DOM DEVELOPMENT S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED

31 MARCH 2011

Drafted in accordance
with the International Financial Reporting Standards

CONTENTS

(all amounts in thousands PLN unless stated otherwise)

1. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.03.2011 *(unaudited)*	31.12.2010
Fixed assets			
Intangible assets		733	852
Tangible fixed assets		4 559	4 611
Investments in associated entities		-	1 667
Long-term receivables		16 053	15 791
Total fixed assets		**21 345**	**22 921**
Current assets			
Inventory	**6.5**	1 238 164	1 118 968
Trade and other receivables		32 408	43 752
Corporate income tax receivables		273	-
Other current assets		4 208	3 417
Cash and cash equivalents	**6.7**	407 706	434 691
Total current assets		1 682 759	1 600 828
Total assets		**1 704 104**	**1 623 749**

EQUITY AND LIABILITIES	Note	31.03.2011 *(unaudited)*	31.12.2010
Shareholders' Equity			
Share capital	**6.8**	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		23 271	22 610
Other capital (supplementary capital)		453 943	453 943
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		28 082	40 323
Equity attributable to the shareholders of parent company		**761 901**	773 481
Non-controlling interests		(112)	(101)
Total shareholders' equity		**761 789**	**773 380**
Liabilities			
Long-term liabilities			
Long-term loans	**6.10**	62 330	107 330
Deferred tax provision		1 733	4 522
Bonds	**6.11**	270 000	270 000
Long-term provisions		13 493	13 719
Other long-term liabilities		39 842	19 018
Total long-term liabilities		**387 398**	**414 589**
Short-term liabilities			
Trade payables, tax and other liabilities		155 337	132 710
Short-term part of long-term loans	**6.10**	72 787	100 532
Accrued interest on loans and bonds	**6.12**	3 277	1 637
Corporate income tax payables		-	566
Short-term provisions		4 919	5 222
Deferred income		318 597	195 113
Total short-term liabilities		**554 917**	**435 780**
Total liabilities		**942 315**	**850 369**
Total equity and liabilities		**1 704 104**	**1 623 749**

(all amounts in thousands PLN unless stated otherwise)

2. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Three–month period ended		Three–month period ended	
		31.03.2011 *(unaudited)*	**31.03.2010** *(unaudited)*	**31.03.2011** *(unaudited)*	**31.03.2010** *(unaudited)*
Sales revenue	**6.14**	20 175	159 902	20 175	159 902
Cost of sales	**6.15**	(16 068)	(124 748)	(16 068)	(124 748)
Gross profit on sales		**4 107**	**35 154**	**4 107**	**35 154**
Selling costs	**6.15**	(8 404)	(7 917)	(8 404)	(7 917)
General administrative expenses	**6.15**	(11 246)	(9 890)	(11 246)	(9 890)
Other operating income		989	593	989	593
Other operating expenses		(226)	(519)	(226)	(519)
Operating profit/(loss)		**(14 780)**	**17 421**	**(14 780)**	**17 421**
Financial income	**6.16**	1 150	675	1 150	675
Financial costs		(1 411)	(3 179)	(1 411)	(3 179)
Profit/(loss) before tax		**(15 041)**	**14 917**	**(15 041)**	**14 917**
Income tax	**6.17**	2 789	(3 097)	2 789	(3 097)
Net profit/(loss)		**(12 252)**	**11 820**	**(12 252)**	**11 820**
Net profit/(loss) attributable to:					
Shareholders of the parent company		(12 241)	11 819	(12 241)	11 819
Non-controlling interests		(11)	1	(11)	1
Earnings/(loss) per share:					
Basic (PLN)	**6.18**	**(0.50)**	**0.48**	**(0.50)**	**0.48**
Diluted (PLN)	**6.18**	**(0.50)**	**0.48**	**(0.50)**	**0.48**

(all amounts in thousands PLN unless stated otherwise)

3. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three–month period ended		Three–month period ended	
	31.03.2011 *(unaudited)*	**31.03.2010** *(unaudited)*	**31.03.2011** *(unaudited)*	**31.03.2010** *(unaudited)*
Net profit/(loss)	**(12 252)**	**11 820**	**(12 252)**	**11 820**
Other comprehensive income	-	**-**	-	**-**
Total comprehensive income	**(12 252)**	**11 820**	**(12 252)**	**11 820**
Comprehensive income attributable to:				
Shareholders of the parent company	(12 241)	11 819	(12 241)	11 819
Non-controlling interests	(11)	1	(11)	1

(all amounts in thousands PLN unless stated otherwise)

4. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three-month period ended	
	31.03.2011 *(unaudited)*	**31.03.2010** *(unaudited)*
Cash flow from operating activities		
Profit/(loss) before tax	(15 041)	14 917
Adjustments:		
Depreciation	565	580
Profit/loss on foreign exchange differences	24	8
Profit/loss on investments	(753)	2
Interest cost/income	888	6 121
Cost of the management option programmes	661	984
Changes in the operating capital		
Changes in provisions	(529)	(286)
Changes in inventory	(117 776)	65 914
Changes in receivables	11 080	1 293
Changes in trade payables and other liabilities	43 451	(35 541)
Changes in prepayments and deferred income	122 531	(57 517)
Other adjustments	629	(8)
Cash flow generated from operating activities	**45 730**	**(3 533)**
Interest paid and received	(477)	(4 407)
Income tax paid	(839)	(5 095)
Net cash flow from operating activities	**44 414**	**(13 035)**
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	22	4
Dividends received	732	-
Other income from financial assets	1 014	-
Acquisition of intangible and tangible fixed assets	(394)	(208)
Net cash flow from investing activities	**1 374**	**(204)**
Cash flows from financing activities		
Proceeds from contracted loans	1 281	-
Commercial papers issued	-	-
Repayment of loans and borrowings	(74 026)	(56 750)
Dividends paid	-	-
Payment of financial lease liabilities	(28)	(37)
Net cash flow from financing activities	**(72 773)**	**(56 787)**
Increase / (decrease) in net cash and cash equivalents	**(26 985)**	**(70 026)**
Cash and cash equivalents – opening balance	**434 691**	**230 847**
Cash and cash equivalents – closing balance	**407 706**	**160 821**

(all amounts in thousands PLN unless stated otherwise)

5. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of share options	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholder's equity
Balance as at 1 January 2011	**24 560**	**231 535**	**453 943**	**510**	**22 610**	**40 323**	**773 481**	**(101)**	**773 380**
Transfer of profit to supplementary capital	-	-	-	-	-	-	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	-	-	-
Creation of reserve capital from the valuation of the share options	-	-	-	-	661	-	**661**		**661**
Total comprehensive income for the three-month period ended 31 March 2009	-	-	-	-	-	(12 241)	**(12 241)**	(11)	**(12 252)**
Balance as at 31 March 2011 *(unaudited)*	**24 560**	**231 535**	**453 943**	**510**	**23 271**	**28 082**	**761 901**	**(112)**	**761 789**

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of share options	Accumulated unappropriated profit (loss)	Equity attributable to the shareholders of parent company	Non-controlling interests	Total shareholder's equity
Balance as at 1 January 2010	**24 560**	**231 535**	**388 361**	**510**	**18 726**	**85 138**	**748 830**	**(166)**	**748 664**
Transfer of profit to supplementary capital	-	-	-	-	-	-	**-**	-	**-**
Payment of dividends to shareholders	-	-	-	-	-	-	**-**	-	**-**
Creation of reserve capital from the valuation of the share options	-	-	-	-	984	-	**984**	-	**984**
Total comprehensive income for the three-month period ended 31 March 2010	-	-	-	-	-	11 819	**11 819**	1	**11 820**
Balance as at 31 March 2010 ***(unaudited)***	**24 560**	**231 535**	**388 361**	**510**	**19 710**	**96 957**	**761 633**	**(165)**	**761 468**

(all amounts in thousands PLN unless stated otherwise)

6. ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6.1. General information about Dom Development S.A. and Dom Development Capital Group

General information about the parent company of the Dom Development Capital Group

The parent company of Dom Development Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") with its registered office in Warsaw (00-078 Warsaw, Plac Piłsudskiego 3) entered into the National Court Register under number 0000031483, maintained by the 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 the development of building projects– PKD 4110Z (NACE F41.1). The Group conducts its activities mainly in Warsaw and its vicinity, and Wrocław.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 March 2011 the parent company Dom Development S.A. was controlled by Dom Development B.V. which held 61.91 % of the Company's shares.

General information about the Group and joint ventures

The Group's structure and the parent company interest in the share capital of the entities comprising the Group as at 31 March 2011 is presented in the table below:

Entity	Country of registration	% of the share capital held by the parent company	% of the votes held by the parent company	Consolidation method
Subsidiaries				
Dom Development Morskie Oko sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Joint-venture				
Fort Mokotów sp. z o.o.	Poland	49%	49%	proportionate consolidation

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

The main area of activity of Dom Development Grunty sp. z o.o., a subsidiary is purchase of real estate for development activities of the Group.

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

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies and Partnerships and their term of operation is unlimited, except for Fort Mokotów sp. z o. o.

In the three-month period ended 31 March 2011 the Group did not discontinue any of its activities.

In the three-month period ended 31 March 2010 the Group did not make any material changes to its structure, including mergers, acquisitions or sale of the Group's entities, long-term investments, demergers, restructuring or discontinuation of activities.

6.2. Basis for the drafting of the consolidated financial statements

The interim condensed consolidated financial statements have been drafted on a historical cost basis.

Certain information and disclosures, which in accordance with the International Financial Reporting Standards adopted by the European Union (EU) are normally included in annual consolidated financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, "Interim Financial Reporting" (IAS 34).

The interim condensed consolidated financial statements have been drafted on the assumption that the companies operating within the Group will continue as a going concern in the foreseeable future.

The condensed consolidated financial statements are stated in Polish zloty (PLN). Financial data included in the condensed consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The presented interim condensed consolidated balance sheet, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed consolidated statement of changes in equity are unaudited and they have not been the subject of review by a certified independent auditor. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are required from annual consolidated financial statements and therefore should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended 31 December 2010.

The Company also drafts interim condensed financial statements for Dom Development S.A. for the three-month period ended 31 March 2011. These statements were approved by the Management Board of the Company on 28 April 2011.

6.3. Significant accounting policies

Polish law requires the Group to draft its interim condensed consolidated financial statements in accordance with IFRS, applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34). At this particular time, due to the endorsement of IFRS by the EU and the activities of the Group, there are no differences in the IFRS policies applied by the Group and IFRS that have been endorsed by the EU.

The interim condensed consolidated financial statements have been drafted in accordance with IFRS applicable in the interim financial reporting (IAS 34) and all applicable IFRS that have been adopted by the EU.

These interim condensed consolidated financial statements are drafted based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2010, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2011:

- IAS 24 Related Party Disclosures (revised in November 2009). The adoption of this revision had no impact on the financial position or performance of the Group;
- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues*. The adoption of these amendments had no impact on the financial position or performance of the Group;
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of the Minimum Finding Requirements*. The adoption of these amendments had no impact on the financial position or performance of the Group;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments.* The adoption of this interpretation had no impact on the financial position or performance of the Group;
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*. This amendment has not been applied in relation to the Group;
- Improvements resulting from IFRS reviews (published in May 2010). The adoption of these improvements had no impact on the financial position or performance of the Group.

(all amounts in thousands PLN unless stated otherwise)

The following amendments to IFRSs issued by the International Accounting Standards Council or the International Financial Reporting Interpretation Committee that have not come into force:

- Phase one for IFRS 9 *Financial Instruments: classification and measurement* – effective for annual periods beginning on or after 1 January 2013 – not endorsed by the EU until the date of approval of these financial statements. The International Accounting Standards Board will address collaterals and impairment in the next phases. The completion of this project is expected in the middle of 2011. The adoption of the first phase of IFRS 9 will impact the classification and measurement of financial assets of the Company. The company will review this impact in conjunction with other phases, when published, in order to present a consistent picture;
- Amendments to IFRS 7 *Financial instruments: Disclosures: Transfer of Financial Assets* – effective for annual periods beginning on or after 1 July 2011 – not endorsed by the EU until the date of approval of these financial statements;
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 – not endorsed by the EU until the date of approval of these financial statements;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for annual periods beginning on or after 1 July 2011 – not endorsed by the EU until the date of approval of these financial statements.

The introduced amendments were scrutinised by the Group and do not affect the financial data presented in these interim condensed consolidated financial statements.

6.4. Key assumptions and basis for estimates

In addition to the accounting estimates, when applying the Company's accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

Budgets of the construction projects

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is drafted to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

- verification of their profitability and any potential inventory impairment write down,
- preparation of financial forecasts, annual budgets and medium term plans.

Recognition of revenue from the sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

6.5. Inventory

INVENTORY	31.03.2011	31.12.2010
Advances on deliveries	**7 891**	**22 375**
including: at purchase prices/production costs	7 960	22 444
including: write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	**1 045 480**	**899 712**
including: at purchase prices/production costs	1 057 171	910 817
including: write down to the net realisable value	(11 691)	(11 105)
Finished goods	**184 793**	**196 881**
including: at purchase prices/production costs	187 843	200 078
including: write down to the net realisable value	(3 050)	(3 197)
Total	**1 238 164**	**1 118 968**

(all amounts in thousands PLN unless stated otherwise)

INVENTORY WRITE DOWN TO THE NET REALISABLE VALUE	01.01- - 31.03.2011	01.01- - 31.03.2010
Opening balance	**14 371**	**26 831**
Increments	586	92
Reversal	(147)	(661)
Closing balance	**14 810**	**26 262**

Write down to the net realisable value resulting from impairment tests and analysis performed by the Group.

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.03.2011	31.12.2010
Carrying value of inventory used to secure liabilities	329 225	379 468
Mortgages:		
Value of mortgages used to secure real estate purchase agreements	34 000	-
Value of mortgages used to secure loan agreements	302 578	776 111

6.6. Change in the write-downs of short-term receivables

CHANGE IN THE WRITE-DOWNS OF TRADE AND OTHER RECEIVABLES	01.01- - 31.03.2011	01.01- - 31.03.2010
Opening balance	**2 785**	**3 547**
a) Increments	24	136
b) Decrements	(63)	-
Closing balance	**2 746**	**3 683**

As of the balance sheet dates there were no trade or other receivables in foreign currencies.

6.7. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash in hand and short-term financial assets with up to three months maturity. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	31.03.2011	31.12.2010	31.03.2010
Cash in hand and at bank	1 282	1 947	6 824
Short-term deposits	406 390	432 712	153 943
Overdrafts	-	-	-
Other	34	32	54
Total	**407 706**	**434 691**	**160 821**

The Group discloses overdrafts as a reduction in cash and cash equivalents when it holds deposits that exceed the overdrafts in the same banks (see note 6.10).

(all amounts in thousands PLN unless stated otherwise)

6.8. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31.03.2011 AND 31.12.2010								
Series/ issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (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								

Description of changes to the share capital in the Company in the period from 1 January 2011 to the date of drafting of these financial statements.

In the period from 1 January 2011 to the date of drafting of these financial statements there have been no changes in the shareholders capital.

List of shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at the date that these financial statements for the three-month period ended 31 March 2011 are drafted and approved by the Company's Management Board

	Status as at the date of drafting of these financial statements				**Change in the period from publication of the interim financial statements for the 3-month period ended 30.09.2010**
	Shares	**% of capital**	**Number of votes at the GSM**	**% of votes at the GSM**	**Shares**
Dom Development B.V.	15 206 172	61.91	15 206 172	61.91	(290 214)
Jarosław Szanajca	1 534 050	6.25	1 534 050	6.25	-
Grzegorz Kiełpsz	1 280 750	5.21	1 280 750	5.21	-

(all amounts in thousands PLN unless stated otherwise)

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development S.A. as at the date that these financial statements for the three-month period ended 31 March 2011 are drafted and approved by the Company's Management Board

	Status as at the date of drafting of these financial statements			Change in the period from publication of the interim financial statements for the 3-month period ended 30.09.2010	
	Shares	**Share options *)**	**Total**	**Shares**	**Share options**
The Management Board					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Janusz Zalewski	300 000	100 000	400 000	-	-
Jerzy Ślusarski	9 363	86 100	95 463	-	-
Janusz Stolarczyk	100 200	52 680	152 880	-	-
Terry Roydon	58 500	50 000	108 500	-	-
The Supervisory Board				-	-
Grzegorz Kiełpsz	1 280 750	-	1 280 750	-	-
Zygmunt Kostkiewicz	29 500	-	29 500	-	-

*) The number of share options shown in the table above do not include conditionally granted share options which were granted under the first tranche of Programme III on 13 December 2010 based on the Supervisory Board resolution. Numbers of shares, to which the Management Board members listed below will have the subscription rights, are specified in the conditional resolution:

	Number of share options conditionally granted to the Management Board members under Programme III
	Shares
Janusz Zalewski	23 534
Jerzy Ślusarski	23 534
Janusz Stolarczyk	11 767
Terry Roydon	11 767

6.9. Dividends

In the three-month period ended 30 September 2010 the Company did not allocate any new share options.

The details concerning the resolution on the payment of dividends from 2010 profit has been presented in note 6.25 "Material post balance sheet events".

6.10. Loans

LOANS DUE	31.03.2011	31.12.2010
Less than 1 year	72 787	100 532
More than 1 year and less than 2 years	62 330	107 330
More than 2 years and less than 5 years	-	-
Over 5 years	-	-
Total loans	**135 117**	**207 862**
including: long-term	62 330	107 330
short-term	72 787	100 532

(all amounts in thousands PLN unless stated otherwise)

As at 31 March 2011 and 31 December 2010 the Group did not have borrowing-related liabilities.

As at 31 March 2011 and 31 December 2010 all the loans taken by the Group were expressed in Polish zloty.

BANK LOANS AS AT 31.03.2011						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	100 000	PLN	24 932	PLN	30.06.2011
PKO BP	Warsaw	200 000	PLN	90 000	PLN	31.12.2012
BOŚ	Warsaw	11 990	PLN	2 855	PLN	31.12.2011
BOŚ	Warsaw	17 330	PLN	17 330	PLN	30.09.2012
Total bank loans				**135 117**	**PLN**	

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the loans taken by the Company approximately equals their carrying value.

In the case that the Group holds overdrafts and deposits in the same banks and the amount of deposits exceeds the amount of overdrafts, and the deposit end date falls earlier than repayment of the overdrafts, the Group discloses these overdrafts as a reduction in cash and cash equivalents in the balance sheet (see note 6.7).

ASSET REDUCING OVERDRAFTS AS AT 31.03.2011						
Bank	Registered office	Loan amount as per agreement	Currenc y	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
Total overdrafts		**5 000**	**PLN**	-	**PLN**	

ASSET REDUCING OVERDRAFTS AS AT 31.03.2010						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	40 000	PLN	-	PLN	23.04.2010
Total overdrafts		**40 000**	**PLN**	-	**PLN**	

6.11. Bonds

BONDS	31.03.2011	31.12.2010
Nominal value of the bonds issued	270 000	270 000

On 5 November 2007, the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement, pursuant to which during the seven-year term of the programme Dom Development S.A. is allowed to issue mid-term bonds (with a maturity of over 1 year and under 7 years) with an aggregate 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 during the term of the Programme. The return on the bonds depends on the market conditions on the date of sale and is calculated according to WIBOR 3M + margin. According to the agreement, the bonds shall be issued in series and offered to selected investors. The Company

(all amounts in thousands PLN unless stated otherwise)

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 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 aggregate 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 for these bonds is 28 November 2012 and the interest rate at WIBOR 3M plus bank margin 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 are used for financing the development of the Company. The bonds are an unsecured liability of the Company.

On 22 December 2010 the Company redeemed 3 000 I series bonds with a total value of PLN 30 000 000.

On 30 June 2010, the Company issued 8 500 II series unsecured ordinary bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 85 000 000. The maturity date for these bonds is 30 June 2015. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin. The bonds are an unsecured liability of the Company.

On 15 July 2010, the Company issued 1 500 II series unsecured ordinary bearer bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 15 000 000. The maturity date for these bonds is 30 June 2015. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin.

BONDS ISSUED AS AT 31.03.2011				
Series	**Issue date**	**Amount**	**Currency**	**Contractual maturity date**
I	28.11.2007	170 000	PLN	28.11.2012
II	30.06.2010	85 000	PLN	30.06.2015
II	15.07.2010	15 000	PLN	30.06.2015
	Total:	**270 000**	PLN	

6.12. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	**31.03.2011**	**31.12.2010**
Accrued interest on bonds	2 763	963
Accrued interest on loans	514	674
Total accrued interest on loans and bonds	**3 277**	**1 637**

6.13. Segment reporting

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

6.14. Operating income

REVENUE BREAKDOWN	**01.01- - 31.03.2011**	**01.01- - 31.03.2010**	**01.01- - 31.03.2011**	**01.01- - 31.03.2010**
Sales of finished goods	17 347	157 036	17 347	157 036
Sales of services	2 828	2 866	2 828	2 866
Sales of goods (land)	-	-	-	-
Total	**20 175**	**159 902**	**20 175**	**159 902**

(all amounts in thousands PLN unless stated otherwise)

6.15. Operating costs

OPERATING COSTS	01.01- - 31.03.2011	01.01- - 31.03.2010	01.01- - 31.03.2011	01.01- - 31.03.2010
Cost of sales				
Cost of finished goods sold	(12 456)	(121 428)	(12 456)	(121 428)
Cost of services sold	(3 173)	(3 889)	(3 173)	(3 889)
Cost of goods (land) sold	-	-	-	-
Inventory write down to the net realisable value	(439)	569	(439)	569
Total cost of sales	**(16 068)**	**(124 748)**	**(16 068)**	**(124 748)**
Selling costs, and general administrative expenses				
Selling costs	(8 404)	(7 917)	(8 404)	(7 917)
General administrative expenses	(11 246)	(9 890)	(11 246)	(9 890)
Total selling costs, and general administrative expenses	**(19 650)**	**(17 807)**	**(19 650)**	**(17 807)**
Selling costs, and general administrative expenses by kind				
Depreciation	(565)	(580)	(565)	(580)
Cost of materials and energy	(2 973)	(2 740)	(2 973)	(2 740)
External services	(4 892)	(4 388)	(4 892)	(4 388)
Taxes and charges	(34)	(43)	(34)	(43)
Remuneration	(8 438)	(7 228)	(8 438)	(7 228)
Social security and other benefits	(1 246)	(1 354)	(1 246)	(1 354)
Management Option Programme	(661)	(984)	(661)	(984)
Other prime costs	(841)	(490)	(841)	(490)
Total selling costs, and general administrative expenses by kind	**(19 650)**	**(17 807)**	**(19 650)**	**(17 807)**

6.16. Financial income

FINANCIAL INCOME	01.01- 31.03.2011	01.01- 31.03.2010	01.01- 31.03.2011	01.01- 31.03.2010
Dividends	79	-	79	-
Interest	1 071	674	1 071	674
Other	-	1	-	1
Total	**1 150**	**675**	**1 150**	**675**

6.17. Income tax

INCOME TAX	01.01- - 31.03.2011	01.01- - 31.03.2010	01.01- - 31.03.2011	01.01- - 31.03.2010
Current income tax	-	(3 545)	-	(3 545)
Deferred tax	2 789	448	2 789	448
Total	**2 789**	**(3 097)**	**2 789**	**(3 097)**

(all amounts in thousands PLN unless stated otherwise)

6.18. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- - 31.03.2011	01.01- - 31.03.2010	01.01- - 31.03.2011	01.01- - 31.03.2010
Basic earnings per share				
Profit for calculation of the basic earnings per share	(12 241)	11 819	(12 241)	11 819
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 560 222	24 560 222	24 560 222	24 560 222
Basic earnings per share (PLN)	**(0.50)**	**0.48**	**(0.50)**	**0.48**
Diluted earnings per share				
Theoretical profit for calculation of the diluted earnings per share	(12 241)	11 819	(12 241)	11 819
Potential diluting shares related to the Management Share Option Programme II	157 458	124 857	157 458	124 857
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 717 680	24 685 079	24 717 680	24 685 079
Diluted earnings per share (PLN)	**(0.50)**	**0.48**	**(0.50)**	**0.48**

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

6.19. Transactions with related entities

In the three-month periods ended 31 March 2011 and 2010, the companies operating within the Group were a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES			
Counterparty	**Transaction description**	**01.01- - 31.03.2011**	**01.01- -31.03.2010**
Woodsford Consulting Limited	Consulting services as per the agreement dated 1 February 2000, as amended	349	347
Hansom Property Company Limited	Consulting services as per the agreement dated 31 March 1999	56	55
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2010	89	85
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom" under liquidation	Insurance of financial loss risk	-	(91)

DOM DEVELOPMENT S.A. AS A LAND BUYER UNDER AN AGENCY AGREEMENT			
Counterparty	**Transaction description**	**01.01- - 31.03.2011**	**01.01- -31.03.2010**
Dom Development Grunty sp. z o.o.	Amounts of advances transferred to Dom Development Grunty Sp. z o.o. for the purchase of land, under mandate contracts	-	46 044
Dom Development Grunty sp. z o.o.	Additional payments to invoices for land ownership transfer to Dom Development S.A.	-	700

(all amounts in thousands PLN unless stated otherwise)

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)			
Counterparty	**Transaction description**	**01.01- - 31.03.2011**	**01.01- -31.03.2010**
Fort Mokotów sp. z o.o.	Repair services as per the agreement dated 22 July 2005	66	36
Fort Mokotów sp. z o.o.	Other	32	4
Dom Development Grunty sp. z o.o.	Other	1	1
Dom Development Morskie Oko sp. z o.o.	Other	1	1

DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES			
Counterparty	**Transaction description**	**01.01.- 31.03.2011**	**01.01- 31.03.2010**
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom" under liquidation	Refund of the value of contributed shares in association with liquidation of the Towarzystwo (*insurance company*)	1 674	-

DOM DEVELOPMENT S.A. AS A LENDER			
Counterparty	**Transaction description**	**01.01- - 31.03.2011**	**01.01- -31.03.2010**
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing in the amount of PLN 1 300 thousand	19	-

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	**Receivables from related entities**		**Liabilities to related entities**	
	31.03.2011	**31.12.2010**	**31.03.2011**	**31.12.2010**
Total balance	**2 481**	**2 546**	**208**	**220**
Subsidiaries	**2 466**	**2 463**	**-**	**-**
Dom Development Morskie Oko sp. z o.o. additional contributions to the capital	1 147	1 147	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to the capital	-	16	-	-
Dom Development Grunty sp. z o.o.	1 319	1 300	-	-
Joint-ventures	**15**	**83**	**-**	**-**
Fort Mokotów sp. z o.o.	15	83	-	-
Other entities	**-**	**-**	**208**	**220**
Woodsford Consulting Limited	-	-	119	130
Holland Park Advisory Limited	-	-	89	90

The transactions with Dom Development Grunty spółka z o.o., Dom Development Morskie Oko spółka z o.o. and Fort Mokotów spółka z o.o. are eliminated from the consolidated financial statements according to the rules of consolidation (IAS 27) and disclosure of joint ventures using the proportionate consolidation method (IAS 31).

REMUNERATION AND FEES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS OF DOM DEVELOPMENT S.A.		
Counterparty	**01.01- - 31.03.2011**	**01.01- -31.03.2010**
The Management Board	1 625	1 930
The Supervisory Board	276	231

(all amounts in thousands PLN unless stated otherwise)

Except for as stated above, the Companies operating within the Group did not enter into any other transactions with the Management Board or Supervisory Board members.

6.20. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 31 March 2011:

Programme	Grant date	Number of options*)	Exercise price per option (PLN)
Programme II	6.12.2006	149 400	114.48
Programme II	7.12.2007	161 400	114.48
Programme II	10.12.2008	186 175	14.91
Programme II	15.01.2009	31 000	16.97
Programme II	10.12.2009	198 025	40.64
Total		**726 000**	

*) The number of share options shown in the table above does not include 120 000 conditionally granted share options which were granted under the first tranche of Programme III on 13 December 2010 based on the Supervisory Board resolution.

Granting of new share options

In the three-month period ended 31 March 2011 the Company did not grant any new share options.

6.21. Contingent liabilities

CONTINGENT LIABILITIES	31.03.2011	31.12.2010
Guarantees	3 049	3 051
Sureties	796	804
Total	**3 849**	**3 855**

Additionally, some liabilities of the companies operating within the Group are secured with promissory notes:

COLLATERALS FOR LIABILITIES	31.03.2011	31.12.2010
Promissory notes, including:		
– promissory notes as an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	134 320	134 320
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	-	65 000
– promissory notes as an additional guarantee for TU Euler Hermes arising from the good performance guarantee	1 889	1 889
Total	**136 209**	**201 209**

In the three-month period ended 31 March 2011 the Group did not provide any guarantees for loans or borrowings, nor any other guarantees – jointly to one entity or its subsidiary, the value of which would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

6.22. Material court cases

As of 31 March 2011 there was no individual proceeding before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables of the Company or its subsidiary, the value of which would be at least 10% of the Company's shareholders' equity.

As of 31 March 2011, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 90 798 thousand, including the total value of proceedings concerning liabilities at approx. PLN 89 804 thousand and the total value of proceedings concerning receivables at approx. PLN 993 thousand.

(all amounts in thousands PLN unless stated otherwise)

As of 31 March 2011 the major proceeding concerning the Company's liabilities is the action brought by Erabud Sp. z o.o. for the performance of the preliminary sale/purchase agreement dated 4 January 2008 and related to the purchase of real estate in Józefosław, Piaseczno commune (*gmina*), with a surface area of 88.5 thousand sq.m. A statement of claim from Erabud Sp. z o.o. dated 26 September 2009 was served to the Company on 8 October 2009. The value of the dispute amounts to PLN 64 778 thousand and is identical to the aggregate gross price for the above-mentioned real estate, as specified in the said preliminary agreement. In the opinion of the Management Board of the Company, the claim has been groundless.

The Company entered into the settlement agreement with Erabud Sp. z o.o. on 27 January 2011. In the performance of the said settlement, Erabud Sp. z o.o. made a filing on 3 March 2011 concerning withdrawal of the suit for the execution of preliminary sale agreement, waiver of the claim and discontinuation of the proceeding.

Moreover, pursuant to the settlement Erabud Sp. z o.o. undertook to pay PLN 22 672 thousand as a refund for prepayment for the price, to the Company within 36 months.

The claims of the Company are secured by a warranty given by Sobiesław Zasada S.A. with its registered seat in Krakow, a blank promissory note issued by the warrantor and the mortgage of up to PLN 45 345 thousand.

Furthermore, both the Company and Erabud Sp. z o.o. waived all possible claims, except for the claims under the above-mentioned settlement.

Other proceedings involving the Company have no significant impact on the Company's activity.

6.23. Additional information on the operating activity of the Group

In the period from 1 January to 31 March 2011 the following material changes in the portfolio of the Group's real estate development projects under construction took place:

Projects commenced in the period from 1 January until 31 March 2011:

Project	Standard	Number of apartments
Derby 14, phase 1	Popular	174
Adria, phase 2	Popular	230
Oaza, phase 1	Popular	116
Saska I, phase 2/2	Popular	144
Opera B	Luxury apartments	11

In the period from 1 January until 31 March 2011 the Group did not complete any projects.

6.24. The factors that will impact the results achieved by the Group in at least the next three months

The most important factors that may impact the financial situation of the Group in at least the next three months are:

- the economic trend in the residential market, where the Group operates,
- the impact of the worldwide financial situation on the Polish economy and banking system,
- the availability of mortgages, and in particular their convenient terms for potential clients,
- achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments,
- the timely delivery of the construction works in line with the schedules by the construction companies completing individual investments of the Group in the general contractor system,
- availability of external financing (loans, bonds) for real estate developers,
- no sudden changes in the legal and tax regulations that may influence market demand for products offered by the Group in an uncontrolled manner,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

(all amounts in thousands PLN unless stated otherwise)

6.25. Material post-balance sheet events

Management Board's petition for the appropriation of 2010 profit

On 7 April 2011, the Supervisory Board of the Company approved the petition of the Management Board for the appropriation of Company's net profit for 2010. The Management Board requested that a part of the Company's net profit for 2011 in the amount of PLN 22 104 199.80, i.e. PLN 0.90 per share, be appropriated for the payment of a dividend to shareholders in the Company, and a part of the net profit for 2010 in the amount of PLN 17 584 303.19 be allocated for the increase of Company's supplementary capital.

The Management Board of the Company proposed that the dividend day be 7 June 2011 and the dividend payment day 22 June 2011. The Supervisory Board of the Company recommended to the General Shareholders' Meeting that the above petition be approved and resolution on the appropriation of profit for 2010 be adopted.

Material agreement

On 26 April 2011 the Company and Wojskowe Towarzystwo Budownictwa Społecznego "KWATERA" Sp. z o.o. (*the Army Association for Social Cantonment Construction*) entered into a preliminary agreement for the sale of ownership title to the undeveloped property located in Warsaw, Żoliborz district, at ul. Powązkowska, with an area of 98 879 sq.m..

Net price for the sale of the property is PLN 168 250 thousand plus accrued interest on this amount being deposited on escrow account until the date of the conditional sale agreement.

The terms of the preliminary sale agreement entered into with Wojskowe Towarzystwo Budownictwa Społecznego "KWATERA" Sp. z o.o. are typical for such agreements.

The conclusion of the conditional sale agreement for the property by the parties (under a condition subsequent of the failure to exercise a statutory pre-emptive right by the Mayor of the Capital City of Warsaw) shall take place not later than 30 days from the date when Wojskowe Towarzystwo Budownictwa Społecznego „KWATERA" Sp. z o.o. obtains a permit from the State Treasury Minister for the conclusion of such conditional agreement.

6.26. Forecasts

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning the Group.

6.27. Selected financial data translated into EURO

The following financial data of the Group have been translated into euro:

SELECTED DATA FROM THE BALANCE SHEET	31.03.2011 thousand Euro	31.12.2010 thousand Euro
Total current assets	419 442	404 219
Total assets	424 762	410 007
Total shareholders' equity	189 882	195 283
Long-term liabilities	96 562	104 686
Short-term liabilities	138 318	110 037
Total liabilities	234 880	214 723
PLN/EURO exchange rate as at the balance sheet date	*4.0119*	*3.9603*

(all amounts in thousands PLN unless stated otherwise)

SELECTED DATA FROM THE INCOME STATEMENT	**01.01- - 31.03.2011** thousand Euro	**01.01- -31.03.2010** thousand Euro	**01.01- - 31.03.2011** thousand Euro	**01.01- -31.03.2010** thousand Euro
Sales revenue	5 076	40 309	5 076	40 309
Gross profit on sales	1 033	8 862	1 033	8 862
Operating profit/(loss)	(3 720)	4 392	(3 720)	4 392
Profit/(loss) before tax	(3 786)	3 760	(3 786)	3 760
Net profit/(loss)	(3 083)	2 980	(3 083)	2 980
Average PLN/EURO exchange rate for the reporting period	*3.9742*	*3.9669*	*3.9742*	*3.9669*

These interim condensed consolidated financial statements were drafted and approved by the Management Board of the Company on 28 April 2011.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board