



**DOM DEVELOPMENT S.A.**

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

## I INTRODUCTION TO THE CONDENSED FINANCIAL STATEMENTS

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

Dom Development ("Company"), with its registered office in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3) is entered into the National Court Register under number 0000031483, kept by the 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 June 2006 Dom Development B.V. controlled 81.12% of the Company's shares. The Company's minority shareholders with more than 5% of shares are Jarosław Szanajca with 8.05% and Grzegorz Kielpsz with 6.46%. The other shares mainly belong to the key employees and the other Members of the Management Board.

### 2. Basis for the preparation of the financial statements

The condensed 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 condensed financial statements were drafted on the going concern basis assuming the continuation of the Company's 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 condensed financial statements are stated in Polish zloty ('PLN'). The financial data included in the consolidated financial statements are expressed in PLN.

The condensed financial statements present the financial data for the reporting period from 1 January 2006 to 30 June 2006, as well as comparative financial data for the period from 1 January 2005 to 30 June 2005 and the balance sheet data as at December 31, 2005.

### Statement of unreserved conformity with the International Financial Reporting Standards

The financial statements of Dom Development S.A. were prepared in accordance with International Financial Reporting Standards approved by the European Union.

### Additional information concerning the preparation up of the Company's financial statement for the first time according to the International Financial Reporting Standards within the meaning of IFRS 1

These condensed financial statements are the first financial statements of the Company PREPARED IN ACCORDANCE WITH the International Financial Reporting Standards within the meaning of IFRS 1. The IFRS were adopted on January 1, 2005.

All previous financial statements of the Company were prepared according to the national accounting standards. The accounting principles used by the Company, including the principles of assets and liabilities valuation and setting the financial result do not demonstrate any substantial differences in comparison with IFRS/IAS. As a result, the financial results and Company's cash flows for particular reporting periods, shareholders' equity and other balance sheet items as at individual balance sheet dates disclosed in the previous financial statements PREPARED IN ACCORDANCE WITH

the national accounting standards did not demonstrate any differences in comparison with the financial statements prepared in accordance with IFRS/IAS.

Therefore, the presentation of the reconciliations of the income statement, balance sheet items and cash flows statement was deemed unnecessary.

### **3. 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 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.

Provision for a deferred income tax 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

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 Sheet  
as at 30 June 2006, 30 June 2005 and 31 December 2005

**II. FINANCIAL STATEMENTS**

	Note	30.06.2006	30.06.2005	31.12.2005
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets		332,692.76	446,073.18	393,405.65
Tangible fixed assets		7,424,179.35	8,024,792.29	7,065,250.16
Investments in associated entities		2,602,843.79	2,960,000.00	2,646,843.79
Deferred income tax assets		4,108,267.00	8,440,787.00	4,843,363.00
Long-term receivables		927,730.36	28,910,000.00	927,730.36
Other long-term deferred costs		-	-	-
<b>Total fixed assets</b>		<b>15,395,713.26</b>	<b>48,781,652.47</b>	<b>15,876,592.96</b>
<b>Current assets</b>				
Inventory	1	371,186,369.24	215,554,935.13	316,183,813.97
Investments held for trading		-	-	-
Trade and other receivables		61,852,231.31	50,780,861.76	100,584,656.82
Other current assets		18,351,366.43	12,679,114.10	24,950,422.54
Cash and cash equivalents	2	103,865,327.99	51,227,350.56	31,491,563.12
<b>Total current assets</b>		<b>555,255,294.97</b>	<b>330,242,261.55</b>	<b>473,210,456.45</b>
<b>Total assets</b>		<b>570,651,008.23</b>	<b>379,023,914.02</b>	<b>489,087,049.41</b>

<b>EQUITY AND LIABILITIES</b>	Note	30.06.2006	30.06.2005	31.12.2005
<b>Shareholders' equity</b>				
Share capital	3	21,854,340.00	21,854,340.00	21,854,340.00
Share premium less treasury shares		11,451,033.94	10,599,408.71	10,819,818.83
Reserve capital from the valuation of share options		415,567.16	-	-
Other capital (supplementary capital)		79,301,372.18	53,403,253.44	53,403,253.44
Capital from hedging transactions		-	-	-
Accumulated, unappropriated profit (loss)		51,892,472.09	5,194,394.84	25,898,118.74
<b>Total shareholders' equity</b>		<b>164,914,785.37</b>	<b>91,051,396.99</b>	<b>111,975,531.01</b>
<b>Long-term liabilities</b>				
Long-term loans and borrowings	4	72,556,143.27	135,383,925.83	78,332,948.91
Deferred income tax liability		21,140,740.00	11,637,599.00	12,871,785.00
Bonds	5	81,533,972.09	52,021,444.04	51,553,445.40
Other		-	-	-
<b>Total long-term liabilities</b>		<b>175,230,855.36</b>	<b>199,042,968.87</b>	<b>142,758,179.31</b>
<b>Short-term liabilities</b>				
Trade payables and other liabilities		119,349,325.02	44,760,519.65	114,488,811.07
Short-term loans and borrowings	4	85,252,621.70	15,907,336.47	91,309,740.44
Short-term tax liabilities		1,523,112.75	1,153,501.43	1,196,004.02
Short-term provisions		1,056,881.60	918,557.44	2,314,010.17
Accrued liabilities and deferred income		23,323,426.43	26,189,633.17	25,044,773.39
<b>Total short-term liabilities</b>		<b>230,505,367.50</b>	<b>88,929,548.16</b>	<b>234,353,339.09</b>
<b>Total liabilities</b>		<b>405,736,222.86</b>	<b>287,972,517.03</b>	<b>377,111,518.40</b>
<b>Total equity and liabilities</b>		<b>570,651,008.23</b>	<b>379,023,914.02</b>	<b>489,087,049.41</b>

Dom Development S.A.  
Income statement  
for the periods of six months ended on 30 June 2006 and 2005

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	Note	The period of six months ended on 30 June	
		2006	2005
Sales revenue	8	253,580,640.26	119,801,547.87
Cost of sales	9	176,058,620.05	87,667,165.48
<b>Gross profit on sales</b>		<b>77,522,020.21</b>	<b>32,134,382.39</b>
Selling costs	9	10,052,247.45	8,513,503.24
General administrative expenses	9	15,601,280.91	14,648,925.55
Other operating income		2,188,313.94	1,611,217.46
Other operating expenses		4,726,010.66	1,063,705.67
<b>Operating profit</b>		<b>49,330,795.13</b>	<b>9,519,465.39</b>
Financial income		15,001,320.66	1,960,149.15
Financial costs		3,144,257.70	4,710,804.70
<b>Profit before tax</b>		<b>61,187,858.09</b>	<b>6,768,809.84</b>
Income tax expense	10	9,295,386.00	1,574,415.00
<b>Profit after tax</b>		<b>51,892,472.09</b>	<b>5,194,394.84</b>
<b>Earnings per share:</b>			
Basic	6	2.37	0.24
Diluted	6	2.37	0.24



Dom Development S.A.  
Cash flow statement  
for the periods of six months ended on 30 June 2006 and 2005

	The period of six months ended on 30 June	
	2006	2005
<b>Cash flow from operating activities</b>		
Profit before taxation	61,187,858.09	6,768,809.84
Adjustments:		
Depreciation	763,425.00	799,593.50
Profit (loss) on foreign exchange differences	-515,989.55	619,674.46
Profit (loss) on investments	-115,656.27	-47,520.52
Interest paid and accrued	-10,710,822.55	5,735,351.62
Changes in the operating capital		
Changes in provisions	-1,257,128.57	232,159.51
Changes in inventory	-55,002,555.27	-49,574,609.26
Changes in receivables	38,732,425.51	8,259,970.74
Changes in short term liabilities excluding loans and borrowings	7,512,419.68	-5,468,748.60
Changes in provisions and prepayments	4,877,709.15	6,821,740.38
Other adjustments	-631,217.73	-1,243,922.00
Cash flow generated from operating activities	44,840,467.49	-27,097,500.33
Interest paid	-2,562,337.08	-5,101,615.98
Income tax paid	-894,132.00	-613,232.00
<b>Net cash flow from operating activities</b>	<b>41,383,998.41</b>	<b>-32,812,348.31</b>
<b>Cash flow from investing activities</b>		
Proceeds from the sale of financial assets		9,999,972.80
Proceeds from the sale of intangible assets and tangible fixed assets	407,405.75	54,721.30
Proceeds from financial assets (dividends)	14,245,976.95	
Acquisition of intangible and tangible fixed assets	-1,353,390.78	-1,124,230.86
Acquisition of financial assets		
<b>Net cash flow from investing activities</b>	<b>13,299,991.92</b>	<b>8,930,463.24</b>
<b>Cash flows from financing activities</b>		
Proceeds from contracted loans and borrowings	37,220,310.00	29,229,600.00
Proceeds from issued bonds	30,000,000.00	-
Repayment of loans and borrowings	-49,485,467.50	-18,998,100.00
Payment of financial leasing liabilities	-45,067.96	-47,342.22
<b>Net cash flow from financing activities</b>	<b>17,689,774.54</b>	<b>10,184,157.78</b>
<b>Increase (decrease) in net cash and cash equivalents</b>	<b>72,373,764.87</b>	<b>-13,697,727.29</b>
<b>Cash and cash equivalents – opening balance</b>	<b>31,491,563.12</b>	<b>64,925,077.85</b>
<b>Cash and cash equivalents – closing balance</b>	<b>103,865,327.99</b>	<b>51,227,350.56</b>

Dom Development S.A.  
Specification of changes in equity  
for the periods of six months ended on 30 June 2006, 30 June 2005  
and the year ended on 31 December 2005

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of shares options	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
<b>Balance as at 1 January 2005</b>	<b>21,854,340.00</b>	<b>10,749,168.71</b>	<b>44,366,689.49</b>	-	<b>-4,664,586.00</b>	<b>9,036,563.95</b>	<b>81,342,176.15</b>
Purchase and sale of treasury shares		70,650.12	-	-	-	-	70,650.16
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 cash flow hedging transaction 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 year ended 31 December 2005	-	-	-	-	-	25,898,118.74	25,898,118.74
<b>Balance as at 31 December 2005</b>	<b>21,854,340.00</b>	<b>10,819,818.83</b>	<b>53,403,253.44</b>	-	-	<b>25,898,118.74</b>	<b>111,975,531.01</b>
Purchase and sale of treasury shares		631,215.11	-	-	-	-	631,215.11
Net loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	-	-	-
Deferred tax concerning the loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	-	-	-
Reserve capital from the valuation of shares options	-	-	-	415,567.16	-	-	415,567.16
Transfer of retained profit to supplementary capital	-	-	25,898,118.74	-	-	-25,898,118.74	-
Profit for the period of 6 months ended on 30 June 2006	-	-	-	-	-	51,892,472.09	51,892,472.09
<b>Balance as at 30 June 2006</b>	<b>21,854,340.00</b>	<b>11,451,033.94</b>	<b>79,301,372.18</b>	<b>415,567.16</b>	-	<b>51,892,472.09</b>	<b>164,914,785.37</b>

Dom Development S.A.  
Specification of changes in equity  
for the periods of six months ended on 30 June 2006, 30 June 2005  
and the year ended on 31 December 2005

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of the shares options	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
<b>Balance as at 1 January 2005</b>	<b>21,854,340.00</b>	<b>10,749,168.71</b>	<b>44,366,689.49</b>	-	<b>-4,664,586.00</b>	<b>9,036,563.95</b>	<b>81,342,176.15</b>
Purchase and sale of treasury shares	-	-149,760.00	-	-	-	-	-149,760.00
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 cash flow hedging transaction 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 year ended on 31 December 2005	-	-	-	-	-	5,194,394.84	5,194,394.84
<b>Balance as at 30 June 2005</b>	<b>21,854,340.00</b>	<b>10,599,408.71</b>	<b>53,403,253.44</b>	-	-	<b>5,194,394.84</b>	<b>91,051,396.99</b>

### III. NOTES TO THE FINANCIAL STATEMENTS

#### Note 1. Inventory

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

<b>SECURITY ON INVENTORY - MORTGAGE</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
Balance sheet value of inventory used to secure liabilities	225,949,067.02	116,863,136.38	157,851,455.19
Amount of security – loans	276,453,119.61	118,543,818.40	194,951,347.10
Amount of security - bonds	160,000,000.00	100,000,000.00	100,000,000.00

#### Construction contracts

Revenues, costs and the resulting work in progress are accounted for using the percentage of completion method, described in the section entitled ‘Introduction to the condensed financial statements’.

<b>SETTLEMENT OF WORK IN PROGRESS</b>			
	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
Budgeted revenues relating to current contracts	781,406,000.00	470,356,000.00	717,908,000.00
Budgeted costs related to current contracts	524,944,974.12	363,264,744.84	505,515,358.04
Budgeted margin related to current contracts	256,461,025.88	107,091,255.16	212,392,641.96
Cumulative revenues recognised in income statement	258,059,940.96	154,677,187.88	153,718,514.26
Cumulative costs recognised in income statement	180,145,569.43	113,510,025.50	110,542,298.70
Cumulative margin recognised to date in income statement	77,914,371.53	41,167,162.38	43,176,215.56
Remaining margin to be recognised in future periods	178,546,654.35	65,924,092.78	169,216,426.40
Percentage of remaining margin to be recognised in future periods	69.62 %	61.56 %	79.67 %

Work in progress is calculated using the percentage of completion method as described in the section entitled ‘Introduction to the condensed financial statements’.

#### Note 2. Cash and cash equivalents

Cash at bank and cash on hand consist of cash held by the Company and short-term bank deposits which will mature within 3 months. The book value of these assets corresponds to their fair value.

<b>CASH AND CASH EQUIVALENTS</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
Cash on hand and at bank	8,383,550.64	2,979,451.18	6,962,890.63
Short-term deposits	95,383,465.20	47,925,248.80	24,294,633.80
Other	98,312.15	322,650.58	234,038.69
<b>Total</b>	<b>103,865,327.99</b>	<b>51,227,350.56</b>	<b>31,491,563.12</b>

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

**Note 3. Share capital**

<b>SHARE CAPITAL (STRUCTURE) AS AT 30 JUNE 2006</b>								
Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue	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
<b>Total number of shares</b>				<b>21,854,340</b>				
<b>Total share capital</b>					<b>21,854,340</b>			
<b>Nominal value per share = PLN 1</b>								

The Company's share capital structure remained unchanged within the period covered by the condensed financial statement.

<b>MOVEMENTS IN TREASURY SHARES in the period 1 January 2006-30 June 2006</b>					
	Series	Number of shares	Nominal value	Balance sheet value	Method and purpose of acquisition
<b>as at 01.01.2005</b>	E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Managerial Options Program* (Incentive Plan I).
	G	92,700	92,700.00	263,339.75	
	<b>Total</b>	<b>509,850</b>	<b>509,850.00</b>	<b>1,913,835.72</b>	
Additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
Disposals	G	-46,350	-46,350.00	-131,669.88	Sold to Member of the Management Board (exercised options)
	G	-46,350	-46,350.00	-131,669.87	
<b>as at 31.12.2005</b>	<b>Total</b>	<b>453,150</b>	<b>453,150.00</b>	<b>1,800,255.97</b>	
Disposals	E	-72,000	-72,000.00	-284,875.25	Sale of the shares to Members of the Management Board and the Supervisory Board (exercised shares options)
	E	-77,700	-77,700.00	-307,427.87	
	E	-22,500	-22,500.00	-89,023.52	
	F	-36,000	-36,000.00	-149,760.00	Sale of the shares to Member of the Supervisory Board
<b>as at 30.06.2006</b>	<b>Total</b>	<b>244,950</b>	<b>244,950.00</b>	<b>969,169.33</b>	

Dom Development S.A.  
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<b>MOVEMENTS IN TREASURY SHARES in the period 1 January 2005-30 June 2005</b>					
	Series	Number of shares	Nominal value	Balance sheet value	Method and purpose of acquisition
<b>as at 01.01.2005</b>	E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Managerial Options Program* (Incentive Plan I).
	G	92,700	92,700.00	263,339.75	
	Total	<b>509,850</b>	<b>509,850.00</b>	<b>1,913,835.72</b>	
Additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
Disposals		-	-	-	
<b>as at 30.06.2005</b>	<b>Total</b>	<b>545,850</b>	<b>545,850.00</b>	<b>2,063,595.72</b>	

**Note 4. Loans and borrowings<sup>1</sup>**

<b>LOANS AND BORROWINGS</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
including: long-term	72,556,143.27	135,383,925.83	78,332,948.91
short-term	85,252,621.70	15,907,336.47	91,309,740.44
<b>Total</b>	<b>157,808,764.97</b>	<b>151,291,262.30</b>	<b>169,642,689.35</b>

<b>LOANS DUE WITHIN:</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
1 year	77,543,740.90	15,907,336.47	87,552,486.32
More than 1 year less then 2 years	68,968,832.00	122,992,443.11	67,450,600.00
More than 2 years less then 5 years	-	504,000.00	3,528,000.00
More than 5 years	-	-	-
<b>Total loans</b>	<b>146,512,572.90</b>	<b>139,403,779.58</b>	<b>158,531,086.32</b>
including: long-term	68,968,832.00	123,496,443.11	70,978,600.00
short-term	77,543,740.90	15,907,336.47	87,552,486.32

<b>BORROWINGS DUE WITHIN</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
1 year	7,708,880.80	-	3,757,254.12
More than 1 year less then 2 years	3,587,311.27	4,341,906.75	3,677,174.45
More than 2 years less then 5 years	-	7,545,575.97	3,677,174.46
More than 5 years	-	-	-
<b>Total borrowings</b>	<b>11,296,192.07</b>	<b>11,887,482.72</b>	<b>11,111,603.03</b>
including: long-term	3,587,311.27	11,887,482.72	7,354,348.91
short-term	7,708,880.80	-	3,757,254.12

<sup>1</sup> Borrowings are the shareholders' borrowings

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LIABILITIES ON ACCOUNT OF LOANS as at 30.06.2006							
Bank	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		amount	currency	amount	currency		
BOŚ S.A.	Warsaw	23,350,000	PLN	23,237,600	PLN	WIBOR 1M+ Bank's margin*	31.12.2006
PKO BP	Warsaw	33,830,000	PLN	7,452,060	PLN	WIBOR 1M+ Bank's margin*	01.09.2006
PKO BP	Warsaw	10,080,000	PLN	6,552,000	PLN	WIBOR 1M+ Bank's margin*	01.07.2007
PKO BP	Warsaw	11,380,000	PLN	11,380,000	PLN	WIBOR 1M+ Bank's margin*	01.10.2007
BOŚ	Warsaw	35,000,000	PLN	33,447,360	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PKO BP	Warsaw	18,950,000	PLN	18,950,000	PLN	WIBOR 1M+ Bank's margin*	01.12.2007
PeKao SA	Warsaw	18,875,000	PLN	18,874,900	PLN	WIBOR 1M+ Bank's margin*	30.11.2007
PeKao SA	Warsaw	18,956,000	PLN	18,955,700	PLN	WIBOR 1M+ Bank's margin*	29.02.2008
BOŚ S.A.	Warsaw	2,000,000	PLN	0	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PeKao BP S.A.	Warsaw	40,000,000	PLN	0	PLN	WIBOR 1M+ Bank's margin*	15.03.2007
BOŚ	Warsaw	40,000,000	PLN	7,662,950	PLN	WIBOR 1M+1.2% Bank's margin*	30.09.2008

\*) Not disclosed due to commercial reasons.

#### Borrowings from the Shareholders

LIABILITIES ON ACCOUNT OF BORROWINGS AS AT 30.06.2006							
Lender	Registered office	Amount of borrowing – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		Amount	currency	Amount	currency		
Dom Development B.V.	Holland	4,702,000	USD	2,351,000	USD	LIBOR 12M + 5.5%	31.10.2008
Dom Development B.V.	Holland	1,031,554	USD	1,031,554	USD	LIBOR 12M + 5.5%	31.10.2008

The Company utilises 2 borrowings:

- a borrowing with the total amount of USD 2,351,000 as at 30 June 2006, was taken out on 6 January 2000. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured with the Company's assets.
- a borrowing from 10 December 2001, with the total amount of USD 1,031,554 as at 30 June 2006. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured with the Company's assets.

#### Note 5. Bonds

<b>BONDS</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
Nominal value of issued bonds	80,000,000.00	50,000,000.00	50,000,000.00
Accumulated interest charged	7,913,307.09	4,385,334.04	6,189,890.40
Accumulated interest paid	6,379,335.00	2,363,890.00	4,636,445.00
<b>Liability as at the end of the year</b>	<b>81,533,972.09</b>	<b>52,021,444.04</b>	<b>51,553,445.40</b>

- 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 the 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 Company's statutory activities. Bonds are secured with a joint capped mortgage on the Company's real estate up to the amount of PLN 100,000,000.

As per agreement with banks, in semi-annual periods ending each 30 June and 31 December, the Company, undertakes to maintain the standalone financial statements ratios within the following ranges:

Year	interest bearing debt /equity	EBITDA / cost of debt	Actual ratios		
			Date	interest debt/equity	EBITDA / cost of debt
2005	<=1.2	>=2.0	30.06.2005	1.67	2.48
			31.12.2005	1.57	2.01
2006	<=2.0**	>=1.8**	30.06.2006	0.82	2.20
2007	<=2.0**	>=5.0**			

\* In 2005 the banks exempted the Company from having to maintain the debt/equity ratio at the required level.

\*\* On 4 August 2006 an annex to the agreement of 21 July 2004 on the issue of bonds was signed. The annex changes the ratios of the interest rate debt / equity and EBITDA/costs of debt servicing for the years 2006-2007. The ratios presented in the above table comply with the changes introduced by means of the aforementioned Annex.

- On 19 June 2006 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 issue took place on the basis of the resolution no. 1 of the General Shareholders' Meeting of the Company of 24 March 2006 on the issue of bonds pursuant to art. 9 of the Act on Bonds.

The issue date – 19 June 2006. The redemption date – 19 June 2011.

The funds raised as a result of the issue are to be designated for financing and refinancing the Company's development activities related to acquiring land properties as well as for covering the costs associated with the execution of residential developments.

Under the terms of the agreement on bonds servicing and guaranteeing the issue of bonds with Powszechna Kasa Oszczędności Bank Polski S.A. A series bonds and B series bonds were to be issued in the first place, followed by the next series of bonds – in the amount corresponding to the value of A series bonds, towards which their bondholders exercised the redemption option. A series bonds are secured bonds, and B series bonds and the ones from other issues will not be secured. A and B series bonds will have the same issue date. On the basis of the agreement the Issuer commissioned the bank to issue bonds as part of the programme, conducting an offer and sale of the bonds, keeping record of the bonds and performing the function of an agent dealing with payments. The Bank guaranteed the acquisition of A series bonds. The Bank fulfils its obligations related to guaranteeing the acquisition of A series bonds by taking up or acquiring such a number of A series bonds that equals the number of B series bonds the investors will not acquire due to the fact that they did not make a subscription for B series bonds



or that they did not pay for the B series bonds allotted to them, while the bank may acquire 300 A series bonds in total.

A series bonds taken up by the bank as a guarantor will meet the following parameters: the redemption date – 5 years after the issue date; (ii) currency of the issue – PLN; (iii) interest period – six months; (iv) the base rate – 6 M WIBOR plus the bank's margin; (v) security - a joint capped mortgage on real properties specified in the agreement, up to the amount of PLN 60,000,000.

In the case of the issue of the next series of bonds the effective allotment of such bonds to investors will result in the bank's right to exercise towards the Issuer the redemption of A series bonds in the amount of bonds allotted to the investors.

The Issuer shall be entitled to exercise a call option with regard to all A series bonds and to A series bonds with the total nominal value no less than PLN 5,000,000. The bondholders holding A series bonds shall have the right to exercise put option only with regard to such an amount of A series bonds, for which the total selling price will be not higher than 50% of the net proceeds of the Issuer from the issue of bonds in compliance to art. 9 point 1 of the Act on Bonds.

The Issuer undertook the complete redemption of bonds in order to maintain in the six-months periods, ending on each 30 June and 31 December, for the period of last 12 months the following ratios:

<b>Year</b>	<b>interest debt / equity</b>	<b>EBITDA / cost of debt</b>
2006.....	<= 2.0	>= 1.8
2007.....	<= 2.0	>= 5.0
2008.....	<= 2.0	>= 5.0
2009.....	<= 2.0	>= 5.0
2010.....	<= 1.8	>= 5.0
2011.....	<= 1.5	>= 5.0

The agreement contains, among others, the following obligations of the Issuer: the Issuer shall not, without first obtaining a written consent of the agent, enter into another agreement concerning the programme of the issue of bonds or other debt securities and disclose to the public the information on activities aiming at the issue of bonds or other debt securities. The Issuer shall not take on any other financial obligations of a credit or guarantee nature without the agent's consent, excluding the allowed financial debt specified in the agreement. The Issuer shall not make, by means of civil law transactions, any security interest on the assets of the Issuer without first obtaining the agent's consent until the redemption date of A series bonds. This ban does not concern establishing a security interest on the assets of the Issuer concerning potential payments and raised claims of the tax authorities and claims concerning conclusion of by the Issuer of a preliminary agreements with the buyers of the facilities in investments under construction.

Failure to perform or the improper performance of any of the material provisions of material obligations resulting from the agreement constitutes a case of breach resulting in the possibility to terminate the agreement without notice.

**Note 6. Earnings per share**

<b>CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>01.01- -30.06.2006</b>	<b>01.01- -30.06.2005</b>
<b>Earnings</b>		
(A) Earnings of the Company resulting from the consolidated financial statements	51,892,472.09	5,194,394.84
<b>Number of shares</b>		
(B) The number of ordinary shares for the purpose of earnings per share calculation	21,854,340	21,854,340
(C) Less treasury shares not held for the purpose of the share option scheme execution	-	36,000
(D) = (B) - (C) Number of ordinary shares of the Company for the purpose of diluted earnings per share calculation	21,854,340	21,818,340
<b>Basic earnings per share</b> = $\frac{(A)}{(B)}$	2.37	0.24
<b>Diluted earnings per share</b> = $\frac{(A)}{(D)}$	2.37	0.24

The calculation of the diluted profit per share takes into account the number of the shares as at particular balance sheet dates.

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

**Note 7. Key assumptions and estimate bases**

Calculation of the revenues from the sales of finished goods and the cost of the finished 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. Operating income**

<b>SALES REVENUES BY KIND</b>	<b>01.01- -30.06.2006</b>	<b>01.01- -30.06.2005</b>
Sales of finished goods	238,423,108.08	108,928,335.95
Sales of services	15,157,532.18	10,872,204.92
Sales of goods for resale (land)	-	1,007.00
<b>Total</b>	<b>253,580,640.26</b>	<b>119,801,547.87</b>

**Note 9. Operating costs**

<b>OPERATING COSTS</b>	<b>01.01- -30.06.2006</b>	<b>01.01- -30.06.2005</b>
<b>Cost of sales</b>		
Cost of finished goods sold	167,018,357.86	79,915,080.28
Cost of services sold	9,040,262.19	7,752,085.20
Cost of land sold		
<b>Total cost of sales</b>	<b>176,058,620.05</b>	<b>87,667,165.48</b>
<b>Selling costs and general administrative expenses</b>		
Selling costs	10,052,247.45	8,513,503.24
General administrative expenses	15,601,280.91	14,648,925.55
<b>Total selling costs and general administrative expenses</b>	<b>25,653,528.36</b>	<b>23,162,428.79</b>
<b>Selling costs and general administrative expenses by</b>		
Depreciation and amortization	763,425.00	799,593.50
Cost of materials and energy	1,914,300.29	1,368,075.77
External services	7,639,692.27	7,618,866.63
Taxes and charges	80,068.16	211,133.42
Wages and salaries	12,800,758.94	10,343,083.04
Social security and other benefits	1,821,045.35	1,655,382.79

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Other costs by kind	634,238.35	1,166,293.64
<b>Total selling costs and general administrative expenses by kind</b>	<b>25,653,528.36</b>	<b>23,162,428.79</b>

**Note 10. Income tax**

INCOME TAX	01.01- -30.06.2006	01.01- -30.06.2005
Current income tax	291,335.00	-
Deferred income tax	9,004,051.00	1,574,415.00
<b>Total</b>	<b>9,295,386.00</b>	<b>1,574,415.00</b>

**Note 12. Contingent liabilities**

CONTINGENT LIABILITIES	30.06.2006	30.06.2005	31.12.2005
Bills of exchange, including:	184,252,950.00	126,971,698.00	139,301,698.00
- bills of exchange, issued for Hochtief Poland S.A. which guarantee the contractors' claims concerning the work performed for the benefit of the Company	-	7,711,698.00	2,711,698.00
- the bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	68,012,950.00	50,000,000.00	37,000,000.00
- the bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	114,240,000.00	43,910,000.00	74,240,000.00
- the 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	2,000,000.00	25,350,000.00	25,350,000.00
Guarantees	26,875.00	26,875.00	26,875.00
Sureties	3,078,268.00	10,676,559.00	3,593,208.00
<b>Total</b>	<b>187,358,093.00</b>	<b>137,675,132.00</b>	<b>142,921,781.00</b>

**Note 11. Material post-balance sheet events**

All material post-balance sheet events were disclosed in note 45 of the consolidated financial statements of The Capital Group Dom Development S.A.

*Warsaw, 27 October, 2006.*

\_\_\_\_\_  
Jarosław Szanajca, President of the Management Board

\_\_\_\_\_  
Grzegorz Kiełpsz,  
Vice-President of the Management Board

\_\_\_\_\_  
Janusz Zalewski,  
Vice-President of the Management Board

\_\_\_\_\_  
Janusz Stolarczyk,  
Member of the Management Board

\_\_\_\_\_  
Terry R. Roydon,  
Member of the Management Board