



DOM DEVELOPMENT S.A.

CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2008

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 30 June 2008, 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 six months ended on 30 June 2008 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 2008 as well as the standards which became effective by 30 June 2008 were applied by the Company in the financial statements for the period of six months ending on 30 June 2008 („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 consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

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.

New interpretations to the International Accounting Standards that will be applicable to the Company’s financial statements.

The International Financial Reporting Interpretation Committee (IFRIC) has completed a project reviewing the interpretation of revenue recognition from real estate sales under IAS 11 and IAS 18.

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

This interpretation, application of which will be required to the Company's financial statements for the periods beginning from 1 January 2009, will introduce changes to the currently applied accounting policies in relation to the real estate sales.

At present the Group prepares its financial statements under IAS 11 using a percentage of completion method. Application of the above interpretation will require the Company to account for its revenues differently, in accordance to IAS 18.

The change in accounting principles will not impact the profitability of the Company's real estate development projects but may influence the allocation of revenues and cost of sales to individual accounting periods.

Dom Development S.A.
Balance sheets
as at 30 June 2008 and 31 December 2007
(in PLN; all amounts in thousands unless stated otherwise)

II. BALANCE SHEETS

ASSETS	Note	30.06.2008	31.12.2007
Fixed assets			
Intangible fixed assets		656	704
Tangible fixed assets		6,726	6,440
Investments in associated entities		3,081	3,081
Deferred income tax assets		11,746	9,525
Long-term receivables		1,693	1,552
Long-term deferred costs		503	1,471
Total fixed assets		24,405	22,773
Current assets			
Inventory	1	1,041,319	860,027
Trade and other receivables		105,019	65,454
Other current assets		79,708	26,001
Cash and cash equivalents	3	66,146	262,166
Total current assets		1,292,192	1,213,648
Total assets		1,316,597	1,236,421

EQUITY AND LIABILITIES	Note	30.06.2008	31.12.2007
Shareholders' equity			
Share capital	4	24,560	24,560
Share premium less treasury shares		231,535	231,535
Reserve capital from valuation of share options		10,854	7,128
Other capital (supplementary capital)		371,837	191,556
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		115,288	230,384
Total shareholders' equity		754,584	685,673
Long-term liabilities			
Long-term loans and borrowings	5	39,613	41,779
Deferred tax liability		84,755	86,291
Bonds	6	200,000	200,000
Other Long-term liabilities		-	-
Total long-term liabilities		324,368	328,070
Short-term liabilities			
Trade payables and other liabilities		145,346	120,922
Short-term loans and borrowings	5	17,242	37,005
Short-term tax liabilities		11,406	5,117
Short-term provisions		11,892	12,183
Accrued liabilities and deferred income		51,759	47,451
Total short-term liabilities		237,645	222,678
Total liabilities		562,013	550,748
Total equity and liabilities		1,316,597	1,236,421

Dom Development S.A.
Income statements
for the period of six months ended on 30 June 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

III. INCOME STATEMENTS

		Period of six months ended on	
	Note	30.06.2008	30.06.2007
Sales revenues	10	455,533	396,210
Cost of sales	11	(269,015)	(248,358)
Gross profit on sales		186,518	147,852
Selling costs	11	(15,929)	(14,069)
General administrative expenses	11	(30,702)	(22,710)
Other operating income		949	744
Other operating expenses		(3,015)	(3,478)
Operating profit		137,821	108,339
Financial income	12	6,479	34,565
Financial costs		(738)	(1,345)
Profit before tax		143,562	141,559
Income tax expense	13	(28,274)	(22,100)
Profit after tax		115,288	119,459
Earnings per share:			
Basic (PLN).....	7	4.69	4.86
Diluted (PLN).....	7	4.69	4.86

Dom Development S.A.
Cash flow statements
for the period of six months ended on 30 June 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

IV. CASH FLOW STATEMENTS

	Period of six months ended on	
	30.06.2008	30.06.2007
Cash flow from operating activities		
Profit before taxation	143,562	141,559
Adjustments:		
Depreciation.....	1,074	976
Profit/loss on foreign exchange differences	30	28
Profit/loss on investments	(24)	(29,445)
Interest paid and accrued	4,871	5,229
Cost of the management option scheme	3,726	3,122
Changes in the operating capital		
Changes in provisions	(293)	5,803
Changes in inventory	(176,319)	(165,721)
Changes in receivables	(44,903)	16,090
Changes in short term liabilities excluding loans and borrowings	30,714	(27,408)
Changes in prepayments.....	(48,609)	36,385
Other adjustments.....	(30)	1,646
Cash flow generated from operating activities	(86,201)	(11,736)
Interest paid.....	(9,558)	(7,047)
Income tax paid.....	(26,833)	-
Net cash flow from operating activities.....	(122,592)	(18,783)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets.....	95	156
Dividends received	-	29,400
Acquisition of intangible and tangible fixed assets	(1,383)	(1,660)
Net cash flow from investing activities.....	(1,288)	27,896
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	1	57,576
Repayment of loans and borrowings	(21,930)	(57,479)
Dividend payments	(50,103)	(3,193)
Payment of financial leasing liabilities.....	(108)	(53)
Net cash flow from financing activities	(72,140)	(3,149)
Increase (decrease) in net cash and cash equivalents.....	(196,020)	5,964
Cash and cash equivalents – opening balance	262,166	177,035
Cash and cash equivalents – closing balance	66,146	182,999

Dom Development S.A.
Statements of changes in the shareholders' equity
for the period of six months ended on 30 June 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

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 2008	24,560	231,535	191,556	510	7,128	230,384	685,673
Creation of reserve capital from the valuation of share options	-	-	-	-	3,726	-	3,726
Transfer of profit to supplementary capital	-	-	180,281	-	-	(180,281)	-
Dividend payment	-	-	-	-	-	(50,103)	(50,103)
Profit for the three months ended on 30 June 2008	-	-	-	-	-	115,288	115,288
Balance as at 30 June 2008	24,560	231,535	371,837	510	10,854	115,288	754,584

	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	230,371	79,301	510	1,506	115,939	451,677
Increase of the capital by the issue of shares	510	1,164	-	-	-	-	1,674
Reserve capital from valuation of employee' options	-	-	-	-	3,122	-	3,122
Transfer of profit to supplementary capital	-	-	112,255	-	-	(112,255)	-
Dividend payment	-	-	-	-	-	(3,684)	(3,684)
Profit for the three months ended 30 June 2007	-	-	-	-	-	119,459	119,459
Balance as at 30 June 2007	24,560	231,535	191,556	510	4,628	119,459	572,248

VI. ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1. Inventories

INVENTORY	30.06.2008	31.12.2007
Advances on deliveries	195,802	150,853
in this at purchase prices/production costs	195,802	150,853
in this revaluation write down	-	-
Semi-finished goods and work in progress	763,947	611,763
in this at purchase prices/production costs	770,551	618,367
in this revaluation write down	(6,604)	(6,604)
Finished goods	81,570	97,411
in this at purchase prices/production costs	82,109	98,367
in this revaluation write down	(539)	(956)
Total	1,041,319	860,027

	01.01- -30.06.2008	01.01- -30.06.2007
WRITE-OFFS REVALUATING THE INVENTORIES		
Balance at the beginning of the period	7,560	4,625
Increase	-	3
Release	(417)	(75)
Balance at the end of the period	7,143	4,553

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

SECURITY ON INVENTORIES - MORTGAGE	30.06.2008	31.12.2007
Balance sheet value of inventory used to secure liabilities	197,681	170,369
Amount of security – loans	214,171	250,846

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

	01.01- -30.06.2008	01.01- -30.06.2007
CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES		
Opening balance	2,781	6,128
a) Additions	439	343
b) Disposals	(29)	(4,590)
Closing balance	3,191	1,881

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	30.06.2008	31.12.2007
Cash on hand and at bank	3,177	12,237
Short-term deposits and treasury bills.....	62,931	249,337
Other	38	592
Total	66,146	262,166

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 June 2008

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 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								

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 depositary in this programme).

On 28 January 2008 all rights and obligations arising from the above trust agreement signed with CDM on 26 October 2006 were assumed by UniCredit CA IB Polska S.A.

Description of changes in the share capital of the holding company in the period from 1 January 2008 to the date of preparing the financial statements.

In the period from 1 January 2008 by the date of preparation of these financial statements there have been no changes to the shareholders capital.

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 General Shareholders Meeting ("GSM") as at the date of preparing these financial statements for the period of six months ended 30 June 2008

	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 period of six months ended 30 June 2008

	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	34,215	-	34,215

Since the date of preparation of the previous quarterly financial statements there has been a change in the number of shares owned by Zygmunt Kostkiewicz (from 34,500 to 34,215).

Note 5. Loans and borrowings

LOANS DUE WITHIN	30.06.2008	31.12.2007
1 year	17,242	37,005
More than 1 year less then 2 years	39,613	41,779
More than 2 years less then 5 years	-	-
More than 5 years	-	-
Total loans	56,855	78,784
including: long-term	39,613	41,779
short-term	17,242	37,005

As at 30 June 2008 and 31 December 2007 the Company did not have borrowing-related liabilities.

As at 30 June 2008 and 31 December 2007 all the Company's loans were expressed in Polish Zloty.

Note 6. Bonds

BONDS	30.06.2008	31.12.2007
Nominal value of the issued bonds	200,000	200,000
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income	1,428	1,251

On 5 November 2007 the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement. During the seven-year term of this programme, 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 Programme. 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 programme to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such types of programmes.

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20,000 I series bonds with the nominal value of PLN 10,000 each and the total nominal value of PLN 200,000,000 under the Bond Issue Programme Agreement signed with Bank BPH S.A. on 5 November 2007. The maturity date of these bonds is 28 November 2012 and the interest at WIBOR 3M plus bank commission is payable every three months until the settlement date. The interest becomes due and payable in February, May, August and November during the term of the agreement. The proceeds from the issue of bonds 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- -30.06.2008	01.01- -30.06.2007
Basic earnings per share		
Earnings for the calculation of the basic earnings per share	115,288	119,459
The average weighted number of ordinary shares for the calculation of basic earnings per share	24,560,222	24,560,222
Basic earnings per share (PLN).....	4.69	4.86
Diluted earnings per share		
Theoretical earnings for the calculation of the diluted earnings per share	115,288	119,459
Potential diluting shares related to Management Share Options Programme II*)	-	5,483
The average weighted number of ordinary shares for the calculation of diluted earnings per share	24,560,222	24,565,705
Diluted earnings per share (PLN).....	4.69	4.86

**) Options for the shares issued as part of IB Programme do not result in dilution of earnings per share since they are issued and recognized in the share capital. The shares are deposited with Unicredit CA IB Polska S.A., S.A., which is a trustee in this programme (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- -30.06.2008	01.01- -30.06.2007
Sales of finished goods	444,093	379,907
Sales of services	11,440	16,303
Sales of goods for resale (land)	-	-
Total	455,533	396,210

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 June 2008
(in PLN; all amounts in thousands unless stated otherwise)

Note 11. Operating costs

OPERATING COSTS	01.01- -30.06.2008	01.01- -30.06.2007
Cost of sales		
Cost of finished goods sold	(259,217)	(234,969)
Cost of services sold	(9,798)	(13,389)
Cost of land sold	-	-
Total cost of sales	(269,015)	(248,358)
Selling costs and general administrative expenses		
Selling costs	(15,929)	(14,069)
General administrative expenses	(30,702)	(22,710)
Total selling costs and general administrative expenses	(46,631)	(36,779)
Selling costs and general administrative expenses by kind		
Depreciation	(1,074)	(976)
Cost of materials and energy	(4,284)	(2,512)
External services	(12,225)	(10,558)
Taxes and charges	(224)	(147)
Wages and salaries	(19,769)	(15,525)
Social security and other benefits	(3,193)	(2,082)
Management Options Programme	(3,726)	(3,122)
Other costs by kind	(2,136)	(1,857)
Total selling costs and general administrative expenses by kind	(46,631)	(36,779)

Note 12. Financial income

FINANCIAL INCOME	01.01- -30.06.2008	01.01- -30.06.2007
Dividends	-	29,400
Interest received	6,469	5,164
Other	10	1
Total	6,479	34,565

Note 13. Income tax

INCOME TAX	01.01- -30.06.2008	01.01- -30.06.2007
Current income tax	32,043	1,176
Deferred income tax	(3,769)	20,924
Total	28,274	22,100

Note 14. Transactions with related entities

In the six-month periods ended 30 June 2008 and 2007 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- -30.06.2008	01.01- -30.06.2007
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000, with further amendments	924	926
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	107	102
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	182	204
Fort Mokotów sp. z o.o.	Real estate management	-	1,720
Fort Mokotów sp. z o.o.....	Other	125	145

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
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	5,217	151,362
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	30,076	-

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	-	193
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	300	1,513
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	72	-
Fort Mokotów sp. z o.o.	Real estate management services	10	886
Fort Mokotów sp. z o.o.	Other	9	49

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 June 2008
(in PLN; all amounts in thousands unless stated otherwise)

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Dom Development BV	Dividend (gross)	31,613	2,324

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Fort Mokotów sp. z o.o.	Dividend (gross)	-	29,400

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Dom Development Na Dolnej Sp, z o.o,	Payment to cover the loss /additional payment to capital	30	-

Balances with related entities

Balances as in the books of the Company

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Total balance.....	59,028	87,604	71	1,530
Balances below PLN 100,000	10	28	3	11
Balances over PLN 100,000.....	59,018	87,576	68	1,519
Subsidiaries	1,147	1,147	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1,147	1,147	-	-
Associated entities	57,794	86,429	-	-
Dom Development Grunty sp. z o.o.	57,725	86,429	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	69	-	-	-
Co-subsidiaries.....	77	-	-	1,268
Fort Mokotów sp. z o.o.	77	-	-	1,268
Fort Mokotów sp, z o.o, additional payment to equity	-	-	-	-
Other entities	-	-	68	251
Woodsford Consulting Limited	-	-	68	251

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 (PLN)	Cumulative payments made as at 30 June 2008 (PLN)
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
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	797,472.20	779,120.20
Wojciech Sadowski	29.05.2007	Promissory sale agreement concerning residential facilities with the area of 48.10 sq. m together with utility room and parking space	455,053.60	341,470.60
Paweł i Marta Plakwicz	17.04.2008	Agreement of the liability sale to the third party - session concerning residential facilities with the area of 104,58 sq. m, together with a parking space,	1,710,074.00	285,503.70
Jerzy i Ewa Ślusarscy	30.04.2008	Promissory sale agreement concerning residential facilities with the area of 58.3 sq. m together with parking space	384,402.00	384,402.00

Note 15. Incentive plan – Management Options Programme

As at 30 June 2008 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)
	30.06.2008			31.12.2007		
Programme I	413,100	413,100	413,100	413,100	413,100	413,100
Programme I B	92,500	92,500	-	96,750	96,750	-
Programme II	726,000	415,450	-	726,000	435,950	-

In the second quarter 2008 the number of share options allotted under Programme IB and Programme II decreased due to the termination of employment contracts with a few employees who were under these Programmes. In case of Programme IB the total number of options granted decreased by 4,250 options.

There was no allocation of additional share options in this period.

Within the two six month periods which ended on 30 June 2008 and 2007 the following amounts were accounted for in the income statement: PLN 3,726 thousand and PLN 3,122 thousand respectively.

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

SHARE OPTIONS		30.06.2008	31.12.2007
Options unexercised at the end of the period	Amount	507,950	532,700
	Total exercise price	48,125	50,498
Options possible to be exercised at the end of the period	Amount	-	-
	Total exercise price	-	-

On 10 July 2008, the Supervisory Board of Dom Development S.A. approved the amended rules of the Dom Development S.A. 726,000 Executive Share Option Scheme II.

The amendment refers to the changing the price at which shares may be acquired, defined in point IV.2 of Scheme II as PLN 114.48, into a price of not less than 90% of the arithmetical average of the closing prices of the Company's shares on the public market over the 30 days prior to the adoption of the Supervisory Board resolutions defining the persons entitled to participate in the Scheme, the number of shares, and a share price for each person, with the condition that the price shall not be more than PLN 114.48.

Note 16. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2008	31.12.2007
Bills of exchange, including:	109,518	112,000
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	67,518	70,000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	40,000	40,000
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the trilateral contract on insurance of loan guarantees of the Company's clients	2,000	2,000
Guarantees	9,884	9,800
Sureties	1,000	1,214
Total	120,402	123,014

Note 17. Material court cases as at 30 June 2008

The Company is not a party in material court proceedings as at 30 June 2008.

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

In the period of six months ended 30 June 2008 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:

Project	Decision on the use permit	Segment	Number of apartments
Zawiszy phase 1.....	II Q 2008	Apartments of higher standard	194
Bruna	II Q 2008	Apartments of higher standard	247

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

Project	Commencement of construction and sale	Segment	Number of apartments
Derby 18.....	I Q 2008	Popular	82
Róża Wiatrów	I Q 2008	Popular	184
Grzybowska	I Q 2008	Apartments of higher standard	287
Derby 16.....	I Q 2008	Popular	276
Laguna II.....	II Q 2008	Single family	26
Regaty I stage 3.....	II Q 2008	Popular	166
Regaty II stage 9/1	II Q 2008	Single family	27
Regaty II stage 9/3	II Q 2008	Single family	31
Akacje 11.....	II Q 2008	Popular	77

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

The most important factors which may influence the financial situation of the Company at least in the next 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, especially in the light of the current economic downturn on the primary market of apartment sales,
- 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,
- availability of external financing (loans, bonds) for the real estate development entities,
- 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 following material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the second quarter of 2008 were prepared.

On 30 July 2008 the Management Board of Dom Development S.A. entered into an agreement with Powszechna Kasa Oszczędności Bank Polski S.A. pursuant to which the Bank provided the Borrower with a loan of PLN 200,000,000 (two hundred million) for the conduct of business stated in the statute of the Borrower and the special purpose vehicles in which the Borrower will hold more than 50% of shares. The agreement was entered into for a limited duration, until 31 December 2012. The Bank's receivable under this agreement will be secured by a joint contractual mortgage and a joint ceiling mortgage. The loan shall bear interest at the rate based on the interbank interest rate for three month deposits offered on the Warsaw interbank market WIBOR 3M plus the Bank's margin.

- On 30 July 2008 the Management Board of Dom Development S.A. entered into an agreement with Bank Ochrony Środowiska S.A. pursuant to which the Bank provided the Borrower with a loan of PLN 100,000,000 (one hundred

million) for financing the purchase of real estate for residential development (both single- and multi-family dwellings) or for future sale and refinancing purchases of land bought for the above purposes if the Borrower had already bought land and paid for it with its own equity. The agreement was entered into for a limited duration, until 30 June 2011. The Bank's receivable under this agreement will be secured by an ordinary mortgage and a ceiling mortgage. The loan shall bear interest at the rate based on the interbank interest rate for one month deposits offered on the Warsaw interbank market WIBOR 1M plus the Bank's margin.

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	30.06.2008	31.12.2007
	thousand EURO	thousand EURO
Total current assets	385,246	338,819
Total assets	392,522	345,176
Total shareholders' equity	224,967	191,422
Long-term liabilities	96,705	91,588
Short-term liabilities	70,850	62,166
Total liabilities	167,555	153,754
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>3.3542</i>	<i>3.5820</i>

SELECTED DATA FROM INCOME STATEMENT	01.01- -30.06.2008	01.01- -30.06.2007
	thousand EURO	thousand EURO
Sales revenue	130,991	102,949
Gross profit on sales	53,634	38,417
Operating profit.....	39,631	28,150
Profit before tax	41,282	36,782
Profit after tax.....	33,151	31,040
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>3.4776</i>	<i>3.8486</i>

Warsaw, 15 September 2008

Jarosław Szanajca, President of the Management Board

Leszek Piotr Nałęcz, Vice-President of the Management Board