



# **DOM DEVELOPMENT S.A.**

## **Interim condensed consolidated financial statements for the three-month period ended 30 September 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 three-month period ended on 30 September 2017, comprising:

- interim condensed consolidated balance sheet prepared as at 30 September 2017 with the balance of assets and liabilities in the amount of 2 384 192 thousand;
- interim condensed consolidated income statement for the nine-month and three-month periods ended 30 September 2017 with a net profit of PLN 73 956 thousand and PLN 25 987 thousand, respectively;
- interim condensed consolidated statement of comprehensive income for the nine-month and three-month periods ended 30 September 2017 with a net comprehensive profit of PLN 73 833 thousand and PLN 26 060 thousand;
- interim condensed statement of changes in consolidated shareholders' equity in the nine-month period ended 30 September 2017 with the PLN 881 197 thousand shareholders' equity as at 30 September 2017;
- interim condensed consolidated cash flow statement for the nine-month period ended 30 September 2017 with the PLN 104 129 thousand net cash and cash equivalents as at 30 September 2017;
- additional notes to the interim condensed consolidated financial statements,

were prepared and approved by the Management Board of the Company on 26 October 2017.

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Jarosław Szanajca,  
President of the Management Board

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Janusz Zalewski,  
Vice President of the Management Board



## 2. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2017 (unaudited)	31.12.2016
<b>Fixed assets</b>			
Intangible assets		10 791	3 923
Tangible fixed assets		10 089	7 576
Deferred tax assets		1 104	-
Long-term receivables		1 612	1 598
Other long-term assets		3 443	7 413
<b>Total fixed assets</b>		<b>27 039</b>	<b>20 510</b>
<b>Current assets</b>			
Inventory	7.5	2 094 206	1 507 595
Trade and other receivables		55 139	9 347
Other current assets		7 403	2 767
Short-term financial assets	7.6	96 276	22 763
Cash and cash equivalents	7.7	104 129	414 310
<b>Total current assets</b>		<b>2 357 153</b>	<b>1 956 782</b>
<b>Total assets</b>		<b>2 384 192</b>	<b>1 977 292</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	7.8	24 868	24 782
Share premium		238 388	234 986
Other capital (supplementary capital)		544 851	542 696
Reserve capital from valuation of cash flow hedges		292	415
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit/(loss)		72 339	126 118
<b>Equity attributable to the shareholders of parent company</b>		<b>881 248</b>	<b>929 507</b>
Non-controlling interests		(51)	(46)
<b>Total shareholders' equity</b>		<b>881 197</b>	<b>929 461</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Loans, long-term portion	7.9	3 700	-
Bonds, long-term portion	7.10	210 000	260 000
Deferred tax provision		27 030	16 594
Long-term provisions		14 999	14 346
Other long-term liabilities		41 168	34 369
<b>Total long-term liabilities</b>		<b>296 897</b>	<b>325 309</b>
<b>Short-term liabilities</b>			
Trade payables, tax and other liabilities		254 903	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	2 621	3 897
Corporate income tax payables		19 783	23 117
Short-term provisions		4 890	7 696
Deferred income	7.23	873 901	349 107
<b>Total short-term liabilities</b>		<b>1 206 098</b>	<b>722 522</b>
<b>Total liabilities</b>		<b>1 502 995</b>	<b>1 047 831</b>
<b>Total equity and liabilities</b>		<b>2 384 192</b>	<b>1 977 292</b>



## Dom Development S.A.

Interim condensed consolidated income statement  
for the nine-month and three-month periods ended 30 September 2017  
(all amounts in thousands PLN unless stated otherwise)

### 3. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Nine-month period ended		Three-month period ended	
		30.09.2017 (unaudited)	30.09.2016 (unaudited)	30.09.2017 (unaudited)	30.09.2016 (unaudited)
Sales revenue	7.13	680 717	585 926	245 201	218 211
Cost of sales	7.14	(496 740)	(456 657)	(177 576)	(168 801)
<b>Gross profit on sales</b>		<b>183 977</b>	<b>129 269</b>	<b>67 625</b>	<b>49 410</b>
Selling costs	7.14	(43 691)	(34 328)	(14 747)	(11 472)
General administrative expenses	7.14	(45 842)	(40 037)	(18 536)	(14 512)
Other operating income		8 422	3 106	88	147
Other operating expenses		(13 181)	(6 423)	(2 075)	(2 563)
<b>Operating profit</b>		<b>89 685</b>	<b>51 587</b>	<b>32 355</b>	<b>21 010</b>
Financial income		2 005	1 352	411	765
Financial costs		(1 541)	(2 499)	(665)	(886)
<b>Profit before tax</b>		<b>90 149</b>	<b>50 440</b>	<b>32 101</b>	<b>20 889</b>
Income tax	7.15	(16 193)	(10 090)	(6 114)	(4 060)
<b>Net profit</b>		<b>73 956</b>	<b>40 350</b>	<b>25 987</b>	<b>16 829</b>
<b>Net profit attributable to:</b>					
Shareholders of the parent company		73 961	40 361	25 988	16 828
Non-controlling interests		(5)	(11)	(1)	1
<b>Earnings per share:</b>					
Basic, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	2.97	1.63	1.05	0.68
Diluted, from the profit for the period, attributable to parent company's shareholders (PLN)	7.16	2.97	1.63	1.05	0.68



## Dom Development S.A.

Interim condensed consolidated statement of comprehensive income  
for the nine-month and three-month periods ended 30 September 2017  
(all amounts in thousands PLN unless stated otherwise)

### 4. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine-month period ended		Three-month period ended	
	30.09.2017 <i>(unaudited)</i>	30.09.2016 <i>(unaudited)</i>	30.09.2017 <i>(unaudited)</i>	30.09.2016 <i>(unaudited)</i>
<b>Net profit</b>	<b>73 956</b>	<b>40 350</b>	<b>25 987</b>	<b>16 829</b>
<b>Other comprehensive income</b>				
Net change to cash flow hedges	(152)	(208)	90	176
Income tax	29	39	(17)	(34)
<b>Other net comprehensive income</b>	<b>(123)</b>	<b>(169)</b>	<b>73</b>	<b>142</b>
<b>Total net comprehensive income</b>	<b>73 833</b>	<b>40 181</b>	<b>26 060</b>	<b>16 971</b>
<b>Net comprehensive income attributable to:</b>				
Shareholders of the parent company	73 838	40 192	26 061	16 970
Non-controlling interests	(5)	(11)	(1)	1



## 5. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Nine-month period ended	
		30.09.2017 <i>(unaudited)</i>	30.09.2016 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Profit/(loss) before tax		<b>90 149</b>	<b>50 440</b>
Adjustments:			
Depreciation		5 197	3 985
Profit/loss on foreign exchange differences		7	22
Profit/loss on investments		(7 322)	154
Interest cost/income		7 016	10 427
Changes in the operating capital:			
Changes in provisions		(2 855)	824
Changes in inventory		(290 980)	(270 873)
Changes in receivables		(41 239)	18 470
Changes in short-term liabilities, excluding loans and bonds		(21 454)	(3 657)
Changes in prepayments and deferred income		433 816	331 017
Other adjustments		(7)	(22)
<b>Cash flow generated from operating activities</b>		<b>172 328</b>	<b>140 787</b>
Interest received		3 207	2 886
Interest paid		(10 416)	(12 897)
Income tax paid		(32 271)	(8 855)
<b>Net cash flow from operating activities</b>		<b>132 848</b>	<b>121 921</b>
<b>Cash flow from investing activities</b>			
Proceeds from the sale of intangible assets and tangible fixed assets		249	192
Acquisition of intangible and tangible fixed assets		(5 144)	(5 081)
Acquisition of financial assets less cash acquired in the target subsidiary		(193 994)	-
<b>Net cash flow from investing activities</b>		<b>(198 889)</b>	<b>(4 889)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (exercise of share options)		-	464
Proceeds from contracted loans	<b>7.9</b>	106 200	100 000
Commercial papers issued	<b>7.10</b>	-	-
Repayment of loans and borrowings	<b>7.9</b>	(104 566)	(100 000)
Redemption of commercial papers	<b>7.10</b>	(120 000)	-
Dividends paid		(125 586)	(80 543)
Payment of financial lease liabilities		(188)	-
<b>Net cash flow from financing activities</b>		<b>(244 140)</b>	<b>(80 079)</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>		<b>(310 181)</b>	<b>36 953</b>
<b>Cash and cash equivalents – opening balance</b>	<b>7.7</b>	<b>414 310</b>	<b>221 640</b>
<b>Cash and cash equivalents – closing balance</b>	<b>7.7</b>	<b>104 129</b>	<b>258 593</b>



## Dom Development S.A.

Interim condensed statement of changes in consolidated shareholders' equity  
for the nine-month period ended 30 September 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				
<b>Balance as at 1 January 2017</b>	<b>24 782</b>	<b>234 986</b>	<b>542 696</b>	<b>510</b>	<b>415</b>	<b>-</b>	<b>126 118</b>	<b>929 507</b>	<b>(46)</b>	<b>929 461</b>
Share capital increase by exercising share options	86	3 402	-	-	-	-	-	3 488	-	3 488
Transfer of profit to supplementary capital	-	-	2 155	-	-	-	(2 155)	-	-	-
Dividends to shareholders (note 7.22)	-	-	-	-	-	-	(125 585)	(125 585)	-	(125 585)
Net profit for the reporting period	-	-	-	-	-	-	73 961	73 961	(5)	73 956
Other net comprehensive income for the reporting period	-	-	-	-	(123)	-	-	(123)	-	(123)
<b>Balance as at 30 September 2017 (unaudited)</b>	<b>24 868</b>	<b>238 388</b>	<b>544 851</b>	<b>510</b>	<b>292</b>	<b>-</b>	<b>72 339</b>	<b>881 248</b>	<b>(51)</b>	<b>881 197</b>

	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				
<b>Balance as at 1 January 2016</b>	<b>24 771</b>	<b>234 534</b>	<b>517 466</b>	<b>510</b>	<b>82</b>	<b>25 126</b>	<b>81 115</b>	<b>883 604</b>	<b>(179)</b>	<b>883 425</b>
Share capital increase by exercising share options	11	452	-	-	-	-	-	463	-	463
Transfer of profit to supplementary capital	-	-	104	-	-	-	(104)	-	-	-
Dividends to shareholders (note 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)
<b>Balance as at 30 September 2016 (unaudited)</b>	<b>24 782</b>	<b>234 986</b>	<b>517 570</b>	<b>510</b>	<b>(87)</b>	<b>25 126</b>	<b>40 829</b>	<b>843 716</b>	<b>(190)</b>	<b>843 526</b>





## 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 Tri-City area.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 September 2017 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 57.34% 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 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
<b>Subsidiaries</b>				
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Dom Development Kredyty sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Morskie Oko sp. z o.o. w likwidacji **	Poland	100%	100%	full consolidation
Dom Development Wrocław sp. z o.o.	Poland	100%	100%	full consolidation
Dom Land sp. z o.o.	Poland	-	-	full consolidation
Euro Styl S.A.*	Poland	100%	100%	full consolidation
Euro Styl Development sp. z o.o.*	Poland	100%	100%	full consolidation
Mirabelle Investments sp. z o.o.	Poland	100%	100%	full consolidation
<b>The Group has been also engaged in the joint venture:</b>				
Fort Mokotów sp. z o.o. w likwidacji **	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 company is in liquidation ("w likwidacji")

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

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



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

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

In the three-month period ended 30 September 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, in the three-month period ended 30 September 2017.**

- **Acquisition of Mirabelle Investments Sp. z o.o.**

On 7 September 2017 a purchase agreement and transfer agreement concerning perpetual usufruct of real properties located in the Żoliborz District, Warsaw, where the Company intends to develop a multi-phase real estate project, were entered into by the Company and Acciona Nieruchomości Żoliborz sp. z o.o. with its registered office in Warsaw.

Moreover, as a result of the fulfilment of the conditions set out in the conditional share purchase agreement and conditional purchase agreement concerning rights in a real estate development project that were entered into by the Company on 27 July 2017 with respectively: Alicionak Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw and Fasby Bears Sociedad Limitada with its registered office in La Coruña, and 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, on 7 September 2017 the Company acquired 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 and the copyrights to the project which may be developed on the above mentioned properties. Mirabelle Investments Sp. z o.o. is the addressee of administrative decisions and the party to the agreements required for the development of housing project on the above mentioned properties.

The shares in Mirabelle Investments Sp. z o.o. were acquired by the Company for PLN 58 thousand.

It is not the Company's intention to carry out operations through Mirabelle Investments Sp. z o.o., and the project on the said real estate is to be developed directly by Development S.A.

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

**Assets:**

Other short-term net assets	691
Cash and cash equivalents	3 741
<b>Total</b>	<b>4 432</b>

**Liabilities:**

Tax liabilities	4 366
Other liabilities	8
<b>Total</b>	<b>4 374</b>

**Net assets at fair value:** **58**

**Purchase price of shares in Mirabelle Investments Sp. z o.o.** **58**

**Cash inflow on purchase**

Cash acquired by the Group	3 741
Cash paid	(58)
<b>Net cash inflow</b>	<b>3 683</b>

- **Establishment of Dom Development Kredyty so. z o.o.**

On 6 October 2017 Dom Development Kredyty sp. z o.o. (*a limited liability company*) was established, with 100% of shares held by Dom Development S.A. The share capital of this company is PLN 500 thousand and has been paid cash.



As scope of operations as defined in the articles of association of this newly established company is to provide credit intermediation services to financial institutions.

## **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 2016.

The Company has also prepared interim condensed financial statements for Dom Development S.A. for the three-month period ended 30 September 2017. These statements were approved by the Management Board of the Company on 26 October 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,
- 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,
- Amendments to IFRS 9 *Revenue from Contracts with Customers* (published on 12 October 2017) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (published on 12 October 2017) – not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,

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

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:

- 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

<b>INVENTORY</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
	<i>(unaudited)</i>	
<b>Advances on deliveries</b>	<b>41 791</b>	<b>27 232</b>
including: at purchase prices/production costs	41 960	27 401
write down to the net realisable value	(169)	(169)
<b>Semi-finished goods and work in progress</b>	<b>1 841 522</b>	<b>1 220 514</b>
including: at purchase prices/production costs	1 860 206	1 242 314
write down to the net realisable value	(18 684)	(21 800)
<b>Finished goods</b>	<b>210 893</b>	<b>259 849</b>
including: at purchase prices/production costs	221 061	268 172
write down to the net realisable value	(10 168)	(8 323)
<b>Total</b>	<b>2 094 206</b>	<b>1 507 595</b>

<b>INVENTORY REVALUATION WRITE DOWNS</b>	<b>01.01 - 30.09.2017</b>	<b>01.01 - 30.09.2016</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Opening balance</b>	<b>30 292</b>	<b>16 760</b>
Increments, including:	2 310	1 579
Revaluation write down for Euro Styl Group at the time of acquisition	1 985	-
Other increments	325	1 579
Decrease	(3 581)	(1 480)
<b>Closing balance</b>	<b>29 021</b>	<b>16 859</b>



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

<b>CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
Carrying value of inventory used to secure liabilities	370 485	300 000
<b>Mortgages:</b>		
Value of mortgages established to secure real estate purchase agreements	-	-
Value of mortgages established to secure loan agreements (cap)	375 600	300 000

### 7.6. Short-term financial assets

<b>SHORT-TERM FINANCIAL ASSETS</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
Bank deposits with a maturity over three months	49	49
Cash in open-end residential escrow accounts	96 227	21 483
Cash in other escrow accounts	-	1 231
<b>Total</b>	<b>96 276</b>	<b>22 763</b>

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.

<b>CASH AND CASH EQUIVALENTS</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>	<b>30.09.2016</b> <i>(unaudited)</i>
Cash in hand and at bank	77 499	5 077	2 213
Bank deposits with a maturity of three months or less	26 602	409 210	256 296
Other	28	23	84
<b>Total</b>	<b>104 129</b>	<b>414 310</b>	<b>258 593</b>



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### 7.8. Share capital

#### Description of changes to the share capital in the Company in the period from 1 July until 30 September 2017

In the period from 1 July until 30 September 2017 no changes to the share capital in the Company took place.

SHARE CAPITAL (STRUCTURE) AS AT 30.09.2017								
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
<b>Total number of shares</b>				<b>24 868 422</b>				
<b>Total share capital</b>					<b>24 868 422</b>			
<b>Nominal value per share = PLN 1</b>								

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.	14 259 879	57.34	14 259 879	57.34	(466 293)
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
<b>The Management Board</b>					
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	-	-
<b>The Supervisory Board</b>					
Grzegorz Kiełpsz	1 280 750	-	1 280 750	-	-
Mark Spiteri	900	-	900	-	-

## 7.9. Loans

### Description of material changes in the three-month period ended 30 September 2017

The total loan liabilities in the three-month period ended 30 September 2017 have not changed significantly. There were no loan agreements or any other agreements within the Group that expired in the period concerned.

LOANS DUE WITHIN	30.09.2017	31.12.2016
Less than 1 year	-	-
More than 1 year and less than 2 years	-	-
More than 2 years and less than 5 years	3 700	-
Over 5 years	-	-
<b>Total loans</b>	<b>3 700</b>	<b>-</b>
including: long-term	3 700	-
short-term	-	-

### BANK LOANS AS AT 30.09.2017

Bank	Registered office	Outstanding loan amount 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	3 700 PLN	01.03.2021
PKO BP SA	Warsaw	12 500***) PLN	- PLN	29.09.2018
<b>Total bank loans</b>			<b>3 700 PLN</b>	

\*) 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 Styl SA. - the available commitment amount.





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As at 30 September 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".

### 7.10. Bonds

<b>BONDS</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
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
<b>Total nominal value of the bonds issued</b>	<b>260 000</b>	<b>380 000</b>

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 2017

The total bond issue liabilities in the three-month period ended 30 September 2017 and their maturity dates have not changed.

<b>BONDS ISSUED AS AT 30.09.2017</b>				
<b>Series</b>	<b>Issue date</b>	<b>Amount</b>	<b>Currency</b>	<b>Contractual maturity date</b>
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
<b>Total</b>		<b>260 000</b>	<b>PLN</b>	



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### 7.11. Accrued interest on loans and bonds

<b>ACCRUED INTEREST ON LOANS AND BONDS</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
Accrued interest on bonds	2 621	3 897
Accrued interest on loans	-	-
<b>Total accrued interest on loans and bonds</b>	<b>2 621</b>	<b>3 897</b>

### 7.12. Segment reporting

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

### 7.13. Operating income

<b>REVENUE BREAKDOWN</b>	<b>01.01 - 30.09.2017</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2016</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2017</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2016</b> <i>(unaudited)</i>
Sales of finished goods	662 731	567 113	235 017	214 200
Sales of services	17 733	13 313	9 950	4 011
Sales of land	253	5 500	234	-
<b>Total</b>	<b>680 717</b>	<b>585 926</b>	<b>245 201</b>	<b>218 211</b>

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

<b>SALES REVENUE AND GROSS PROFIT ON SALES BY THE LOCATION OF PROJECTS</b> <i>(unaudited)</i>				
<b>For the nine-month period ended 30.09.2017</b>	<b>Warsaw</b>	<b>Wrocław</b>	<b>Tri-City *),**)</b>	<b>Total</b>
Sales revenue	601 576	22 903	56 238	680 717
Gross profit on sales	168 284	3 116	19 861	191 261
Allocation of the Euro Styl S.A. Capital Group purchase price ***)	-	-	(7 284)	(7 284)
<b>Gross profit on sales after the allocation</b>	<b>168 284</b>	<b>3 116</b>	<b>12 577</b>	<b>183 977</b>
<b>For the three-month period ended 30.09.2017</b>	<b>Warsaw</b>	<b>Wrocław</b>	<b>Tri-City *),**)</b>	<b>Total</b>
Sales revenue	198 517	6 090	40 594	245 201
Gross profit on sales	57 449	1 029	14 147	72 625
Allocation of the Euro Styl S.A. Capital Group purchase price ***)	-	-	(5 000)	(5 000)
<b>Gross profit on sales after the allocation</b>	<b>57 449</b>	<b>1 029</b>	<b>9 147</b>	<b>67 625</b>

\*) information for the Tri-City for the period from 8.06.2017 to 30.09.2017.

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

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



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### 7.14. Operating costs

OPERATING COSTS	01.01 - 30.09.2017 <i>(unaudited)</i>	01.01 - 30.09.2016 <i>(unaudited)</i>	01.07 - 30.09.2017 <i>(unaudited)</i>	01.07 - 30.09.2016 <i>(unaudited)</i>
<b>Cost of sales</b>				
Cost of finished goods sold	(483 735)	(435 413)	(173 101)	(163 621)
Cost of services sold	(16 069)	(15 418)	(7 372)	(4 655)
Cost of land sold	(182)	(4 823)	(171)	-
Inventory write down to the net realisable value	3 246	(1 003)	3 068	(525)
<b>Total cost of sales</b>	<b>(496 740)</b>	<b>(456 657)</b>	<b>(177 576)</b>	<b>(168 801)</b>
<b>Selling costs, and general administrative expenses</b>				
Selling costs	(43 691)	(34 328)	(14 747)	(11 472)
General administrative expenses	(45 842)	(40 037)	(18 536)	(14 512)
<b>Total selling costs, and general administrative expenses</b>	<b>(89 533)</b>	<b>(74 365)</b>	<b>(33 283)</b>	<b>(25 984)</b>
<b>Selling costs, and general administrative expenses by kind</b>				
Depreciation	(5 197)	(3 985)	(2 125)	(1 413)
Cost of materials and energy	(10 437)	(8 260)	(3 322)	(2 721)
External services	(27 599)	(19 690)	(10 647)	(7 451)
Taxes and charges	(264)	(154)	(142)	(89)
Remuneration	(35 693)	(34 299)	(13 087)	(12 170)
Social security and other benefits	(5 406)	(4 495)	(1 386)	(1 102)
Other prime costs	(4 937)	(3 482)	(2 574)	(1 038)
<b>Total selling costs, and general administrative expenses by kind</b>	<b>(89 533)</b>	<b>(74 365)</b>	<b>(33 283)</b>	<b>(25 984)</b>

### 7.15. Income tax in the income statement

INCOME TAX	01.01 - 30.09.2017 <i>(unaudited)</i>	01.01 - 30.09.2016 <i>(unaudited)</i>	01.07 - 30.09.2017 <i>(unaudited)</i>	01.07 - 30.09.2016 <i>(unaudited)</i>
Current income tax	(28 137)	(20 538)	(8 382)	(3 257)
Deferred tax in the income statement	11 944	10 448	2 268	(803)
<b>Total</b>	<b>(16 193)</b>	<b>(10 090)</b>	<b>(6 114)</b>	<b>(4 060)</b>

### 7.16. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 30.09.2017 <i>(unaudited)</i>	01.01 - 30.09.2016 <i>(unaudited)</i>	01.07 - 30.09.2017 <i>(unaudited)</i>	01.07 - 30.09.2016 <i>(unaudited)</i>
<b>Basic earnings per share</b>				
Profit for calculation of the basic earnings per share	73 961	40 361	25 988	16 828
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 865 278	24 776 891	24 868 422	24 782 592
<b>Basic earnings per share (PLN)</b>	<b>2.97</b>	<b>1.63</b>	<b>1.05</b>	<b>0.68</b>
<b>Diluted earnings per share</b>				
Profit for calculation of the diluted earnings per share	73 961	40 361	25 988	16 828
Potential diluting shares related to the Management Share Option Programmes	-	24 510	-	27 161
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 865 278	24 801 401	24 868 422	24 809 753
<b>Diluted earnings per share (PLN)</b>	<b>2.97</b>	<b>1.63</b>	<b>1.05</b>	<b>0.68</b>



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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 2017 and 2016, the Company was a party to transactions with related entities, as listed below.

Counterparty	Transaction description	01.01- 30.09.2017 <i>(unaudited)</i>	01.01 - 30.09.2016 <i>(unaudited)</i>
<b>DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:</b>			
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007 as annexed	1 438	1 381
Woodsford Consulting Limited	Other	83	-
Hansom Property Company Limited	Consulting services as per the agreement dated 2 January 2001 as annexed	386	198
Hansom Property Company Limited	Other	341	250
Kirkley Advisory Limited	Consulting services as per the agreement dated 29 September 2017	24	-
Kirkley Advisory Limited	Other	-	124
M&M Usługi Doradcze M. Kolarski	Consulting services	43	83
Małgorzata Kolarska, Vice President of the Management Board	Performance under the specific work contract	-	2 360
<b>DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES:</b>			
Fort Mokotów sp. z o.o. w likwidacji	Repair services as per the agreement dated 22 July 2005	72	72
<b>DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER:</b>			
Dom Development B.V.	Dividend paid	73 761	47 860

<b>BALANCES WITH RELATED ENTITIES – balances as in the books of the Company</b>				
Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2017 <i>(unaudited)</i>	31.12.2016	30.09.2017 <i>(unaudited)</i>	31.12.2016
<b>Total balance</b>	<b>10</b>	<b>10</b>	<b>241</b>	<b>215</b>
<b>Jointly controlled entities</b>	<b>10</b>	<b>10</b>	-	-
Fort Mokotów sp. z o.o. w likwidacji	10	10	-	-
<b>Other entities</b>	-	-	<b>241</b>	<b>215</b>
M&M Usługi Doradcze M. Kolarski	-	-	6	5
Woodsford Consulting Limited	-	-	235	210



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

Transactions with members of the Management Board and the Supervisory Board	Transaction description	Transaction date	Transaction amount
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
Mark Spiteri and a person closely related	Agreement on the establishment of a separate ownership title to a non-residential unit, with floor area of 58.27 sq.m, and the sale of the same and the sale agreement for a parking space in the "Apartamenty Mokotów nad Skarpą" project.	18.07.2017	571 937.61

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

Counterparty	01.01- 30.09.2017 (unaudited)	01.01 - 30.09.2016 (unaudited)
The Management Board	6 741	5 619
The Supervisory Board	973	956

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

#### Exercise of the share options

In the three-month period ended 30 September 2017 no share options were exercised at the Company.

#### Grant of new share options

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

#### Proposed adoption of a new share option programme

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

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



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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

<b>CONTINGENT LIABILITIES</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
Guarantees	111	111
Sureties	-	-
<b>Total</b>	<b>111</b>	<b>111</b>

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

<b>COLLATERALS FOR LIABILITIES</b>	<b>30.09.2017</b> <i>(unaudited)</i>	<b>31.12.2016</b>
Promissory notes, including:		
- promissory notes as an additional guarantee for the PKO BP SA bank in respect of claims arising from the granted loan	100 000	100 000
- promissory note as a security for the claims of Bank Pekao S.A. from the sale of credit products	2 000	-
- promissory notes as a security for lease agreements	747	-
<b>Total</b>	<b>102 747</b>	<b>100 000</b>

In the three-month period ended 30 September 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 September 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.

As of 30 September 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 September 2017, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 29 120 thousand, including the total value of proceedings concerning liabilities at approx. PLN 26 958 thousand and the total value of proceedings concerning receivables at approx. PLN 2 161 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 September 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 September 2017:

Project	Location	Standard	Number of apartments	Number of commercial units
Wilno VI, phase 1	Warsaw	Popular	300	9
Premium, phase 4	Warsaw	Popular	248	-
Premium, phase 5	Warsaw	Popular	109	4
Osiedle Forma, phase 1	Warsaw	Popular	89	6
Osiedle Forma, phase 2	Warsaw	Popular	192	7
Amsterdam, phase 2	Warsaw	Popular	307	7
Cybernetyki 17, phase 1	Warsaw	Popular	145	1
Cybernetyki 17, phase 2	Warsaw	Popular	236	11
Moderna, phase 3	Warsaw	Popular	163	24
Wille Lazurowa, phase 2	Warsaw	Popular	102	-
Apartamenty Mokotów nad Skarpą 2	Warsaw	Apartments	190	-
Dom na Bartyckiej	Warsaw	Popular	127	4
Apartamenty Park Szczęśliwicki	Warsaw	Apartments	46	-
Osiedle Port Żerań, phase 1	Warsaw	Popular	361	1
Wilno VI, phase 2	Warsaw	Popular	209	2
Idea building 4	Tri-City	Apartments	31	-
Nowy Horyzont building 11 and 12	Tri-City	Popular	76	-
Osiedle Viridis building A1	Tri-City	Popular	32	-
Osiedle Viridis building A2	Tri-City	Popular	42	-
Scena Apartamenty	Tri-City	Apartments	55	6
Idea building 5	Tri-City	Apartments	54	8
<b>Total</b>			<b>3 114</b>	<b>90</b>

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

Project	Location	Standard	Number of apartments	Number of commercial units
Premium, phase 1	Warsaw	Popular	191	15
Osiedle Przyjaciół, phase 3	Warsaw	Popular	93	2
Apartamenty Mokotów nad Skarpą	Warsaw	Popular	183	1
Moderna, phase 1	Warsaw	Popular	167	4
Palladium, phase 1	Warsaw	Popular	214	1
Premium, phase 2	Warsaw	Popular	236	-
Osiedle pod Różami, phase 3	Warsaw	Popular	47	3
Idea building 1	Tri-City	Apartments	86	-
Brama Żuław buildings B and C	Tri-City	Popular	63	-
Nowe Morskie buildings C1, C1A, C1B, C2	Tri-City	Popular	63	-
Idea building 2	Tri-City	Apartments	52	-
Osiedle Cytrusowe building 12 and 13	Tri-City	Popular	46	-
Brama Żuław building A	Tri-City	Popular	49	-
Osiedle Viridis building A3	Tri-City	Popular	58	-
<b>Total</b>			<b>1 548</b>	<b>26</b>

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

Number of residential and commercial units delivered to customers in the nine-month and three-month periods ended 30 September 2017 has been presented in the following table:

<b>Deliveries</b>	<b>01.01 - 30.09.2017</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2016</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2017</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2016</b> <i>(unaudited)</i>
Apartments and commercial units	1 457	1 320	553	500
<b>Total</b>	<b>1 457</b>	<b>1 320</b>	<b>553</b>	<b>500</b>

**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 873 901 thousand as at 30 September 2017, is a result of the advance sale of apartments and commercial units in the projects developed by the Group and less projects completed (deliveries) in the said period.

**7.24. Material post-balance sheet events**

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

**7.25. Forecasts**

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





## Dom Development S.A.

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

### 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	30.09.2017	31.12.2016
	<i>(unaudited)</i>	
	In thousands Euro	In thousands Euro
Total current assets	547 017	442 311
Total assets	553 292	446 947
Total shareholders' equity	204 497	210 095
Long-term liabilities	68 900	73 533
Short-term liabilities	279 896	163 319
Total liabilities	348 796	236 852
<b><i>PLN/EUR exchange rate as at the balance sheet date</i></b>	<b><i>4.3091</i></b>	<b><i>4.4240</i></b>

SELECTED DATA FROM THE INCOME STATEMENT	01.01 - 30.09.2017	01.01 - 30.09.2016	01.07 - 30.09.2017	01.07 - 30.09.2016
	<i>(unaudited)</i>			
	In thousands Euro	In thousands Euro	In thousands Euro	In thousands Euro
Sales revenue	159 920	134 116	57 355	50 218
Gross profit on sales	43 222	29 589	15 818	11 371
Operating profit/(loss)	21 070	11 808	7 568	4 835
Profit/(loss) before tax	21 179	11 546	7 509	4 807
Net profit/(loss)	17 374	9 236	6 079	3 873
<b><i>Average PLN/EUR exchange rate for the reporting period</i></b>	<b><i>4.2566</i></b>	<b><i>4.3688</i></b>	<b><i>4.2751</i></b>	<b><i>4.3453</i></b>