



DOM DEVELOPMENT S.A.

**CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF THREE MONTHS ENDED
ON 30 SEPTEMBER 2006
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

I INTRODUCTION TO THE FINANCIAL STATEMENTS

1. General information about the company Dom Development S.A.

A joint stock company Dom Development S.A. („Company”) with its registered office in Warsaw (00-078 Warsaw, pl. Piłsudskiego 3) is entered into the National Court Register under number 0000031483, District Court for the capital city of Warsaw 19th Commercial Division of the National Court Register, listing its main area of activities as construction and real estate developments, classified in the Polish Classification of Activities (PKD) as 7011Z. The Company conducts its activities 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 September 2006 Dom Development S.A. was controlled by Dom Development B.V. which held 83.05% of the Company’s shares. The Company's minority shareholders with more than 5% of shares are Jarosław Szanajca with 8.24% and Grzegorz Kiełpsz with 6.60%.

2. General information about the Company

The main area of activity of the Company is the construction and sale of residential real estate, i.e. flats, apartments and one-family houses.

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 nine months ended on 30 September 2006 the Company did not discontinue any of its operations.

3. Basis for the preparation of the financial statements

The financial statements have been prepared based on historical acquisition cost, purchase price or production cost except for derivative financial instruments, which in accordance with International Financial Reporting Standards (‘IFRS’) were stated at fair values. The value of assets and liabilities which are usually carried at cost, will be adjusted to reflect the profit or loss attributable to a hedge which has been taken out in relation to these assets and liabilities, and capitalised as such, in accordance with relevant IFRS standards.

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

The methods used to value assets and liabilities and determine the financial result are applied consistently.

The financial statements are stated in Polish zloty (‘PLN’). Financial data included in the consolidated financial statements are expressed in PLN or in thousand PLN, as clearly specified.

The financial statements present the Company's financial data for the reporting period from 1 January to 30 September 2006 and from 1 July to 30 September 2006, as well as comparative financial data.

Statement of unreserved conformity with the International Financial Reporting Standards

The Company applied in these condensed financial statements for the period of three months ended on 30 September 2006 („condensed consolidated financial statements”) all the applicable International Financial Reporting Standards („IFRS”) adopted by the European Union and the standards binding for the period starting on 1 January 2006 and standards which became effective before September 30 2006.

These condensed financial statements have been prepared in compliance with the IAS 34 "Mid-year financial reporting," while applying the same principles for the current and comparable period.

4. Summary of significant accounting policies

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation, less accumulated value impairment. Replacement of existing parts of a tangible fixed asset can be capitalised, if material. Depreciation is calculated on straight-line basis over the useful life of the asset. Buildings and constructions are depreciated at the rates from between 2.5% to 4.5% and plant and equipment from between 10% to 30%. Low-value tangible fixed assets are fully expensed in the month they are taken over for use.

Inventory

Finished goods

Finished goods represent mainly housing units and parking spaces. They are stated at the lower of cost and net realizable value. Net realizable value represent the estimated selling price evaluated by Management Board based on the information from the Company's Sales Department.

Work in progress

Work in progress is valued in accordance with principles described in the section 'Long-term contract disclosure principles'.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of related real estate.

External financing costs

External financing costs (interest) that are directly attributable to work in progress (primarily financing of land and construction services) are capitalised as a part of the cost of work in progress.

The remaining loan costs are recognised as an expense in the period in which they are incurred.

Trade and other receivables

Trade receivables are recognised and disclosed at original invoice amounts less provision for bad debts. Revaluation write-off for bad debt is valued when the Company cannot collect the full amount of the receivable.

Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet comprise cash at banks and in hand and short-term deposits with the original maturity of three months or less.

Treasury shares

The Company's shares which are reacquired from another party (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own treasury shares.

Revenue recognition

Revenue is recognised to the extent that it is probable that the Company will achieve the economic benefits from a given transaction and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of housing units

The revenue from the sale of housing units is recognised by reference to the stage of completion. Detailed description of the developers' project percentage of completion is provided in the section 'long-term contract disclosure principles'.

Sale of services

The revenues from the sale of services, including housing real estate administration fees income, are recognized at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of VAT.

Foreign currency translation

The financial statements are presented in PLN, which is the Company's and the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date, with any differences posted in the income statement under 'income revenues/costs'.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are binding at the balance sheet date.

Deferred tax

For financial reporting purposes, the deferred income tax is calculated by means of the method of the balance sheet liabilities to timing differences at the balance sheet date between the tax value of assets and liabilities and their balance sheet value recognized in the financial statements.

Deferred income tax assets are recognised with regards to all negative timing differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that the taxable profit will be available against which the deductible timing differences and the carry-forward of unused tax credits and unused tax losses, can be utilised.

The balance sheet value of a deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liability is created in the amount of the income tax that will be payable in future due to positive timing differences, i.e. differences that will increase the taxable base in the future.

Assets and provisions for a deferred income tax are valued at the tax rates that are expected to be applicable to the year when the asset component is realised or the provision is released, assuming as the basis the tax rates (and tax regulations) that have been legally or actually binding as at the balance sheet date.

The income tax relating to the items recognised directly in equity is recognised in equity and not in the income statement.

Assets and provisions for a deferred income tax are offset by the Company only if a legally enforceable right exists to set-off the current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Long-term contract disclosure principles

- a. 'Work in progress' is valued in accordance with IAS 11 'Construction contracts'. Based on the to-date experience of the Management Board it was found that the method of income and cost recognition described in this standard is the most suitable for the Company's business. Construction of a single project exceeds twelve months and the sale of apartments in residential developments consists of concluding numerous single contracts for the construction of apartments.
- b. Work in progress is initially valued at the expenses incurred. Every month the value of 'Work in progress' is adjusted in compliance with the 'percentage of completion method' described below.
- c. Since the percentage of completion method is used to determine the result on the sale of apartments at housing developments during the construction period, invoiced prepayments do not constitute 'Sales revenues' but increase 'Deferred income' until the housing development obtains an occupation permit.
- d. Apartments are formally transferred to customers after the construction is completed and the occupation permit is obtained, whilst invoices for the sale of apartments are issued in accordance with the payment schedule agreed in advance with the customer.
- e. The percentage of the completion method consists of recognizing the revenue based on the result of the formula referred to as 'statistical revenue'

$$\text{Statistical revenue} = \text{cost indicator} * \text{revenue indicator} * \text{budgeted revenues}$$

- f. The percentage of completion method consists of recognizing costs based on the result of the formula referred to as 'statistical cost'

$$\text{statistical cost} = \text{statistical revenue} * \frac{\text{budgeted costs}}{\text{budgeted revenue}}$$

- g. The cost indicator is a proportion of the actual costs incurred (invoiced and accrued less expenditures related to the purchase of land) to the budgeted costs (for the entire development less the cost of land).

$$\text{cost indicator} = \frac{\text{actual costs incurred}}{\text{budgeted costs}}$$

- h. The revenue indicator is a proportion of revenues from concluded preliminary sales contracts to the budgeted revenues (total expected revenues from the entire development when fully sold).

$$\text{revenue indicator} = \frac{\text{contracted revenue}}{\text{budgeted revenue}}$$

- i. By calculating the 'statistical revenue', a proportion of revenue can be recognised on the income statement, relating to the combination of progress in construction and sales calculated by the product of the cost indicator and revenue indicator.
- j. By calculating the 'statistical cost', a proportion of cost can be recognised on the income statement to the same extent that revenues are recognised (in proportion to the recognition of sales).
- k. On the issue of an occupancy permit the percentage of completion method is substituted. The actual sales invoices issued and the actual costs incurred (invoiced and accrued costs) are recognized in the income

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Introduction to the condensed financial statements
for the period of three months ended on 30 September 2006

statement. Unsold apartments and parking spaces are transferred from work in progress to finished goods until they are sold, at which time they are recognized in the income statement as cost.

1. The invoiced sales and the un-invoiced portion of the contractual sales and corresponding costs are recognized as follows:

Debit: Deferred income

Credit: Sales revenues

Debit: Cost of finished goods sold

Credit: Work in progress

- m. If 'Deferred income' is negative (which might occur if the amount of the invoiced sales revenues is relatively low, compared to the value of the concluded contracts and work advancement) 'Deferred income' is 'zeroed out' and 'Deferred assets (part of 'other current assets')' are increased, respectively.

Debit: Deferred assets (part of 'other current assets')

Credit: Deferred income

Dom Development S.A.
Balance sheets
as at 30 September 2006 and 31 December 2005.

II. FINANCIAL STATEMENTS

ASSETS	Note	30.09.2006	31.12.2005
Fixed assets			
Intangible fixed assets		366,361.01	393,405.65
Tangible fixed assets		7,306,958.75	7,065,250.16
Investments in associates		2,931,843.79	2,646,843.79
Deferred income tax assets		5,697,832.01	6,497,901.00
Long-term receivables		927,730.36	927,730.36
Total fixed assets		17,230,725.92	17,531,130.96
Current assets			
Inventory	1	442,024,288.38	316,183,813.97
Trade and other receivables		62,366,337.30	111,632,239.82
Other current assets		3,867,404.95	24,950,422.54
Cash and cash equivalents		82,564,418.28	31,491,563.12
Total current assets		590,822,448.91	484,258,039.45
Total assets		608,053,174.83	501,789,170.41

EQUITY AND LIABILITIES	Note	30.09.2006	31.12.2005
Shareholders' equity			
Share capital	3	21,344,490.00	21,854,340.00
Share premium less treasury shares		10,748,247.94	10,819,818.83
Reserve capital from valuation of share options		797,888.94	-
Other capital (supplementary capital)		78,802,592.04	53,403,253.44
Reserve capital from the valuation of share options		509,850.00	-
Accumulated, unappropriated profit (loss)		71,566,506.14	25,898,118.74
Total shareholders' equity		183,769,575.06	111,975,531.01
Long-term liabilities			
Long-term loans and borrowings	4	53,826,925.32	78,332,948.91
Deferred income tax liability		36,037,390.50	25,573,906.00
Bonds	5	81,244,333.64	51,553,445.40
Total long-term liabilities		171,108,649.46	155,460,300.31
Short-term liabilities			
Trade payables and other liabilities		129,774,678.71	114,488,811.07
Short-term loans and borrowings	4	90,150,983.42	91,309,740.44
Short-term tax liabilities		4,128,918.10	1,196,004.02
Short-term provisions		2,532,577.60	2,314,010.17
Accrued liabilities and deferred income		26,587,792.48	25,044,773.39
Total short-term liabilities		253,174,950.31	234,353,339.09
Total liabilities		424,283,599.77	389,813,639.40
Total equity and liabilities		608,053,174.83	501,789,170.41

Dom Development S.A.

Income statements

for the periods of three months ended on 30 Septembre 2006 and 2005
and for the periods of nine months ended on 30 Septembre 2006 and 2005

	Note	Period of nine months		Period of three months	
		01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005
Sales revenue	9	387,419,867.46	217,991,333.92	133,839,227.20	98,189,786.05
Cost of sales	10	271,859,148.84	164,768,780.75	95,800,528.79	77,101,615.27
Gross profit on sales		115,560,718.62	53,222,553.17	38,038,698.41	21,088,170.78
Selling costs	10	15,521,112.14	12,614,751.03	5,468,864.69	4,101,247.79
General administrative expenses	10	24,153,660.29	21,299,723.34	8,552,379.38	6,650,797.79
Other operating income		3,658,918.86	1,643,323.81	1,470,604.92	32,106.35
Other operating expenses		6,476,467.45	3,972,534.86	1,750,456.79	2,908,829.19
Operating profit		73,068,397.60	16,978,867.75	23,737,602.47	7,459,402.36
Financial income		16,293,547.91	2,456,906.56	1,292,227.25	496,757.41
Financial costs		3,714,620.88	6,563,950.80	570,363.18	1,853,146.10
Profit before tax		85,647,324.63	12,871,823.51	24,459,466.54	6,103,013.67
Income tax expense	11	14,080,818.49	3,344,396.00	4,785,432.49	1,769,981.00
Profit after tax		71,566,506.14	9,527,427.51	19,674,034.05	4,333,032.67

Earnings per share:

Basic	6	3.27	0.44	0.90	0.20
Diluted	6	3.27	0.44	0.90	0.20

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Cash flow statements
for the period of nine months ended on 30 September 2006 and 2005.

	The period of nine months	
	01.01- 30.09.2006	01.01- 30.09.2005
Cash flow from operating activities		
Profit before taxation	85,647,324.63	12,871,823.51
Adjustments:		
Depreciation	1,143,639.83	1,183,818.12
Income on foreign exchange differences	-648,247.42	-1,532,519.83
Loss on investments	-14,363,384.18	-48,300.52
Interest paid and accrued	5,216,264.89	8,518,143.83
Changes in working capital		
Changes in provisions	218,567.43	832,158.00
Changes in inventory	-125,840,474.41	-93,165,320.89
Changes in receivables	49,265,902.52	-1,323,076.19
Changes in short term liabilities excluding loans and borrowings	18,017,648.72	10,023,773.28
Changes in provisions and prepayments	22,626,036.68	12,555,354.87
Other	-1,450,462.09	-1,132,508.26
Cash flow generated from operating activities	39,832,816.60	-51,216,654.08
Interest paid	-4,286,864.58	-8,983,750.54
Income tax paid	-894,132.00	-613,232.00
Net cash flow from operating activities	34,651,820.02	-60,813,636.62
Cash flow from investing activities		
Proceeds from sale of financial assets	-	9,999,972.80
Proceeds from the sale of intangible assets and tangible fixed assets	445,495.91	55,501.30
Proceeds from the financial assets (dividends)	14,245,976.95	-
Acquisition of intangible and tangible fixed assets	-1,686,392.45	-1,142,177.20
Acquisition of financial assets	-329,000.00	-
Net cash flow from investing activities	12,676,080.41	8,913,296.90
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	40,024,700.00	48,929,600.00
Proceeds from issued bonds	30,000,000.00	-
Repayment of loans and borrowings	-66,210,888.81	-31,421,521.03
Financial lease liabilities payments	-68,856.46	-68,066.28
Net cash flow from financing activities	3,744,954.73	17,440,012.69
Additions (disposals) in net cash and cash equivalents	51,072,855.16	-34,460,327.03
Cash and cash equivalents – opening balance	31,491,563.12	64,925,077.85
Cash and cash equivalents – closing balance	82,564,418.28	30,464,750.82

Dom Development S.A.
Statement of changes in the equity
for the periods of nine months ended on 30 September 2006 and 2005

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of share options	Reserve capital	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2006	21,854,340.00	10,819,818.83	53,403,253.44	-	-	25,898,118.74	111,975,531.01
Purchase and sale of treasury shares	-	-71,570.89	-	-	-	-	-71,570.89
Reserve capital from valuation of the share options	-	-	-	797,888.94	-	-	797,888.94
Transfer of retained profit to the supplementary capital	-	-	25,898,118.70	-	-	-25,898,118.70	-
Redemption of treasury shares	-509,850.00)	-	-	-	509,850.00	-	-
Incurred costs of the shares issue	-	-	-498,780.14	-	-	-	-498,780.14
Profit for the period of nine months ended on 30 September 2006	-	-	-	-	-	71,566,506.14	71,566,506.14
Balance as at 30 September 2006	21,344,490.00	10,748,247.94	78,802,592.04	797,888.94	509,850.00	71,566,506.14	183,769,575.06

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of share options	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2005	21,854,340.00	10,749,168.71	44,366,689.49	-	-4,664,586.00	9,036,563.95	81,342,176.15
Purchase and sale of treasury shares	-	-38,346.26	-	-	-	-	-38,346.26
Net loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	5,758,748.00	-	5,758,748.00
Deferred tax concerning the loss on a transaction securing cash flows carried forward to the initial value of the secured asset	-	-	-	-	-1,094,162.00	-	-1,094,162.00
Transfer of retained profit to supplementary capital	-	-	9,036,563.95	-	-	-9,036,563.95	-
Profit for the period of nine months ended on 30 September 2005	-	-	-	-	-	9,527,427.51	9,527,427.51
Balance as at 30 September 2005	21,854,340.00	10,710,822.45	53,403,253.44	-	-	9,527,427.51	95,495,843.40

Dom Development S.A.
 Additional notes to the condensed financial statements
 for the period of three months ended on 30 September 2006

III. ADDITIONAL NOTES

Note 1 Inventory

INVENTORY	30.09.2006	31.12.2005
Advances on deliveries	53,544,593.44	14,741,929.32
in this at purchase prices/production costs	53,879,606.58	15,076,942.46
in this revaluation write down	-335,013.14	-335,013.14
Semi-finished goods and work in progress	384,916,908.82	294,507,338.55
in this at purchase prices/production costs	388,391,278.82	295,863,632.23
in this revaluation write-down	-3,474,370.00	-1,356,293.68
Finished goods:	3,562,786.12	6,934,546.10
in this at purchase prices/production costs	4,791,882.20	8,579,688.52
in this revaluation write-down	-1,229,096.08	-1,645,142.42
Total	442,024,288.38	316,183,813.97

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

SECURITY ON INVENTORY - MORTGAGE	30.09.2006	31.12.2005
Balance sheet value of inventory used to secure liabilities	170,164,151.47	157,851,455.19
Amount of security - loans	275,735,853.40	194,951,347.10
Amount of security - bonds	160,000,000.00	100,000,000.00

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

CHANGE IN WRITE-OFFS REVALUATING SHORT-TERM RECEIVABLES	30.09.2006	31.12.2005
Opening balance	6,356,997.76	5,744,052.21
additions	-	1,609,387.25
Disposals	25,204.72	996,441.70
Closing balance	6,331,793.04	6,356,997.76

Note 3 Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 SEPTEMBER 2006								
Series	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series	Capital covered with	Registration date	Right to dividend (date from)
A	Bearer's	-	-	21,344,490	21,344,490	cash	05.09.2006	The right to a dividend taken over from the shares subject to merger
Total number of shares				21,344,490				
Total share capital					21,344,490			
Nominal value per share = PLN 1								

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for the period of three months ended on 30 September 2006

SHARE CAPITAL (STRUCTURE) AS AT 30 DECEMBER 2006								
Series	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series	Capital covered with	Registration date	Right to dividend (date from)
A	registered	-	-	1,800,000	1,800,000	cash	09.07.1999	09.07.1999
B	registered	-	-	2,250,000	2,250,000	cash	20.07.2000	20.07.2000
C	registered	-	-	8,550,000	8,550,000	cash	20.07.2000	20.07.2000
D	registered	-	-	2,468,961	2,468,961	cash	20.07.2000	20.07.2000
E	registered	-	-	417,150	417,150	cash	09.11.2000	09.11.2000
F	registered	-	-	6,194,529	6,194,529	cash	26.11.2001	26.11.2001
G	registered	-	-	173,700	173,700	cash	09.07.2002	09.07.2002
Total number of shares				21,854,340				
Total share capital					21,854,340			
Nominal value per share = PLN 1								

Description of changes in the share capital of the Company in the period from 1 January 2006 to the date of drawing up the condensed financial statements.

- On 2 August 2006 Dom Development S.A. concluded share purchase agreements (for the purpose of redemption for a fee):

with Mr. Janusz Zalewski – related to the purchase of 77,700 of E series ordinary registered shares and 92.700 of G series ordinary registered shares,

with Mr. Janusz Stolarczyk – related to the purchase of 72,000 of E series ordinary registered shares,

with Mr. Terry Roydon - related to the purchase of 22,500 of E series ordinary registered shares,

- On 2 August 2006 the General Shareholder's Meeting of the Company adopted a resolution based on which it redeemed E series 417,150 shares, 92.700 G series shares and lowered the Company's share capital by PLN 509,850 i.e. to the amount of PLN 21,344,490. All the above-mentioned shares were covered with the managerial share options programs (Program I and Program IA). On the same day the General Shareholders' Meeting of the Issuer adopted resolution no. 5 on raising the share capital of the Company by the amount of PLN 509,850. i.e. to the amount of PLN 21,854,340 by the issue of:

172,200 H series registered shares with the nominal value of PLN 1 (1 złoty) each;

92,700 I series registered shares with the nominal value of PLN 1 (1 złoty) each;

96,750 J series registered shares with the nominal value of PLN 1 (1 złoty) each;

148,200 L series registered shares with the nominal value of PLN 1 (1 złoty) each;

By the date of drawing up these financial statements this increase has not been registered by competent Registration Court.

Based on resolution No. 7 of the General Shareholders' Meeting, 77,700 H series shares, 92,700 I series shares and 148,200 L series shares were offered for subscription to Mr. Janusz Zalewski, 72,000 H series shares were offered for subscription to Mr. Janusz Stolarczyk, 22,500 H series shares were offered for subscription to Mr. Terry Roydon and 96,750 J series shares were offered for subscription to Centralny Dom Maklerski Pekao S.A. which was chosen as a depository.

On 26 October 2006 a trust agreement was concluded and the offer of taking up of 96,750 J series shares by CDM Pekao S.A. was made. As at the day of drawing up these statements all the aforementioned shares had been subscribed.

- on August 9, 2006, the Extraordinary General Shareholders' Meeting adopted Resolution no. 1 concerning the merger of: 1,800,000 A series registered shares, 2,250,000 B series registered shares, 8,550,000 C series registered

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shares, 2,468,961 D series registered shares, 6.194.529 F series registered shares, 81,000 G series registered shares into one A series and the conversion of the registered shares into bearer shares;

- On 10 August 2006 agreements on taking up shares in the increased share capital of Dom Development S.A. were concluded:
 - with Mr. Terry Roydon – concerning taking up 22,500 H series ordinary bearer shares,
 - with Mr. Janusz Zalewski – concerning taking up 77,700 H series ordinary bearer shares, 92,700 I series ordinary bearer shares, 74,100 L series ordinary bearer shares,
 - with Mr. Janusz Stolarczyk – concerning taking up 72,000 H series ordinary bearer shares
- on September 5, 2006 – the District Court for the City of Warsaw, XII Commercial Division of the National Court Register issued the ruling concerning the registration of a decrease in the share capital to the amount of PLN 21,344,490, redemption of 417,150 E series registered shares and 92,700 G series registered shares (as described above) and the registration of the merger of the shares into one A series;
- on September 5, 2006, the Management Board adopted Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital from the amount of PLN 21,344,490 to the amount which does not exceed PLN 24,844,490;
- on September 6, 2006, the Management Board amended the above-mentioned Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital by adopting Resolution no. 03/09/06 and stated that the increase in the share capital will be effected to the amount which does not exceed PLN 24,617,490;
- finally, on October 16, 2006, the Management Board adopted Resolution no. 02/10/06 concerning the amendment of Resolution no. 02/09/06, dated September 5, 2006, which was amended by Resolution no. 03/09/06, dated September 6, 2006. Pursuant to this Resolution, the share capital will be increased from the amount of PLN 21,344,490 to the amount of PLN 24,050,372 i.e. by the amount of PLN 2.705.882. On 31 October 2006 this increase was registered by a competent Registration Court.
- On 27 October 2006 the agreement on taking up 96,750 J series shares was concluded with CDM PEKAO S.A. in the increased share capital of Dom Development S.A. The afore-mentioned shares concern the Managerial IB Share option Programme in which CDM PEKAO S.A. shall be a trustee (as described in note 13).

Note 4 Loans and borrowings¹

LOANS AND BORROWINGS	30.09.2006	31.12.2005
including: long-term	53,826,925.32	78,332,948.91
short-term	90,150,983.42	91,309,740.44
Total	143,977,908.74	169,642,689.35

LOANS DUE WITHIN:	30.09.2006	31.12.2005
1 year	82,307,841.59	87,552,486.32
More than 1 year less then 2 years	50,283,700.00	67,450,600.00
More than 2 years less then 5 years	-	3,528,000.00
More than 5 years	-	-
Total loans	132,591,541.59	158,531,086.32
including: long-term	50,283,700.00	70,978,600.00
short-term	82,307,841.59	87,552,486.32

¹ Loans are shareholders' loans

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LOANS DUE WITHIN:	30.09.2006	31.12.2005
1 year	7,843,141.83	3,757,254.12
More than 1 year less then 2 years	3,543,225.32	3,677,174.45
More than 2 years less then 5 years	-	3,677,174.46
More than 5 years	-	-
Total loans	11,386,367.15	11,111,603.03
including: long-term	3,543,225.32	7,354,348.91
short-term	7,843,141.83	3,757,254.12

CURRENCY STRUCTURE OF LOANS AND BORROWINGS AS PER RELEVANT AGREEMENTS				
Currency	30.09.2006		31.12.2005	
	Bank loans / as per agreement	Borrowing / as per agreement	Bank loans / as per agreement	Borrowing / as per agreement
PLN	218,590,600.00	-	151,464,900.00	-
EUR	-	-	30,000,000.00	-
USD	-	5,733,554.00	-	5,733,554.00

The balances shown in the above table are based on the relevant loan and borrowings agreements and do not show the outstanding liabilities related to these contracts.

Loans from the Shareholders

BORROWINGS AS AT 30.09.2006							
Lender	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		Amount	currency	amount	currency		
Dom Development B.V.	Holland	4,702	USD	2,351	USD	LIBOR 12M + 5.5%	31.10.2008
Dom Development B.V.	Holland	1,032	USD	1,032	USD	LIBOR 12M + 5.5%	31.10.2008

The Company plans an earlier repayment of borrowings from the shareholders from the funds received as the result of the public issue of the Company's shares.

Note 5 Bonds

BONDS	30.09.2006	31.12.2005
Nominal value of issued bonds	80,000,000.00	50,000,000.00
Accumulated interest charged	9,348,196.14	6,189,890.40
Accumulated interest paid	8,103,862.50	4,636,445.00
Liability as at the end of the year	81,244,333.64	51,553,445.40

As at 30 September 2006 the Company completed two bonds issues:

- On 21 July 2004 the Company issued A-series bonds with a nominal value of PLN 50,000,000. The redemption date of these bonds is 21 July 2008 and an interest rate of WIBOR 6M + Bank's margin is payable on a semi-annual basis until the final settlement date. The interest payments are due in January and July for the duration of the agreement. Net revenues from the issue of bonds were used for the Group's statutory activities. Bonds are secured with a joint capped mortgage on the Group's real estate up to the amount of PLN 100,000,000.

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- On 19 June 300 A series bonds were issued with the nominal value of PLN 100,000 each, with the total nominal value of PLN 30,000,000 on the basis of the agreement on bonds servicing and guaranteeing the issue of bonds with Powszechna Kasa Oszczędności Bank Polski S.A. The bonds are secured with a joint capped mortgage on the Group's real properties up to the amount of PLN 60,000,000.

Note 6 Earnings per share

CALCULATION OF EARNINGS PER SHARE	01.01- -30.09.2006	01.01- -30.09.2005	01.07- -30.09.2006	01.07- -30.09.2005
Basic earnings per share				
Earnings for the calculation of the basic earnings per share	71,566,506.14	9,527,427.51	19,674,034.05	4,333,032.67
The average weighted number of ordinary shares of the Company for the calculation of basic earnings per share *)	21,854,340	21,854,340	21,854,340	21,854,340
Basic earnings per share	3.27	0.44	0.90	0.20
Diluted earnings per share				
Earnings for the calculation of diluted earnings per share	71,566,506.14	9,527,427.51	19,674,034.05	4,333,032.67
The average weighted number of ordinary shares of the Company for the calculation of diluted earnings per share *)	21,854,340	21,854,340	21,854,340	21,854,340
Diluted earnings per share	3.27	0.44	0.90	0.20

*) For the calculation of the earnings it was adopted that 509,850 shares (H, I, J and L series shares) should be taken into account in the average weighted number of ordinary shares used for the calculation of diluted and basic earnings per share. Despite the fact that by the date of drawing up these financial statements this increase had not yet been registered by a competent Registration Court, these shares are fully subscribed.

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

Note 7 Key assumptions and estimate bases

Calculation of the revenues from the sales of goods and the cost of the goods sold (see the section 'long-term contract disclosure principles'), is based on detailed budgets of individual development projects prepared based on the Company's best knowledge and experience. During construction, each development project budget is updated at least once every three months.

Note 8 Segment reporting

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

Note 9 Operating income

SALES REVENUE BY KIND	01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005
Sales of finished goods	362,739,701.21	198,765,970.11	124,316,593.13	89,837,634.16
Sales of services	22,139,182.64	19,224,356.81	6,981,650.46	8,352,151.89
Sales of goods for resale (land)	2,540,983.61	1,007.00	2,540,983.61	-
Total	387,419,867.46	217,991,333.92	133,839,227.20	98,189,786.05

Note 10 Operating costs

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OPERATING COSTS	01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005
Cost of sales				
Cost of finished goods sold	254,520,480.80	153,239,165.63	87,502,122.94	73,324,085.35
Cost of services sold	13,551,599.27	11,529,615.12	4,511,337.08	3,777,529.92
Cost of land sold	3,787,068.77	-	3,787,068.77	-
Total cost of sales	271,859,148.84	164,768,780.75	95,800,528.79	77,101,615.27

Selling and general administrative expenses				
Selling costs	15,521,112.14	12,614,751.03	5,468,864.69	4,101,247.79
General administrative expenses	24,153,660.29	21,299,723.34	8,552,379.38	6,650,797.79
Total selling costs and general administrative expenses	39,674,772.43	33,914,474.37	14,021,244.07	10,752,045.58

Selling and general administrative expenses by kind				
Depreciation and amortisation	1,143,639.83	1,183,818.12	380,214.83	384,224.62
Cost of materials and energy	2,996,512.24	2,376,461.95	1,082,211.95	1,008,386.18
External services	12,210,666.52	10,713,063.12	4,570,974.25	3,094,196.49
Taxes and charge	209,761.20	183,298.26	129,693.04	(27,835.16)
Wages and salaries	19,380,781.81	15,604,376.92	6,580,022.87	5,261,293.88
Social security and other benefits	2,363,511.66	2,120,119.33	542,466.31	464,736.54
Other costs by kind	1,369,899.17	1,733,336.67	735,660.82	567,043.03
Total selling costs and general administrative expenses by kind	39,674,772.43	33,914,474.37	14,021,244.07	10,752,045.58

Note 11 Income tax

Income tax	01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005
Current income tax	2,817,265.00	-	2,525,930.00	-
Deferred income tax	11,263,553.49	3,344,396.00	2,259,502.49	1,769,981.00
Income tax	14,080,818.49	3,344,396.00	4,785,432.49	1,769,981.00

The Company decided to correct the corporate income tax ("CIT") settlements with the Tax Office. The taxable income generated by the Company so far and identified as at the day of delivering the apartments for use was substituted by income from the sale of apartments determined as at the day of signing the final agreement of transferring the ownership title. It was the result of receiving by the Group the interpretation of provisions of the Ministry of Finance. The calculations led to correcting the tax settlements on account of CIT for the years 2000-2005 and the corrected CIT tax returns were submitted to the competent tax office on 21 August 2006. As a result of the above-mentioned correction which was carried out due to a different moment of identification of the tax liability and the change of CIT rates, the Company recognized CIT overpayment in the total amount of PLN 15,699,392.00 (in consecutive years, respectively: 2000 - PLN 348,988.00, 2001 - PLN 5,516,648.00, 2002 - PLN 6,441,085, 2003 - PLN 2,664,811.00, 2004 - PLN 2,227,339.00 and underpayment in 2005 in the amount of PLN 1,519,459.00). The influence of the second of the above-mentioned factors was determined in the amount of PLN 4,651,809.00. Due to the risk related to frequent changes in the tax regulation and differences in the interpretation of the tax law regulations, the Company's Management Board decided to cover the whole value of income tax correction resulting from the change of the tax rates with the revaluation write-off until the Company receives the interpretation of the competent Tax Office.

Note 12 Transactions with related entities

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In the nine-month periods ended 30 September 2006 and 2005 the Company was a party to the transactions with related companies, as listed below. Descriptions of transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided in a descriptive form. Due to the Company turnover, it has been assumed that in the event in which transactions with a given related entity did not exceed in any of the presented periods PLN 100 thousand, the transactions have been omitted in the summary.

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

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000	1,380,692.05	987,500.00
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	163,448.80	185,891.21
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	Insurance of financial losses risk	617,672.41	168,207.42

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

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Dom Development Grunty sp. z o.o.	Amounts transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of specified work contracts	1,174,965.00	9,966,925.00
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	23,190,982.61	-
Dom Development Grunty sp. z o.o.	Additional VAT payments to the invoices transferring the ownership of land to Dom Development S.A.	3,983,931.07	-

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

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	2,862,846.60	4,297,436.16
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	5,474,023.85	4,378,833.80
Fort Mokotów sp. z o.o.	Other	543,469.13	204,022.91

Dom Development S.A. as the payer of the share capital or additional contributions to the capital

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	Purchase of shares	175,000.00	800,000.00
Dom Development Grunty Sp. z o.o.	Purchase of shares of PTI Sp. z o.o.	24,000.00	-

Dom Development S.A. as a party receiving the dividend

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Fort Mokotów sp. z o.o.	Dividend (gross)	14,245,976.95	-

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Dom Development S.A. as a party receiving additional contribution to the capital

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Dom Development Morskie Oko sp. z o.o.	Return of the additional contribution to the capital	14,000,000.00	-

Dom Development S.A. as the payer of interest on the shareholders' borrowings

Counterparty	Transaction description	01.01- -30.09.2006	01.01- -30.09.2005
Dom Development B.V.	Cost of interest on the shareholder's borrowings	676,611.53	724,964.93

Balances with related entities

Balance as in the books of the holding entity (in thousand PLN)

Entity	Receivables from related entities			Liabilities to related entities		
	30.09.2006	30.09.2005	31.12.2005	30.09.2006	30.09.2005	31.12.2005
Total balance	20,741	60,350	72,475	11,624	11,923	11,222
Balances below PLN 100,000	57	41	76	4	-	1
Balances over PLN 100,000	20,684	60,309	72,399	11,620	11,923	11,221
Subsidiaries	3,647	19,829	17,659	4		-
Dom City sp. z o.o.	-	112	-	-	-	-
Dom Development Morskie Oko sp. z o.o.		217	-	4	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	3,647	19,500	17,659	-	-	-
Associated companies	1,739	9,794	24,559	-	-	-
Dom Development Grunty sp. z o.o.	1,427	9,727	24,559		-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	312	67	-	-	-	-
Co-subsidiaries	15,298	30,686	30,181	-		-
Fort Mokotów sp. z o.o.	843	1,776	1,271	-	-	-
Fort Mokotów sp. z o.o. additional contributions to capital	14,455	28,910	28,910	-	-	-
Other entities	-	-	-	11,620	11,923	11,221
Woodsford Consulting Limited	-	-	-	234	108	109
Dom Development B.V.	-	-	-	11,386	11,815	11,112

Dom Development S.A. as the buyer/seller of treasury shares

On 31 January 2005 the Company concluded the agreement with Marek Rawdanowicz for the purchase by the Company of 36,000 F series shares from Marek Rawdanowicz for PLN 149,760.00.

On 20 January 2006 the Company concluded the agreement with Janusz Stolarczyk for the purchase by Janusz Stolarczyk of 72,000 E series shares from the Company for PLN 200,311.97 (exercise of the options allocated as part of the Incentive Plan I, as described in note 13).

On 23 February 2006 the Company concluded the agreement with Terry Roydon for the purchase by Terry Roydon of 36,000 F series shares from the Company for PLN 149,760.00.

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On 15 March 2006 the Company concluded the agreement with Janusz Zalewski for the purchase by Janusz Zalewski of 77,700 E series shares from the Company for PLN 219,637.23 (exercise of the options allocated as part of the Incentive Plan I, as described in note 13).

On 28 June 2006 the Company concluded an agreement with Terry Roydon for the purchase by Terry Roydon of 22,500 E series shares from the Company for PLN 61,505.91 (exercise of the options allocated as part of the Incentive Plan I, as described in note 13).

Details concerning the repurchase of the above-mentioned shares (purchased in the exercise of the managerial share options), their redemption and taking up of new series shares by particular above-mentioned persons have been described in note 3 „the share capital”.

On 10 August 2006 the Company concluded with Mr. Janusz Zalewski an agreement on the purchase by Janusz Zalewski from the Company of 74,100 L series shares of the Company for the total amount of PLN 189,081.41 (exercise of the options allocated as part of the Incentive Plan I, as described in note 13).

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

Affiliated entity	Date	Description	Value in PLN	Cumulative payments made as at 30 September 2006
Jarosław Szanajca and Iwona Jackowska-Szanajca	29.03.2006	Promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	557,743.75	278,871.12
Janusz Zalewski	12.04.2006	Promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and two parking spaces	2,945,200.00	235,616.00
Stanisław Plakwicz and Małgorzata Domalik-Plakwicz	17.03.2005	Agreement on the cancellation of collective ownership and re-registration of residential facilities with the area of 45.3 sq. m, together with an utility room, in execution of the preliminary contract entered into before 01.01.2003 value: PLN 152,443.70	n/a	n/a

Note 13 Incentive plan – Managerial Options Programme

As of 30 September 2006 there were three Managerial Option Programmes adopted as part of the Incentive Scheme for the managerial staff of the Company. They are as follows:

Name of the Programme	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
Programme I	413,100	413,100	339,000
Programme I B (previously Programme IA)	96,750	96,750	-
Programme II	726,000	-	-

Programme I

On 29 January 2001 the Supervisory Board of Dom Development S.A. adopted the provisions of Managerial Options Programme I related to E series shares, on 26 September 2002 - G series shares of Dom Development S.A. („Programme I”).

The changes concerning the shares covered Programme I have been described in note 3 „Share Capital”.

Programme I B (previously: Programme I A)

On 22 March 2006 the Supervisory Board of Dom Development S.A. adopted the provisions of Managerial Options Programme I A related to E series shares of Dom Development S.A. („Programme I A”). According to the provisions of Programme I A, the eligible persons who Programme I A was directed to and who entered into the preliminary agreement for the sale of shares have the right to demand that the Company enter with such an eligible person into the agreement for the sale of shares during the option period, i.e. at the date indicated by the eligible person, which, however, cannot be earlier than 22 March 2009 and later than 22 March 2013, under terms and conditions set forth in the agreement with such an eligible person and in Programme I A. The Programme covers 96,750 shares of the Company. All the shares were offered to the members of the management staff of the Company in May 2006.

On 9 August 2006 the General Shareholders Meeting adopted a resolution on authorizing the Company’s Supervisory Board to change the provisions and introduce the changed provisions of the Managerial options Programme IA concerning 96,750 E series shares of Dom Development and on authorizing the Management Board and the Supervisory Board to execute the above-mentioned Programme. The only changes which are to take place are related to introducing the institution of the intermediary. The Company’s intention is to continue Programme IA as managerial share options Programme IB concerning 96,750 J series shares of Dom Development S.A.

The changes concerning the shares covered Programme IA have been described in note 3 „Share Capital”.

Programme II

On 20 April 2006 the Extraordinary General Shareholders Meeting of Dom Development S.A. accepted Managerial Share options Programme II concerning 120,150 shares of the Company authorized the Management Board and the Supervisory Board to execute it. On 9 August 2006 the General Shareholders Meeting of Dom Development S.A. adopted a resolution on authorizing the Company’s Supervisory Board to change the provisions and introduce the changed provisions of the Managerial Share Options Programme II in such a way that they will be substituted by 726,000 shares of Dom Development S.A. („Programme II”) subject to the fact that allocating the options will be limited to 242,000 shares in any period of 12 consecutive months. Moreover, the General Shareholders Meeting authorized the Management Board and the Supervisory Board to execute the above-mentioned Programme II.

According to Programme II one or a number of issues of shares with the nominal value of PLN 1.00 each („Tranche”). The allocation of options is conducted by the Supervisory Board in the form of a resolution. The day of adopting the resolution on allocating the options by the Supervisory Board shall be the day of allocating the options (“Allocation Date”). A resolution of the Supervisory Board shall determine persons eligible to participate in Programme II together with the number and the issue price of shares for each of these persons. The issue price cannot be lower than 90% of the market value at the Allocation Date, and in the event of a listed Company, the price cannot be lower than 90% of the arithmetic average of the closing price for 30 consecutive days on which the Company’s shares were traded on the regulated market prior to the Allocation Date. The Company shall confirm the allocation of options for taking up a given number of shares at a given price and at a given date (“Option”) to those who have accepted participation in Programme II. The Supervisory Board may determine additional terms and conditions to be fulfilled in order to exercise the options. The option cannot be exercised earlier than after the lapse of 3 years from its allocation and later than after the lapse of 7 years from its allocation. In order to execute Programme II, on 10 August 2006 the General Meeting authorized the Management Board to increase the Company’s share capital as part of the authorized capital and to issue subscription warrants which enable executing the right to subscribe for the Company’s shares in the period of 3 years from the date on which the change of the Articles of Association. According to Programme II, after the Allocation Date for a given Tranche, should the need arise, the Management Board shall propose to the General Meeting adopting the resolution on changing the Articles of Association and renewing the authorization of the Management Board, for the period of 3 years since the date of registration of the change in the Articles of Association, to increase the share capital by a maximum of 726,000 shares less the shares which have already been issued pursuant to Programme II and covered by the authorized capital, to exclude the pre-emptive right of current shareholders upon receiving the consent of the Supervisory Board and to issue subscription warrants. By the date these financial statements were prepared, the Supervisory Board had not allocated options on the basis of Programme II.

Note 14 Share options

All the share options of Programme I were allocated prior to 7 November 2002 and the rights to these instruments were acquired prior to the date on which the IFRS 2 became effective, in compliance with the provisions of this standard there is no obligation of valuating them at the fair value.

The fair value of the allocated options which may be changed into shares in Programme IA was estimated as of the day of allocating the options by means of a model based on the Black-Scholes-Merton method and amounted to PLN 4,554,616.03. This value is evenly accounted for in the income statement throughout the anticipated year. During the first nine months of 2006, the amount of PLN 797,888.94 was accounted for in the income statement.

Share options allocated and possible to be exercised as at respective balance sheet dates and changes in the presented years.

SHARE OPTIONS		01.01- -30.09.2006	01.01- -30.09.2005	2005
Options unexercised at the beginning of the year	Amount	320,400	413,100	413,100
	Total exercise price	888,182.44	1,011,224.69	1,011,224.69
Options allocated in a given year	Amount	96,750	-	-
	Total option execution value	590,175.00	-	-
Exercised options	Amount	246,300	46,350	92,700
	Total option execution value	670,536.52	111,413.74	220,410.12
	Weighted average exercised price per share	2.72	2.40	2.38
Options unexercised at the end of the year	Amount	170,850	366,750	320,400
	Total exercise price	789,657.76	1,001,976.05	888,182.44
Options possible to exercise at the beginning of the year	Amount	320,400	413,100	413,100
	Total exercise price	888,182.44	1,011,224.69	1,011,224.69
Options possible to exercise at the end of the year	Amount	74,100	366,750	320,400
	Total exercise price	199,482.76	1,001,976.05	888,182.44

Note 15 Material court cases as at 30 September 2006

The Company is not a party in any material court proceedings.

Note 16 Changes of the composition of the Management Board and Supervisory Board of the Company

Changes in the composition of the Management Board of the Company in the third quarter of 2006

- on 6 July 2006 – the Extraordinary General Shareholders' Meeting passed Resolution no. 2 concerning the removal of Mr. Richard Lewis from the function of the member of the Management Board as of 6 July 2006 and Resolution no. 3 concerning the appointment of Mr. Terry Roydon to perform the function of the member of the Management Board as of 6 July 2006;
- on 1 August 2006 r. - the Extraordinary General Shareholders' Meeting passed Resolution no. 1 concerning the removal of Mr. Terry Roydon from the function of the member of the Management Board as of 1 August 2006;
- on 10 August 2006 r. – the Extraordinary General Shareholders' Meeting passed Resolution no. 5 concerning the appointment of Mr. Terry Roydon to perform the function of the member of the Management Board as of 11 August 2006;

Composition of the Management Board as at 30 September 2006.

Jarosław Szanajca – President of the Management Board
Janusz Zalewski – Vice-President of the Management Board
Grzegorz Kielpsz – Vice-President of the Management Board
Janusz Stolarczyk – Member of the Management Board
Terry Roydon – Member of the Management Board

Changes in the composition of the Company's Supervisory Board in the third quarter of 2006

- Ms. Teresa Rogoźnicka handed over a resignation from the function of the member of the Supervisory Board as of 1 July 2006
- on 6 July 2006 – the Extraordinary General Shareholders' Meeting of the Company adopted Resolution no. 1 on removing Mr. Terry Roydon from the function of the member of the Supervisory Board and Resolution no. 4 on appointing Mr. Richard Lewis for the function of the member of the Supervisory Board
- on 5 September 2006 – the Extraordinary General Shareholders' Meeting of the Company adopted Resolution no. 1 on appointing members of the Supervisory Board for a joint three-years' term

Composition of the Supervisory Board as at 30 September 2006 r.

Zygmunt Kostkiewicz – Chairman of the Supervisory Board
Richard Reginald Lewis – Vice-Chairman of the Supervisory Board
Stanisław Plakwicz – Member of the Supervisory Board
Michael Cronk – Member of the Supervisory Board
Markham Dumas - Member of the Supervisory Board
Włodzimierz Bogucki - Member of the Supervisory Board

Note 17 Additional information on the operating activity of the Company

In the first three quarters of 2006 the following material changes in the portfolio of the Group's investments under construction took place:

The finished projects, i.e. projects for which use permits were issued:

Plan	Decision on the use permit	Segment	Number of apartments
Akacje 10 phase 1B.....	I Q 2006	popular	136
Akacje 10 phase 1A	II Q 2006	popular	66
Derby 5 phase 2	II Q 2006	popular	138
Kasztanowa Aleja II phase 2....	II Q 2006	popular	217
Laguna phase 3	III Q 2006	single-family houses	30

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Commenced projects, i.e. projects with the commenced construction and sale phases:

Plan	Commencement of construction and sale	Segment	Number of apartments
Olimpia 2 phase 2	I Q 2006	popular	273
Derby 7 phase 1	I Q 2006	popular	254
Gdański	I Q 2006	apartments of higher standard	260
Bruna.....	III Q 2006	apartments of higher standard	247
Derby 8.....	III Q 2006	popular	263
Derby 10.....	III Q 2006	popular	364
Olimpia 2 phase 4	III Q 2006	popular	282

Note 18 Material post-balance sheet events

- The public issue of Company's shares at the Warsaw Stock Exchange („GPW”)

By means of public sale of A series shares of Dom Development S.A., Dom Development B.V. offered 2,231,904 shares for sale. Dom Development S.A. by means of the public subscription of F series shares offered 2,705,882 shares for sale.

From 17 to 20 October 2006 a public subscription for the Company's shares and allotment certificates took place.

As at 22 October all of the above-mentioned shares and allotment certificates were subscribed and paid by the investors.

On 24 October 2006 shares and allotment certificates of Dom Development S.A. were introduced to trading at the main market of GPW.

On 31 October 2006 F series shares were registered by the competent Registration Court.

- On 26 October 2006 the Company concluded with Janusz Zalewski an agreement for purchase by Janusz Zalewski from the Company 74,100 L series shares of the Company for the total amount of PLN 191,751.53 (exercising the options allocated as part of the Incentive Plan Programme I, as described in note 13).

Note 19 Selected financial data translated to EURO

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

Selected data from the balance sheet	30.09.2006	31.12.2005
	Euro	Euro
Total current assets	148,317,421.59	125,461,951.25
Total assets	152,642,945.86	130,003,930.36
Total equity	46,132,691.12	29,010,708.07
Total long-term liabilities	42,954,349.05	40,276,776.08

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Total short-term liabilities	63,555,905.69	60,716,446.21
Total liabilities	106,510,254.74	100,993,222.29
PLN/EURO	3.9835	3.8598

Selected data from the income statement	The period of nine months		The period of three months	
	01.01-30.09.2006	01.01-30.09.2005	01.07-30.09.2006	01.07-30.09.2005
	Euro	Euro	Euro	Euro
Sales revenue	98,904,768.19	53,714,938.25	33,876,487.60	24,462,439.54
Gross profit on sales	29,501,600.32	13,114,494.53	9,628,100.24	5,253,785.79
Operating profit	18,653,697.28	4,183,738.94	6,008,302.74	1,858,392.68
Profit before tax	21,864,982.93	3,171,727.94	6,191,016.13	1,520,469.78
Profit after tax	18,270,278.05	2,347,640.02	4,979,759.56	1,079,506.88
PLN/EURO	3.9171	4.0583	3.9508	4.0139

Warsaw, 14 November 2006

Jarosław Szanajca, President of the Management Board

Janusz Zalewski, Vice-President of the Management Board, Financial Director