



DOM DEVELOPMENT S.A.

Interim condensed consolidated financial statements for the three-month period ended 30 September 2016



CONTENTS

1.	APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY	2
2.	INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	3
3.	INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	4
4.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
5.	INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT	6
6.	INTERIM CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	7
7.	ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	8
7.1.	General information about Dom Development S.A. and the Dom Development S.A. Capital Group	8
7.2.	Basis for the preparing of the interim condensed consolidated financial statements	9
7.3.	Accounting policies	10
7.4.	Key figures based on professional judgement and basis for estimates.....	11
7.5.	Inventory.....	12
7.6.	Short-term financial assets.....	12
7.7.	Cash and cash equivalents	13
7.8.	Share capital	13
7.9.	Loans	14
7.10.	Bonds	15
7.11.	Accrued interest on loans and bonds	15
7.12.	Segment reporting.....	16
7.13.	Operating income	16
7.14.	Operating costs	16
7.15.	Income tax in the income statement.....	16
7.16.	Earnings per share	17
7.17.	Transactions with related entities	17
7.18.	Incentive Plan – Management Option Programmes	19
7.19.	Contingent liabilities	19
7.20.	Material court cases.....	20
7.21.	Factors and events with significant impact on the condensed consolidated financial statements of the Group	20
7.22.	Dividends.....	21
7.23.	Material post-balance sheet events	21
7.24.	Forecasts	22
7.25.	Selected financial data translated into EURO	22



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 30 September 2016, comprising:

- interim condensed consolidated balance sheet prepared as at 30 September 2016 with the balance of assets and liabilities in the amount of PLN 2 059 207 thousand;
- interim condensed consolidated income statement for the nine-month and three-month periods ended 30 September 2016 with a net profit of PLN 40 350 thousand and PLN 16 829 thousand, respectively;
- interim condensed consolidated statement of comprehensive income for the nine-month and three-month periods ended 30 September 2016 with a net comprehensive profit of PLN 40 181 thousand and PLN 16 971 thousand, respectively;
- interim condensed statement of changes in consolidated shareholders' equity in the nine-month period ended 30 September 2016 with the PLN 843 526 thousand shareholders' equity as at 30 September 2016;
- interim condensed consolidated cash flow statement for the nine-month period ended 30 September 2016 with the PLN 258 593 thousand net cash and cash equivalents as at 30 September 2016;
- additional notes to the interim condensed consolidated financial statements,

were prepared and approved by the Management Board of the Company on 24 October 2016.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board



2. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2016 <i>(unaudited)</i>	31.12.2015
Fixed assets			
Intangible assets		3 964	3 504
Tangible fixed assets		7 508	7 032
Long-term receivables		1 523	1 523
Other long-term assets		6 295	6 651
Total fixed assets		19 290	18 710
Current assets			
Inventory	7.5	1 748 523	1 478 660
Trade and other receivables		9 058	27 528
Income tax receivables		-	-
Other current assets		2 410	2 668
Short-term financial assets	7.6	21 333	3 747
Cash and cash equivalents	7.7	258 593	221 640
Total current assets		2 039 917	1 734 243
Total assets		2 059 207	1 752 953
EQUITY AND LIABILITIES			
EQUITY AND LIABILITIES	Note	30.09.2016 <i>(unaudited)</i>	31.12.2015
Shareholders' equity			
Share capital		24 782	24 771
Share premium		234 986	234 534
Other capital (supplementary capital)		517 570	517 466
Reserve capital from valuation of share options		25 126	25 126
Reserve capital from valuation of cash flow hedges		(87)	82
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit/(loss)		40 829	81 115
Equity attributable to the shareholders of parent company		843 716	883 604
Non-controlling interests		(190)	(179)
Total shareholders' equity		843 526	883 425
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.9	100 000	100 000
Bonds, long-term portion	7.10	150 000	270 000
Deferred tax provision		9 576	20 064
Long-term provisions		12 323	11 354
Other long-term liabilities		35 112	30 729
Total long-term liabilities		307 011	432 147
Short-term liabilities			
Trade payables, tax and other liabilities		200 106	190 523
Loans, short-term portion	7.9	-	-
Bonds, short-term portion	7.10	120 000	-
Accrued interest on loans and bonds	7.11	2 153	3 403
Corporate income tax payables		12 867	1 183
Short-term provisions		7 118	7 262
Deferred income		566 426	235 010
Total short-term liabilities		908 670	437 381
Total liabilities		1 215 681	869 528
Total equity and liabilities		2 059 207	1 752 953



Dom Development S.A.

Interim condensed consolidated income statement
for the nine-month and three-month periods ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Nine-month period ended		Three-month period ended	
		30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>	30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>
Sales revenue	7.13	585 926	424 207	218 211	193 912
Cost of sales	7.14	(456 657)	(330 379)	(168 801)	(156 538)
Gross profit on sales		129 269	93 828	49 410	37 374
Selling costs	7.14	(34 328)	(34 669)	(11 472)	(11 496)
General administrative expenses	7.14	(40 037)	(35 206)	(14 512)	(11 220)
Other operating income		3 106	2 637	147	802
Other operating expenses		(6 423)	(5 894)	(2 563)	(2 236)
Operating profit		51 587	20 696	21 010	13 224
Financial income		1 352	987	765	173
Financial costs		(2 499)	(2 858)	(886)	(1 011)
Profit before tax		50 440	18 825	20 889	12 386
Income tax	7.15	(10 090)	(4 146)	(4 060)	(2 843)
Net profit		40 350	14 679	16 829	9 543
Net profit attributable to:					
Shareholders of the parent company		40 361	14 699	16 828	9 547
Non-controlling interests		(11)	(20)	1	(4)
Earnings per share:					
Basic, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	1.63	0.59	0.68	0.39
Diluted, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	1.63	0.59	0.68	0.38



Dom Development S.A.

Interim condensed consolidated statement of comprehensive income
for the nine-month and three-month periods ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine-month period ended		Three-month period ended	
	30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>	30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>
Net profit	40 350	14 679	16 829	9 543
Other comprehensive income				
Net change to cash flow hedges	(208)	2	176	2
Income tax	39	-	(34)	-
Other net comprehensive income	(169)	2	142	2
Total net comprehensive income	40 181	14 681	16 971	9 545
Net comprehensive income attributable to:				
Shareholders of the parent company	40 192	14 701	16 970	9 549
Non-controlling interests	(11)	(20)	1	(4)



5. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Nine-month period ended	
		30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>
Cash flow from operating activities			
Profit/(loss) before tax		50 440	18 825
Adjustments:			
Depreciation		3 985	3 203
Profit/loss on foreign exchange differences		22	6
Profit/loss on investments		154	250
Interest cost/income		10 427	10 029
Changes in the operating capital:			
Changes in provisions		824	(5 001)
Changes in inventory		(270 873)	(309 888)
Changes in receivables		18 470	(2 341)
Changes in short-term liabilities, excluding loans and bonds		(3 657)	62 243
Changes in prepayments and deferred income		331 017	263 008
Other adjustments		(22)	(6)
Cash flow generated from operating activities		140 787	40 328
Interest received		2 886	4 548
Interest paid		(12 897)	(16 246)
Income tax paid		(8 855)	(3 593)
Net cash flow from operating activities		121 921	25 037
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		192	113
Bank deposits with a maturity over three months (made and/or closed)	7.6	-	29 999
Acquisition of intangible and tangible fixed assets		(5 081)	(4 397)
Acquisition of financial assets		-	(1 005)
Net cash flow from investing activities		(4 889)	24 710
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		464	-
Proceeds from contracted loans	7.9	100 000	60 000
Commercial papers issued	7.10	-	100 000
Repayment of loans and borrowings	7.9	(100 000)	(84 000)
Redemption of commercial papers	7.10	-	(100 000)
Dividends paid		(80 543)	(55 735)
Net cash flow from financing activities		(80 079)	(79 735)
Increase / (decrease) in net cash and cash equivalents		36 953	(29 988)
Cash and cash equivalents – opening balance	7.7	221 640	318 341
Cash and cash equivalents – closing balance	7.7	258 593	288 353



Dom Development S.A.

Interim condensed statement of changes in consolidated shareholders' equity
for the nine-month period ended 30 September 2016
(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 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 paid to shareholders (7.22)	-	-	-	-	-	-	(80 543)	(80 543)	-	(80 543)
Net profit for the reporting period	-	-	-	-	-	-	40 361	40 361	(11)	40 350
Other net comprehensive income for the reporting period	-	-	-	-	(169)	-	-	(169)	-	(169)
Balance as at 30 September 2016 <i>(unaudited)</i>	24 782	234 986	517 570	510	(87)	25 126	40 829	843 716	(190)	843 526

	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 2015	24 770	234 520	517 379	510	-	25 126	56 212	858 517	(246)	858 271
Share capital increase by exercising share options	1	14	-	-	-	-	-	15	-	15
Transfer of profit to supplementary capital	-	-	87	-	-	-	(87)	-	-	-
Dividends paid to shareholders (7.22)	-	-	-	-	-	-	(55 735)	(55 735)	-	(55 735)
Net profit for the reporting period	-	-	-	-	-	-	14 699	14 699	(20)	14 679
Other net comprehensive income for the reporting period	-	-	-	-	2	-	-	2	-	2
Balance as at 30 September 2015 <i>(unaudited)</i>	24 771	234 534	517 466	510	2	25 126	15 089	817 498	(266)	817 232



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 Wrocław.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 September 2016 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 59.42% 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 September 2016 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., under liquidation	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Fort Mokotów Inwestycje sp. z o.o. under liquidation	Poland	100%	100%	full consolidation
Vratislavia Dom Development sp. z o.o.	Poland	95%	95%	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

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

The main area of activity of Dom Development Grunty sp. z o.o., a subsidiary is purchase of real estate for development activities of the Group. The Company is fully consolidated as its financial and operational policy is managed by members of the management board nominated by Dom Development S.A.

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

In the three-month period ended 30 September 2016 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.**

On 28 July 2016, the Company purchased 100% of the shares in Fort Mokotów Inwestycje Sp. z o.o. (hereinafter "FMI") for PLN 129 400 thousand net, thus it indirectly acquired the above mentioned perpetual usufruct right to the property owned by FMI.

Due to the nature of the transaction, the purchase as described below was considered as purchase of assets rather than purchase of an enterprise.

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

Description of the company purchase transaction	Fort Mokotów Inwestycje sp. z o.o.
Pre-purchase Group's interest in the share capital of the purchased company	0%
Post-purchase Group's interest in the share capital of the purchased company	100%
Values of identifiable assets and liabilities at the purchase date	
Assets:	
Cash and cash equivalents	90
Inventory (perpetual usufruct of land)	135 185
Other assets	25
Total	135 300
Liabilities:	
Borrowings	4 147
Other liabilities	1 800
Total	5 947
Net assets:	129 353
Purchase price (cash paid)	129 353
Cash outflow on purchase	
Cash acquired by the Group	90
Cash paid	(129 353)
Net cash outflow	(129 263)

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 2015.

The Company has also prepared interim condensed financial statements for Dom Development S.A. for the three-month period ended 30 September 2016. These statements were approved by the Management Board of the Company on 24 October 2016.

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 2015, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 01 January 2016:

- Amendments to IAS 19 *Defined benefit plans: Employee contributions*,
- Improvements resulting from IFRS reviews 2010-2012,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*,
- Amendments do IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*,
- Improvements resulting from IFRS reviews 2012-2014,
- Amendments to IAS 1 *Disclosure Initiative*,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*.

The introduced amendments were scrutinized by the Group 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 9 *Financial Instruments* (published on 24 July 2014) – 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 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) – 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 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014) – have not been decided as to the time frame of individual stages of EFRAG endorsement of these amendments – not endorsed by the EU until the date of approval of these financial statements - effective date deferred indefinitely by IASB,
- IFRS 16 *Leases* (published on 13 January 2016) - have not been decided as to the time frame of individual stages of EFRAG endorsement of these amendments – 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.

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 Company's financial statements.

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	30.09.2016 <i>(unaudited)</i>	31.12.2015
Advances on deliveries	22 654	22 347
including: at purchase prices/production costs	22 823	22 516
write down to the net realisable value	(169)	(169)
Semi-finished goods and work in progress	1 477 125	1 127 277
including: at purchase prices/production costs	1 488 061	1 138 213
write down to the net realisable value	(10 936)	(10 936)
Finished goods	248 744	329 036
including: at purchase prices/production costs	254 498	334 691
write down to the net realisable value	(5 754)	(5 655)
Total	1 748 523	1 478 660

INVENTORY REVALUATION WRITE DOWNS	01.01 - 30.09.2016 <i>(unaudited)</i>	01.01 - 30.09.2015 <i>(unaudited)</i>
Opening balance	16 760	15 699
Increments	1 579	1 247
Decrease	(1 480)	(8 428)
Closing balance	16 859	8 518

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	30.09.2016 <i>(unaudited)</i>	31.12.2015
Carrying value of inventory used to secure liabilities	289 656	205 494
Mortgages:		
Value of mortgages established to secure real estate purchase agreements		4 200
Value of mortgages established to secure loan agreements (maximum amount)	300 000	300 000

7.6. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	30.09.2016 <i>(unaudited)</i>	31.12.2015
Bank deposits with a maturity over three months	49	48
Cash in open-end residential escrow accounts	20 053	3 496
Cash in other escrow accounts	1 231	203
Total	21 333	3 747



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	30.09.2016 <i>(unaudited)</i>	31.12.2015	30.09.2015 <i>(unaudited)</i>
Cash in hand and at bank	2 213	9 727	8 362
Bank deposits with a maturity of three months or less	256 296	211 871	279 960
Other	84	42	31
Total	258 593	221 640	288 353

7.8. Share capital

Description of changes to the share capital in the Company in the period from 1 July until 30 September 2016

In the period from 1 July until 30 September 2016 no change to the share capital in the Company took place.

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 six-month period ended 30.06.2016
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	14 726 172	59.42	14 726 172	59.42	-
Jarosław Szanajca	1 534 050	6.19	1 534 050	6.19	-
Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.30	1 313 383	5.30	no data
Grzegorz Kiełpsz	1 280 750	5.17	1 280 750	5.17	-

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



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development S.A. as at the date that these financial statements are prepared and approved by the Company's Management Board.

	Status as at the date of preparing of these financial statements			Change in the period from publication of the quarterly financial statements for the six-month period ended 30.06.2016	
	Shares	Share options	Total	Shares	Share options
The Management Board					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Janusz Zalewski	311 000	69 000	380 000	-	-
Małgorzata Kolarska	6 500	-	6 500	-	-
Janusz Stolarczyk	105 200	16 830	122 030	-	-
Terry Roydon	58 500	-	58 500	-	-
The Supervisory Board					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-
Mark Spiteri	900	-	900	-	-

7.9. Loans

Description of material changes in the three-month period ended 30 September 2016

In the three-month period ended 30 September 2016 the companies operating within the Group did not enter into any new credit facility agreements. Total loan liabilities increased by PLN 20 million in the period concerned. The structure of these liabilities in terms of their maturity has been presented in the table below.

LOANS DUE WITHIN	30.09.2016 (unaudited)	31.12.2015
Less than 1 year	-	-
More than 1 year and less than 2 years	-	30 000
More than 2 years and less than 5 years	100 000	70 000
Over 5 years	-	-
Total loans	100 000	100 000
including: long-term	100 000	100 000
short-term	-	-

BANK LOANS AS AT 30.09.2016						
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	03.02.2017
mBank	Warsaw	50 000*)	PLN	-	PLN	21.05.2019
PKO BP SA	Warsaw	100 000*)	PLN	100 000	PLN	26.07.2019
Total bank loans				100 000	PLN	

*) Revolving loan in the credit facility account

As at 30 September 2016 and 31 December 2015 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".



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

7.10. Bonds

BONDS	30.09.2016 <i>(unaudited)</i>	31.12.2015
Nominal value of the bonds issued, long-term portion	150 000	270 000
Nominal value of the bonds issued, short-term portion	120 000	-
Total nominal value of the bonds issued	270 000	270 000

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

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

Core details concerning the bonds issued by the Company

On 5 November 2007, the Company and Bank BPH S.A. (currently Bank Pekao S.A.) signed a Bond Issue Programme Agreement, pursuant to which Dom Development S.A. is allowed to issue mid-term bonds (with a maturity over 1 year and under 7 years) with an aggregate value of no more than PLN 400 million, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme.

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

Description of material changes in the three-month period ended 30 September 2016

The total bond issue liabilities in the three-month period ended 30 September 2016 and their maturity dates have not changed.

BONDS ISSUED AS AT 30.09.2016				
Series	Issue date	Amount	Currency	Contractual maturity date
III	02.02.2012	120 000	PLN	02.02.2017
IV	26.03.2013	50 000	PLN	26.03.2018
V	12.06.2015	100 000	PLN	12.06.2020
Total:		270 000	PLN	

7.11. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	30.09.2016 <i>(unaudited)</i>	31.12.2015
Accrued interest on bonds	2 153	3 403
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	2 153	3 403



7.12. Segment reporting

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

7.13. Operating income

REVENUE BREAKDOWN	01.01 - 30.09.2016	01.01 - 30.09.2015	01.07 - 30.09.2016	01.07 - 30.09.2015
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of finished goods	567 113	413 149	214 200	188 903
Sales of services	13 313	10 108	4 011	4 059
Sales of land	5 500	950	-	950
Total	585 926	424 207	218 211	193 912

7.14. Operating costs

OPERATING COSTS	01.01 - 30.09.2016	01.01 - 30.09.2015	01.07 - 30.09.2016	01.07 - 30.09.2015
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cost of sales				
Cost of finished goods sold	(435 413)	(326 834)	(163 621)	(153 074)
Cost of services sold	(15 418)	(10 726)	(4 655)	(4 352)
Cost of land sold	(4 823)	-	-	-
Inventory write down to the net realisable value	(1 003)	7 181	(525)	888
Total cost of sales	(456 657)	(330 379)	(168 801)	(156 538)
Selling costs, and general administrative expenses				
Selling costs	(34 328)	(34 669)	(11 472)	(11 496)
General administrative expenses	(40 037)	(35 206)	(14 512)	(11 220)
Total selling costs, and general administrative expenses	(74 365)	(69 875)	(25 984)	(22 716)
Selling costs, and general administrative expenses by kind				
Depreciation	(3 985)	(3 203)	(1 413)	(1 140)
Cost of materials and energy	(8 260)	(11 278)	(2 721)	(3 568)
External services	(19 690)	(18 126)	(7 451)	(5 936)
Taxes and charges	(154)	(118)	(89)	(36)
Remuneration	(34 299)	(29 416)	(12 170)	(9 867)
Social security and other benefits	(4 495)	(4 290)	(1 102)	(1 057)
Other prime costs	(3 482)	(3 444)	(1 038)	(1 112)
Total selling costs, and general administrative expenses by kind	(74 365)	(69 875)	(25 984)	(22 716)

7.15. Income tax in the income statement

INCOME TAX	01.01 - 30.09.2016	01.01 - 30.09.2015	01.07 - 30.09.2016	01.07 - 30.09.2015
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	20 538	4 245	3 257	1 538
Deferred tax in the income statement	(10 448)	(99)	803	1 305
Total	10 090	4 146	4 060	2 843



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

7.16. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 30.09.2016 <i>(unaudited)</i>	01.01 - 30.09.2015 <i>(unaudited)</i>	01.07 - 30.09.2016 <i>(unaudited)</i>	01.07 - 30.09.2015 <i>(unaudited)</i>
Basic earnings per share				
Profit for calculation of the basic earnings per share	40 361	14 699	16 828	9 547
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 776 891	24 771 221	24 782 592	24 771 272
Basic earnings per share (PLN)	1.63	0.59	0.68	0.39
Diluted earnings per share				
Profit for calculation of the diluted earnings per share	40 361	14 699	16 828	9 547
Potential diluting shares related to the Management Share Option Programmes	24 510	29 462	27 161	31 191
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 801 401	24 800 682	24 809 753	24 802 463
Diluted earnings per share (PLN)	1.63	0.59	0.68	0.38

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 nine-month periods ended 30 September 2015 and 2016, the Company was a party to transactions with related entities, as listed below.

Counterparty	Transaction description	01.01 - 30.09.2016 <i>(unaudited)</i>	01.01 - 30.09.2015 <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	1 381	1 388
M&M Usługi Doradcze M. Kolarski	Consulting services	83	344
Hansom Property Company Limited	Other	250	262
Hansom Property Company Limited	Consulting services as per the agreement dated 2 January 2001 as annexed	198	218
Kirkley Advisory Limited	Other	124	125
Kirkley Advisory Limited	Consulting services as per the agreement dated 1 March 2012	-	61
Fort Mokotów Inwestycje sp. z o.o. under liquidation	Other	90	-
Vratislavia Dom Development sp. z o.o.	Other	15	-
Małgorzata Kolarska, Vice President of the Management Board	Performance under the specific work contract	2 360	-
DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES:			
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	72	91
Dom Development Grunty sp. z o.o.	Other	4	4
Dom Development Morskie Oko sp. z o.o. under liquidation	Other	3	3
Fort Mokotów Inwestycje sp. z o.o. under liquidation	Other	1	-
Vratislavia Dom Development sp. z o.o.	Other	32	-



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

Counterparty	Transaction description	01.01 -	01.01 -
		30.09.2016	30.09.2015
		<i>(unaudited)</i>	<i>(unaudited)</i>
DOM DEVELOPMENT S.A. AS A LENDER:			
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	12	18
DOM DEVELOPMENT S.A. AS A SUBSCRIBER FOR SHARES IN SHARE CAPITAL OF SUBSIDIARIES:			
Vratislavia Dom Development sp. z o.o.	Share capital contribution *	4 000	-
Vratislavia Dom Development sp. z o.o.	Additional contribution to the share capital *	8 645	-
Fort Mokotów Inwestycje sp. z o.o. under liquidation	Share capital increase	4 250	-
DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER:			
Dom Development B.V.	Dividend paid	47 860	33 134
DOM DEVELOPMENT S.A. AS A PAYER OF PREPAYMENT UNDER THE AGENCY AGREEMENT:			
Dom Development Grunty sp. z o.o.	(Net) prepayment transferred for the purchase of land	13 497	-
DOM DEVELOPMENT S.A. AS A BUYER OF THE TITLE TO LAND:			
Dom Development Grunty sp. z o.o.	Purchase of freehold	7 512	814
DOM DEVELOPMENT S.A. AS A SELLER OF THE TITLE TO LAND:			
Vratislavia Dom Development sp. z o.o.	Sale of freehold with the rights to the design	8 859	-

* Share capital contribution and additional contribution to the share capital of the subsidiary, Vratislavia Dom Development Sp. z o.o. has been recognised in the balance sheet under "Investments in subsidiaries, associates and jointly controlled entities".

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Total balance	12 498	1 570	373	269
Subsidiaries	12 478	1 547	123	-
Dom Development Morskie Oko sp. z o.o., under liquidation - additional contributions to the share capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	412	400	-	-
Vratislavia Dom Development sp. z o.o., additional contributions to the share capital	8 645	-	-	-
Vratislavia Dom Development sp. z o.o., other	2 274	-	12	-
Fort Mokotów Inwestycje sp. z o.o., under liquidation	-	-	111	-
Jointly controlled entities	20	23	-	-
Fort Mokotów sp. z o.o., under liquidation	20	23	-	-
Other entities	-	-	250	269
M&M Usługi Doradcze M. Kolarski	-	-	26	41
Woodsford Consulting Limited	-	-	224	205
Kirkley Advisory Limited	-	-	-	23



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

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

Counterparty	01.01 - 30.09.2016 <i>(unaudited)</i>	01.01 - 30.09.2015 <i>(unaudited)</i>
The Management Board	5 619	5 124
The Supervisory Board	956	901

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.

The transactions stated above also include transactions with subsidiaries that has been eliminated in these consolidated financial statements.

7.18. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 30 September 2016:

Programme	Grant date	Exercise start date	Maturity date	Number of options	Exercise price per option (PLN)
Programme II	10.12.2009	10.12.2012	10.12.2016	104 840	40.64
Total				104 840	

Expiry of share options

In the three-month period ended 30 September 2016 the number of share options eligible to participate in Management Option Programme II was reduced by 34 250 options as a result of termination of employment contracts with the persons eligible to participate in the Programme.

Exercise of the share options

In the three-month period ended 30 September 2016 no share options were exercised at the Company.

Grant of new share options

In the three-month period ended 30 September 2016 the Company did not grant any new share options.

Changes to the Management Option Programmes

In the three-month period ended 30 September 2016 no changes were made to the Management Option Programme.

7.19. Contingent liabilities

CONTINGENT LIABILITIES	30.09.2016 <i>(unaudited)</i>	31.12.2015
Guarantees	111	111
Sureties	-	-
Total	111	111



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

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

COLLATERALS FOR LIABILITIES	30.09.2016	31.12.2015
	<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
Total	100 000	100 000

In the three-month period ended 30 September 2016 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 September 2016 there was no individual proceeding before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company or its subsidiary, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 September 2016 there were not two or more proceedings before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 September 2016, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 27 149 thousand, including the total value of proceedings concerning liabilities at approx. PLN 25 627 thousand and the total value of proceedings concerning receivables at approx. PLN 1 521 thousand.

The proceedings involving the Company have no significant impact on the Company'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 September 2016 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 2016 until 30 September 2016:

Project	Standard	Number of apartments	Number of commercial units
Ursynovia (Anody), phase 1	Popular	72	7
Ursynovia (Anody), phase 2	Popular	111	0
Premium, phase 2	Popular	236	0
Palladium, phase 1	Popular	214	0
Saska III	Popular	347	12
Osiedle pod Różami, phase 3	Popular	47	3
Żoliborz Artystyczny, phase 5	Popular	117	9
Żoliborz Artystyczny, phase 6	Popular	125	12
Żoliborz Artystyczny, phase 7	Popular	127	13
Wilno III, phase 2	Popular	125	4
Moderna, phase 2	Popular	194	0
Klasyków Wille Miejskie, phase 2	Popular	204	0
Wille Taneczna	Popular	119	0
Wilno III, phase 3	Popular	111	0
Apartamenty Włodarzewska 30	Popular	114	9
Total:		2 263	69



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

Projects where the construction was completed in the period from 1 January 2016 until 30 September 2016:

Project	Standard	Number of apartments	Number of commercial units
Klasyków Wille Miejskie, phase 1	Popular	231	4
Aura, phase 1b (Wrocław)	Popular	64	0
Wilno II, phase 2	Popular	249	14
Apartamenty Saska nad Jeziorem, phase 3	Popular	236	0
Wille Lazurowa	Popular	164	2
Osiedle Przyjaciół, phase 1	Popular	115	1
Osiedle Przyjaciół, phase 2	Popular	88	1
Dom Pod Zegarem	Popular	226	9
Total:		1 373	31

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

Number of residential and commercial units delivered to customers in the three and nine-month periods ended 30 September 2016 has been presented in the following table:

Deliveries	01.01 - 30.09.2016 <i>(unaudited)</i>	01.01 - 30.09.2015 <i>(unaudited)</i>	01.07 - 30.09.2016 <i>(unaudited)</i>	01.07 - 30.09.2015 <i>(unaudited)</i>
Apartments and commercial units	1 320	1 043	500	478
Total	1 320	1 043	500	478

Other material events

On 28 July 2016, the Company purchased 100% of shares in Fort Mokotów Inwestycje Sp. z o.o., thus it indirectly acquired the perpetual usufruct right to the property owned by FMI. Details have been provided in note 7.1.

7.22. Dividends

On 2 June 2016, the Ordinary General Meeting of the Shareholders of the Company resolved to appropriate PLN 80 543 424.00 from the Company's profit for 2015 to dividends. This implies the payment of PLN 3.25 per share. While the amount of PLN 103 942.31 was allocated to the increase of the Company's supplementary capital.

The dividend day was set at 22 June 2016 and the dividend payment day was set at 6 July 2016. The dividend was paid out in accordance with the adopted resolution.

In the preceding year, PLN 55 735 362.00 was appropriated to dividends and the dividend payment amounted to PLN 2.25 per share, while PLN 86 610.22 was allocated to the increase of the Company's supplementary capital.

7.23. Material post-balance sheet events

No material post-balance sheet events took place at the Company.



Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the three-month period ended 30 September 2016
(all amounts in thousands PLN unless stated otherwise)

7.24. Forecasts

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

7.25. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.09.2016	31.12.2015
	(unaudited)	
	thousand Euro	thousand Euro
Total current assets	473 079	406 956
Total assets	477 553	411 346
Total shareholders' equity	195 623	207 304
Long-term liabilities	71 199	101 407
Short-term liabilities	210 731	102 635
Total liabilities	281 930	204 042
PLN/EURO exchange rate as at the balance sheet date	4.3120	4.2615

SELECTED DATA FROM THE INCOME STATEMENT	01.01 - 30.09.2016	01.01 - 30.09.2015	01.07 - 30.09.2016	01.07 - 30.09.2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
Sales revenue	134 116	102 010	50 218	46 090
Gross profit on sales	29 589	22 563	11 371	8 883
Operating profit/(loss)	11 808	4 977	4 835	3 143
Profit/(loss) before tax	11 546	4 527	4 807	2 944
Net profit/(loss)	9 236	3 530	3 873	2 268
Average PLN/EURO exchange rate for the reporting period	4.3688	4.1585	4.3453	4.2073