



DOM DEVELOPMENT S.A.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF THREE MONTHS ENDED ON 31 MARCH 2007

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

I. INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the holding company of Dom Development S.A. Capital Group

The holding company of Dom Development S.A. Capital Group ("the Group") is the joint-stock company Dom Development S.A. ("the Company" / "the holding company") with its registered office in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3) entered into the National Court Register under number 0000031483, District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register. According to the Polish Classification of Business Activity the Group's scope of activity is construction industry and investments connected with real property – PKD 7011Z. The Group conducts 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 31 March 2007 the holding company Dom Development S.A. was controlled by Dom Development B.V. which held 63.10% of the Company's shares.

2. General information about the Group

The following table presents the Group's structure and the holding company's stake in the entities comprising the Group as at 31 March 2007.

Entity name	Country of registration	% of share capital held by the holding company	% of votes held by the holding company	Consolidation method
Subsidiaries				
Dom Development na Dolnej sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Morskie Oko sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development – Zarządzenie Nieruchomościami sp. z o.o.	Poland	100%	100%	full consolidation
Joint-venture				
Fort Mokotów sp. z o.o.	Poland	49%	49%	proportionate consolidation

The main area of activity of the companies comprising the Group is the construction and sale of residential real estate.

The main area of activity of the associated entity - Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" is financial risk insurance.

Fort Mokotów sp. z o.o. was formed for the duration of the construction of the Marina Mokotów project, but for no longer than until 31 December 2011 (as per the company's articles of association).

All entities of the Group conduct business activities in the territory of Poland and in compliance with the Commercial Companies Code, and have been formed for an unspecified time, with the exception of Fort Mokotów sp. z o. o.

In the period of three months ended on 31 March 2007 the Group did not discontinue any of its operations.

3. Basis for the preparation of the consolidated financial statements

All the applicable International Financial Reporting Standards („IFRS”) adopted by the European Union and the standards applicable for the periods beginning on 1 January 2007 as well as the standards which became effective by 31 March 2007 were applied by the Company in the consolidated financial statements for the period of three months ending on 31 March 2007 („condensed consolidated financial statements”).

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

Dom Development S.A.

Introduction to the condensed consolidated financial statements
for the period of three months ended on 31 March 2007

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

4. Summary of significant accounting policies

These condensed consolidated financial statements were prepared following the same accounting policies and methods of computation that were disclosed in and applied to the most recent annual consolidated financial statements of the Group.

II. CONSOLIDATED BALANCE SHEETS

ASSETS	Note	31.03.2007	31.12.2006
Fixed assets			
Intangible fixed assets		1,063,240.46	730,169.87
Tangible fixed assets		5,289,133.67	5,534,553.46
Investments in associated entities		841,053.08	841,053.08
Deferred income tax assets		7,479,432.96	7,517,265.14
Long-term receivables		1,517,905.36	1,517,905.36
Long-term deferred costs		1,646,999.71	904,749.71
Total fixed assets		17,837,765.24	17,045,696.62
Current assets			
Inventory	1	603,216,981.05	594,864,513.45
Trade and other receivables		51,588,418.20	60,807,971.57
Other current assets		7,407,150.13	23,669,995.65
Cash and cash equivalents	3	296,709,147.78	227,534,966.53
Total current assets		958,921,697.16	906,877,447.20
Total assets		976,759,462.40	923,923,143.82

EQUITY AND LIABILITIES	Note	31.03.2007	31.12.2006
Shareholders' equity			
Share capital	4	24,560,222.00	24,050,372.00
Share premium less treasury shares		231,534,663.27	230,370,719.33
Reserve capital from valuation of share options		3,060,199.99	1,505,790.64
Other capital (supplementary capital)		79,301,372.18	79,301,372.18
Reserve capital from reducing the share capital		509,850.00	509,850.00
Accumulated, unappropriated profit (loss)		193,513,954.45	156,143,838.13
Total shareholders' equity		532,480,261.89	491,881,942.28
Long-term liabilities			
Long-term loans and borrowings	5	22,461,384.00	22,200,000.00
Deferred tax liability.....		60,810,946.61	52,004,236.25
Bonds	6	80,000,000.00	80,000,000.00
Other		606,762.21	609,941.69
Total long-term liabilities		163,879,092.82	154,814,177.94
Short-term liabilities			
Trade payables and other liabilities		121,796,630.47	143,801,348.56
Short-term loans and borrowings	5	89,545,420.76	98,915,383.99
Short-term tax liabilities		1,362,024.90	638,501.42
Short-term provisions		3,497,083.82	3,663,773.99
Accrued liabilities and deferred income		64,198,947.74	30,208,015.64
Total short-term liabilities		280,400,107.69	277,227,023.60
Total liabilities		444,279,200.51	432,041,201.54
Total equity and liabilities		976,759,462.40	923,923,143.82

Dom Development S.A.
Consolidated income statements
for the period of three months ended on March 31, 2007 and 2006

III. CONSOLIDATED INCOME STATEMENTS

	Note	Period of three months		Period of three months	
		01.01- -31.03.2007	01.01- -31.03.2006	01.01- -31.03.2007	01.01- -31.03.2006
Sales revenues	10	171,877,424.95	120,711,676.50	171,877,424.95	120,711,676.50
Cost of sales	11	108,855,489.18	87,282,263.10	108,855,489.18	87,282,263.10
Gross profit on sales		63,021,935.77	33,429,413.40	63,021,935.77	33,429,413.40
Selling costs	11	6,647,248.49	4,575,420.25	6,647,248.49	4,575,420.25
General administrative expenses	11	12,633,414.08	8,491,624.22	12,633,414.08	8,491,624.22
Other operating income		493,352.35	308,568.51	493,352.35	308,568.51
Other operating expenses		261,407.56	299,405.05	261,407.56	299,405.05
Operating profit		43,973,217.99	20,371,532.39	43,973,217.99	20,371,532.39
Financial income	12	3,128,571.09	733,924.46	3,128,571.09	733,924.46
Financial costs		493,819.22	1,653,677.09	493,819.22	1,653,677.09
Profit before tax		46,607,969.86	19,451,779.76	46,607,969.86	19,451,779.76
Income tax expense	13	9,237,853.54	4,172,413.47	9,237,853.54	4,172,413.47
Profit after tax		37,370,116.32	15,279,366.29	37,370,116.32	15,279,366.29
Earnings per share:					
Basic	7	1.52	0.70	1.52	0.70
Diluted	7	1.52	0.70	1.52	0.70

Dom Development S.A.
Consolidated cash flow statements
for the period of three months ended on March 31, 2007 and 2006

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of three months	
	01.01- -31.03.2007	01.01- -31.03.2006
Cash flow from operating activities		
Profit before taxation.....	46,607,969.86	19,451,779.76
Adjustments:		
Depreciation.....	467,040.98	407,817.27
Profit/loss on foreign exchange differences.....	11,957.81	28,935.65
Profit/loss on investments	(17,746.59)	(97,769.47)
Interest paid and accrued	2,069,314.11	1,601,495.98
Options valuation.....	1.554.409,35	-
Changes in the operating capital		
Changes in provisions.....	(166,690.17)	-
Changes in inventory.....	(7,195,846.41)	(34,357,605.34)
Changes in receivables.....	8,826,242.37	14,960,607.43
Changes in short term liabilities excluding loans and borrowings.....	(21,284,374.08)	(34,487,824.99)
Changes in provisions and prepayments.....	49,880,166.05	43,381,546.22
Other adjustments.....	1,661,836.13	(1,181,226.45)
Cash flow generated from operating activities.....	82,414,279.41	9,707,756.05
Interest paid.....	(3,573,949.77)	(5,095,797.32)
Income tax paid.....	-	(894,132.00)
Net cash flow from operating activities.....	78,840,329.64	3,717,826.74
Cash flow from investing activities		
Proceeds from the sale of financial assets.....	-	-
Proceeds from the sale of intangible assets and tangible fixed assets.....	123,196.72	379,045.91
Acquisition of intangible and tangible fixed assets	(660,141.91)	(382,571.52)
Acquisition of financial assets.....	-	-
Net cash flow from investing activities.....	(536,945.19)	(3,525.61)
Cash flows from financing activities.....		
Proceeds from the issue of shares.....	-	-
Proceeds from contracted loans and borrowings.....	24,408,806.63	20,901,800.00
Proceeds from issued bonds	-	-
Repayment of loans and borrowings.....	(33,517,385.87)	(24,123,601.53)
Payment of a bonus from profit	-	(490,000.00)
Payment of financial leasing liabilities.....	(20,623.96)	(18,578.30)
Net cash flow from financing activities.....	(9,129,203.20)	(3,730,379.82)
Increase (decrease) in net cash and cash equivalents.....	69,174,181.25	(16,078.69)
Cash and cash equivalents – opening balance.....	227,534,966.53	73,837,309.98
Cash and cash equivalents – closing balance.....	296,709,147.78	73,821,231.29

Dom Development S.A.
Statements of changes in the consolidated equity
for the period of three months ended on March 31, 2007 and 2006

V. STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from the valuation of shares options	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2007.....	24,050,372.00	230,370,719.33	79,301,372.18	509,850.00	1,505,790.64	156,143,838.13	491,881,942.28
Purchase and sale of treasury shares.....	-	-	-	-	-	-	-
Increase of the capital by the issue of shares.....	509,850.00	1,163,943.94	-	-	-	-	1,673,793.94
Creation of reserve capital from the valuation of the employee options ...	-	-	-	-	1,554,409.35	-	1,554,409.35
Transfer of retained profit to supplementary capital.....	-	-	-	-	-	-	-
Profit for the three months ended 31 March 2007	-	-	-	-	-	37,370,116.32	37,370,116.32
Balance as at 31 March 2007.....	24,560,222.00	231,534,663.27	79,301,372.18	509,850.00	3,060,199.99	193,513,954.45	532,480,261.89

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from the valuation of shares options	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2006.....	21.854.340,00	10.819.818,87	53.403.253,44	-	-	47.333.300,40	133.410.712,71
Purchase and sale of treasury shares.....	-	569.709,20	-	-	-	-	569.709,20
Transfer of retained profit to supplementary capital.....	-	-	-	-	-	-	-
Payment of a bonus from profit in Fort Mokotów Sp. z o.o.	-	-	-	-	-	(490.000,00)	(490.000,00)
Profit for the three months ended 31 March 2006	-	-	-	-	-	15.279.366,29	15.279.366,29
Balance as at 31 March 2006.....	21.854.340,00	11.389.528,07	53.403.253,44	-	-	62.122.666,69	148.769.788,20

III.ADDITIONAL NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Inventory

INVENTORY	31.03.2007	31.12.2006
Advances on deliveries	46,527,011.71	104,632,284.25
in this at purchase prices/production costs	46,527,011.71	104,632,284.25
in this revaluation write down	-	-
Semi-finished goods and work in progress	544,643,378.86	477,574,316.97
in this at purchase prices/production costs	548,256,610.94	481,187,549.05
in this revaluation write down	(3,613,232.08)	(3,613,232.08)
Finished goods	12,046,590.48	12,657,912.23
in this at purchase prices/production costs	13,149,028.02	13,808,292.07
in this revaluation write down	(1,102,437.54)	(1,150,379.84)
Total	603,216,981.05	594,864,513.45

WRITE-OFFS REVALUATING THE INVENTORIES

Balance as at 1 January 2007	4,763,611.92
Increase.....	3,000.00
Use.....	-
Release	50,942.30
Balance as at 31 March 2007	4,715,669.62
Balance as at 1 January 2006	3,336,449.24
Increase.....	4,125,222.74
Use.....	-
Release	2,698,060.06
Balance as at 31 March 2006.....	4,763,611.92

The costs and revenues related to creating and releasing revaluation write-offs are recognized in other operating activity.

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

SECURITY ON INVENTORY - MORTGAGE	31.03.2007	31.12.2006
Balance sheet value of inventory used to secure liabilities	169,612,171.95	203,611,779.32
Amount of security – purchase of real estate	60,000,000.00	60,000,000.00
Amount of security – loans	236,766,560.48	229,571,730.78
Amount of security - bonds	160,000,000.00	160,000,000.00

Note 2. Change in the write-offs revaluating trade and other receivables

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -31.03.2007	01.01- -31.12.2006
Opening balance.....	5,894,703.65	6,356,997.76
a) Additions	197,379.00	300,000.00
b) Disposals	-	762,294.11
Closing balance.....	6,092,082.65	5,894,703.65

Note 3. 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.

CASH AND CASH EQUIVALENTS	31.03.2007	31.12.2006
Cash on hand and at bank	40,031,412.25	10,302,819.25
Short-term deposits and treasury bills.....	256,082,728.53	216,934,184.07
Other	595,007.00	297,963.21
Total	296,709,147.78	227,534,966.53

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31 March 2007

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	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172,200	172,200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92,700	92,700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96,750	96,750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148,200	148,200	cash	14.02.2007	14.02.2007
Total number of shares				24,560,222				
Total share capital					24,560,222			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 2006

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	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
Total number of shares				24,050,372				
Total share capital					24,050,372			
Nominal value per share = PLN 1								

Description of changes in the share capital of the holding entity in the period from 1 January 2007 to the date of preparing the condensed financial statements.

- On 29 December 2006 the Extraordinary General Shareholders' Meeting adopted Resolution no. 8 concerning the amendment of the Resolution no. 5, dated 2 August 2006 on the increase of the share capital from the amount of PLN 24,050,372 to the amount of PLN 24,560,222 by issuing 172,200 H series ordinary bearer shares, 92,700 I series ordinary bearer shares, 96,750 J series ordinary bearer shares and 148,200 L series ordinary bearer shares;
- On 14 February 2007 the District Court for the capital city of Warsaw 12th Commercial Division of the National Court Register issued the ruling concerning the registration of an increase in the share capital to the amount of PLN 24,560,222 in connection with the issue of 172,200 H series ordinary, bearer shares, 92,700 I series ordinary bearer shares, 96,750 J series ordinary bearer shares and 148,200 L series ordinary bearer shares.

Note 5. Loans and borrowings

LOANS AND BORROWINGS	31.03.2007	31.12.2006
including: long-term	22,461,384.00	22,200,000.00
short-term	89,545,420.76	98,915,383.99
Total	112,006,804.76	121,115,383.99

LOANS DUE WITHIN	31.03.2007	31.12.2006
1 year	89,545,420.76	98,915,383.99
More than 1 year less then 2 years	22,461,384.00	22,200,000.00
More than 2 years less then 5 years	-	-
More than 5 years	-	-
Total loans	112,006,804.76	121,115,383.99
including: long-term	22,461,384.00	22,200,000.00
short-term	89,545,420.76	98,915,383.99

As at 31 March 2007 and 31 December 2006 the Group did not have borrowing related liabilities.

As at 31 March 2007 and 31 December 2006 all the Group's loans were expressed in Polish Zloty.

Note 6. Bonds

BONDS	31.03.2007	31.12.2006
Nominal value of the issued bonds	80,000,000.00	80,000,000.00
Interest on bonds as at 31 December:		
Accumulated interest charged	12,050,598.12	10,712,126.55
Accumulated interest paid	10,825,098.50	9,117,988.50
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income.....	1,225,499.62	1,594,138.05

As at 31 December 2006 two issues of bonds by the Company took place:

- 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 plus the 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 term of the agreement. Net revenues from the issue of bonds were used for the Company's statutory activities. The bonds are secured with a joint capped mortgage on the Company's real estate up to the amount of PLN 100,000,000.
- On 19 June 2006 the Company issued 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 by a joint capped mortgage on the Group's real properties up to the amount of PLN 60,000,000.
Bonds issuance date: 19 June 2006; bond redemption date: 19 June 2011.

Note 7. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -31.03.2007	01.01- -31.03.2006
Basic earnings per share		
Consolidated earnings for the calculation of the basic earnings per share	37,370,116.32	15,279,366.29

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on March 31, 2007

The average weighted number of ordinary shares for the calculation of basic earnings per share *)	24,560,222	21,854,340
Basic earnings per share	1.52	0.70

Diluted earnings per share

Consolidated earnings for the calculation of the diluted earnings per share	37,370,116.32	15,279,366.29
The average weighted number of ordinary shares for the calculation of diluted earnings per share *)	24,560,222	21,854,340
Diluted earnings per share	1.52	0.70

*) 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 in all accounting periods shown in the above table. As at 31 December 2006 these shares were fully subscribed and their registration by the competent Registration Court was effected on 14 February 2007.

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

Note 8. Key assumptions and estimate bases

Calculation of the revenues from the sales of the finished goods and the cost of the sold finished goods (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 9. Segment reporting

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

Note 10. Operating income

SALES REVENUES BY KIND	01.01- -31.03.2007	01.01- -31.03.2006	01.01- -31.03.2007	01.01- -31.03.2006
Sales of finished goods	165,358,378.35	115,449,790.30	165,358,378.35	115,449,790.30
Sales of services	6,519,046.60	5,261,886.20	6,519,046.60	5,261,886.20
Sales of goods for resale (land)	-	-	-	-
Total	171,877,424.95	120,711,676.50	171,877,424.95	120,711,676.50

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on March 31, 2007

Note 11. Operating costs

OPERATING COSTS	01.01- -31.03.2007	01.01- -31.03.2006	01.01- -31.03.2007	01.01- -31.03.2006
Cost of sales				
Cost of finished goods sold	103,173,724.55	82,626,633.90	103,173,724.55	82,626,633.90
Cost of services sold	5,681,764.63	4,655,629.20	5,681,764.63	4,655,629.20
Cost of land sold	-	-	-	-
Total cost of sales	108,855,489.18	87,282,263.10	108,855,489.18	87,282,263.10
Selling costs and general administrative expenses				
Selling costs	6,647,248.49	4,575,420.25	6,647,248.49	4,575,420.25
General administrative expenses	12,633,414.08	8,491,624.22	12,633,414.08	8,491,624.22
Total selling costs and general administrative expenses.....	19,280,662.57	13,067,044.47	19,280,662.57	13,067,044.47
Selling costs and general administrative expenses by kind				
Depreciation and amortization	467,040.98	407,817.27	467,040.98	407,817.27
Cost of materials and energy	1,154,613.98	1,000,258.82	1,154,613.98	1,000,258.82
External services	6,354,476.41	4,077,954.82	6,354,476.41	4,077,954.82
Taxes and charges	71,494.34	48,882.38	71,494.34	48,882.38
Wages and salaries	7,980,957.08	5,989,888.92	7,980,957.08	5,989,888.92
Social security and other benefits	1,288,379.49	1,212,911.14	1,288,379.49	1,212,911.14
Management Options Programme.....	1,554,409.35	-	1,554,409.35	-
Other costs by kind	409,290.94	329,331.12	409,290.94	329,331.12
Total selling costs and general administrative expenses by kind.....	19,280,662.57	13,067,044.47	19,280,662.57	13,067,044.47

Note 12. Financial income

FINANCIAL INCOME	01.01- -31.03.2007	01.01- -31.03.2006	01.01- -31.03.2007	01.01- -31.03.2006
Dividends	-	-	-	-
Interest received	3,128,571.09	718,842.09	3,128,571.09	718,842.09
Other	15,082.37	-	-	15,082.37
Total	3,128,571.09	733,924.46	3,128,571.09	733,924.46

Note 13. Income tax

INCOME TAX	01.01- -31.03.2007	01.01- -31.03.2006	01.01- -31.03.2007	01.01- -31.03.2006
Current income tax	393,311.00	401,700.00	393,311.00	401,700.00
Deferred income tax	8,844,542.54	3,770,713.47	8,844,542.54	3,770,713.47
Total	9,237,853.54	4,172,413.47	9,237,853.54	4,172,413.47

Note 13. Transactions with related entities

In the three-month periods ended 31 March 2007 and 2006 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 Group's 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.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on March 31, 2007

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

Counterparty	Transaction description	01.01- -31.03.2007	01.01- -31.03.2006
Woodsford Consulting Limited.....	Consulting services as per agreement dated 1 February 2000, with further amendments	1,248,553.94	354,460.51
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	51,032.14	64,159.16
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom”	Insurance of financial losses risk	54,096.19	240,415.46
Fort Mokotów sp. z o.o.	Real estate management	866,771.71	464,139.44
Fort Mokotów sp. z o.o.....	Other	52,385.81	10,049.83

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

Counterparty	Transaction description	01.01- -31.03.2007	01.01- -31.03.2006
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	1,819,512.70	-
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	-	13,822,448.09
Dom Development Grunty sp. z o.o.	Additional VAT payments to the invoices transferring the ownership of land to Dom Development S.A.	-	800,000.00

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

Counterparty	Transaction description	01.01- -31.03.2007	01.01- -31.03.2006
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	148,730.81	808,543.12
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	730,960.40	1,908,923.10
Fort Mokotów sp. z o.o.	Other, including real estate management services	636,047.81	212,316.62

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

Counterparty	Transaction description	01.01- -31.03.2007	01.01- -31.03.2006
Fort Mokotów sp. z o.o.	Dividend (gross)	29,400,000.00	-

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

Counterparty	Transaction description	01.01- -31.03.2007	01.01- -31.03.2006
Dom Development B.V.	Cost of interest on the shareholders’ borrowings	-	231,320.08
Dom Development B.V.	Capital repaid from borrowings agreements	-	-

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on March 31, 2007

Balances with related entities

Balanced as in the books of the Company (in thousand PLN)

Entity	Receivables from related entities		Liabilities to related entities	
	31.03.2007	31.12.2006	31.03.2007	31.12.2006
Total balance	37,728	35,269	-	264
Balances below PLN 100,000.....	21	44	-	31
Balances over PLN 100,000.....	37,707	35,225	-	233
Subsidiaries	1,147	1,147	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital.....	1,147	1,147	-	-
Associated companies	35,575	33,590	-	-
Dom Development Grunty sp. z o.o.	35,411	33,590	-	-
Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom"	164	-	-	-
Co-subsidiaries	867	488	-	-
Fort Mokotów sp. z o.o.	867	488	-	-
Fort Mokotów sp. z o.o. additional contributions to capital.....	-	-	-	-
Other entities	118	-	-	233
Woodsford Consulting Limited.....	-	-	-	233
Dom Development B.V.	118	-	-	-

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

- On 20 January 2006 an agreement concerning the sale of 72,000 E series ordinary registered shares with Janusz Stolarczyk was signed (exercise of the options allocated as part of the Incentive Scheme),
- On 23 February 2006 an agreement concerning the sale of 36,000 F series ordinary registered shares with Terry Roydon,
- On 15 March 2006 an agreement concerning the sale of 77,700 E series ordinary registered shares with Janusz Zalewski (exercise of the options allocated as part of the Incentive Scheme).

Promissory agreements and 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
				31 December 2006
Janusz Stolarczyk oraz Danuta Stolarczyk	22.03.2007	Annex no.1 regarding purchase of additional parking space in addition to promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	9,000.00	-
Janusz Zalewski	23.03.2007	Annex no. 2 regarding purchase of additional parking space in addition to the promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and two parking spaces	38,000.00	38,000.00
Jakub Domalik - Plakwicz	31.01.2007	Promissory sale agreement concerning residential facilities with the area of 59,4 sq. m, together with a parking space	776,876.60	271,901.81

Note 14. Incentive plan – Management Options Programme

As at 31 March 2007 there were three Management Option Programmes adopted as part of the Incentive Scheme for the Management 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)	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
	31.03.2007			31.12.2006		
Programme I	413,100	413,100	413,100	413,100	413,100	413,100
Programme I B	96,750	96,750	-	96,750	96,750	-
Programme II	726,000	234,538	-	726,000	234,538	-

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

SHARE OPTIONS		31.03.2007	31.12.2006
Options unexercised at the end of the period	Amount.....	331,288	331,288
	Total exercise price.....	27,440,085.24	27,440,085.24
Options possible to exercise at the end of the period	Amount.....	-	-
	Total exercise price.....	-	-

Note 15. Contingent liabilities

CONTINGENT LIABILITIES	31.03.2007	31.12.2006
Bills of exchange, including:	187,875,340.00	156,463,340.00
– bills of exchange, issued for Hochtief Poland S.A. which guarantee the contractors' claims concerning the work performed for the benefit of the Company	-	-
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan.....	65,465,340.00	74,053,340.00
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan.....	120,410,000.00	80,410,000.00
– 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	2,000,000.00
Guarantees.....	26,875.00	26,875.00
Sureties.....	2,149,318.00	2,248,994.00
Total.....	190,051,533.00	158,739,209.00

Note 16. Material court cases as at 31 March 2007

With regards to proceedings before public administration authorities, as well as court and arbitration proceedings in progress during the preceding 12 months, to which the Company or the entities being members of the Group are a party, it should be indicated that:

The most significant contentious proceeding relates to Marina Mokotów, a project of Fort Mokotów Sp. z o.o. in which the Company holds a 49% interest in the share capital. It refers to the Zoning Decision and the construction permit. Several organizations and natural persons appealed against these decisions.

In 2001, PKO Inwestycje sp. z o.o. (a shareholder of Fort Mokotów sp. z o.o.) received the Zoning Decision, which was later upheld by the self-government appeal court. Following the complaint regarding this ruling, the Voivodeship Administrative Court overruled this decision. PKO Inwestycje sp. z o.o. appealed against this decision to the Supreme Administrative Court, which upheld the decision of the Voivodeship Administrative Court. At present, the case is being referred to the court of the first instance.

There are other proceedings pending before the Voivodeship Administrative Court which are similar in nature to those described above and refer to Marina Mokotów housing estate, nevertheless, they were suspended due to material formal obstacles.

Despite the fact that there were appeals against the decision to grant the construction permit and the Zoning Decision, the investment was accomplished without any hindrance. It must be stressed here that in the opinion of the Company's Management the anticipated annulment of the construction permits, should not have any negative effects for both the investor and the buyers of the apartments in the finished buildings, due to the fact that the investments have been accomplished and the use permits have been obtained.

Therefore, the Management Board of the Company is of the same opinion as the Management Board of Fort Mokotów sp. z o.o. which considers the risks faced by Fort Mokotów sp. z o.o. – and therefore the whole Group – in connection with the foregoing proceedings as negligible and declares that there is no need for creating provisions with respect to the said proceedings.

The Group is also the part to other court proceedings, however, according to the opinion of the Management Board, such proceedings are irrelevant as far as the Company and the Group is concerned.

Note 18. Additional information on the operating activity of the Company

In the period of three months ended 31 March 2007 the following material changes in the portfolio of the Company'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
Olimpia 2 phase 3	I.Q 2007	popular	116

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

Plan	Commencement of construction and sale	Segment	Number of apartments
Derby 15.....	I.Q 2007	popular	277

Note 19. The factors which will influence the results achieved by the Group at least in the next quarter

The most important factors which may influence the financial situation of the Group at least in the next quarter are:

- prompt, compliant with schedules, realization of the construction works by the construction companies realizing the individual investments of the Group in the general construction system,
- achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments,
- lack of violent changes in the legal and tax regulations that may influence in an uncontrollable manner the demand on the market for products offered by the Companies of the Group,
- availability of home loans, and especially the convenient terms of such loans for potential clients,
- maintaining the stable political situation and creating by the government and local authorities a positive economic climate,

Note 20. Material post-balance sheet events

There were no material post-balance sheet events regarding the Group.

Note 21. Selected consolidated financial data translated to EURO

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

SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET	31.03.2007	31.12.2006
	EURO	EURO
Total current assets.....	247,815,401.77	236,708,458.76
Total assets.....	252,425,239.02	241,157,638.29
Total equity.....	137,609,577.95	128,388,479.40
Long-term liabilities.....	42,351,490.59	40,408,795.66
Short-term liabilities.....	72,464,170.48	72,360,363.23
Total liabilities.....	114,815,661.07	112,769,158.89
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>3.8695</i>	<i>3.8312</i>

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	01.01- -31.03.2007	01.01- -31.03.2006
	EURO	EURO
Sales revenue.....	43,999,682.13	31,389,555.99
Gross profit on sales.....	16,133,271.38	8,692,899.26
Operating profit.....	11,256,903.66	5,297,361.24
Profit before tax.....	11,931,385.75	5,058,191.12
Profit after tax.....	9,566,545.69	3,973,207.38
<i>Average PLN/EURO exchange rate for the reporting period.....</i>	<i>3.9063</i>	<i>3.8456</i>

Warsaw, 11 May 2007

 Jarosław Szanajca, President of the Management Board

 Janusz Zalewski, Vice-President of the Management Board