)	(12)



5. INTERIM CONDENSED CONSOLIDATED 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		58 048	29 551
Adjustments:			
Depreciation		3 072	2 572
Profit/loss on foreign exchange differences		8	21
Profit/loss on investments		(7 752)	60
Interest cost/income		4 692	6 607
Changes in the operating capital:			
Changes in provisions		(2 969)	(928)
Changes in inventory		(66 907)	(142 832)
Changes in receivables		(6 525)	(6 630)
Changes in short-term liabilities, excluding loans and bonds		7 007	25 558
Changes in prepayments and deferred income		254 164	227 950
Other adjustments		(8)	(22)
Cash flow generated from operating activities		242 830	141 907
Interest received		2 847	1 981
Interest paid		(9 056)	(7 721)
Income tax paid		(27 710)	(5 978)
Net cash flow from operating activities		208 911	130 189
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		100	98
Acquisition of intangible and tangible fixed assets		(3 070)	(3 497)
Acquisition of financial assets less cash acquired in the target subsidiary		(197 677)	-
Net cash flow from investing activities		(200 647)	(3 399)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		-	464
Proceeds from contracted loans	7.9	2	-
Commercial papers issued	7.10	-	-
Repayment of loans and borrowings	7.9	(2 066)	(20 000)
Redemption of commercial papers	7.10	(120 000)	-
Dividends paid		-	-
Payment of financial lease liabilities		(35)	-
Net cash flow from financing activities		(122 099)	(19 536)
Increase / (decrease) in net cash and cash equivalents		(113 835)	107 254
Cash and cash equivalents – opening balance	7.7	414 310	221 640
Cash and cash equivalents – closing balance	7.7	300 475	328 894



Dom Development S.A.

Interim condensed statement of changes in consolidated 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 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	from valuation of share options				
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 (note 7.8)	86	3 402	-	-	-	-	-	3 488	-	3 488
Transfer of profit to supplementary capital	-	-	2 155	-	-	-	(2 155)	-	-	-
Dividends allocated to shareholders (note 7.22)	-	-	-	-	-	-	(125 585)	(125 585)	-	(125 585)
Net profit for the reporting period	-	-	-	-	-	-	47 973	47 973	(4)	47 969
Other net comprehensive income for the reporting period	-	-	-	-	(196)	-	-	(196)	-	(196)
Balance as at 30 June 2017 <i>(unaudited)</i>	24 868	238 388	544 851	510	219	0	46 351	855 187	(50)	855 137

	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	from valuation of share options				
Balance as at 1 January 2016	24 771	234 534	517 466	510	82	25 126	81 115	883 604	(179)	883 425
Share capital increase by exercising share options	11	452	-	-	-	-	-	463	-	463
Transfer of profit to supplementary capital	-	-	104	-	-	-	(104)	-	-	-
Dividends allocated to shareholders (note 7.22)	-	-	-	-	-	-	(80 543)	(80 543)	-	(80 543)
Net profit for the reporting period	-	-	-	-	-	-	23 533	23 533	(12)	23 521
Other net comprehensive income for the reporting period	-	-	-	-	(311)	-	-	(311)	-	(311)
Balance as at 30 June 2016 <i>(unaudited)</i>	24 782	234 986	517 570	510	(229)	25 126	24 001	826 746	(191)	826 555



Dom Development S.A.

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

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 30 June 2017 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 57.65% 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 30 June 2017 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 Morskie Oko sp. z o.o. w likwidacji	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Dom Land sp. z o.o.	Poland	-	-	full consolidation
Dom Development Wrocław sp. z o.o.	Poland	100%	100%	full consolidation
Euro Styl S.A.*	Poland	100%	100%	full consolidation
Euro Styl Development 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., 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 structure of the Euro Styl S.A. Capital Group has been shown in a table further in these notes.

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 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. and Dom Development Morskie Oko sp. z o.o., both under liquidation.



Dom Development S.A.

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

In the six-month period ended 30 June 2017 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.

- **Acquisition of Euro Styl 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"). 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 Sp. 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 S.A. Capital Group is to establish its presence in the Tricity market where the Euro Styl Group operates, and ensure a significant increase in the consolidated revenues and profits of the Company.

Group's interest in the share capital of the purchased companies

Group's interest in the share capital of the purchased companies before the Transaction	0%
Group's interest in the share capital of the purchased companies after the Transaction	100%

Values of identifiable assets and liabilities at the acquisition date, at their fair value

Assets:	
Fixed assets, exclusive of the Euro Styl trademark	2 773
Trademark Euro Styl	6 990
Inventory	296 988
Short-term financial assets (funds in open-end escrow accounts)	18 882
Cash and cash equivalents	63 123
Other current assets	5 360
Total	394 116
Liabilities:	
Deferred tax provision	21 306
Short-term loans and borrowings	2 066
Other liabilities and provisions	20 014
Deferred income	82 988
Total	126 374
Net assets at fair value:	267 742
Income on bargain purchase	(7 742)
Purchase price for the shares in Euro Styl Group	260 000



Dom Development S.A.

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

Purchase price (cash paid)	
Cash paid for the shares in Euro Styl S.A.	259 750
Cash paid for the shares in Euro Styl Development sp. z o.o.	250
Purchase price - Total	260 000

Cash outflow on purchase	
Cash acquired by the Group	63 123
Cash paid	(260 000)
Net cash outflow	(196 877)

Income on bargain purchase

As at the date of the acquisition the fair value of individual identifiable assets and liabilities in the companies being the object of the Transaction was determined. In particular it included the measurement of the fair value of inventory with the individual real estate development projects conducted by the Euro Styl Group. The identified value of the acquired net assets measured at fair value amounted to PLN 267 742 thousand.

The difference between the fair value of net assets and the purchase price paid by the Company was to PLN 7 742 thousand. This amount being the "income on bargain purchase" was disclosed in the consolidated income statement as "other operating income".

Acquisition costs

The acquisition costs in the amount of PLN 7 549 thousand paid by the Company in relation to the aforementioned Transaction were directly disclosed in the consolidated income statement as "other operating expenses".

Impact of the Transaction on the Group's revenue

Between 8 and 30 June 2017, the Euro Styl Group revenue disclosed in the Group's consolidated income statement was PLN 15 644 thousand (see note 7.13).

Due to significant changes in the structure of the Euro Styl Group which took place in 2017 (before the Transaction date), and in particular the changes related to the separation of a significant part of business from the Euro Styl Group (specifically in the area of commercial space development projects) the Euro Styl Group's revenue for the six-month ended on 30 June 2017 have not been presented in these financial statements.

- **Completion of winding up of Fort Mokotów Inwestycje sp. z o.o. w likwidacji ("FMI")**

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

The Company did not intend to carry out operations through FMI which was put into liquidation on 16 September 2016.

The Fort Mokotów Inwestycje sp. z o.o. w likwidacji was wound up on 19 May 2017.

As a result, the perpetual usufruct right to the land and cash of FMI have been transferred to the Company. This liquidation did not have any substantial impact on the condensed consolidated financial statements of the Group.



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, however they have 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 2016.

The Company has also prepared interim condensed financial statements for Dom Development S.A. 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 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 2016.

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 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 Group's financial position, operating results or the scope of information presented in the 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 Group 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:



Dom Development S.A.

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

- 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	30.06.2017 <i>(unaudited)</i>	31.12.2016
Advances on deliveries	39 271	27 232
including: at purchase prices/production costs	39 440	27 401
write down to the net realisable value	(169)	(169)
Semi-finished goods and work in progress	1 612 239	1 220 514
including: at purchase prices/production costs	1 634 039	1 242 314
write down to the net realisable value	(21 800)	(21 800)
Finished goods	219 082	259 849
including: at purchase prices/production costs	229 212	268 172
write down to the net realisable value	(10 130)	(8 323)
Total	1 870 592	1 507 595

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, including:	2 257	576
Revaluation write down for Group Euro Styl at the time of acquisition	1 985	-
Other increments	272	576
Decrease	(450)	(98)
Closing balance	32 099	17 238

Write down 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	30.06.2017 <i>(unaudited)</i>	31.12.2016
Carrying value of inventory used to secure liabilities	350 743	300 000
Mortgages:		
Value of mortgages established to secure real estate purchase agreements	-	-
Value of mortgages established to secure loan agreements (cap)	375 600	300 000



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7.6. 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	63 499	21 483
Cash in other escrow accounts	1 231	1 231
Total	64 779	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 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	30.06.2017 <i>(unaudited)</i>	31.12.2016	30.06.2016 <i>(unaudited)</i>
Cash in hand and at bank	70 075	5 077	1 315
Bank deposits with a maturity of three months or less	230 376	409 210	327 538
Other	24	23	41
Total	300 475	414 310	328 894

7.8. 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 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.



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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 Kiełpsz	1 280 750	-	1 280 750	-	-
Mark Spiteri	900	-	900	-	-

7.9. 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
PKO BP SA	Warsaw	13 807***) PLN	- PLN	29.09.2018
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.

***) Overdraft working capital loan in current account Euro style SA.

As at 30 June 2017 and 31 December 2016 all the loans taken by 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".



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7.10. 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	

7.11. 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

7.12. Segment reporting

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



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7.13. Operating income

REVENUE BREAKDOWN	01.01 - 30.06.2017 <i>(unaudited)</i>	01.01 - 30.06.2016 <i>(unaudited)</i>
Sales of finished goods	427 714	352 913
Sales of services	7 783	9 302
Sales of land	19	5 500
Total	435 516	367 715

The revenue and sales margin have been presented below by the locations of respective real estate development projects of the Group.

SALES REVENUE AND PROFIT ON SALES BY THE LOCATION OF PROJECTS	Warsaw	Wrocław	Gdańsk*)	Total
Sales revenue	403 059	16 813	15 644	435 516
Gross profit on sales	110 835	2 087	5 714	118 636
Allocation of the Euro Styl Group purchase price (**)	-	-	(2 284)	(2 284)
Gross profit on sales after the allocation	110 835	2 087	3 430	116 352

*) information for the period from 8.06.2017 until 30.06.2017. Gross profit on sales results from the financial data of the Euro Styl Group and does not include the additional, allocated acquisition cost resulting from the measurement of the Euro Styl Group inventory at fair value through allocation of the acquisition price (see also the comments below)

***) the additional cost resulting from the allocation of the Euro Styl Group acquisition price. This cost is the difference between the carrying value of the Euro Styl Group's inventory as at the date of the acquisition, which in the consolidated financial statements is allocated to the production cost of products sold that was accounted for in the income statement in the specific financial period.

7.14. 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	(310 634)	(271 792)
Cost of services sold	(8 697)	(10 763)
Cost of land sold	(11)	(4 823)
Inventory write down to the net realisable value	178	(478)
Total cost of sales	(319 164)	(287 856)
Selling costs, and general administrative expenses		
Selling costs	(28 944)	(22 856)
General administrative expenses	(27 306)	(25 525)
Total selling costs, and general administrative expenses	(56 250)	(48 381)
Selling costs, and general administrative expenses by kind		
Depreciation	(3 072)	(2 572)
Cost of materials and energy	(7 115)	(5 539)
External services	(16 952)	(12 239)
Taxes and charges	(122)	(65)
Remuneration	(22 606)	(22 129)
Social security and other benefits	(4 020)	(3 393)
Other prime costs	(2 363)	(2 444)
Total selling costs, and general administrative expenses by kind	(56 250)	(48 381)



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7.15. Income tax in the income statement

INCOME TAX	01.01 - 30.06.2017 <i>(unaudited)</i>	01.01 - 30.06.2016 <i>(unaudited)</i>
Current income tax	(19 755)	(17 281)
Deferred tax in the income statement	9 676	11 251
Total	(10 079)	(6 030)

7.16. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 30.06.2017 <i>(unaudited)</i>	01.01 - 30.06.2016 <i>(unaudited)</i>
Basic earnings per share		
Profit for calculation of the basic earnings per share	47 973	23 533
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)	1.93	0.95
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	47 973	23 533
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)	1.93	0.95

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 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 <i>(unaudited)</i>	01.01- 30.06.2016 <i>(unaudited)</i>
DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:			
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007 as annexed	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
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



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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	
	30.06.2017 <i>(unaudited)</i>	31.12.2016 <i>(unaudited)</i>	30.06.2017 <i>(unaudited)</i>	31.12.2016 <i>(unaudited)</i>
Total balance	-	-	179	215
M&M Usługi Doradcze M. Kolarski	-	-	3	5
Woodsford Consulting Limited	-	-	176	210
Hansom Property Company Limited	-	-	-	-
Kirkley Advisory 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 <i>(unaudited)</i>	01.01- 30.06.2016 <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.

7.18. 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 7.8).

Grant of new share options

In the six-month period ended 30 June 2017 the Company did not grant any new share options.



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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.

7.19. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2017 <i>(unaudited)</i>	31.12.2016
Guarantees	111	111
Sureties	-	-
Total	111	111

Additionally, some liabilities of the companies operating within the Group 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
- promissory notes as a security for lease agreements	901	-
Total	100 901	100 000

In the six-month period ended 30 June 2017 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 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 Group's shareholders' equity.



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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 Group'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 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 period from 1 January to 30 June 2017 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 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
Idea building 4*)	Apartments	31	0
Nowy Horyzont buildings 11 and 12*)	Popular	76	0
Osiedle Viridis buildings A1 and A2*)	Popular	74	0
Scena Apartamenty*)	Apartments	55	6

*) Projects of Euro Styl Group

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
Idea building 1*)	Apartments	86	2
Brama Żuław buildings B and C*)	Popular	63	0
Nowe Morskie building C1, C1A, C1B, C2*)	Popular	63	0

*) Projects of Euro Styl Group



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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 <i>(unaudited)</i>	01.01 - 30.06.2016 <i>(unaudited)</i>
Apartments and commercial units	904	820
Total	904	820

7.22. 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.

7.23. 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).

A significant increase of this item, from PLN 349 107 thousand at the end of 2016 up to PLN 684 065 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 Group and less projects completed (deliveries) in the first half of the year.

7.24. 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 Alicjonak 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.



Dom Development S.A.

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

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.

7.25. 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	30.06.2017 <i>(unaudited)</i> thousand Euro	31.12.2016 thousand Euro
Total current assets	534 923	442 311
Total assets	541 439	446 947
Total shareholders' equity	202 327	210 095
Long-term liabilities	69 735	73 533
Short-term liabilities	269 377	163 319
Total liabilities	339 112	236 852
<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> thousand Euro	01.01 - 30.06.2016 <i>(unaudited)</i> thousand Euro
Sales revenue	102 537	83 944
Gross profit on sales	27 394	18 231
Operating profit/(loss)	13 498	6 980
Profit/(loss) before tax	13 667	6 746
Net profit/(loss)	11 294	5 369
<i>Average PLN/EUR exchange rate for the reporting period</i>	<i>4.2474</i>	<i>4.3805</i>