



# **DOM DEVELOPMENT S.A.**

## **Interim condensed financial statements for the three-month period ended 30 September 2013**



## CONTENTS

1.	APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY .....	2
2.	INTERIM CONDENSED BALANCE SHEET .....	3
3.	INTERIM CONDENSED INCOME STATEMENT .....	4
4.	INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME.....	5
5.	INTERIM CONDENSED CASH FLOW STATEMENT .....	6
6.	INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .....	7
7.	ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS .....	8
7.1.	General information about Dom Development S.A. ....	8
7.2.	Basis for the preparing of the interim condensed financial statements .....	8
7.3.	Accounting policies .....	8
7.4.	Key figures based on professional judgement and basis for estimates.....	9
7.5.	Inventory.....	10
7.6.	Short-term financial assets.....	11
7.7.	Cash and cash equivalents .....	11
7.8.	Share capital .....	11
7.9.	Loans .....	13
7.10.	Bonds .....	14
7.11.	Accrued interest on loans and bonds .....	14
7.12.	Segment reporting.....	15
7.13.	Operating income .....	15
7.14.	Operating costs .....	15
7.15.	Income tax in the income statement.....	15
7.16.	Earnings per share .....	16
7.17.	Transactions with related entities .....	16
7.18.	Incentive Plan – Management Option Programmes .....	17
7.19.	Contingent liabilities .....	18
7.20.	Material court cases.....	18
7.21.	Additional information on the operating activity of the Company .....	19
7.22.	The factors that will impact the results achieved by the Company for at least the next three months .....	19
7.23.	Material post-balance sheet events.....	19
7.24.	Forecasts .....	20
7.25.	Selected financial data translated into EURO .....	20



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

These interim condensed financial statements for the three-month period ended 30 September 2013 were prepared and approved by the Management Board of Dom Development S.A. on 23 October 2013.

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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 BALANCE SHEET

<b>ASSETS</b>	<b>Note</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
<b>Fixed assets</b>			
Intangible assets		1 258	1 211
Tangible fixed assets		4 933	5 308
Investments in subsidiaries, associates and a joint venture		426	368
Long-term receivables		1 601	1 679
Other financial assets		72	38
<b>Total fixed assets</b>		<b>8 290</b>	<b>8 604</b>
<b>Current assets</b>			
Inventory	<b>7.5</b>	1 288 514	1 305 568
Trade and other receivables		34 020	27 993
Other current assets		5 126	7 217
Short-term financial assets	<b>7.6</b>	3 392	234 769
Cash and cash equivalents	<b>7.7</b>	360 881	173 045
<b>Total current assets</b>		<b>1 691 933</b>	<b>1 748 592</b>
<b>Total assets</b>		<b>1 700 223</b>	<b>1 757 196</b>

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
<b>Shareholders' equity</b>			
Share capital	<b>7.8</b>	24 741	24 715
Share premium		234 094	233 733
Other capital (supplementary capital)		517 521	517 362
Reserve capital from valuation of share options		25 107	25 089
Reserve capital from valuation of cash flow hedges		(37)	(58)
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		28 545	91 207
<b>Total shareholders' equity</b>		<b>830 481</b>	<b>892 558</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Loans, long-term portion	<b>7.9</b>	177 000	177 000
Bonds, long-term portion	<b>7.10</b>	270 000	220 000
Deferred tax provision		1 621	7 866
Long-term provisions		13 823	13 509
Other long-term liabilities		27 456	32 583
<b>Total long-term liabilities</b>		<b>489 900</b>	<b>450 958</b>
<b>Short-term liabilities</b>			
Trade payables, tax and other liabilities		137 327	131 201
Loans, short-term portion	<b>7.9</b>	-	33 000
Bonds, short-term portion	<b>7.10</b>	-	-
Accrued interest on loans and bonds	<b>7.11</b>	2 769	4 310
Corporate income tax payables		3 921	2 507
Short-term provisions		5 841	5 749
Deferred income		229 984	236 913
<b>Total short-term liabilities</b>		<b>379 842</b>	<b>413 680</b>
<b>Total liabilities</b>		<b>869 742</b>	<b>864 638</b>
<b>Total equity and liabilities</b>		<b>1 700 223</b>	<b>1 757 196</b>



### 3. INTERIM CONDENSED INCOME STATEMENT

	Note	Nine-month period ended		Three-month period ended	
		30.09.2013 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>	30.09.2013 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>
Sales revenue	7.13	463 787	613 284	123 592	305 128
Cost of sales	7.14	(361 134)	(464 571)	(99 665)	(239 323)
<b>Gross profit on sales</b>		<b>102 653</b>	<b>148 713</b>	<b>23 927</b>	<b>65 805</b>
Selling costs	7.14	(31 057)	(29 213)	(9 882)	(10 083)
General administrative expenses	7.14	(30 827)	(34 226)	(9 977)	(10 726)
Other operating income		1 425	1 821	400	585
Other operating expenses		(4 490)	(5 579)	(1 630)	(1 697)
<b>Operating profit/(loss)</b>		<b>37 704</b>	<b>81 516</b>	<b>2 838</b>	<b>43 884</b>
Financial income		2 365	5 322	628	2 074
Financial costs		(4 004)	(5 104)	(1 403)	(1 924)
<b>Profit/(loss) before tax</b>		<b>36 065</b>	<b>81 734</b>	<b>2 063</b>	<b>44 034</b>
Income tax	7.15	(7 520)	(15 952)	(914)	(8 484)
<b>Net profit/(loss)</b>		<b>28 545</b>	<b>65 782</b>	<b>1 149</b>	<b>35 550</b>
<b>Earnings/(loss) per share:</b>					
Basic (PLN)	7.16	<b>1.15</b>	<b>2.67</b>	<b>0.05</b>	<b>1.44</b>
Diluted (PLN)	7.16	<b>1.15</b>	<b>2.66</b>	<b>0.05</b>	<b>1.44</b>



## Dom Development S.A.

Interim condensed statement of comprehensive income  
for the three-month and nine-month periods ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### 4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Nine-month period ended		Three-month period ended	
	30.09.2013 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>	30.09.2013 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>
<b>Net profit/(loss)</b>	<b>28 545</b>	<b>65 782</b>	<b>1 149</b>	<b>35 550</b>
<b>Other comprehensive income</b>				
Net change to cash flow hedges	26	<b>(142)</b>	-	(64)
Income tax	(5)	27	-	12
<b>Other net comprehensive income</b>	<b>21</b>	<b>(115)</b>	-	<b>(52)</b>
<b>Total net comprehensive income</b>	<b>28 566</b>	<b>65 667</b>	<b>1 149</b>	<b>35 498</b>



## 5. INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Nine-month period ended	
		30.09.2013 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Profit/ (loss) before tax		<b>36 065</b>	<b>81 734</b>
Adjustments:			
Depreciation		2 403	2 260
Profit/loss on foreign exchange differences		(170)	253
Profit/loss on investments		(81)	386
Interest cost/income		10 912	14 009
Cost of the management option programmes		18	916
Changes in the operating capital:			
Changes in provisions		406	(255)
Changes in inventory		16 697	82 454
Changes in receivables		(5 949)	17 014
Changes in short-term liabilities, excluding loans and bonds		(565)	(20 075)
Changes in prepayments and deferred income		(8 325)	(17 001)
Other adjustments		170	(253)
<b>Cash flow generated from operating activities</b>		<b>51 581</b>	<b>161 442</b>
Interest received		14 751	20 406
Interest paid		(23 418)	(25 382)
Income tax paid		(12 356)	(11 601)
<b>Net cash flow from operating activities</b>		<b>30 558</b>	<b>144 865</b>
<b>Cash flow from investing activities</b>			
Proceeds from the sale of intangible assets and tangible fixed assets		77	167
Proceeds from borrowings granted		-	78
Bank deposits with a maturity over three months, made and/or closed	7.6	232 919	(283 910)
Acquisition of intangible and tangible fixed assets		(2 057)	(2 426)
Acquisition of financial assets		-	(880)
<b>Net cash flow from investing activities</b>		<b>230 939</b>	<b>(286 971)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (exercise of share options)		387	2 353
Proceeds from contracted loans		-	50 000
Commercial papers issued		50 000	120 000
Repayment of loans and borrowings		-	(57 134)
Redemption of commercial papers		(33 000)	(117 470)
Dividends paid		(91 048)	(37 006)
Payment of financial lease liabilities		-	(4)
<b>Net cash flow from financing activities</b>		<b>(73 661)</b>	<b>(39 261)</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>		<b>187 836</b>	<b>(181 367)</b>
<b>Cash and cash equivalents – opening balance</b>	7.7	<b>173 045</b>	<b>376 833</b>
<b>Cash and cash equivalents – closing balance</b>	7.7	<b>360 881</b>	<b>195 466</b>



## Dom Development S.A.

Interim condensed statement of changes in shareholders' equity  
for the nine-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

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

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated, unappropriated profit (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
<b>Balance as at 1 January 2013</b>	<b>24 715</b>	<b>233 733</b>	<b>517 362</b>	<b>510</b>	<b>(58)</b>	<b>25 089</b>	<b>91 207</b>	<b>892 558</b>
Share capital increase by exercising share options (note 7.8)	26	361	-	-	-	-	-	<b>387</b>
Transfer of profit to supplementary capital	-	-	159	-	-	-	(159)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(91 048)	<b>(91 048)</b>
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	18	-	<b>18</b>
Net profit for the reporting period	-	-	-	-	-	-	28 545	<b>28 545</b>
Other net comprehensive income for the reporting period	-	-	-	-	21	-	-	<b>21</b>
<b>Balance as at 30 September 2013</b> <i>(unaudited)</i>	<b>24 741</b>	<b>234 094</b>	<b>517 521</b>	<b>510</b>	<b>(37)</b>	<b>25 107</b>	<b>28 545</b>	<b>830 481</b>

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated, unappropriated profit (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
<b>Balance as at 1 January 2012</b>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	-	<b>24 280</b>	<b>82 839</b>	<b>835 252</b>
Share capital increase by exercising share options	110	1 532	-	-	-	-	-	<b>1 642</b>
Transfer of profit to supplementary capital	-	-	45 834	-	-	-	(45 834)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(37 005)	<b>(37 005)</b>
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	916	-	<b>916</b>
Net profit for the reporting period	-	-	-	-	-	-	65 782	<b>65 782</b>
Other net comprehensive income for the reporting period	-	-	-	-	(115)	-	-	<b>(115)</b>
<b>Balance as at 30 September 2012</b> <i>(unaudited)</i>	<b>24 670</b>	<b>233 067</b>	<b>517 362</b>	<b>510</b>	<b>(115)</b>	<b>25 196</b>	<b>65 782</b>	<b>866 472</b>





## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

## 7. ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

### 7.1. General information about Dom Development S.A.

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

According to the Polish Classification of Business Activity the Company's scope of activity is the development of building projects – PKD 4110Z (NACE F41.1). The Company conducts its activities mainly in Warsaw and its vicinity, and Wrocław.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 September 2013, Dom Development B.V. controlled 61.46 % of the Company's shares.

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

The Company conducts its activities in the territory of Poland in compliance with the Code of Commercial Companies and Partnerships and its term of operations is unlimited.

In the three-month period ended 30 September 2013 the Company did not discontinue any of its activities.

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

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

Certain information and disclosures, which in accordance with the International Financial Reporting Standards adopted by the European Union (EU) are normally included in annual financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34).

The interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

The Polish zloty ("PLN") is the functional currency for the Company. The condensed financial statements are stated in Polish zloty. Financial data included in the interim condensed financial statements are expressed in thousands of PLN unless stated otherwise.

The presented interim condensed balance sheet, interim condensed income statement, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed statement of changes in equity are unaudited and they have not been the subject of review by an independent certified auditor. These unaudited interim condensed financial statements do not include all the information and disclosures that are required from annual financial statements and therefore should be read in conjunction with the audited financial statements and the notes thereto for the year ended 31 December 2012.

The Company has also prepared interim condensed consolidated financial statements for Dom Development S.A. Capital Group for the three-month period ended 30 September 2013. These statements were approved by the Management Board of the Company on 23 October 2013.

### 7.3. Accounting policies

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



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

These interim condensed financial statements are prepared based on the same accounting policies as for the financial statements of the Company for the year ended 31 December 2012, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2013:

- *Amendments to IAS 19 Employee Benefits* – effective for annual periods beginning on or after 1 January 2013.
- *Amendments to IAS 1 Presentation of Financial Statements* – effective for annual periods beginning on or after 1 July 2012.
- *Amendments to IAS 12 Income Taxes: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 – in the EU effective latest for annual periods beginning on or after 1 January 2013.
- *IFRS 13 Fair Value Measurement* – effective for annual periods beginning on or after 1 January 2013.
- *Amendments to IFRS 7 Financial instruments: Disclosures: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2013.
- Improvements resulting from IFRS reviews (published in May 2012) – effective for annual periods beginning on or after 1 January 2013.
- *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for annual periods beginning on or after 1 July 2011. In the EU these amendment is effective for annual periods beginning on or after 1 January 2013.
- *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans* – effective for annual periods beginning on or after 1 January 2013.
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* – effective for annual periods beginning on or after 1 January 2013.

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

Moreover, the Company has decided for earlier adoption of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities and amendments to IAS 27 and IAS 28 republished as IAS 27 Separate Financial Statements and IAS 28 Investments in associates and joint ventures. The earlier adoption of these standards and improvements had no significant impact on these interim condensed financial statements of the Company. The Company has not adopted earlier of any other standard, interpretation or improvement/amendment, which was published and has not yet come into force.

#### **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:

- verification of their profitability and any potential inventory impairment write down
- preparation of financial forecasts, annual budgets and medium term plans.



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### Recognition of revenue from the sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

### Seasonality

The operating activity of the Company is not subject to any major seasonality.

## 7.5. Inventory

<b>INVENTORY</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
<b>Advances on deliveries, including</b>	<b>22 877</b>	<b>16 614</b>
at purchase prices/production costs	23 027	16 683
write down to the net realisable value	(150)	(69)
<b>Semi-finished goods and work in progress, including</b>	<b>1 092 819</b>	<b>945 529</b>
at purchase prices/production costs	1 104 393	958 998
write down to the net realisable value	(11 574)	(13 469)
<b>Finished goods, including:</b>	<b>172 818</b>	<b>343 425</b>
at purchase prices/production costs	179 452	350 073
write down to the net realisable value	(6 634)	(6 648)
<b>Total</b>	<b>1 288 514</b>	<b>1 305 568</b>

<b>INVENTORY REVALUATION WRITE DOWNS</b>	<b>01.07 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>
<b>Opening balance</b>	<b>18 586</b>	<b>17 016</b>
Increments	800	3 389
Reversal	(1 028)	(2 549)
<b>Closing balance</b>	<b>18 358</b>	<b>17 856</b>

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

<b>CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
Carrying value of inventory used to secure liabilities	387 137	337 000
<b>Mortgages:</b>		
Mortgages used to secure real estate purchase agreements	11 000	22 000
Mortgages used to secure loan agreements (maximum amount)	412 588	315 000



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### 7.6. Short-term financial assets

<b>SHORT-TERM FINANCIAL ASSETS</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
Bank deposits with a maturity over three months	991	233 910
Cash in an escrow account	2 401	859
<b>Total</b>	<b>3 392</b>	<b>234 769</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 Company makes bank deposits with various maturity based on current analysis of cash needs and realizable rate of return on deposits offered by banks.

Cash received from the Company's customers as advances for the sale of products which is deposited in 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 an escrow account".

### 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>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>	<b>30.09.2012</b> <i>(unaudited)</i>
Cash in hand and at bank	5 996	5 977	5 638
Bank deposits with a maturity of three months or less	354 865	167 023	189 777
Other	20	45	51
<b>Total</b>	<b>360 881</b>	<b>173 045</b>	<b>195 466</b>

### 7.8. Share capital

<b>SHARE CAPITAL (STRUCTURE) AS AT 30.09.2013</b>								
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
<b>Total number of shares</b>				<b>24 741 272</b>				
<b>Total share capital</b>					<b>24 741 272</b>			
<b>Nominal value per share = PLN 1</b>								



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### SHARE CAPITAL (STRUCTURE) AS AT 31.12.2012

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
<b>Total number of shares</b>				<b>24 715 272</b>				
<b>Total share capital</b>					<b>24 715 272</b>			
<b>Nominal value per share = PLN 1</b>								

### Description of changes to the share capital in the Company in the period from 1 January until 30 September 2013

On 21 January 2013 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 26 000 O series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 715 272.00 up to PLN 24 741 272.00, that is by PLN 26 000.00. The O series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. As at 21 February 2013 all of the 26 000 shares were subscribed. These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12<sup>th</sup> Commercial Division of the National Court Register on 5 March 2013.

On 31 July 2013 the Management Board of Dom Development S.A. adopted a resolution to increase the Company's share capital by issuing 925 P series ordinary bearer shares and 11 000 R series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 715 272.00 up to PLN 24 741 272.00, that is by PLN 11 925. The P and R series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. As at 30 September 2013, the shares were subscribed, but have not yet been registered by the Court of Registration.

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 interim financial statements for the six-month period ended 30.06.2013
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	15 206 172	61.46	15 206 172	61.46	-
Jarosław Szanajca	1 534 050	6.20	1 534 050	6.20	-
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.31	1 313 383	5.31	no data
Grzegorz Kiełpsz	1 280 750	5.18	1 280 750	5.18	-

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



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(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 interim financial statements for the six-month period ended 30.06.2012	
	Shares	Share options	Total	Shares	Share options
<b>The Management Board</b>					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Zalewski Janusz	311 000	92 534	403 534	11 000*)	(11 000)
Jerzy Ślusarski	5 363	78 634	83 997	-	-
Janusz Stolarczyk	105 200	49 447	154 647	-	-
Terry Roydon	58 500	61 767	120 267	-	-
<b>The Supervisory Board</b>					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-
Markham Dumas	-	-	-	-	-
Mark Spiteri	711	12 330	13 041	-	-

\*) Including 11 000 R series shares subscribed on 23 August 2013 and not registered by the Court of Registration as at the date publication of this financial statements.

## 7.9. Loans

### Description of material changes in the three-month period ended 30 September 2013

On 29 July 2013, the Company prematurely repaid an instalment of the loan at PKO BP S.A. in the amount of PLN 33 000 thousand.

On 18 September 2013 the Company and Alior Bank Spółka Akcyjna entered into a loan agreement for the aggregate amount of PLN 50 000 thousand to be used to finance current operations of the Company. The term of the Agreement is until 18 September 2016.

LOANS DUE WITHIN	30.09.2013 (unaudited)	31.12.2012
Less than 1 year	-	33 000
More than 1 year and less than 2 years	33 000	33 000
More than 2 years and less than 5 years	144 000	144 000
Over 5 years	-	-
<b>Total loans</b>	<b>177 000</b>	<b>210 000</b>
including: long-term	177 000	177 000
short-term	-	33 000

BANK LOANS AS AT 30.09.2013						
Bank	Registered office	Loan amount and currency as per agreement		Outstanding loan amount (less accrued interest) and currency		Due date
PKO BP	Warsaw	210 000	PLN	177 000	PLN	31.12.2016
Alior Bank SA	Warsaw	50 000	PLN	-	PLN	18.09.2016
<b>Total bank loans</b>				<b>177 000</b>		

As at 30 September 2013 and 31 December 2012 all the loans taken by the Company were expressed in Polish zloty.



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

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

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

### 7.10. Bonds

<b>BONDS</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
Nominal value of the bonds issued, long-term portion	270 000	220 000
Nominal value of the bonds issued, short-term portion	-	-
<b>Nominal value of the bonds issued</b>	<b>270 000</b>	<b>220 000</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

On 5 November 2007, the Company and Bank BPH S.A. (currently 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.

#### Description of material changes in the three-month period ended 30 September 2013

The nominal value of liabilities under bonds issued by the Company in the third quarter of 2013 and their maturity structure have not changed.

<b>BONDS ISSUED AS AT 30.09.2013</b>				
<b>Series</b>	<b>Issue date</b>	<b>Amount</b>	<b>Currency</b>	<b>Contractual maturity date</b>
II	30.06.2010	85 000	PLN	30.06.2015
II	15.07.2010	15 000	PLN	30.06.2015
III	02.02.2012	120 000	PLN	02.02.2017
IV	26.03.2013	50 000	PLN	26.03.2018
<b>Total:</b>		<b>270 000</b>	<b>PLN</b>	

### 7.11. Accrued interest on loans and bonds

<b>ACCRUED INTEREST ON LOANS AND BONDS</b>	<b>30.09.2013</b>	<b>31.12.2012</b>
	<i>(unaudited)</i>	
Accrued interest on bonds	2 769	4 310
Accrued interest on loans	-	-
<b>Total accrued interest on loans and bonds</b>	<b>2 769</b>	<b>4 310</b>



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### 7.12. Segment reporting

The Company does not conduct segment reporting as its activities take place within a single segment.

### 7.13. Operating income

<b>REVENUE BREAKDOWN</b>	<b>01.01 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>
Sales of finished goods	450 388	598 252	115 155	301 033
Sales of services	13 399	15 032	8 437	4 095
<b>Total</b>	<b>463 787</b>	<b>613 284</b>	<b>123 592</b>	<b>305 128</b>

### 7.14. Operating costs

<b>OPERATING COSTS</b>	<b>01.01 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>
<b>Cost of sales</b>				
Cost of finished goods sold	(348 677)	(448 361)	(91 322)	(234 243)
Cost of services sold	(14 366)	(15 414)	(8 571)	(4 240)
Inventory write down to the net realisable value	1 909	(796)	228	(840)
<b>Total cost of sales</b>	<b>(361 134)</b>	<b>(464 571)</b>	<b>(99 665)</b>	<b>(239 323)</b>
<b>Selling costs, and general administrative expenses</b>				
Selling costs	(31 057)	(29 213)	(9 882)	(10 083)
General administrative expenses	(30 827)	(34 226)	(9 977)	(10 726)
<b>Total selling costs, and general administrative expenses</b>	<b>(61 884)</b>	<b>(63 439)</b>	<b>(19 859)</b>	<b>(20 809)</b>
<b>Selling costs, and general administrative expenses by kind</b>				
Depreciation	(2 403)	(2 260)	(810)	(789)
Cost of materials and energy	(10 633)	(8 548)	(3 793)	(2 719)
External services	(15 994)	(17 677)	(5 082)	(6 054)
Taxes and charges	(103)	(159)	(27)	(70)
Remuneration	(26 471)	(27 946)	(8 355)	(9 296)
Social security and other benefits	(3 771)	(3 306)	(907)	(816)
Management Option Programme	(18)	(916)	(6)	(303)
Other prime costs	(2 491)	(2 627)	(879)	(762)
<b>Total selling costs, and general administrative expenses by kind</b>	<b>(61 884)</b>	<b>(63 439)</b>	<b>(19 859)</b>	<b>(20 809)</b>

### 7.15. Income tax in the income statement

<b>INCOME TAX</b>	<b>01.01 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>
Current income tax	13 833	12 000	1 649	2 951
Deferred tax in the income statement	(6 313)	3 952	(735)	5 533
<b>Total</b>	<b>7 520</b>	<b>15 952</b>	<b>914</b>	<b>8 484</b>





## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### 7.16. Earnings per share

<b>CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>01.01 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2013</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>
<b>Basic earnings per share</b>				
Profit for calculation of the basic earnings per share	28 545	65 782	1 149	35 550
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 735 177	24 641 446	24 741 272	24 670 397
<b>Basic earnings per share (PLN)</b>	<b>1.15</b>	<b>2.67</b>	<b>0.05</b>	<b>1.44</b>
<b>Diluted earnings per share</b>				
Profit for calculation of the diluted earnings per share	28 545	65 782	1 149	35 550
Potential diluting shares related to the Management Share Option Programmes	11 411	53 813	11 909	42 914
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 746 588	24 695 259	24 753 181	24 713 311
<b>Diluted earnings per share (PLN)</b>	<b>1.15</b>	<b>2.66</b>	<b>0.05</b>	<b>1.44</b>

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

### 7.17. Transactions with related entities

In the three-month periods ended 30 September 2013 and 2012, the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

<b>DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES</b>				
<b>Counterparty</b>	<b>Transaction description</b>	<b>01.07-30.09.2013</b> <i>(unaudited)</i>	<b>01.07-30.09.2012</b> <i>(unaudited)</i>	
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	383	417	
Woodsford Consulting Limited	Marketing services	-	45	
Kirkley Advisory Limited	Consulting services as per the agreement dated 1 March 2012	3	9	
Hansom Property Company Limited	Consulting services as per the agreement dated 2 January 2001	47	65	

<b>DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)</b>				
<b>Counterparty</b>	<b>Transaction description</b>	<b>01.07-30.09.2013</b> <i>(unaudited)</i>	<b>01.07-30.09.2012</b> <i>(unaudited)</i>	
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	81	56	
Fort Mokotów sp. z o.o., under liquidation	Other	9	6	
Dom Development Grunty sp. z o.o.	Other	1	1	
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	1	1	



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(all amounts in thousands PLN unless stated otherwise)

### DOM DEVELOPMENT S.A. AS A LENDER

Counterparty	Transaction description	01.07- 30.09.2013	01.07- 30.09.2012
		( <i>unaudited</i> )	( <i>unaudited</i> )
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	19	20

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

Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2013 ( <i>unaudited</i> )	31.12.2012	30.09.2013 ( <i>unaudited</i> )	31.12.2012
<b>Total balance</b>	<b>2 546</b>	<b>2 470</b>	<b>179</b>	<b>128</b>
<b>Subsidiaries</b>	<b>2 505</b>	<b>2 447</b>	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	1 358	1 300	-	-
<b>Joint-ventures</b>	<b>41</b>	<b>23</b>	-	-
Fort Mokotów sp. z o.o., under liquidation	41	23	-	-
<b>Other entities</b>	-	-	<b>179</b>	<b>128</b>
Woodsford Consulting Limited	-	-	179	128

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

Counterparty	01.07 - 30.09.2013	01.07 - 30.09.2012
	( <i>unaudited</i> )	( <i>unaudited</i> )
The Management Board	1 017	1 032
The Supervisory Board	258	258

Except for as stated above, the Company did not enter into any other transactions with the Management Board or Supervisory Board members.

The Members of the Management Board and the Supervisory Board who hold shares in the Company receive a dividend equally to other shareholders, according to shareholdings in the Company as of the dividend day.

The transactions with the related entities are based on the arm's length principle.

### 7.18. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 30 September 2013:

Programme	Grant date	Exercise start date	Maturity date	Number of options	Exercise price per option (PLN)
Programme II	6.12.2006	6.12.2009	6.12.2013	136 150	114.48
Programme II	7.12.2007	7.12.2010	7.12.2014	134 275	114.48
Programme II	8.12.2008	8.12.2011	8.12.2015	19 075	14.91
Programme II	10.12.2009	10.12.2012	10.12.2016	162 185	40.64
Programme II	12.07.2011	12.07.2014	12.07.2017	6 000	44.16
Programme III	13.12.2010	13.06.2014	13.12.2015	96 466	1.00
<b>Total</b>				<b>554 151</b>	



### Exercise of the share options

The 11 925 shares in the Company were subscribed in the third quarter of 2013 in a private placement procedure addressed to participants in Management Share Option Programme II. The shares have not been registered until 30 September 2013 (see note 7.8).

### Grant of new share options

In the three-month period ended 30 September 2013 the Company did not grant any new share options.

### Changes to the Management Option Programmes

In the three-month period ended 30 September 2013 no changes were made to the Management Option Programme.

## 7.19. Contingent liabilities

<b>CONTINGENT LIABILITIES</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
Guarantees	2 030	2 105
Sureties	504	489
<b>Total</b>	<b>2 534</b>	<b>2 594</b>

Additionally, some of the Company's liabilities are secured with promissory notes:

<b>COLLATERALS FOR LIABILITIES</b>	<b>30.09.2013</b> <i>(unaudited)</i>	<b>31.12.2012</b>
Promissory notes, including:		
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	210 000
– promissory notes as an additional guarantee for Bank Pocztowy in respect of claims arising from the granted loan	-	5 000
– promissory notes as other guarantees	1 889	1 889
<b>Total</b>	<b>211 889</b>	<b>216 889</b>

In the three-month period ended 30 September 2013 the Company did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one entity or its subsidiary, the value of which would be material for the Company or would amount to at least 10% of the Company's shareholders' equity.

## 7.20. Material court cases

As of 30 September 2013 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 2013 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 2013, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 17 219 thousand, including the total value of proceedings concerning liabilities at approx. PLN 15 328 thousand and the total value of proceedings concerning receivables at approx. PLN 1 890 thousand.

The proceedings involving the Company have no significant impact on the Company's activity.

### **7.21. Additional information on the operating activity of the Company**

In the period from 1 January to 30 September 2013 the following material changes in the portfolio of the Company's real estate development projects under construction took place:

Projects commenced in the period from 1 January 2013 until 30 September 2013:

<b>Project</b>	<b>Standard</b>	<b>Number of apartments</b>
Saska I, phase 3/3	Popular	170
Żoliborz Artystyczny, phase 1	Popular	223
Saska I, phase 3/4	Popular	178
Żoliborz Artystyczny, phase 2	Popular	152
Derby 14 ,phase 4	Popular	188
Oaza, phase 3	Popular	218

Projects completed in the period from 1 January 2013 until 30 September 2013:

<b>Project</b>	<b>Standard</b>	<b>Number of apartments</b>
Regaty, phase 6	Popular	160
Wilno, phase 3	Popular	132
Oaza, phase 2	Popular	130
Derby 14, phase 2	Popular	154

### **7.22. The factors that will impact the results achieved by the Company for at least the next three months**

The most important factors that may impact the financial situation of the Company in at least the next three months are:

- The economic trend in the residential market, where the Company operates,
- The impact of the worldwide financial situation on the Polish economy and banking system,
- The availability of mortgages, and in particular their convenient terms for potential clients,
- Achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments,
- The timely delivery of the construction works in line with the schedules by the construction companies completing individual investments of the Company in the general contractor system,
- Availability of external financing (loans, bonds) for real estate developers,
- No sudden changes in the legal and tax regulations that may influence market demand for products offered by the Company in an uncontrolled manner,
- Maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

### **7.23. Material post-balance sheet events**

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



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2013  
(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 Company.

### 7.25. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.09.2013	31.12.2012
	(unaudited)	(unaudited)
	thousand Euro	thousand Euro
Total current assets	401 284	427 717
Total assets	403 250	429 821
Total shareholders' equity	196 969	218 325
Long-term liabilities	116 192	110 307
Short-term liabilities	90 089	101 189
Total liabilities	206 281	211 496
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<b>4.2163</b>	<b>4.0882</b>

SELECTED DATA FROM THE INCOME STATEMENT	01.01 - 30.09.2013	01.01 - 30.09.2012	01.07 - 30.09.2013	01.07 - 30.09.2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
Sales revenue	109 821	146 199	29 139	73 784
Gross profit on sales	24 307	35 451	5 641	15 913
Operating profit/(loss)	8 927	19 432	669	10 612
Profit/(loss) before tax	8 539	19 484	486	10 648
Net profit/(loss)	6 759	15 682	271	8 597
<i>Average PLN/EURO exchange rate for the reporting period</i>	<b>4.2231</b>	<b>4.1948</b>	<b>4.2415</b>	<b>4.1354</b>