



# **DOM DEVELOPMENT S.A.**

## **Interim condensed financial statements for the three-month period ended 30 September 2012**



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**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 2012 were prepared and approved by the Management Board of the Company on 24 October 2012.

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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

ASSETS	Note	30.09.2012 <i>(unaudited)</i>	31.12.2011
<b>Fixed assets</b>			
Intangible assets		954	1 204
Tangible fixed assets		5 122	4 711
Investments in subsidiaries, associates and a joint venture		916	935
Long-term receivables		1 681	1 588
Other financial assets		204	-
<b>Total fixed assets</b>		<b>8 877</b>	<b>8 438</b>
<b>Current assets</b>			
Inventory	7.5	1 386 415	1 465 828
Trade and other receivables		32 162	49 269
Other current assets		4 701	13 248
Short-term financial assets - bank deposits with a maturity over three months	7.6	283 910	-
Cash and cash equivalents	7.7	195 466	376 833
<b>Total current assets</b>		<b>1 902 654</b>	<b>1 905 178</b>
<b>Total assets</b>		<b>1 911 531</b>	<b>1 913 616</b>

EQUITY AND LIABILITIES	Note	30.09.2012 <i>(unaudited)</i>	31.12.2011
<b>Shareholders' equity</b>			
Share capital	7.8	24 670	24 560
Share premium		233 067	231 535
Reserve capital from valuation of share options		25 196	24 280
Reserve capital from valuation of cash flow hedges		(115)	-
Other capital (supplementary capital)		517 362	471 528
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		65 782	82 839
<b>Total shareholders' equity</b>		<b>866 472</b>	<b>835 252</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term loans	7.9	210 000	160 000
Deferred tax provision		14 253	10 328
Bonds, long-term portion	7.10	220 000	100 000
Long-term provisions		12 890	13 597
Other long-term liabilities		30 305	35 049
<b>Total long-term liabilities</b>		<b>487 448</b>	<b>318 974</b>
<b>Short-term liabilities</b>			
Trade payables, tax and other liabilities		181 541	196 148
Short-term part of long-term loans	7.9	-	57 134
Bonds, short-term portion	7.10	52 530	170 000
Accrued interest on loans and bonds	7.11	5 261	2 220
Corporate income tax payables		2 577	2 179
Short-term provisions		4 847	4 394
Deferred income		310 855	327 315
<b>Total short-term liabilities</b>		<b>557 611</b>	<b>759 390</b>
<b>Total liabilities</b>		<b>1 045 059</b>	<b>1 078 364</b>
<b>Total equity and liabilities</b>		<b>1 911 531</b>	<b>1 913 616</b>



### 3. INTERIM CONDENSED INCOME STATEMENT

	Note	Nine-month period ended		Three-month period ended	
		30.09.2012 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>
Sales revenue	7.13	613 284	367 822	305 128	201 557
Cost of sales	7.14	(464 571)	(248 105)	(239 323)	(133 193)
<b>Gross profit on sales</b>		<b>148 713</b>	<b>119 717</b>	<b>65 805</b>	<b>68 364</b>
Selling costs	7.14	(29 213)	(26 411)	(10 083)	(8 444)
General administrative expenses	7.14	(34 226)	(33 778)	(10 726)	(11 091)
Other operating income		1 821	3 673	585	2 867
Other operating expenses		(5 579)	(6 969)	(1 697)	(4 649)
<b>Operating profit/(loss)</b>		<b>81 516</b>	<b>56 232</b>	<b>43 884</b>	<b>47 047</b>
Financial income		5 322	4 140	2 074	1 563
Financial costs		(5 104)	(4 848)	(1 924)	(2 358)
<b>Profit/(loss) before tax</b>		<b>81 734</b>	<b>55 524</b>	<b>44 034</b>	<b>46 252</b>
<b>Income tax</b>	7.15	(15 952)	(11 651)	(8 484)	(9 518)
Net profit/(loss)		<b>65 782</b>	<b>43 873</b>	<b>35 550</b>	<b>36 734</b>
<b>Earnings/(loss) per share:</b>					
Basic (PLN)	7.16	<b>2.67</b>	<b>1.79</b>	<b>1.44</b>	<b>1.50</b>
Diluted (PLN)	7.16	<b>2.66</b>	<b>1.77</b>	<b>1.44</b>	<b>1.49</b>



## Dom Development S.A.

Interim condensed statement of comprehensive income  
for the three-month period ended 30 September 2012  
(all amounts in thousands PLN unless stated otherwise)

### 4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Nine-month period ended		Three-month period ended	
	30.09.2012 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>	30.09.2012 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>
<b>Net profit/(loss)</b>	<b>65 782</b>	<b>43 873</b>	<b>35 550</b>	<b>36 734</b>
<b>Other comprehensive income</b>				-
Net change to cash flow hedges	(142)	-	(64)	-
Income tax	27	-	12	-
<b>Other net comprehensive income</b>	<b>(115)</b>	-	<b>(52)</b>	-
<b>Total net comprehensive income</b>	<b>65 667</b>	<b>43 873</b>	<b>35 498</b>	<b>36 734</b>



## 5. INTERIM CONDENSED CASH FLOW STATEMENT

	Note	Nine-month period ended	
		30.09.2012 <i>(unaudited)</i>	30.09.2011 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>			
Profit/(loss) before tax		<b>81 734</b>	<b>55 524</b>
Adjustments:			
Depreciation		2 260	1 795
Profit/loss on foreign exchange differences		253	(109)
Profit/loss on investments		386	(748)
Interest cost/income		14 009	8 268
Cost of the management option programmes		916	2 343
Changes in the operating capital:			
Changes in provisions		(255)	452
Changes in inventory		82 454	(344 268)
Changes in receivables		17 014	(27 144)
Changes in short-term liabilities, excluding loans and bonds		(20 075)	82 906
Changes in prepayments and deferred income		(17 001)	149 126
Other adjustments		(253)	109
<b>Cash flow generated from operating activities</b>		<b>161 442</b>	<b>(71 746)</b>
Interest received		20 406	11 834
Interest paid		(25 382)	(17 967)
Income tax paid		(11 601)	(837)
<b>Net cash flow from operating activities</b>		<b>144 865</b>	<b>(78 716)</b>
<b>Cash flow from investing activities</b>			
Proceeds from the sale of intangible assets and tangible fixed assets		167	40
Proceeds from financial assets, including dividends		-	709
Proceeds from borrowings granted		78	-
Other income from financial assets		-	965
Bank deposits with a maturity over three months	7.6	(283 910)	-
Acquisition of intangible and tangible fixed assets		(2 426)	(2 022)
Acquisition of financial assets		(880)	-
<b>Net cash flow from investing activities</b>		<b>(286 971)</b>	<b>(308)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares (exercise of share options)		2 353	-
Proceeds from contracted loans		50 000	14 144
Commercial papers issued		120 000	-
Repayment of loans and borrowings		(57 134)	(100 658)
Redemption of commercial papers		(117 470)	-
Dividends paid		(37 006)	(22 104)
Payment of financial lease liabilities		(4)	(78)
<b>Net cash flow from financing activities</b>		<b>(39 261)</b>	<b>(108 696)</b>
<b>Increase / (decrease) in net cash and cash equivalents</b>		<b>(181 367)</b>	<b>(187 720)</b>
<b>Cash and cash equivalents – opening balance</b>	7.7	<b>376 833</b>	<b>430 751</b>
<b>Cash and cash equivalents – closing balance</b>	7.7	<b>195 466</b>	<b>243 031</b>



## Dom Development S.A.

Interim condensed statement of changes in shareholders' equity  
for the nine-month period ended 30 September 2012  
(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 2012</b>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	<b>-</b>	<b>24 280</b>	<b>82 839</b>	<b>835 252</b>
Share capital increase by exercising share options (note 7.8)	110	1 532	-	-	-	-	-	1 642
Transfer of profit to supplementary capital	-	-	45 834	-	-	-	(45 834)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(37 005)	(37 005)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	916	-	916
Net profit for the reporting period	-	-	-	-	-	-	65 782	65 782
Other net comprehensive income for the reporting period	-	-	-	-	(115)	-	-	(115)
<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>

	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 2011</b>	<b>24 560</b>	<b>231 535</b>	<b>453 943</b>	<b>510</b>	<b>-</b>	<b>22 610</b>	<b>39 689</b>	<b>772 847</b>
Share capital increase	-	-	-	-	-	-	-	-
Transfer of profit to supplementary capital	-	-	17 585	-	-	-	(17 585)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(22 104)	(22 104)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	2 343	-	2 343
Net profit for the reporting period	-	-	-	-	-	-	43 873	43 873
Other net comprehensive income for the reporting period	-	-	-	-	-	-	-	-
<b>Balance as at 30 September 2011</b> <i>(unaudited)</i>	<b>24 560</b>	<b>231 535</b>	<b>471 528</b>	<b>510</b>	<b>-</b>	<b>24 953</b>	<b>43 873</b>	<b>796 959</b>





## **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, pl. 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 2012, Dom Development B.V. controlled 61.64 % 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 2012 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 2011.

The Company also prepared interim condensed consolidated financial statements for Dom Development Capital Group for the three-month period ended 30 September 2012. These statements were approved by the Management Board of the Company on 24 October 2012.



### **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 2011, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2012.

- Amendments to IFRS 7 *Financial instruments: Disclosures: Transfer of Financial Assets* – effective for annual periods beginning on or after 1 July 2011.

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

The introduced amendments were scrutinized by the Company and do not affect the financial data presented in these interim condensed financial statements.

### **7.4. Key figures based on professional judgement and basis for estimates**

In addition to the accounting estimations, when applying the accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

#### **Budgets of the construction projects**

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

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

#### **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>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
<b>Advances on deliveries</b>	<b>12 390</b>	<b>8 197</b>
including: at purchase prices/production costs	12 459	8 266
including: write down to the net realisable value	(69)	(69)
<b>Semi-finished goods and work in progress</b>	<b>1 063 115</b>	<b>1 237 579</b>
including: at purchase prices/production costs	1 076 127	1 247 551
including: write down to the net realisable value	(13 012)	(9 972)
<b>Finished goods</b>	<b>310 910</b>	<b>220 052</b>
including: at purchase prices/production costs	315 685	227 260
including: write down to the net realisable value	(4 775)	(7 208)
<b>Total</b>	<b>1 386 415</b>	<b>1 465 828</b>

<b>WRITE DOWN TO THE NET REALISABLE VALUE</b>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2011</b> <i>(unaudited)</i>
<b>Opening balance</b>	<b>17 249</b>	<b>12 989</b>
Increments	6 700	1 592
Reversal	(6 093)	(1 561)
<b>Closing balance</b>	<b>17 856</b>	<b>13 020</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>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
Carrying value of inventory used to secure liabilities	337 000	454 000
<b>Mortgages:</b>		
Value of mortgages used to secure real estate purchase agreements	22 000	34 000
Value of mortgages used to secure loan agreements	315 000	420 000

## 7.6. Short-term financial assets - bank deposits with a maturity over three months

<b>SHORT-TERM FINANCIAL ASSETS - BANK DEPOSITS WITH A MATURITY OVER THREE MONTHS</b>	<b>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
Short-term financial assets - bank deposits with a maturity over three months	283 910	-

In the "Short-term financial assets – bank deposits with a maturity over three months" the Group states the bank deposits with a maturity over three months as of the date when they are made.

The Company makes bank deposits with various maturity based on current analysis of cash requirements and realizable deposit rates offered by banks.



### 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>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>	<b>30.09.2011</b> <i>(unaudited)</i>
Cash in hand and at bank	5 638	6 075	3 348
Bank deposits with a maturity of three months or less	189 777	370 707	239 656
Other	51	51	27
Overdrafts	-	-	-
<b>Total</b>	<b>195 466</b>	<b>376 833</b>	<b>243 031</b>

The Company discloses overdrafts as a reduction in cash and cash equivalents when it holds deposits that exceed the overdrafts in the same banks (see note 7.9).

### 7.8. Share capital

<b>SHARE CAPITAL (STRUCTURE) AS AT 30.09.2012</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	12.03.2012
<b>Total number of shares</b>				<b>24 670 397</b>				
<b>Total share capital</b>					<b>24 670 397</b>			
<b>Nominal value per share = PLN 1</b>								

<b>SHARE CAPITAL (STRUCTURE) AS AT 31.12.2011</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
<b>Total number of shares</b>				<b>24 560 222</b>				
<b>Total share capital</b>					<b>24 560 222</b>			
<b>Nominal value per share = PLN 1</b>								

#### Description of changes to the share capital in the Company in the period from 1 July until 30 September 2012

In the period from 1 July until 30 September 2012 no changes to the share capital in the Company took place.



## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2012  
(all amounts in thousands PLN unless stated otherwise)

### Description of changes to the share capital in the Company in the period from 1 October 2012 to the date of preparing and approval of these financial statements.

The Management Board of the Company, pursuant to a resolution dated 9 August 2012 as amended on 11 September 2012, increased the share capital in the Company within the authorized capital, from the amount of PLN 24 670 397.00 up to PLN 24 715 272 by the issue of 24 875 M series ordinary bearer shares and 20 000 N series ordinary bearer shares.

This increase of the Company's share capital was 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 3 October 2012. The M and N series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

### 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 the financial statements				Change in the period from publication of the interim financial statements for the three-month period ended 31.03.2012
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	15 206 172	61.53	15 206 172	61.53	-
Jarosław Szanajca	1 534 050	6.21	1 534 050	6.21	-
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.31	1 313 383	5.31	no data
Grzegorz Kielpsz	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.

### 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 three-month period ended 31.03.2012	
	Shares	Share options	Total	Shares	Share options
<b>The Management Board</b>					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Janusz Zalewski	320 000	103 534	423 534	20 000	(20 000)
Jerzy Ślusarski	40 363	78 634	118 997	-	-
Janusz Stolarczyk	115 200	49 447	164 647	-	-
Terry Roydon	58 500	61 767	120 267	-	-
<b>The Supervisory Board</b>					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-
Markham Dumas	5 000	-	5 000	-	-
Mark Spiteri	511	12 330	12 841	-	-



## 7.9. Loans

### Description of material changes in the three-month period ended 30 September 2012

The total loan liabilities provided to the Company in the third quarter of 2012 and their maturity structure have not changed.

<b>LOANS DUE WITHIN</b>	<b>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
Less than 1 year	-	57 134
More than 1 year and less than 2 years	33 000	25 000
More than 2 years and less than 5 years	177 000	135 000
Over 5 years	-	-
<b>Total loans</b>	<b>210 000</b>	<b>217 134</b>
including: long-term	210 000	160 000
short-term	-	57 134

<b>BANK LOANS AS AT 30.09.2012</b>				
<b>Bank</b>	<b>Registered office</b>	<b>Loan amount and currency as per agreement</b>	<b>Outstanding loan amount (less accrued interest) and currency</b>	<b>Due date</b>
PKO BP	Warsaw	210 000 PLN	210 000 PLN	31.12.2016
<b>Total bank loans</b>			<b>210 000 PLN</b>	

As at 30 September 2012 and 31 December 2011 all the loans taken by the Company 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 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".

### Bank overdrafts

In the case that the Company holds overdrafts and deposits in the same banks and the amount of deposits exceeds the amount of overdrafts, and the deposit end date falls earlier than repayment of the overdrafts, the Company discloses these overdrafts as a reduction in cash and cash equivalents in the balance sheet (see note 7.7).

<b>OVERDRAFTS AS AT 30.09.2012</b>				
<b>Bank</b>	<b>Registered office</b>	<b>Loan amount and currency as per agreement</b>	<b>Outstanding loan amount (less accrued interest) and currency</b>	<b>Due date</b>
Bank Pocztowy	Warsaw	5 000 PLN	- PLN	05.07.2013
<b>Total overdrafts</b>		<b>5 000 PLN</b>	<b>- PLN</b>	

<b>OVERDRAFTS AS AT 31.12.2011</b>				
<b>Bank</b>	<b>Registered office</b>	<b>Loan amount and currency as per agreement</b>	<b>Outstanding loan amount (less accrued interest) and currency</b>	<b>Due date</b>
BOŚ	Warsaw	5 000 PLN	- PLN	19.08.2012
<b>Total overdrafts</b>		<b>5 000 PLN</b>	<b>- PLN</b>	



## 7.10. Bonds

<b>BONDS</b>	<b>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
Nominal value of the bonds issued, long-term portion	220 000	100 000
Nominal value of the bonds issued, short-term portion	52 530	170 000
<b>Nominal value of the bonds issued</b>	<b>272 530</b>	<b>270 000</b>

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

### 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 2012

The nominal value and maturity structure of bonds issued by the Company have not changed in the third quarter of 2012.

<b>BONDS ISSUED AS AT 30.09.2012</b>					
<b>Series</b>	<b>Issue date</b>	<b>Amount</b>	<b>Currency</b>	<b>Contractual maturity date</b>	
I	28.11.2007	52 530	PLN	28.11.2012	
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	
	<b>Total</b>	<b>272 530</b>	PLN		

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.

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".

## 7.11. Accrued interest on loans and bonds

<b>ACCRUED INTEREST ON LOANS AND BONDS</b>	<b>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
Accrued interest on bonds	4 084	1 093
Accrued interest on loans	1 177	1 127
<b>Total accrued interest on loans and bonds</b>	<b>5 261</b>	<b>2 220</b>

## 7.12. Segment reporting

The Company operates within a single segment.



### 7.13. Operating income

<b>REVENUE BREAKDOWN</b>	<b>01.01 - 30.09.2012</b>	<b>01.01 - 30.09.2011</b>	<b>01.07 - 30.09.2012</b>	<b>01.07 - 30.09.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of finished goods	598 252	358 602	301 033	198 446
Sales of services	15 032	9 220	4 095	3 111
<b>Total</b>	<b>613 284</b>	<b>367 822</b>	<b>305 128</b>	<b>201 557</b>

### 7.14. Operating costs

<b>OPERATING COSTS</b>	<b>01.01 - 30.09.2012</b>	<b>01.01 - 30.09.2011</b>	<b>01.07 - 30.09.2012</b>	<b>01.07 - 30.09.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cost of sales</b>				
Cost of finished goods sold	(448 361)	(238 115)	(234 243)	(129 023)
Cost of services sold	(15 414)	(9 959)	(4 240)	(3 616)
Inventory write down to the net realisable value	(796)	(31)	(840)	(554)
<b>Total cost of sales</b>	<b>(464 571)</b>	<b>(248 105)</b>	<b>(239 323)</b>	<b>(133 193)</b>
<b>Selling costs, and general administrative expenses</b>				
Selling costs	(29 213)	(26 411)	(10 083)	(8 444)
General administrative expenses	(34 226)	(33 778)	(10 726)	(11 091)
<b>Total selling costs, and general administrative expenses</b>	<b>(63 439)</b>	<b>(60 189)</b>	<b>(20 809)</b>	<b>(19 535)</b>
<b>Selling costs, and general administrative expenses by kind</b>				
Depreciation	(2 260)	(1 795)	(789)	(652)
Cost of materials and energy	(8 548)	(9 508)	(2 719)	(2 537)
External services	(17 677)	(15 012)	(6 054)	(5 042)
Taxes and charges	(159)	(159)	(70)	(64)
Remuneration	(27 946)	(25 335)	(9 296)	(8 398)
Social security and other benefits	(3 306)	(3 245)	(816)	(840)
Management Option Programme	(916)	(2 343)	(303)	(1 036)
Other prime costs	(2 627)	(2 792)	(762)	(966)
<b>Total selling costs, and general administrative expenses by kind</b>	<b>(63 439)</b>	<b>(60 189)</b>	<b>(20 809)</b>	<b>(19 535)</b>

### 7.15. Income tax in the income statement

<b>INCOME TAX</b>	<b>01.01 - 30.09.2012</b>	<b>01.01 - 30.09.2011</b>	<b>01.07 - 30.09.2012</b>	<b>01.07 - 30.09.2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	12 000	2 902	2 951	2 902
Deferred tax in the income statement	3 952	8 749	5 533	6 616
<b>Total</b>	<b>15 952</b>	<b>11 651</b>	<b>8 484</b>	<b>9 518</b>





## Dom Development S.A.

Additional notes to the interim condensed financial statements  
for the three-month period ended 30 September 2012  
(all amounts in thousands PLN unless stated otherwise)

### 7.16. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01 - 30.09.2012 (unaudited)	01.01 - 30.09.2011 (unaudited)	01.07 - 30.09.2012 (unaudited)	01.07 - 30.09.2011 (unaudited)
<b>Basic earnings per share</b>				
Profit for calculation of the basic earnings per share	65 782	43 873	35 550	36 734
The weighted average number of ordinary shares of the Company for the calculation of basic earnings per share	24 641 446	24 560 222	24 670 397	24 560 222
<b>Basic earnings per share (PLN)</b>	<b>2.67</b>	<b>1.79</b>	<b>1.44</b>	<b>1.50</b>
<b>Diluted earnings per share</b>				
Profit for calculation of the diluted earnings per share	65 782	43 873	35 550	36 734
Potential diluting shares related to the Management Share Option Programmes	53 813	167 321	42 914	130 884
The weighted average number of ordinary shares of the Company for the calculation of diluted earnings per share	24 695 259	24 727 543	24 713 311	24 691 106
<b>Diluted earnings per share (PLN)</b>	<b>2.66</b>	<b>1.77</b>	<b>1.44</b>	<b>1.49</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 nine-month periods ended 30 September 2012 and 2011, 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.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES				
Counterparty	Transaction description	01.01 - 30.09.2012 (unaudited)	01.01 - 30.09.2011 (unaudited)	
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	1 207	1 086	
Woodsford Consulting Limited	Marketing services	56	-	
Kirkley Advisory Limited	Consulting services as per the agreement dated 01 March 2012	29	-	
Hansom Property Company Limited	Consulting services as per the agreement dated 30 June 1999	195	165	
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2010	98	280	

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)				
Counterparty	Transaction description	01.01 - 30.09.2012 (unaudited)	01.01 - 30.09.2011 (unaudited)	
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	352	212	
Fort Mokotów sp. z o.o., under liquidation	Other	17	37	
Dom Development Grunty sp. z o.o.	Other	4	4	
Dom Development B.V.	Other	-	25	
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	3	3	



**DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES**

Counterparty	Transaction description	01.01 - 30.09.2012 <i>(unaudited)</i>	01.01 - 30.09.2011 <i>(unaudited)</i>
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom" under liquidation	Refund of the value of contributed shares in association with liquidation of the Towarzystwo <i>(insurance company)</i>	-	1 674

**DOM DEVELOPMENT S.A. AS A LENDER**

Counterparty	Transaction description	01.01 - 30.09.2012 <i>(unaudited)</i>	01.01 - 30.09.2011 <i>(unaudited)</i>
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	59	58

**DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER**

Counterparty	Transaction description	01.01 - 30.09.2012 <i>(unaudited)</i>	01.01 - 30.09.2011 <i>(unaudited)</i>
Dom Development B.V.	Dividends	22 809	13 686

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

Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2012 <i>(unaudited)</i>	31.12.2011	30.09.2012 <i>(unaudited)</i>	31.12.2011
<b>Total balance</b>	<b>2 523</b>	<b>2 646</b>	<b>171</b>	<b>224</b>
<b>Subsidiaries</b>	<b>2 508</b>	<b>2 525</b>	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the capital	1 147	1 147	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation	1	-	-	-
Dom Development Grunty sp. z o.o.	1 360	1 378	-	-
<b>Joint-ventures</b>	<b>15</b>	<b>121</b>	-	-
Fort Mokotów sp. z o.o., under liquidation	15	121	-	-
<b>Other entities</b>	-	-	<b>171</b>	<b>224</b>
Woodsford Consulting Limited	-	-	171	120
Holland Park Advisory Limited	-	-	-	104

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

Counterparty	01.01 - 30.09.2012 <i>(unaudited)</i>	01.01 - 30.09.2011 <i>(unaudited)</i>
The Management Board	4 143	3 643
The Supervisory Board	774	774

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

Structure of share options granted and not exercised as at 30 September 2012:

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	149 400	114.48
Programme II	7.12.2007	7.12.2010	7.12.2014	158 400	114.48
Programme II	8.12.2008	8.12.2011	8.12.2015	73 000	14.91
Programme II	15.01.2009	15.01.2012	15.01.2016	31 000	16.97
Programme II	10.12.2009	10.12.2012	10.12.2016	198 025	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	120 000	1.00
<b>Total</b>				<b>735 825</b>	

### Exercise of the share options

The shares in the Company were subscribed in the third quarter of 2012 in a private placement procedure addressed to participants in Management Share Option Programme II. The shares were registered on 3 October 2012 (see note 7.8).

### Grant of new share options

In the three-month period ended 30 September 2012 the Company did not grant any new share options.

### Changes to the Management Option Programmes

In the three-month period ended 30 September 2012 no changes were made to the Management Option Programme.

## 7.19. Contingent liabilities

CONTINGENT LIABILITIES	30.09.2012 <i>(unaudited)</i>	31.12.2011
Guarantees	2 105	2 110
Sureties	492	727
<b>Total</b>	<b>2 597</b>	<b>2 837</b>

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

COLLATERALS FOR LIABILITIES	30.09.2012 <i>(unaudited)</i>	31.12.2011
Promissory notes, including:		
– promissory notes as an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	-	5 000
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	175 000
– promissory notes as an additional guarantee for Bank Pocztowy in respect of claims arising from the granted loan	5 000	-
– promissory notes as an additional guarantee for TU Euler Hermes arising from the good performance guarantee	1 889	1 889
<b>Total</b>	<b>216 889</b>	<b>181 889</b>

In the nine-month period ended 30 September 2012 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 2012 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 2012 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 3 September 2012, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 20 695 thousand, including the total value of proceedings concerning liabilities at approx. PLN 18 022 thousand and the total value of proceedings concerning receivables at approx. PLN 2 672 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 2012 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 2012 until 30 September 2012:

Project	Standard	Number of apartments
Derby 14, phase 2	Popular	154
Wilno, phase 4	Popular	109
Młyny Królewskie	Popular	294
Saska I, phase 3/1	Popular	159
Wilno, phase 2B	Popular	124
Derby 14, phase 3	Popular	189
Klasyków I, phase 2	Popular	236
Saska I, phase 3/2	Popular	163

Projects ended in the period from 1 January 2012 until 30 September 2012:

Project	Standard	Number of apartments
Wilno, phase 1 (stage 1A)	Popular	130
Regaty, phase 5	Popular	180
Klasyków I, phase 3	Popular	187
Opera B	Luxury apartments	11
Przy Ratuszu	Popular	465
Saska I, phase 2/1	Popular	190
Wilno, phase 1B	Popular	84
Derby 14, phase 1	Popular	174
Adria, phase 2	Popular	230
Saska I, phase 2/2	Popular	144



## 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 Company.

## 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:

<b>SELECTED DATA FROM THE BALANCE SHEET</b>	<b>30.09.2012</b> <i>(unaudited)</i>	<b>31.12.2011</b>
	thousand Euro	thousand Euro
Total current assets	462 505	431 348
Total assets	464 663	433 259
Total shareholders' equity	210 626	189 108
Long-term liabilities	118 491	72 218
Short-term liabilities	135 546	171 933
Total liabilities	254 037	244 151
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.1138</i>	<i>4.4168</i>

<b>SELECTED DATA FROM THE INCOME STATEMENT</b>	<b>01.01 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.01 - 30.09.2011</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2012</b> <i>(unaudited)</i>	<b>01.07 - 30.09.2011</b> <i>(unaudited)</i>
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
Sales revenue	146 199	91 016	73 784	48 111
Gross profit on sales	35 451	29 624	15 913	16 318
Operating profit/(loss)	19 432	13 915	10 612	11 230
Profit/(loss) before tax	19 484	13 739	10 648	11 040
Net profit/(loss)	15 682	10 856	8 597	8 768
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.1948</i>	<i>4.0413</i>	<i>4.1354</i>	<i>4.1894</i>