



DOM DEVELOPMENT S.A.

CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD OF THREE MONTHS ENDED ON 31 DECEMBER 2007

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

I. INTRODUCTION TO THE CONDENSED FINANCIAL STATEMENTS

1. General information about Dom Development S.A.

A joint stock company Dom Development S.A. („Company”) is the holding entity of Dom Development S.A. Capital Group. The registered office of the Company is in Warsaw (00-078 Warsaw, pl. Piłsudskiego 3). The Company has been entered into the National Court Register under number 0000031483, District Court for the capital city of Warsaw 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the Company’s scope of activity is construction industry and investments connected with real property – PKD 7011Z. The Company conducts its activities mainly in Warsaw and its vicinity.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 December 2007, Dom Development B.V. controlled 63.10 % of the Company’s shares.

The main area of activity of the Company is the construction and sale of residential real estate.

The Company conducts its activities in the territory of Poland in compliance with the Code of Commercial Companies and Partnerships and its term is unlimited.

In the period of three months ended on 31 December 2007 the Company did not discontinue any of its activities.

2. Basis for the preparation of the financial statements

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

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

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

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

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

3. Summary of significant accounting policies

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

Possible new interpretations to the International Accounting Standards that would be applicable to the Company’s financial statements.

It is possible that the future financial statements may be prepared differently in terms of revenue recognition. The International Financial Reporting Interpretation Committee (IFRIC) is currently engaged in a project reviewing the interpretation of revenue recognition from real estate sales under IAS 11 and IAS 18.

IFRIC has prepared a draft interpretation (D-21 Real Estate Sales) which may introduce changes to the existing guidance on applying International Accounting Standards to real estate sales. The draft has already been discussed during the first stage of consultations with the parties involved. Some respondents have expressed many comments and reservations due to which the draft is currently being reanalysed by IFRIC. The new contents thereof are unknown as at the day of preparing these financial statements.

At present the Company prepares its financial statements under IAS 11 using a percentage of completion method. If the above interpretation is issued by IFRIC in its initial wording, it could require the Company to account for its revenues differently.

The possible change in accounting principles would not impact the profitability of completed contracts but may influence the allocation of revenues and cost of sales to individual accounting periods.

Dom Development S.A.
Balance sheets
as at 31 December 2007 and 31 December 2006

II. BALANCE SHEETS

ASSETS	Note	31.12.2007	31.12.2006
Fixed assets			
Intangible fixed assets		703,961.37	728,038.79
Tangible fixed assets		6,440,126.07	5,388,034.51
Investments in associated entities		3,080,521.79	2,908,708.28
Deferred income tax assets		9,524,763.00	5,101,561.00
Long-term receivables		1,552,195.11	1,517,905.36
Long-term deferred costs		1,471,104.74	904,749.71
Total fixed assets		22,772,672.08	16,548,997.65
Current assets			
Inventory	1	860,026,923.05	588,586,471.94
Trade and other receivables		65,454,597.03	60,745,352.45
Other current assets		26,001,332.62	13,572,188.52
Cash and cash equivalents	3	262,165,573.95	177,035,319.94
Total current assets		1,213,648,426.65	839,939,332.85
Total assets		1,236,421,098.73	856,488,330.50
EQUITY AND LIABILITIES	Note	31.12.2007	31.12.2006
Shareholders' equity			
Share capital	4	24,560,222.00	24,050,372.00
Share premium less treasury shares		231,534,663.23	230,370,719.29
Reserve capital from valuation of share options		7,128,099.74	1,505,790.64
Other capital (supplementary capital)		191,556,295.54	79,301,372.18
Reserve capital from reducing the share capital		509,850.00	509,850.00
Accumulated, unappropriated profit (loss)		230,384,092.90	115,938,956.66
Total shareholders' equity		685,673,223.41	451,677,060.77
Long-term liabilities			
Long-term loans and borrowings	5	41,779,280.00	22,200,000.00
Deferred tax liability.....		86,290,501.00	40,455,193.00
Bonds	6	200,000,000.00	80,000,000.00
Other Long-term liabilities		-	-
Total long-term liabilities		328,069,781.00	142,655,193.00
Short-term liabilities			
Trade payables and other liabilities		120,921,679.04	135,035,538.91
Short-term loans and borrowings	5	37,005,453.52	98,915,383.99
Short-term tax liabilities		5,116,525.57	445,393.27
Short-term provisions		12,183,709.80	3,187,558.89
Accrued liabilities and deferred income		47,450,726.39	24,572,201.67
Total short-term liabilities		222,678,094.32	262,156,076.73
Total liabilities		550,747,875.32	404,811,269.73
Total equity and liabilities		1,236,421,098.73	856,488,330.50

Dom Development S.A.

Income statements

for the period of three months ended on December 31, 2007 and 2006

for the period of twelve months ended on December 31, 2007 and 2006

III. INCOME STATEMENTS

	Note	Period of twelve months ended on		Period of three months ended on	
		31.12.2007	31.12.2006	31.12.2007	31.12.2006
Sales revenues	10	873,485,096.97	580,442,002.75	203,757,080.52	193,022,135.29
Cost of sales	11	544,539,403.11	390,948,453.94	126,067,254.25	119,089,305.10
Gross profit on sales		328,945,693.86	189,493,548.81	77,689,826.27	73,932,830.19
Selling costs	11	27,678,705.97	21,153,798.31	7,925,542.09	5,632,686.17
General administrative expenses	11	49,032,765.15	37,486,468.76	13,042,789.40	13,332,808.47
Other operating income		3,795,678.42	5,434,981.97	572,497.27	1,776,063.11
Other operating expenses		13,499,083.91	10,198,766.19	3,237,991.31	3,722,298.74
Operating profit		242,530,817.25	126,089,497.52	54,056,000.74	53,021,099.92
Financial income	12	39,751,379.47	19,351,214.61	2,378,962.50	3,057,666.70
Financial costs		2,234,645.45	4,341,016.47	465,930.11	626,395.59
Profit before tax		280,047,551.27	141,099,695.66	55,969,033.13	55,452,371.03
Income tax expense	13	49,663,458.37	25,160,739.00	11,505,625.66	11,079,920.51
Profit after tax		230,384,092.90	115,938,956.66	44,463,407.47	44,372,450.52
Earnings per share:					
Basic	7	9.38	5.20	1.81	1.87
Diluted	7	9.38	5.20	1.81	1.87

Dom Development S.A.
Cash flow statements
for the period of twelve months ended on December 31, 2007 and 2006

IV. CASH FLOW STATEMENTS

	Period of twelve months	
	01.01- -31.12.2007	01.01- -31.12.2006
Cash flow from operating activities		
Profit before taxation.....	280,047,551.27	141,099,695.66
Adjustments:		
Depreciation.....	2,145,907.22	1,507,813.34
Profit/loss on foreign exchange differences.....	53,276.34	229,440.78
Profit/loss on investments	(28,978,627.83)	(12,938,196.24)
Interest paid and accrued	9,800,633.01	12,861,473.76
Options valuation.....	5,622,309.10	1,505,790.64
Changes in the operating capital		
Changes in provisions.....	8,996,150.91	873,548.72
Changes in inventory.....	(268,826,105.38)	(242,641,011.75)
Changes in receivables.....	(10,588,870.70)	17,748,664.37
Changes in short term liabilities excluding loans and borrowings.....	(9,442,727.57)	21,518,117.09
Changes in provisions and prepayments.....	10,226,263.64	8,483,166.17
Other adjustments.....	1,448,704.09	(219,160.16)
Cash flow generated from operating activities.....	504,464.10	(49,970,657.62)
Interest paid.....	(12,628,193.19)	(17,593,454.86)
Income tax paid.....	(2,406,016.00)	(894,132.00)
Net cash flow from operating activities.....	(14,529,745.09)	(68,458,244.48)
Cash flow from investing activities		
Proceeds from the sale of financial assets.....		
Proceeds from the sale of intangible assets and tangible fixed assets.....	442,006.96	542,497.46
Proceeds from financial assets (dividends)	29,400,000.00	14,245,976.95
Acquisition of intangible and tangible fixed assets	(4,037,300.49)	(1,952,710.00)
Acquisition of financial assets.....	-	(329,000.00)
Net cash flow from investing activities.....	25,804,706.47	12,506,764.41
Cash flows from financing activities		
Proceeds from the issue of shares.....	-	220,528,838.35
Proceeds from contracted loans and borrowings.....	71,185,823.55	46,302,580.00
Repayment of loans and borrowings.....	(113,516,474.02)	(95,242,850.65)
Proceeds from issued bonds	200,000,000.00	30,000,000.00
Redemption of bonds	(80,000,000.00)	-
Dividend payments	(3,684,033.30)	-
Payment of financial leasing liabilities.....	(130,023.60)	(93,330.81)
Net cash flow from financing activities.....	73,855,292.63	201,495,236.89
Increase (decrease) in net cash and cash equivalents.....	85,130,254.01	145,543,756.82
Cash and cash equivalents – opening balance.....	177,035,319.94	31,491,563.12
Cash and cash equivalents – closing balance.....	262,165,573.95	177,035,319.94

Dom Development S.A.
Statements of changes in the shareholders' equity
for the period of twelve months ended on December 31, 2007 and 2006

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total shareholders' equity
Balance as at 1 January 2007.....	24,050,372.00	230,370,719.29	79,301,372.18	509,850.00	1,505,790.64	115,938,956.66	451,677,060.77
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 share options.....	-	-	-	-	5,622,309.10	-	5,622,309.10
Transfer of retained profit to supplementary capital.....	-	-	112,254,923.36	-	-	(112,254,923.36)	-
Profit for the twelve months ended on 31 December 2007	-	-	-	-	-	230,384,092.90	230,384,092.90
Dividend payment to shareholders...	-	-	-	-	-	(3,684,033.30)	(3,684,033.30)
Balance as at 31 December 2007.....	24,560,222.00	231,534,663.23	191,556,295.54	509,850.00	7,128,099.74	230,384,092.90	685,673,223.41

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total shareholders' equity
Balance as at 1 January 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)
Redemption of treasury shares	(509,850.00)	-	-	509,850.00	-	-	-
Increase of the capital by the issue of shares.....	2,705,882.00	227,294,088.00	-	-	-	-	229,999,970.00
Net cost of the issue of shares.....	-	(7,671,616.65)	-	-	-	-	(7,671,616.65)
Reserve capital from valuation of employee' options	-	-	-	-	1,505,790.64	-	1,505,790.64
Transfer of retained profit to supplementary capital.....	-	-	25,898,118.74	-	-	(25,898,118.74)	-
Profit for the twelve months ended 31 December 2006	-	-	-	-	-	115,938,956.66	115,938,956.66
Balance as at 31 December 2006.....	24,050,372.00	230,370,719.29	79,301,372.18	509,850.00	1,505,790.64	115,938,956.66	451,677,060.77

III.ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1. Inventories

INVENTORY	31.12.2007	31.12.2006
Advances on deliveries	150,853,364.85	104,597,834.25
in this at purchase prices/production costs	150,853,364.85	104,597,834.25
in this revaluation write down		-
Semi-finished goods and work in progress	611,762,619.91	477,580,237.54
in this at purchase prices/production costs	618,366,989.91	481,054,607.54
in this revaluation write down	(6,604,370.00)	(3,474,370.00)
Finished goods	97,410,938.29	6,408,400.15
in this at purchase prices/production costs	98,366,880.56	7,558,779.99
in this revaluation write down	(955,942.27)	(1,150,379.84)
Total	860,026,923.05	588,586,471.94

WRITE-OFFS REVALUATING THE INVENTORIES

Balance as at 1 January 2007	4,624,749.84
Increase.....	3,130,000.00
Use.....	
Release	194,437.57
Balance as at 31 December 2007	7,560,312.27
Balance as at 1 January 2006	3,336,449.24
Increase.....	3,986,360.66
Use.....	-
Release	2,698,060.06
Balance as at 31 December 2006.....	4,624,749.84

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

SECURITY ON INVENTORIES - MORTGAGE	31.12.2007	31.12.2006
Balance sheet value of inventory used to secure liabilities	170,368,777.61	203,611,779.32
Amount of security – purchase of real estate	-	60,000,000.00
Amount of security – loans	250,846,384.08	229,571,730.78
Amount of security - bonds	-	160,000,000.00

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

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -31.12.2007	01.01- -31.12.2006
Opening balance.....	6,128,375.11	6,356,997.76
a) Additions	1,487,733.74	533,671.46
b) Disposals	4,835,415.65	762,294.11
Closing balance.....	2,780,693.20	6,128,375.11

Dom Development S.A.
Additional notes to the condensed financial statements
for the period of three months ended on September 30, 2007

Note 3. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash on hand and 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	31.12.2007	31.12.2006
Cash on hand and at bank	12,236,727.38	9,888,592.33
Short-term deposits and treasury bills.....	249,337,298.57	166,849,184.07
Other	591,548.00	297,543.54
Total	262,165,573.95	177,035,319.94

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31 December 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 (since)
A	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172,200	172,200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92,700	92,700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96,750	96,750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148,200	148,200	cash	14.02.2007	14.02.2007
Total number of shares				24,560,222				
Total share capital					24,560,222			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 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 (since)
A	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
Total number of shares				24,050,372				
Total share capital					24,050,372			
Nominal value per share = PLN 1								

On 27 October 2006 the agreement with CDM PEKAO S.A. was concluded regarding taking up 96,750 J series shares in the increased share capital of Dom Development S.A. (the afore-mentioned shares concern the Management Share Option Programme IB in which CDM PEKAO S.A, pursuant to depositary agreement dated 26 October 2006 CDM PEKAO S.A. is a depository in this programme).

On 28 January 2008 UniCredit CA IB Polska S.A. and Centralny Dom Maklerski Pekao S.A. signed an agreement concerning the sale of a branch constituting an organized part of CDM, pursuant to which the comprehensive brokerage services within UniCredit S.p.A. capital group that were previously rendered by CDM on behalf of the Polish and foreign institutional clients will now be rendered exclusively by UniCredit CA IB Polska S.A.. As a result, all rights and obligations arising from the trust agreement signed with CDM on 26 October 2006 were assumed by UniCredit CA IB Polska S.A. on 28 January 2008.

Description of changes in the share capital of the Company 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.

List of shareholders who have, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the Shareholders Meeting as at the date of preparing these financial statements for the 3rd quarter of 2007

	Shares	% of capital	Number of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Dom Development B.V.	15,496,386.....	63.10...	15,496,386	63.10
Jarosław Szanajca.....	1,734,050.....	7.06...	1,734,050	7.06
Grzegorz Kielpsz.....	1,390,750.....	5.66...	1,390,750	5.66

In the period since the preparation of the last quarterly financial statements there has been no change in the number of shares owned by the above-mentioned shareholders and the percent of the share capital held by them as well as in the percent of votes to which they are entitled at the Shareholders Meeting.

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development SA as at the date of preparing these financial statements for the 4th quarter of 2007

	Shares	Share Options	Total
Management Board			
Jarosław Szanajca.....	1,734,050.....	-	1,734,050
Grzegorz Kielpsz.....	1,390,750.....	-	1,390,750
Leszek Piotr Nałęcz	-	40,000	40,000
Jerzy Ślusarski	363.....	36,850	37,213
Janusz Stolarczyk.....	106,200.....	20,850	127,050
Terry Roydon.....	58,500.....	50,000	108,500
Supervisory Board			
Zygmunt Kostkiewicz	39,376.....	-	39,376

Since the date of preparation of the previous quarterly financial statements there has been a change in the number of share options owned by Piotr Nałęcz (from 0 to 40,000), Janusz Stolarczyk (from 5,850 to 20,850) and in the number of shares owned by Zygmunt Kostkiewicz (from 43,000 to 39,376).

On 14 November 2007 Jerzy Ślusarski was appointed Member of the Management Board of Dom Development S.A. and the data concerning the shares and share options owned by him have been disclosed for the first time.

Note 5. Loans and borrowings

LOANS DUE WITHIN	31.12.2007	31.12.2006
1 year	37,005,453.52	98,915,383.99
More than 1 year less then 2 years	41,779,280.00	22,200,000.00
More than 2 years less then 5 years	-	-
More than 5 years	-	-
Total loans	78,784,733.52	121,115,383.99
including: long-term	41,779,280.00	22,200,000.00
short-term	37,005,453.52	98,915,383.99

As at 31 December 2007 and 31 December 2006 the Company did not have borrowing-related liabilities.

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

Note 6. Bonds

BONDS	31.12.2007	31.12.2006
Nominal value of the issued bonds	200,000,000.00	80,000,000.00
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income.....	1,250,900.00	1,594,138.05

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

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

Note 7. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
Basic earnings per share				
Earnings for the calculation of the basic earnings per share	230,384,092.90	115,938,956.66	44,463,407.47	44,372,450.52
The average weighted number of ordinary shares for the calculation of basic earnings per share *)	24,560,222	22,313,969	24,560,222	23,677,869
Basic earnings per share	9.38	5.20	1.81	1.87
Diluted earnings per share				
Earnings for the calculation of the diluted earnings per share	230,384,092.90	115,938,956.66	44,463,407.47	44,372,450.52
Potential diluting shares related to Management Share Options Programme II**)			-	-
The average weighted number of ordinary shares for the calculation of diluted earnings per share *)	24,560,222	22,313,969	24,560,222	23,677,869
Diluted earnings per share	9.38	5.20	1.81	1.87

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

**) Options for the shares issued as part of IB program do not result in dilution of earnings per share since they are issued and recognized in the share capital. The shares are deposited with CDM PEKAO S.A., which is a trustee in this program (see note 4).

As the Company 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" in the last annual financial statements of the Company), 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 Company does not conduct segment reporting as its activities take place within a single segment.

Note 10. Operating income

SALES REVENUES BY KIND	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
Sales of finished goods	834,678,992.97	546,731,059.88	189,121,626.43	183,991,358.67
Sales of services	30,200,177.78	30,991,870.76	6,029,527.87	8,852,688.12
Sales of goods for resale (land)	8,605,926.22	2,719,072.11	8,605,926.22	178,088.50
Total	873,485,096.97	580,442,002.75	203,757,080.52	193,022,135.29

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Note 11. Operating costs

OPERATING COSTS	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
Cost of sales				
Cost of finished goods sold	512,687,406.71	367,586,725.52	113,919,231.52	113,066,244.72
Cost of services sold	23,249,543.07	19,396,571.15	3,545,569.40	5,844,971.88
Cost of land sold	8,602,453.33	3,965,157.27	8,602,453.33	178,088.50
Total cost of sales	544,539,403.11	390,948,453.94	126,067,254.25	119,089,305.10
Selling costs and general administrative expenses				
Selling costs	27,678,705.97	21,153,798.31	7,925,542.09	5,632,686.17
General administrative expenses	49,032,765.15	37,486,468.76	13,042,789.40	13,332,808.47
Total selling costs and general administrative expenses.....	76,711,471.12	58,640,267.07	20,968,331.49	18,965,494.64
Selling costs and general administrative expenses by kind				
Depreciation.....	2,145,907.22	1,507,813.34	618,934.39	364,173.51
Cost of materials and energy	6,249,289.43	4,302,045.99	2,470,451.80	1,305,533.75
External services	22,910,988.19	17,994,055.19	6,415,238.36	5,783,388.67
Taxes and charges	412,985.92	324,184.86	118,913.92	114,423.66
Wages and salaries	32,687,512.33	27,758,561.23	8,914,600.09	9,175,668.36
Social security and other benefits	3,508,545.97	3,212,520.91	724,889.10	849,009.25
Management Options Programme.....	5,622,309.10	1,505,790.64	920,011.48	707,901.70
Other costs by kind	3,173,932.96	2,035,294.91	785,292.35	665,395.74
Total selling costs and general administrative expenses by kind.....	76,711,471.12	58,640,267.07	20,968,331.49	18,965,494.64

Note 12. Financial income

FINANCIAL INCOME	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
Dividends	29,400,000.00	14,245,976.95	-	-
Interest received	10,116,174.50	5,082,793.27	2,152,938.49	3,058,227.38
Other	235,204.97	22,444.39	226,024.01	(560.68)
Total	39,751,379.47	19,351,214.61	2,378,962.50	3,057,666.70

Note 13. Income tax

INCOME TAX	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
Current income tax	8,251,349.00	7,083,597.00	4,291,398.00	4,266,332.00
Deferred income tax	41,412,109.37	18,077,142.00	7,214,227.66	6,813,588.51
Total	49,663,458.37	25,160,739.00	11,505,625.66	11,079,920.51

Note 14. Transactions with related entities

In the twelve-month periods ended 31 December 2007 and 2006 the Company was a party to the transactions with related entities, 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'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. as a buyer of goods or services

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Woodsford Consulting Limited.....	Consulting services as per agreement dated 1 February 2000, with further amendments	1,903,377.61	2,093,503.23
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	193,094.43	234,295.84
Towarzystwo Ubezpieczeń Wzajemnych	Insurance of financial losses risk	1,225,032.46	1,031,296.22
Bezpieczny Dom"			
Dom Development Grunty Sp. Z o.o.	Services performed based on agreement dated 12 April 2007, with further amendments	127,786.89	-
Fort Mokotów sp. z o.o.	Real estate management	5,586,277.88	1,483,574.37
Fort Mokotów sp. z o.o.....	Other	174,650.16	62,624.98

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Dom Development Grunty sp. z o.o.	Amounts of advances transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of mandate contracts	55,548,371.10	32,396,479.64
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	12,421,544.32	23,190,982.61
Dom Development Grunty sp. z o.o.	Additional VAT payments relating to the invoices transferring the ownership of land to Dom Development S.A.	1,431,229.64	4,924,799.57

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	212,309.85	3,110,384.90
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	1,964,292.28	6,245,132.75
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	120,000.00	-
Fort Mokotów sp. z o.o.	Real estate management services	876,305.29	741,053.41
Fort Mokotów sp. z o.o.	Other	123,149.58	31,623.13

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Dom Development Grunty sp. z o.o.	Payment for shares of PTI Sp. z o.o.	-	24,000.00
PTI Sp. z o.o.	Additional payment to equity	12,480.00	-
Towarzystwo Ubezpieczeń Wzajemnych	Payment for shares	-	175,000.00
„Bezpieczny Dom”			

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Fort Mokotów sp. z o.o.	Dividend (gross)	29,400,000.00	14,245,976.95

Dom Development S.A. as a dividend payer

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Dom Development B.V.....	Dividend (gross)	2,324,458.00	-

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Fort Mokotów sp. z o.o.	Return of the additional contribution to the capital	-	28,910,000.0
Dom Development			0
Morskie Oko sp. z o.o.	Return of the additional contribution to the capital	-	16,500,000.00

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

Counterparty	Transaction description	01.01- -31.12.2007	01.01- -31.12.2006
Dom Development B.V.	Cost of interest on the shareholders' borrowings	-	874,251.29
Dom Development B.V.	Capital repaid from borrowings agreements	-	10,148,676.76

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Balances with related entities

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

Entity	Receivables from related entities		Liabilities to related entities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Total balance	87,604	35,269	1,530	264
Balances below PLN 100,000.....	28	44	11	31
Balances over PLN 100,000.....	87,576	35,225	1,519	233
Subsidiaries	1,147	1,147	-	-
Dom Development Na Dolnej sp. z o.o.	-	-	-	-
Dom Development Morskie Oko sp. z o.o.	-	-	-	-
additional contributions to capital.....	1,147	1,147	-	-
Associated entities	86,429	33,590	-	-
Dom Development Grunty sp. z o.o.	86,429	33,590	-	-
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	-	-	-	-
Co-subsidiaries	-	488	1,268	-
Fort Mokotów sp. z o.o.	-	488	1,268	-
Fort Mokotów sp. z o.o. additional contributions to capital.....	-	-	-	-
Other entities	-	-	251	233
Woodsford Consulting Limited.....	-	-	2511	233
Dom Development B.V.	-	-	-	-

Dom Development S.A. as the buyer/seller of treasury shares (transactions with related parties)

In the twelve-month period ended on 31 December 2007, there were no purchase/sales transactions of treasury shares.

In the twelve-month period ended on 31 December 2006, there were the following purchase/sales transactions of treasury shares:

- On 20 January 2006 an agreement concerning the sale of 72,000 E series shares (for the amount of PLN 200,311.97) 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 shares (for the amount of PLN 149,760.00) with Terry Roydon,
- On 15 March 2006 an agreement concerning the sale of 77,700 E series shares (for the amount of PLN 219,637.23) with Janusz Zalewski (exercise of the options allocated as part of the Incentive Scheme).
- On 28 June 2006 an agreement concerning the sale of 22,500 E series ordinary registered shares with Terry Roydon (exercise of the options allocated as part of the Incentive Scheme I described in note 37),
- On 2 August 2006 Dom Development S.A. concluded share purchase agreements (for the purpose of redemption for a fee) with:
 - a/ 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,
 - b/ Mr. Janusz Stolarczyk – related to the purchase of 72,000 of E series ordinary registered shares,
 - c/ Mr. Terry Roydon - related to the purchase of 22,500 of E series ordinary registered shares,
- On 10 August 2006 agreements on taking up shares in the increased share capital of Dom Development S.A. were concluded with:
 - a/ Mr. Terry Roydon – concerning taking up 22,500 H series ordinary bearer shares,
 - b/ 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 (exercise of the options allocated as part of the Incentive Scheme I),

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c/ Mr. Janusz Stolarczyk – concerning taking up 72,000 H series ordinary bearer shares,

- on 26 October 2006 an agreement with Janusz Zalewski concerning taking up 74,100 L series ordinary bearer shares in the increased shareholders' equity of Dom Development S.A. was signed.

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

Related person	Date	Description	Value in PLN	Cumulative payments made as at 31 December 2007
Janusz Stolarczyk and 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	9,000.00
Janusz Stolarczyk and Danuta Stolarczyk	18.04.2007	Annex no.1 regarding purchase of additional parking space in addition to promissory sale agreement concerning residential facilities with the area of 122,93 sq. m together with two parking spaces	36,000.00	36,000.00
Jerzy Ślusarski and Ewa Ślusarska	27.11.2006	Promissory sale agreement concerning residential facilities with the area of 58,20 sq. m, together with a parking space	379,052.00	284,289.00
Jerzy Ślusarski and Ewa Ślusarska	04.07.2007	Annex no. 1 regarding payable customer changes to the promissory sale agreement concerning residential facilities with the area of 58,20 sq. m, together with a parking space	5,350.00	5,350.00
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	779,125.20	701,432.54
Wojciech Sadowski	29.05.2007	Promissory sale agreement concerning residential facilities with the area of 48,1 sq. m, together with a utility room and a parking space	454,332.00	159,016.20

Note 15. Incentive plan – Management Options Programme

As at 31 December 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)
	31.12.2007			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	435,950	-	726,000	234,538	-

Due to the fact that the employment agreement with Janusz Zalewski was terminated, the 40,588 share options owned by him (allotted under Program II) expired.

On 7 December 2007 the Management Board of Dom Development S.A. adopted a resolution in respect of naming the persons authorized to participate in the second tranche of Management Share Options Programme II concerning

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726,000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution another 242,000 options for the Company's shares were allocated.

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

Dividend rate (%)	1.30
Anticipated volatility rate (%)	36.00
Risk-free interest rate (%)	5.78
Anticipated period of option exercise (in years)	5.00
Share exercise price (PLN)	114.48
Current share price (PLN)	113.20

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 9,969,546.91. Such value is evenly accounted for in the income statement within the period of three years.

Within three months' periods ended on 31 December 2007 and 31 December 2006 the following amounts were accounted for in the income statement: PLN 920,011.48 and PLN 707,901.70, respectively.

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

SHARE OPTIONS		31.12.2007	31.12.2006
Options unexercised at the end of the period	Amount.....	532,700	331,288
	Total exercise price.....	50,497,731.00	27,440,085.24
Options possible to be exercised at the end of the period	Amount.....	-	-
	Total exercise price.....	-	-

Note 16. Contingent liabilities

CONTINGENT LIABILITIES	30.12.2007	31.12.2006
Bills of exchange, including:	112,000,000.00	156,463,340.00
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan.....	70,000,000.00	74,053,340.00
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan.....	40,000,000.00	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.....	9,800,000.00	26,875.00
Sureties.....	1,214,393.00	2,248,994.00
Total.....	123,014,393.00	158,739,209.00

Note 17. Material court cases as at 31 December 2007

The Company is not a party in material court proceedings.

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

In the period of twelve months ended 31 December 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
Derby 7 faza 1/2	II.Q 2007	Popular	127
Olimpia 2 faza 2.....	III Q 2007	Popular	273
Patria faza 1.....	III Q 2007	apartments of higher standard	129
Patria faza 2.....	III Q 2007	apartments of higher standard	113
Gdański.....	III Q 2007	apartments of higher standard	260
Olimpia 2 faza 4.....	IV.Q 2007	Popular	282
Derby 8	IV.Q 2007	Popular	263
Derby 10.....	IV.Q 2007	Popular	359

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
Olbrachta faza 1.....	II.Q 2007	Popular	243
Olimpia 2 faza 5.....	II.Q 2007	Popular	63
Derby 17.....	II.Q 2007	Popular	185
Olbrachta faza 2.....	III Q 2007	Popular	205
Regaty faza 1.....	III Q 2007	Popular	148
Regaty faza 2.....	IV.Q 2007	Popular	242
Derby 13.....	IV.Q 2007	Popular	174

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

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

- prompt, compliant with schedules, completion of the construction works by the construction companies completing individual investments of the Company 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 sudden changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company,
- availability of home loans, and especially convenient terms of such loans for potential clients,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

Note 20. Material post-balance sheet events

There were no material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the fourth quarter of 2007 were prepared.

Note 21. Selected financial data translated into EURO

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

SELECTED DATA FROM BALANCE SHEET	31.12.2007	31.12.2006
	EURO	EURO
Total current assets.....	338,818,656.24	219,236,618.51
Total assets.....	345,176,186.13	223,556,152.25
Total shareholders' equity.....	191,421,893.75	117,894,409.26
Long-term liabilities.....	91,588,436.91	37,235,120.33
Short-term liabilities.....	62,165,855.48	68,426,622.66
Total liabilities.....	153,754,292.38	105,661,742.99
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>3.5820</i>	<i>3.8312</i>

SELECTED DATA FROM INCOME STATEMENT	01.01- -31.12.2007	01.01- -31.12.2006	01.10- -31.12.2007	01.10- -31.12.2006
	EURO	EURO	EURO	EURO
Sales revenue.....	231,276,503.12	148,865,636.36	56,393,977.61	50,201,250.63
Gross profit on sales.....	87,096,402.74	48,599,304.66	21,502,262.95	19,228,471.04
Operating profit.....	64,215,954.58	32,338,103.03	14,961,113.93	13,789,742.41
Profit before tax.....	74,149,425.78	36,187,760.17	15,490,585.13	14,422,068.08
Profit after tax.....	60,999,812.78	29,734,799.48	12,306,165.75	11,540,399.27
<i>Average PLN/EURO exchange rate for the reporting period.....</i>	<i>3.7768</i>	<i>3.8991</i>	<i>3.6131</i>	<i>3.8450</i>

Warsaw, 26 February 2008

Jarosław Szanajca, President of the Management Board

Leszek Piotr Nałęcz, Vice-President of the Management Board