



DOM DEVELOPMENT S.A.

**CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS ENDED
ON 30 JUNE 2009**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

I. INTRODUCTION TO THE CONDENSED FINANCIAL STATEMENTS

1. General information about Dom Development S.A.

A joint stock company Dom Development S.A. („Company”) is the holding entity of Dom Development 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, 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 Company’s scope of activity is construction projects concerning construction of buildings – PKD 4110Z. The Company conducts its activities mainly in Warsaw and its vicinity.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 30 June 2009, Dom Development B.V. controlled 63.15 % 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 is unlimited.

In the period of six months ended on 30 June 2009 the Company did not discontinue any of its activities.

2. Summary of significant accounting policies

Basis for the preparation of the financial statements

All the applicable International Financial Reporting Standards („IFRS”) adopted by the European Union and the standards applicable for the periods beginning on 1 January 2009 as well as the standards which became effective by 30 June 2009 were applied by the Company in the condensed financial statements for the period of six months ending on 30 June 2009 („condensed financial statements”).

These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and interpretations issued by the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee.

These condensed financial statements were prepared pursuant to International Accounting Standard 34 “Interim financial reporting” with the application of the same accounting principles for the current and comparable period.

The condensed financial statements were prepared based on the assumption that Dom Development S.A. would continue its business activities in the foreseeable future, with no threats to the continuation of these activities.

The condensed financial statements are stated in Polish zloty („PLN”). Financial data included in the financial statements are expressed in thousands of PLN unless stated otherwise.

Summary of significant accounting policies

These condensed financial statements were prepared following the same accounting policies and methods of computation that were disclosed in and applied to the most recent annual consolidated financial statements of the Company **with the exception of a change in the moment at which sales revenue is recognised (described below)**.

Description of the change in the accounting policies

In June 2008 the International Financial Reporting Interpretation Committee (IFRIC) completed a project reviewing the interpretation of the **moment of revenue recognition** from real estate sales under IAS 11 (“Construction contracts”) and IAS 18 (“Revenue”).

A draft interpretation prepared by IFRIC (D-21 Real Estate Sales) was approved by the International Accounting Standards Board (IASB) in June 2008 and subsequently published by IFRIC in the form of interpretation (IFRIC-15 Agreements for the Construction of Real Estate) on 2 July 2008.

According to the transitional provisions included in the above interpretation, application of this interpretation is required to the Company's consolidated financial statements for the periods beginning on 1 January 2009. This introduces changes to the previously applied accounting policies in relation to the moment of real estate (products) sales recognition.

Up to 31 December 2008 the Company recognized sales revenue based on IAS11 using "percentage of completion" method described in the chapter "Significant accounting policies" in the financial statements for the year ended 31 December 2008. Using IAS11, the Company recognized sales revenue in proportion to the state of progress of sales and construction for specific investment projects.

Use of the IFRIC-15 interpretation requires the Company to recognize sales revenue differently than in the past, that is to say in accordance with IAS18. From 1 January 2009 real estate sales revenue is recognized only at the moment it is released to the buyer, based on a handover protocol signed by both parties ("recognition on completion" method).

The main result of the above change is that sales revenue and cost of sales (and as a result – sales contribution) is recognized considerably later than it has been previously using "percentage of completion" method. From 1 January 2009 sales revenue for an individual real estate project are not recognized until after the completion of the construction process of that particular project. The above change do not impact the profitability of the real estate development projects but it influences the allocation of revenues and cost of sales to individual accounting periods.

According to the requirements of the IFRIC-15 interpretation, the above change to the accounting principle was introduced retrospectively. This means the opening balance of the shareholders' equity was adjusted (in the item "Accumulated, unappropriated profit") for the earliest period presented, which was 1 January 2008, as well as the comparative data presented in these condensed consolidated financial statements, as if the new accounting principle had always been applied.

Impact of the above described change in the accounting policy on the Company's condensed financial statements

SHAREHOLDERS' EQUITY

a/ Total adjustment to the shareholders' equity opening balance as at 1 January 2009, consisting of:

i/ Adjustment to the shareholders' equity opening balance as at 1 January 2008

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 31 December 2007, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008.

This adjustment represents the difference between net profit recognized using "percentage of completion" method (shown in the consolidated financial statements for the year ended 31 December 2008) and the net profit that would be recognized if the "recognition on completion" method was used.

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2009

Shareholders' equity as at 31 December 2008 – previously disclosed (using IAS 11)	784,512
i/ Adjustment to the opening balance as at 1 January 2008	(193,796)
ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008, consisting of:	
- elimination of the consolidated net profit for the year 2008 recognised under IAS 11 (i.e. before the change of accounting policy)	(142,162)
- consolidated net profit for the year 2008 recognised under IAS 18 (i.e. after the change in accounting policy)	229,968
Adjustment to the consolidated net profit for the year ended 31 December 2008	87,806
Shareholders' equity as at 1 January 2009 – restated (using IAS 18)	678,522

b/ Adjustment to the shareholders' equity opening balance as at 1 January 2008, by PLN 193,796 thousand

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 31 December 2007, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2008

Shareholders' equity as at 31 December 2007 – previously disclosed (using IAS 11)	685,673
Adjustment to the opening balance as at 1 January 2008	(193,796)
Shareholders' equity as at 1 January 2008 – restated (using IAS 18)	491,877

BALANCE SHEETS

	31.12.2008 Restated	31.12.2008 Previously disclosed
ASSETS – ITEMS THAT HAVE BEEN RESTATED		
Deferred income tax assets	8,381	8,376
Inventory	1,446,616	1,141,898
Other current assets	6,325	80,527

	31.12.2008 Restated	31.12.2008 Previously Disclosed
EQUITY AND LIABILITIES – ITEMS THAT HAVE BEEN RESTATED		
Accumulated, unappropriated profit (loss)	36,172	142,162
Deferred tax liability	29,393	54,929
Short-term tax liabilities	7,883	7,203
Accrued liabilities and deferred income	387,603	26,236

INCOME STATEMENTS

INCOME STATEMENTS – ITEMS THAT HAVE BEEN RESTATED	Period of six months ended on	
	30.06.2008 Restated	30.06.2008 Previously disclosed
Sales revenues	500,225	455,533
Cost of sales	(289,196)	(269,015)
Income tax expense	(32,916)	(28,274)
Earnings per share:		
Basic (PLN)	5.50	4.69
Diluted (PLN)	5.50	4.69

Dom Development S.A.
 Balance sheets
 as at 30 June 2009 and 31 December 2008
 (in PLN; all amounts in thousands unless stated otherwise)

II. BALANCE SHEETS

ASSETS	Note	30.06.2009	31.12.2008
Fixed assets			
Intangible fixed assets		1,051	1,359
Tangible fixed assets		6,057	6,732
Investments in associated entities		3,081	3,081
Deferred income tax assets		7,515	8,381
Long-term receivables		2,571	2,910
Long-term deferred costs		217	361
Total fixed assets		20,492	22,824
Current assets			
Inventory	1	1,435,013	1,446,616
Trade and other receivables		46,081	65,756
Other current assets		5,415	6,325
Cash and cash equivalents	3	144,023	213,168
Total current assets		1,630,532	1,731,865
Total assets		1,651,024	1,754,689
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	4	24,560	24,560
Share premium less treasury shares		231,535	231,535
Reserve capital from valuation of share options		16,422	13,908
Other capital (supplementary capital)		388,361	371,837
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		70,162	36,172
Total shareholders' equity		731,550	678,522
Long-term liabilities			
Long-term loans and borrowings	6	234,970	233,283
Deferred tax liability		23,578	29,393
Bonds	7	200,000	200,000
Other Long-term liabilities		-	-
Total long-term liabilities		458,548	462,676
Short-term liabilities			
Trade payables and other liabilities		173,647	144,874
Short-term loans and borrowings	6	84,613	62,510
Short-term tax liabilities		4,192	7,883
Short-term provisions		9,668	10,621
Accrued liabilities and deferred income		188,806	387,603
Total short-term liabilities		460,926	613,491
Total liabilities		919,474	1,076,167
Total equity and liabilities		1,651,024	1,754,689

Dom Development S.A.
Income statements
for the period of six months ended on 30 June 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

III. INCOME STATEMENTS

	Note	Period of six months ended on	
		30.06.2009	30.06.2008
Sales revenues	11	379,951	500,225
Cost of sales	12	(258,859)	(289,196)
Gross profit on sales		121,092	211,029
Selling costs	12	(10,993)	(15,929)
General administrative expenses	12	(21,290)	(30,702)
Other operating income		2,103	949
Other operating expenses		(7,097)	(3,101)
Operating profit		83,815	162,246
Financial income	13	7,466	6,479
Financial costs		(5,353)	(738)
Profit before tax		85,928	167,987
Income tax expense	14	(15,766)	(32,916)
Profit after tax		70,162	135,071
Earnings per share:			
Basic (PLN)	8	2.86	5.50
Diluted (PLN)	8	2.85	5.50

Dom Development S.A.
Statements of comprehensive income
for the period of six months ended on 30 June 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

IV. STATEMENTS OF COMPREHENSIVE INCOME

	Period of six months ended on	
	30.06.2009	30.06.2008
Net profit	70,162	135,071
Other comprehensive income	-	-
Total comprehensive income	70,162	135,071

Dom Development S.A.
Cash flow statements
for the period of six months ended on 30 June 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

V. CASH FLOW STATEMENTS

	Period of six months ended on	
	30.06.2009	30.06.2008
Cash flow from operating activities		
Profit before taxation	85,928	167,987
Adjustments:		
Depreciation	1,233	1,074
Profit/loss on foreign exchange differences	49	30
Profit/loss on investments	(6,170)	(24)
Interest paid and accrued	8,372	5,030
Cost of the management option scheme.....	2,514	3,726
Changes in the operating capital		
Changes in provisions.....	(953)	(293)
Changes in inventory.....	16,436	(156,212)
Changes in receivables	24,520	(44,903)
Changes in short term liabilities excluding loans and borrowings.....	25,081	30,714
Changes in prepayments	(198,829)	(93,300)
Other adjustments	(49)	(30)
Cash flow generated from operating activities.....	(41,868)	(86,201)
Interest paid	(12,019)	(9,558)
Income tax paid	(25,219)	(26,833)
Net cash flow from operating activities	(79,106)	(122,592)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	272	95
Dividends received	6,370	-
Acquisition of intangible and tangible fixed assets	(721)	(1,383)
Net cash flow from investing activities	5,921	(1,288)
Cash flows from financing activities		
Proceeds from contracted loans and borrowings.....	46,687	1
Issue of bonds	-	-
Repayment of loans and borrowings.....	(22,896)	(21,930)
Redemption of bonds	-	-
Dividend payments	(19,648)	(50,103)
Payment of financial leasing liabilities	(103)	(108)
Net cash flow from financing activities	4,040	(72,140)
Increase (decrease) in net cash and cash equivalents	(69,145)	(196,020)
Cash and cash equivalents – opening balance	213,168	262,166
Cash and cash equivalents – closing balance.....	144,023	66,146

Dom Development S.A.
 Statements of changes in the shareholders' equity
 for the period of six months ended on 30 June 2009 and 2008
 (in PLN; all amounts in thousands unless stated otherwise)

VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total shareholders' equity
Balance as at 31 December 2008							
– previously disclosed	24,560	231,535	371,837	510	13,908	142,162	784,512
Impact of IFRIC-15*/							
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193,796)	(193,796)
Adjustment to the consolidated net profit for the year ended 31 December 2008	-	-	-	-	-	87,806	87,806
Balance as at 1 January 2009							
– restated	24,560	231,535	371,837	510	13,908	36,172	678,522
Transfer of profit to supplementary capital	-	-	122,514	-	-	(122,514)	-
Dividend payment	-	-	-	-	-	(19,648)	(19,648)
Transfer of the adjustment to the opening balance to the supplementary capital (implementation of IFRIC-15*).....	-	-	(105,990)	-	-	105,990	-
Creation of reserve capital from the valuation of the share options .	-	-	-	-	2,514	-	2,514
Comprehensive income for six months ended on 30 June 2009 ..	-	-	-	-	-	70,162	70,162
Balance as at 30 June 2009	24,560	231,535	388,361	510	16,422	70,162	731,550

Dom Development S.A.
 Statements of changes in the shareholders' equity
 for the period of six months ended on 30 June 2009 and 2008
 (in PLN; all amounts in thousands unless stated otherwise)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – CONT.

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total shareholders' equity
Balance as at 1 January 2008 – previously disclosed	24,560	231,535	191,556	510	7,128	230,384	685,673
Impact of IFRIC-15*/							
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193,796)	(193,796)
Balance as at 1 January 2008 – restated	24,560	231,535	191,556	510	7,128	36,588	491,877
Transfer of profit to supplementary capital	-	-	180,281	-	-	(180,281)	-
Dividend payment	-	-	-	-	-	(50,103)	(50,103)
Creation of reserve capital from the valuation of the share options .	-	-	-	-	3,726	-	3,726
Comprehensive income for six months ended on 30 June 2008 ..	-	-	-	-	-	135,071	135,071
Balance as at 30 June 2008 – restated.....	24,560	231,535	371,837	510	10,854	(58,725)	580,571

*/ description of the impact of IFRIC-15 on the consolidated shareholders' equity is presented in "Introduction to the condensed consolidated financial statements".

VII. ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1. Inventories

INVENTORY	30.06.2009	31.12.2008
Advances on deliveries	65,403	67,253
in this at purchase prices/production costs	65,472	67,322
in this revaluation write down	(69)	(69)
Semi-finished goods and work in progress	1,235,370	1,270,900
in this at purchase prices/production costs	1,251,604	1,281,803
in this revaluation write down	(16,234)	(10,903)
Finished goods	134,240	108,463
in this at purchase prices/production costs	134,685	108,927
in this revaluation write down	(445)	(464)
Total	1,435,013	1,446,616

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -30.06.2009	01.01- -30.06.2008
Balance at the beginning of the period	11,436	7,560
Increase	5,331	-
Release	(19)	(331)
Balance at the end of the period	16,748	7,229

As a result of the impairment tests and analysis performed, the Company made a provision for impairment of projects in the construction phase and land for future projects for the amount of PLN 5,331 thousand in the first half of 2009.

Balance sheet value of inventories used to secure the payment of liabilities

SECURITY ON INVENTORIES - MORTGAGE	30.06.2009	31.12.2008
Balance sheet value of inventory used to secure liabilities	445,082	352,289
Value of mortgages used to secure the loans	581,919	514,177

*) due to the change in the accounting principle related to the moment of revenue recognition on sale of real estate there was an adjustment to the balance sheet value of inventory used to secure liabilities as at 31 December 2008 (see "Introduction to the condensed financial statements")

Note 2. Change in the write-offs revaluating short-term receivables

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -30.06.2009	01.01- -30.06.2008
Opening balance	2,161	2,781
a) Additions	500	439
b) Disposals	-	(29)
Closing balance	2,661	3,191

Note 3. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash in hand and short-term bank deposits which will mature within 3 months. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	30.06.2009	31.12.2008
Cash in hand and at bank	4,963	2,757
Short-term deposits and treasury bills.....	139,034	278,184
Overdraft	-	(67,820)
Other	26	47
Total	144,023	213,168

The Company presents overdrafts as a decrease in cash and cash equivalents when holding deposits in the same banks exceeding the level of the overdrafts (see note 6).

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 JUNE 2009

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividend (since)
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
Total number of shares				24,560,222				
Total share capital					24,560,222			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 2008

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividend (since)
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
Total number of shares				24,560,222				
Total share capital					24,560,222			
Nominal value per share = PLN 1								

Dom Development S.A.
 Additional notes to the financial statements
 for the period of six months ended on 30 June 2009
 (in PLN; all amounts in thousands unless stated otherwise)

On 27 October 2006 the agreement with CDM PEKAO S.A. was concluded regarding taking up 96,750 J series shares in the increased share capital of Dom Development S.A. (the afore-mentioned shares concern the Management Share Option Programme IB in which, pursuant to depositary agreement dated 26 October 2006, CDM PEKAO S.A. is a depositary in this programme). On 28 January 2008 all rights and obligations arising from the above trust agreement signed with CDM on 26 October 2006 were assumed by UniCredit CA IB Polska S.A.

Description of changes in the share capital of the holding company in the period from 1 January 2009 to the date of preparing the financial statements.

In the period from 1 January 2009 by the date of preparation of these financial statements there have been no changes to the shareholders capital.

List of shareholders who have, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at the date of preparing these financial statements for the 1th half of 2009

	Shares	% of capital	Number of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Dom Development B.V.	15,509,386	63.15	15,509,386	63.15
Jarosław Szanajca	1,734,050	7.06	1,734,050	7.06
Grzegorz Kielpsz.....	1,390,750	5.66	1,390,750	5.66

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development SA as at the date of preparing these financial statements for the 1th half of 2009

	Shares	Share Options	Total
Management Board			
Jarosław Szanajca	1,734,050	-	1,734,050
Janusz Zalewski	436,000	31,000	467,000
Jerzy Ślusarski	5,363	67,850	73,213
Janusz Stolarczyk	106,200	35,850	142,050
Terry Roydon	58,500	50,000	108,500
Supervisory Board			
Grzegorz Kielpsz.....	1,390,750	-	1,390,750
Zygmunt Kostkiewicz	29,500	-	29,500

On 15 January 2009 the Supervisory Board of the Company allotted 31,000 share options to Janusz Zalewski, Vice President of the Management Board of the Company, under the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 31,000 ordinary shares of Dom Development SA.. Janusz Stolarczyk , a member of the Management Board, sold 1,000 ordinary shares.

Nota 5. Approval of the financial statements for 2008 and the distribution of profit

On 21 May 2009 the Ordinary General Meeting of the Shareholders of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2008, the report of the Management Board on the activities of Dom Development S.A. in 2008, the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2008 and the report of the Management Board on the activities of Dom Development S.A. Capital Group in 2008, as presented by the Management Board. The Ordinary General Meeting of the Shareholders granted to the Management of the Company an acknowledgement of fulfilment of their duties for the year 2008.

The Ordinary General Meeting of the Shareholders of Dom Development S.A. allotted a part of the Company's net profit for 2008 in the amount of PLN 19,648,177.60 i.e. PLN 0.80 per share for the payment of dividend to shareholders of the Company, and a part of net profit in the amount of PLN 122,514,153.74 to increase the Company's reserve capital. The dividend day was set at 9 June 2009 and the day of payment of the dividend was set at 24 June 2009. The dividend was paid on the agreed date.

Note 6. Loans and borrowings

LOANS DUE WITHIN	30.06.2009	31.12.2008
1 year	84,613	62,510
More than 1 year less then 2 years	144,970	71,663
More than 2 years less then 5 years	90,000	161,620
More than 5 years	-	-
Total loans	319,583	295,793
including: long-term	234,970	233,283
short-term	84,613	62,510

As at 30 June 2009 and 31 December 2008 the Company did not have borrowing-related liabilities.
 As at 30 June 2009 and 31 December 2008 all the Company's loans were expressed in Polish Zloty.

Loan liabilities as at 30 June 2009

BANK LOANS SHOWN IN LIABILITIES AS AT 30.06.2009						
Bank	Registered office	Amount of loan – as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
ING BANK ŚLĄSKI	Warsaw	39,613	PLN	39,613	PLN	30.09.2009
BOŚ	Warsaw	100,000	PLN	99,970	PLN	30.06.2011
PKO BP	Warsaw	200,000	PLN	180,000	PLN	31.12.2012
PKO BP*)	Warsaw	65,000	PLN	-	PLN	31.01.2011
Total bank loans shown in liabilities		404,613		319,583		

Dom Development S.A.
 Additional notes to the financial statements
 for the period of six months ended on 30 June 2009
 (in PLN; all amounts in thousands unless stated otherwise)

*) On 29 June 2009 a non-revolving working capital loan facility was signed. According to this agreement PKO BP made funds available to the Company in the amount of PLN 65 million.

In the case that the Company holds overdrafts in the same banks where it holds deposits in the amounts exceeding the amounts of the overdrafts and deposit accounts payment terms preceding repayment of the overdrafts, the Company presents these overdrafts as a decrease in cash and cash equivalents (see note 3).

BANK LOANS (OVERDRAFTS) REDUCING ASSETS AS AT 30.06.2009

Bank	Registered office	Amount of loan – as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	40,000	PLN	-	PLN	23.04.2010
PKO BP	Warsaw	40,000	PLN	-	PLN	16.03.2010
Total overdrafts		80,000	PLN	-	PLN	

The Company's Management Board estimates that the fair value of the loans and borrowings contracted by the Company is almost equal to their net book value.

Note 7. Bonds

BONDS	30.06.2009	31.12.2008
Nominal value of the issued bonds	200,000	200,000
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income.....	1,096	1,460

On 5 November 2007 the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement. During the seven-year term of this programme, based on the above agreement Dom Development S.A. is allowed to issue mid-term bonds (with a maturity date exceeding 1 year, but not 7 years) with the total value of no more than PLN 400,000,000, which is to be construed as the nominal value of all issued and unredeemed bonds on any day of the term of the Programme. The return on bonds depends on the market conditions on the sale date and calculated according to WIBOR 3M + margin. According to the agreement, the bonds shall be issued in series and offered to selected investors. The Company does not plan to introduce the bonds issued under the programme to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such programmes.

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20,000 I series bonds with the nominal value of PLN 10,000 each and the total nominal value of PLN 200,000,000 under the Bond Issue Programme Agreement signed with Bank BPH S.A. on 5 November 2007. The maturity date of these bonds is 28 November 2012 and the interest at WIBOR 3M plus bank commission is payable every three months until the settlement date. The interest becomes due and payable in February, May, August and November during the term of the agreement. The proceeds from the issue of bonds are used for financing the development of the Company. The bonds are an unsecured liability of the Company.

Note 8. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -30.06.2009	01.01- -30.06.2008
Basic earnings per share		
Profit attributable to the equity holders of the Company (PLN) ..	70,162	135,071
The average weighted number of ordinary shares for the calculation of basic earnings per share	24,560,222	24,560,222
Basic earnings per share (PLN)	2.86	5.50
Diluted earnings per share		
Theoretical profit attributable to the equity holders of the Company for the calculation of the diluted earnings per share..	70,162	135,071
Potential diluting shares related to Management Share Options Programme II	42,165	-
The average weighted number of ordinary shares for the calculation of diluted earnings per share	24,602,387	24,560,222
Diluted earnings per share (PLN)	2.85	5.50

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

Note 9. Key assumptions and estimate bases

The amount of costs necessary for the completion of the conducted development projects is based on detailed budgets of individual development projects prepared based on the Company's best knowledge and experience. Each development project budget is updated at least once every three months.

Note 10. Segment reporting

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

Note 11. Operating income

SALES REVENUES BY KIND	01.01- -30.06.2009	01.01- -30.06.2008
Sales of finished goods	371,038	488,785
Sales of services	7,281	11,440
Sales of goods for resale (land)	1,632	-
Total	379,951	500,225

Note 12. Operating costs

OPERATING COSTS	01.01- -30.06.2009	01.01- -30.06.2008
Cost of sales		
Cost of finished goods sold	(250,701)	(279,398)
Cost of services sold	(6,300)	(9,798)
Cost of land sold	(1,858)	-
Total cost of sales	(258,859)	(289,196)
Selling costs and general administrative expenses		
Selling costs	(10,993)	(15,929)
General administrative expenses	(21,290)	(30,702)
Total selling costs and general administrative expenses	(32,283)	(46,631)
Selling costs and general administrative expenses by kind		
Depreciation.	(1,233)	(1,074)
Cost of materials and energy	(3,456)	(4,284)
External services	(8,377)	(12,225)
Taxes and charges	(75)	(224)
Wages and salaries	(13,488)	(19,769)
Social security and other benefits	(1,941)	(3,193)
Management Options Programme.....	(2,514)	(3,726)
Other costs by kind	(1,199)	(2,136)
Total selling costs and general administrative expenses by kind	(32,283)	(46,631)

Note 13. Financial income

FINANCIAL INCOME	01.01- -30.06.2009	01.01- -30.06.2008
Dividends	6,370	-
Interest received	1,060	6,469
Other	36	10
Total	7,466	6,479

Note 14. Income tax

INCOME TAX	01.01- -30.06.2009	01.01- -30.06.2008
Current income tax	20,714	32,043
Deferred income tax	(4,948)	873
Total	15,766	32,916

Dom Development S.A.
Additional notes to the financial statements
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(in PLN; all amounts in thousands unless stated otherwise)

Note 15. Transactions with related entities

In the six-month periods ended 30 June 2009 and 2008 the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided. Due to the Company's turnover transactions with a given related entity which did not exceed in any of the presented periods PLN 100 thousand have been omitted in the summary.

Dom Development S.A. as a buyer of goods or services

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000, with further amendments	739	924
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	130	107
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	(115)	182
Fort Mokotów sp. z o.o.	Other	(2)	125

Dom Development S.A. buying land as part of an agency agreement

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Dom Development Grunty sp. z o.o.	Amounts of advances transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of mandate contracts	277	5,217
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	-	30,076

Dom Development S.A. providing services (seller) – the value of services invoiced during the period

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	300	300
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	72	72
Fort Mokotów sp. z o.o.	Real estate management services	-	10
Fort Mokotów sp. z o.o.	Other	16	9

Dom Development S.A. as a party paying a dividend

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Dom Development B.V.	Dividend (gross)	12,397	31,613

Dom Development S.A.
Additional notes to the financial statements
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(in PLN; all amounts in thousands unless stated otherwise)

Dom Development S.A. as a party receiving a dividend or participating in decrease of reserve capital

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Fort Mokotów sp. z o.o.	Participating in decrease of reserve capital	6,370	-

Dom Development S.A. as the payer of additional contribution to the capital

Counterparty	Transaction description	01.01- -30.06.2009	01.01- -30.06.2008
Dom Development Na Dolnej Sp. z o.o.	Payment to cover the loss /additional payment to capital	-	30

Balances with related entities

Balances as in the books of the Company

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Total balance	57,107	56,833	103	3
Balances below PLN 100,000.....	21	9	-	3
Balances over PLN 100,000.....	57,086	56,824	103	-
Subsidiaries	57,008	56,727	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1,147	1,147	-	-
Dom Development Grunty sp. z o.o.	55,861	55,580	-	-
Joint-venture	78	97	-	-
Fort Mokotów sp. z o.o.	78	97	-	-
Other entities	-	-	103	-
Woodsford Consulting Limited.....	-	-	103	-

Promissory agreements and sale agreements relating to the sale of apartments by the Company to management personnel and their relatives

Related person	Date	Description	Value of agreement with the Company (PLN)
Jarosław Szanajca oraz Iwona Jackowska-Szanajca	28.04.2009	Transfer agreement of rights and obligations for promissory sale agreement concerning residential facilities, one utility room and two parking spaces in investment „Patria”	557,743.75
Marek Dalba oraz Krystyna Dalba	06.05.2009	Transfer agreement of rights and obligations for participation in a promissory sale agreement concerning two parking spaces in investment „Kasztanowa Aleja I”.	4,000.00
Zygmunt Kostkiewicz	18.06.2009	Sales agreement concerning participation in a joint ownership of land with rights to exclusive use of part of the real estate consisting of two parking spaces in investment „Akacje V”.	600.00
Jacek Orkisz oraz Agnieszka Orkisz	25.06.2009	Termination of promissory sale agreement concerning residential facilities, one parking space with utility room, and one parking space in investment „Grzybowska”	1,389,800.10

Note 16. Incentive plan – Management Options Programme

As at 30 June 2009 there were two Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company. These are Programme IB and Programme II (all options related to Programme I were exercised before 1 January 2008).

Name of the Programme	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
	30.06.2009			31.12.2008		
Programme I B	92,500	92,500	62,500	92,500	92,500	-
Programme II	726,000	546,575	-	726,000	565,475	-

In the first half of 2009 the number of share options allotted under Programme II has changed due to the allotment of 31,000 share options under this programme with a simultaneous decrease of 49,900 share options due to the termination of employment contracts with several employees who were under this Programme.

Within the two six month periods which ended on 30 June 2009 and 2008, the following amounts were accounted for in the income statement: PLN 2,514 thousand and PLN 3,726 thousand respectively.

Share options allocated and possible to be exercised as at respective balance sheet dates

SHARE OPTIONS		30.06.2009	31.12.2008
Options unexercised at the end of the period	Amount	576,575	657,975
	Total exercise price	40,508	44,290
Options possible to be exercised at the end of the period	Amount	30,000	-
	Total exercise price	183	-

Structure of share options allocated and not exercised as at 30 June 2009:

Programme	Amount of options	Exercise price per option (PLN)
Programme I B	30,000	6.10
Programme II	322,500	114.48
Programme II	193,075	14.91
Programme II	31,000	16.97
Total	576,575	

Exercised share options concerning Programme IB

During the first six months of 2009 the Company's employees holding options for shares concerning Programme IB exercised options for 62,500 shares in the Company. The shares were purchased from UniCredit CA IB Polska S.A. being the depository in this programme (see note 4).

Valuation of new share options

On 15 January 2009 the Management Board of Dom Development S.A. adopted a resolution in respect of the allotment of 31,000 share options of Management Share Options Programme II (which concerns 726,000 shares of Dom Development S.A.) as well as the price of the said shares. Pursuant to the foregoing resolution these options for the Company's shares were allotted to Janusz Zalewski, Vice-President of the Management Board of the Company.

The fair value of the allotted options which may be changed into shares was estimated as at the day of their allotment by means of a model based on the Black-Scholes-Merton, taking into account the conditions existing at the date of allocating the options. The following are preliminary assumptions to the model for the valuation of the options allocated under Programme II:

Dividend rate (%)	3.12
Anticipated volatility rate (%)	52.75
Risk-free interest rate (%)	4.36
Anticipated period of option exercise (in years)	4.00
Share exercise price (PLN)	16.97
Current share price (PLN)	18.02

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 215 thousand. Such value is evenly accounted for in the income statement within the period of three years.

Note 17. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2009	31.12.2008
Guarantees	112	9,904
Sureties	1,181	1,109
Total	1,293	11,013

Additionally some of the Company's liabilities are secured with bills of exchange:

CONTINGENT LIABILITIES	30.06.2009	31.12.2008
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan.....	140,000	140,000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	105,000	47,241
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the trilateral contract on insurance of loan guarantees of the Company's clients.....	2,000	2,000
– bills of exchange constituting other guarantees	1,452	1,452
Total	248,452	190,693

In the six month period ended 30 June 2009 the Company did not provide any guarantees for loans, borrowings or other guarantees – jointly to one entity or its subsidiary, of which the value would amount to at least 10% of the Company's shareholders' equity.

Note 18. Material court cases as at 30 June 2009

The Company is not a party in material court proceedings as at 30 June 2009.

Note 19. Additional information on the operating activity of the Company

In the period from 1 January to 30 June 2009 the following material changes in the portfolio of the Company's investments under construction took place:

The finished projects, i.e. projects for which legally valid occupation permits were issued:

Project	Decision on the use permit	Segment	Number of apartments
Regaty I- 1st phase	I Q 2009	Popular	148
Regaty I - 2nd phase	I Q 2009	Popular	242
Derby 18	II Q 2009	Popular	82
Derby 13	II Q 2009	Popular	174

In the first half of 2009 the Company did not commence any new projects.

Note 20. The factors which will influence the results achieved by the Company at least in the next six months

The most important factors which may influence the financial situation of the Company at least in the next six months are:

- a downturn in the residential market which the Group is operating on,
- impact of worldwide crisis of financial markets on Polish economy and banking system,
- availability of home loans, and especially convenient terms of such loans for potential clients,
- achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments, especially in the light of the current economic downturn on the primary market of apartment sales,
- prompt, compliant with schedules, completion of the construction works by the construction companies completing individual investments of the Company in the general construction system,
- availability of external financing (loans, bonds) for the real estate development entities,
- lack of sudden changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company and the Group,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

Note 21. Material post-balance sheet events

On 10 July 2009 the Company made a declaration on withdrawal from the preliminary agreement of purchase of the right of perpetual usufruct to a plot of land situated in Warsaw in the district of Ursynów, constituting a built-up plot of 11,149 m², entered into on 17 June 2008 with Spółdzielnia Budownictwa Mieszkaniowego "Natolin". In consequence, the Company expects to be reimbursed for the advance payment in the gross amount of PLN 15,006 thousand. At the time of preparation of these financial statements the amount of PLN 12,300 thousand had been paid into the Company's bank account.

Note 22. Forecasts

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

Note 23. Selected financial data translated into EURO

In compliance with the reporting requirements the following financial data of the Company have been translated into euro:

SELECTED DATA FROM BALANCE SHEET	30.06.2009	31.12.2008
	thousand EURO	thousand EURO
Total current assets.....	364,805	415,076
Total assets	369,390	420,547
Total shareholders' equity	163,672	162,622
Long-term liabilities	102,593	110,890
Short-term liabilities	103,125	147,035
Total liabilities.....	205,718	257,925
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.4696</i>	<i>4.1724</i>

SELECTED DATA FROM INCOME STATEMENT	01.01- -30.06.2009	01.01- -30.06.2008
	thousand EURO	thousand EURO
Sales revenue	84,090	143,842
Gross profit on sales.....	26,800	60,682
Operating profit.....	18,549	46,654
Profit before tax	19,016	48,305
Profit after tax.....	15,527	38,840
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.5184</i>	<i>3.4776</i>

Warsaw, 21 August 2009

 Jarosław Szanajca
 President of the Management Board

 Janusz Zalewski
 Vice-President of the Management Board

 Jerzy Ślusarski
 Vice-President of the Management Board

 Janusz Stolarczyk
 Member of the Management Board

 Terry R. Roydon
 Member of the Management Board