



DOM DEVELOPMENT S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2010

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

Dom Development S.A.
Interim condensed consolidated balance sheet
as at 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

I. INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2010 <i>(unaudited)</i>	31.12.2009
Fixed assets			
Intangible fixed assets		349	717
Tangible fixed assets		6 225	5 455
Investments in associated entities		1 014	1 014
Long-term receivables		2 528	2 438
Long-term deferred costs		-	74
Total fixed assets		10 116	9 698
Current assets			
Inventory	4	1 222 344	1 305 117
Trade and other receivables		32 645	27 652
Other current assets		5 483	4 985
Cash and cash equivalents	6	290 667	230 847
Total current assets		1 551 139	1 568 601
Total assets		1 561 255	1 578 299

EQUITY AND LIABILITIES	Note	30.06.2010 <i>(unaudited)</i>	31.12.2009
Shareholders' Equity			
Share capital	7	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		20 705	18 726
Other capital (supplementary capital)		453 943	388 361
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		24 913	85 138
Equity attributable to the equity holders of the holding company		756 166	748 830
Non-controlling interests		(122)	(166)
Total shareholders' equity		756 044	748 664
Liabilities			
Long-term liabilities			
Long-term loans	9	90 000	184 945
Deferred tax provision	10	9 464	11 686
Bonds	11	285 000	200 000
Other long-term liabilities		-	-
Total long-term liabilities		384 464	396 631
Short-term liabilities			
Trade payables, tax payables and other liabilities		107 516	130 991
Short-term part of long-term loans	9	209 970	134 218
Accrued interest on loans and bonds	12	1 531	1 861
Personal income tax payables		1 583	2 253
Short-term provisions		16 486	17 369
Deferred income		83 661	146 312
Total short-term liabilities		420 747	433 004
Total liabilities		805 211	829 635
Total equity and liabilities		1 561 255	1 578 299

Dom Development S.A.
Interim condensed consolidated income statement
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

II. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Period of six months ended on	
	Note	30.06.2010 (<i>unaudited</i>)	30.06.2009 (<i>unaudited</i>)
Sales revenues	14	302 734	382 582
Cost of sales	15	(229 828)	(265 830)
Gross profit on sales		72 906	116 752
 Selling expenses	15	(14 301)	(10 993)
General administrative expenses	15	(21 164)	(21 869)
Other operating income		1 599	2 110
Other operating expenses		(2 549)	(1 802)
Operating profit		36 491	84 198
 Financial income		1 417	1 251
Financial costs		(6 325)	(5 353)
Profit before tax		31 583	80 096
 Income tax expense	16	(6 534)	(15 872)
Profit after tax		25 049	64 224
 Profit attributable to:			
Equity holders of the holding company		25 005	64 232
Non-controlling interests		44	(8)
 Consolidated earnings per share:			
Basic (PLN)	17	1.02	2.62
Diluted (PLN)	17	1.01	2.61

Dom Development S.A.
Interim condensed consolidated statement of comprehensive income
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

III. INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period of six months ended on	
	30.06.2010	30.06.2009
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit	25 049	64 224
Other comprehensive income	-	-
Total comprehensive income	25 049	64 224
Comprehensive income attributable to:		
Equity holders of the holding company	25 005	64 232
Non-controlling interests	44	(8)

Dom Development S.A.
Interim condensed consolidated cash flow statement
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

IV. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Period of six months ended on	
	30.06.2010 (<i>unaudited</i>)	30.06.2009 (<i>unaudited</i>)
Cash flow from operating activities		
Profit before taxation	31 583	80 096
Adjustments:		
Depreciation	1 167	1 247
Profit/loss on foreign exchange differences	(29)	49
Profit/loss on investments	(8)	198
Interest paid and accrued	11 696	8 372
Cost of the management option scheme	1 979	2 514
Changes in the operating capital		
Changes in provisions	(883)	(432)
Changes in inventory	82 517	17 888
Changes in receivables	(5 084)	25 149
Changes in short term liabilities excluding loans and borrowings	(23 617)	14 430
Changes in prepayments	(63 850)	(190 241)
Other adjustments	29	(49)
Cash flow generated from operating activities	35 500	(40 779)
Interest paid	(10 174)	(12 019)
Income tax paid	(9 425)	(25 297)
Net cash flow from operating activities.....	15 901	(78 095)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	14	279
Acquisition of intangible and tangible fixed assets	(1 575)	(721)
Net cash flow from investing activities	(1 561)	(442)
Cash flows from financing activities		
Proceeds from contracted loans	52 898	46 687
Proceeds from contracted bonds	84 737	-
Repayment of loans and borrowings	(72 579)	(22 896)
Dividend payments	(19 506)	(19 648)
Payment of financial leasing liabilities	(70)	(103)
Net cash flow from financing activities	45 480	4 040
Increase / (decrease) in net cash and cash equivalents	59 820	(74 497)
Cash and cash equivalents – opening balance	230 847	223 697
Cash and cash equivalents – closing balance	290 667	149 200

Dom Development S.A.
Interim condensed consolidated statement of changes in the shareholders' equity
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

V. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN THE 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)	Equity attributable to the equity holders of the holding company	Non-controlling interest	Total 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	-	-	65 582	-	-	(65 582)	-	-	-
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	(19 648)	-	(19 648)
Creation of reserve capital from the valuation of the share options	-	-	-	-	1 979	-	1 979	-	1 979
Total comprehensive income for six months ended on 30 June 2010.....	-	-	-	-	-	25 005	25 005	44	25 049
Balance as at 30 June 2010 (unaudited)...	24 560	231 535	453 943	510	20 705	24 913	756 166	(122)	756 044

	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)	Equity attributable to the equity holders of the holding company	Non-controlling interest	Total equity
Balance as at 1 January 2009	24 560	231 535	371 837	510	13 908	41 103	683 453	(165)	683 288
Transfer of profit to supplementary capital	-	-	122 514	-	-	(122 514)	-	-	-
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	(19 648)	-	(19 648)
Transfer of the adjustment to the opening balance to the supplementary capital (implementation of IFRIC-15).....	-	-	(105 990)	-	-	105 990	-	-	-
Creation of reserve capital from the valuation of the share options	-	-	-	-	2 514	-	2 514	-	2 514
Total comprehensive income for six months ended on 30 June 2009	-	-	-	-	-	64 232	64 232	(8)	64 224
Balance as at 30 June 2009 (unaudited)...	24 560	231 535	388 361	510	16 422	69 163	730 551	(173)	730 378

VI. ADDITIONAL NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

According to the Polish Classification of Business Activity the Company's scope of activity is construction projects concerning construction of buildings – PKD 4110Z. 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 2010 the holding company Dom Development S.A. was controlled by Dom Development B.V. which held 63.10% of the Company's shares.

General information about the Group and joint ventures

The following table presents the Group's structure and the holding company's stake in the entities comprising the Group as at 30 June 2010.

Entity name	Country of registration	% of share capital held by the holding company	% of votes held by the holding company	Consolidation method
Subsidiaries				
Dom Development na Dolnej sp. z o.o. under liquidation	Poland	100%	100%	full consolidation
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 the subsidiary entity – Dom Development Grunty sp. z o.o. 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 the Marina Mokotów project, but for no longer than until 31 December 2011 (as per the company's articles of association).

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

In the period of six months ended on 30 June 2010 the Group did not discontinue any of its operations.

In the period of six months ended on 30 June 2010 the Group did not make any material changes to its structure, including mergers, acquisitions, sale of the Group's entities, long-term investments, divisions, restructuring or discontinuation of operations.

Note 2. Significant accounting policies

Basis for the preparation of the consolidated financial statements

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

Certain information and footnote disclosures, which in accordance with International Financial Reporting Standards adopted by 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 prepared on the assumption that the companies comprising 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, but they were a subject of review by a certified independent auditor. These unaudited interim condensed consolidated financial statements do not include all information and footnote disclosures which are required in 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 2009.

The Company also prepares interim condensed financial statements of Dom Development S.A. for the period of six months ended on 30 June 2010, that were approved by the Management Board of the Company on 23 August 2010

Significant accounting policies

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

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

These interim condensed consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2009, except for the following amendments to existing standards and new interpretations that are effective for financial years beginning on 1 January 2010:

- IFRS 3 *Business Combinations* (revised in January 2008). The adoption of these amendment did not have an impact on the financial position or performance of the Group.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (issued in January 2008). The adoption of these amendment did not have an impact on the financial position or performance of the Group.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (issued in July 2008). The adoption of these amendments did not have an impact on the financial position or performance of the Group.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (restructured in November 2008). The adoption of this revised standard had no impact on the financial position or performance of the Group.
- IFRIC 17 *Distributions of Non-cash Assets to Owners*. The adoption of this interpretation had no impact on the financial position or performance of the Group.

Dom Development S.A.

Additional notes to the interim condensed consolidated financial statements
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

- Improvements to IFRSs (issued in April 2009). The adoption of these improvements had no impact on the financial position or performance of the Group.
- Amendments to IFRS 2 *Share-based Payments – Group Cash-settled Share-based Payment Transactions* (amended in June 2009) – The adoption of these amendments had no impact on the financial position or performance of the Group.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters*. The adoption of these amendments had no impact on the financial position or performance of the Group.
- IFRIC 12 *Service Concession Arrangements*. The Group does not pursue business activities related to concessioned services.

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

- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for financial years beginning on or after 1 January 2011,
- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – effective for financial years beginning on or after 1 February 2010,
- IFRS 9 *Financial Instruments* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – effective for financial years beginning on or after 1 July 2010,
- Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011 - not endorsed by EU till the date of approval of these financial statements.

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

Note 3. Key assumptions and bases for estimates

The decision to purchase real estate (land) is based upon analysis, of which one of the most important elements is the so called "purchase budget" which is prepared to assess future profitability of projects. From the moment the real estate is purchased, the budgets for these construction projects are updated based on the management's best knowledge and experience. Budgets of all construction projects are verified and updated when necessary, at least once every three months.

Dom Development S.A.
Additional notes to the interim condensed consolidated financial statements
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(all amounts in thousands PLN unless stated otherwise)

Note 4. Inventories

INVENTORY	30.06.2010	31.12.2009
Advances on deliveries	22 452	7 691
in this at purchase prices/production costs	22 521	7 760
in this write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	891 516	787 488
in this at purchase prices/production costs	915 201	813 805
in this write down to the net realisable value	(23 685)	(26 317)
Finished goods	308 376	509 938
in this at purchase prices/production costs	308 810	510 383
in this write down to the net realisable value	(434)	(445)
Total	1 222 344	1 305 117

	01.01- - 30.06.2010	01.01- - 30.06.2009
WRITE DOWN TO THE NET REALISABLE VALUE		
Balance at the beginning of the period	26 831	12 577
Increase	2 963	5 451
Decrease	(5 606)	(19)
Balance at the end of the period	24 188	18 009

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

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

SECURITY ON INVENTORIES – MORTGAGE	30.06.2010	31.12.2009
Balance sheet value of inventory used to secure liabilities	534 703	683 669
Value of mortgages used to secure the loans	1 180 260	987 900

Note 5. Change in the write-offs revaluating short-term receivables

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- - 30.06.2010	01.01- - 30.06.2009
Opening balance	2 755	1 928
a) Additions	849	500
b) Disposals	-	-
Closing balance	3 604	2 428

Note 6. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash in hand 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	30.06.2010	31.12.2009	30.06.2009
Cash in hand and at bank	6 550	3 172	5 272
Short-term deposits	284 066	227 632	143 902
Other	51	43	26
Total	290 667	230 847	149 200

Note 7. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2010 AND 31.12.2009

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	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								

Description of changes in the share capital of the holding company in the period from 1 January 2010 to the date of preparing the financial statements.

In the period from 1 January 2010 by the date of preparation of these financial statements there have been no changes to the shareholders capital.

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 and approving by the Company's Management Board these financial statements for the 1st half of 2010

State as at the date of preparing these financial statements					Change in the period from publication of the financial statements for the year ended at 31 December 2009
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM	Shares
Dom Development B.V.	15 496 386	63.10	15 496 386	63.10	(13 000)
Jarosław Szanajca	1 534 050	6.25	1 534 050	6.25	(200 000)
Grzegorz Kiełpsz.....	1 280 750	5.21	1 280 750	5.21	(110 000)

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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 and approving by the Company's Management Board these financial statements for the 1st half of 2010

Status as at the date of preparation of these financial statements			Change in the period from publication of the financial statements for the year ended at 31 December 2009		
	Shares	Share Options	Total	Shares	Share Options
Management Board					
Jarosław Szanajca	1 534 050	-	1 534 050	(200 000)	-
Janusz Zalewski	300 000	100 000	400 000	(59 000)	69 000
Jerzy Ślusarski	9 363	86 100	95 463	(12 000)	34 250
Janusz Stolarczyk	100 200	52 680	152 880	(6 000)	16 830
Terry Roydon	58 500	50 000	108 500	-	-
Supervisory Board					
Grzegorz Kielpsz.....	1 280 750	-	1 280 750	(110 000)	-
Zygmunt Kostkiewicz	29 500	-	29 500	-	-

Note 8. Dividend

On 20 May 2010 the Ordinary General Meeting of the Shareholders of the Company decided to assign PLN 19 648 thousand from the Company's profit for 2009 for dividend what means the payment of PLN 0.80 per share. The dividend day was set at 8 June 2010 and the day of payment of the dividend was set at 23 June 2010. The dividend was paid on in accordance with the resolution.

In the preceding year there was also allocated PLN 19 648 thousand for dividend, what gave a payment of PLN 0.80 per share.

Note 9. Loans and borrowings

LOANS DUE WITHIN	30.06.2010	31.12.2009
1 year	209 970	134 218
More than 1 year less then 2 years	45 000	94 945
More than 2 years less then 5 years	45 000	90 000
More than 5 years	-	-
Total loans	299 970	319 163
including: long-term	90 000	184 945
short-term	209 970	134 218

As at 30 June 2010 and 31 December 2009 the Group did not have borrowing-related liabilities.

As at 30 June 2010 and 31 December 2009 all the Group's loans were expressed in Polish Zloty.

Dom Development S.A.
Additional notes to the interim condensed consolidated financial statements
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(all amounts in thousands PLN unless stated otherwise)

Loan liabilities as at 30 June 2010

BANK LOANS AS AT 30.06.2010						
Bank	Registered office	Amount of loan - as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	100 000	PLN	99 970	PLN	30.06.2011
PKO BP	Warsaw	200 000	PLN	135 000	PLN	31.12.2012
PKO BP	Warsaw	65 000	PLN	19 581	PLN	31.01.2011
PKO BP	Warsaw	65 000	PLN	45 419	PLN	31.03.2012
Total bank loans				299 970	PLN	

On 8 April 2010 the Company entered into a loan agreement with Powszechna Kasa Oszczędności Bankiem Polskim S.A.. Based on this agreement the bank made available to the Company a non-revolving credit facility to the amount of PLN 65 million to be used to finance the Company's current liabilities. The loan principle, accrued interest and other related costs are secured to the amount of PLN 97.5 million on the bail mortgage for the Company's share in the perpetual usufruct of a plot of land in Warsaw at 4 Grzybowska Street.

The Company's Management Board estimates that the fair value of the loans and borrowings contracted by the Group is approximately equal to their net book value.

Note 10. Deferred tax

The Group has changed the presentation of deferred tax assets and deferred tax provision. In the balance sheet presented in the consolidated financial statements for the period of twelve months ended as at 31 December 2009 deferred tax assets and deferred tax provision were presented separately as items of assets and liabilities respectively. In these financial statements these items are presented on the net basis. This change is presented in the table below.

Deferred tax show in balance sheet as at 31.12.2009	Assets	Liabilities
Before the change of presentation in balance sheet	9 347	21 033
After the change of presentation in balance sheet	-	11 686

Note 11. Bonds

BONDS	30.06.2010	31.12.2009
Nominal value of the issued bonds	285 000	200 000

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, based on the above agreement Dom Development S.A. is allowed 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.

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The return on bonds depends on the market conditions on the sale date and calculated according to WIBOR 3M + margin. According to the agreement, 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 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 rate 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 are used for financing the development of the Company. The bonds are an unsecured liability of the Company.

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 total nominal value of PLN 85 000 000. The maturity date of these bonds is 30 June 2015. The issue value is equal to the nominal value. The interest rate is set at WIBOR 6M plus commission. The bonds are an unsecured liability of the Company.

Nota 12. Accrued interest liability on loans and bonds.

ACCRUED INTEREST LIABILITY ON LOANS AND BONDS	30.06.2010	31.12.2009
Accrued interest on bonds	958	1 022
Accrued interest on loans	573	839
Total accrued interest on loans and bonds	1 531	1 861

In the balance sheet presented in the financial statements for the twelve month period ended 31 December 2009 the accrued interest on loans were presented as "deferred income and accrued liabilities".

Note 13. Segment reporting

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

Note 14. Operating income

SALES REVENUES BY KIND	01.01.- 30.06.2010	01.01.- -30.06.2009
Sales of finished goods	296 977	373 865
Sales of services	5 757	7 085
Sales of goods for resale (land)	-	1 632
Total	302 734	382 582

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Additional notes to the interim condensed consolidated financial statements
for the period of six months ended on 30 June 2010
(all amounts in thousands PLN unless stated otherwise)

Note 15. Operating costs

OPERATING COSTS	01.01.- 30.06.2010	01.01.- -30.06.2009
Cost of sales		
Cost of finished goods sold	(224 865)	(252 241)
Cost of services sold	(7 606)	(6 299)
Cost of land sold	-	(1 858)
Inventory write down to the net realisable value	2 643	(5 432)
Total cost of sales	(229 828)	(265 830)
Selling costs and general administrative expenses		
Selling costs	(14 301)	(10 993)
General administrative expenses	(21 164)	(21 869)
Total selling costs and general administrative expenses.....	(35 465)	(32 862)
Selling costs and general administrative expenses by kind		
Depreciation	(1 167)	(1 247)
Cost of materials and energy	(4 794)	(3 468)
External services	(8 919)	(8 710)
Taxes and charges	(118)	(203)
Wages and salaries	(14 986)	(13 538)
Social security and other benefits	(2 269)	(1 949)
Management Options Programme.....	(1 979)	(2 514)
Other costs by kind	(1 233)	(1 233)
Total selling costs and general administrative expenses by kind	(35 465)	(32 862)

Note 16. Income tax

INCOME TAX	01.01.- 30.06.2010	01.01.- -30.06.2009
Current income tax	8 756	20 767
Deferred income tax	(2 222)	(4 895)
Total	6 534	15 872

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Note 17. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01.- 30.06.2010	01.01.- -30.06.2009
Basic earnings per share		
Profit for calculation of the basic earnings per share	25 005	64 232
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 560 222	24 560 222
Basic earnings per share (PLN)	1.02	2.62
Diluted earnings per share		
Theoretical profit for calculation of the diluted earnings per share	25 005	64 232
Potential diluting shares related to Management Share Options Programme II	132 253	42 165
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 692 475	24 602 387
Diluted earnings per share (PLN)	1.01	2.61

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

Note 18. Transactions with related entities

In the six-month periods ended 30 June 2010 and 2009 the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided. Due to the Group's turnover transactions with a given related entity which did not exceed in any of the presented periods PLN 100 thousand have been omitted in the summary.

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

Counterparty	Transaction description	01.01.- -30.06.2010	01.01.- -30.06.2009
Woodsford Consulting Limited.....	Consulting services as per agreement dated 1 February 2000, with further amendments	675	739
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	108	130
Holland Park Advisory Limited	Consulting services as per agreement dated 5 January 2010	175	-
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	(111)	(115)
Fort Mokotów sp. z o.o.....	Other	-	(2)

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

Counterparty	Transaction description	01.01.- -30.06.2010	01.01.- -30.06.2009
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	1 217	277
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	54 796	-

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Dom Development S.A. providing services (seller)

Counterparty	Transaction description	01.01- -30.06.2010	01.01- -30.06.2009
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	-	300
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	72	72
Fort Mokotów sp. z o.o.	Other	8	16
Dom Development Grunty sp. z o.o.	Other	3	3
Dom Development Morskie Oko sp. z o.o.	Other	31	2

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

Counterparty	Transaction description	01.01- -30.06.2010	01.01- -30.06.2009
Fort Mokotów sp. z o.o.	Dividend (gross)	-	6 370

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

Counterparty	Transaction description	01.01- -30.06.2010	01.01- -30.06.2009
Dom Development B.V.	Dividend (gross)	12 397	12 397

Balances with related entities

Balances as in the books of the Company

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Total balance.....	1 482	57 122	95	173
Balances below PLN 100,000	48	15	-	1
Balances over PLN 100,000.....	1 434	57 107	95	172
Subsidiaries	1 434	57 028	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1 183	1 147	-	-
Dom Development Grunty sp. z o.o.	251	55 881	-	-
Associated companies	25	-	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	25	-	-	-
Joint-venture	16	79	-	-
Fort Mokotów sp. z o.o.	16	79	-	-
Other entities	-	-	95	172
Woodsford Consulting Limited	-	-	95	172

Dom Development S.A.

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

Remuneration and fees of the Management Board and Supervisory Board members of Dom Development S.A.

Counterparty	01.01- -30.06.2010	01.01- -30.06.2009
The Management Board	2 892	1 836
The Supervisory Board	426	456

Apart from those stated above, the companies comprising the Group did not enter in any other transactions with the Management Board and Supervisory Board members.

Note 19. Incentive plan – Management Options Programme

Structure of share options allocated and not exercised as at 30 June 2010:

Programme	Amount of options	Exercise price per option (PLN)
Programme II	310 800	114.48
Programme II	186 175	14.91
Programme II	31 000	16.97
Programme II	198 025	40.64
Total	726 000	

Allocation of new share options

In the period of six months ended 30 June 2010 the Company did not allocate any new share options.

Note 20. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2010	31.12.2009
Guarantees	104	102
Sureties	891	1 092
Total	995	1 194

Additionally some of the Company's liabilities are secured with bills of exchange:

CONTINGENT LIABILITIES	30.06.2010	31.12.2009
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	100 000	140 000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	130 000	105 000
– 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
Total	232 000	247 000

In the six month period ended 30 June 2010 the Group did not provide any guarantees for loans, borrowings or other guarantees – jointly to one entity or its subsidiary, of which the value would be material for the Group or would amount to at least 10% of the Company's shareholders' equity.

Note 21. Material court cases as at 30 June 2010

During the reporting period covered by this financial statements, as of 30 June 2010 there were no single proceedings before any court, competent authority for arbitration proceedings or public administrative agencies, concerning the Company's or its subsidiary entities' obligations or receivables, the value of which would be at least 10% of the Company's equity.

At the date of 30 June 2010, the Company was party to proceedings concerning obligations and receivables, the total value of which was approx PLN 106 890 thousand with total value of proceedings concerning obligations at approx PLN 82 234 thousand and total value of proceedings concerning receivables at approx PLN 24 656 thousand.

The largest proceeding concerning the Company's receivables is the enforcement proceeding of the Company's petition of 20 January 2009 against Erabud Sp. z o.o. with its registered seat in Warsaw, in order to enforce an amount of 35% of the gross price value of real estate i.e. PLN 22 672 419.00 paid to Erabud Sp. z o.o. on the basis of a preliminary purchase agreement dated 4 January 2008 and relating to the purchase of real estate in Józefosław, municipality Piaseczno, of surface 88 495 m².

The largest proceeding concerning the Company's obligations is closely related with the above-mentioned enforcement proceedings. This is the matter of the action of Erabud Sp. z o.o. with its registered seat in Warsaw, for the performance of the above-mentioned preliminary purchase agreement dated 4 January 2008. A statement of claim of Erabud Sp. z o.o. dated 26 September was served to the Company on 8 October 2009. The value of the dispute amounts to PLN 64 778 340.00 and is identical to the total 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 above-mentioned statement of claim is unfounded. The Company effectively withdrew from the said preliminary agreement on 17 September 2008. Then, in the absence of Erabud Sp. z o.o.'s voluntary reimbursement of the downpayment in the amount of PLN 22 672 419.00, the Company has started the said procedure for enforcement with the court enforcement officer.

Other proceedings involving the companies comprising the Group have no significant impact for the Group's activity.

Note 22. Additional information on the operating activity of the Company

In the period from 1 January to 30 June 2010 the following material changes in the portfolio of the Group's investments under construction took place:

Projects commenced in the first half of 2010

Project	Standard	Number of apartments
Regaty 4 phase	Popular	202
Saska I 2 phase	Popular	145
Klasyków 1 phase	Popular	135
Adria 1 phase	Popular	256
Derby 11	Popular	87
Derby 20	Popular	90

In the first half of 2010 the Group did not complete any projects.

Note 23. The factors which will influence the results achieved by the Group at least in the next three months

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

- economic trend of the residential market which the Group is operating on,
- impact of worldwide crisis of financial markets on Polish economy and banking system,
- availability of home loans, and especially convenient terms of such loans for potential clients,
- 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,
- prompt, compliant with schedules, completion of the construction works by the construction companies completing individual investments of the Group in the general construction system,
- availability of external financing (loans, bonds) for the real estate development entities,
- 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 Group,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

Note 24. Material post-balance sheet events

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

Note 25. Forecasts

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

Note 26. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.06.2010	31.12.2009
	thousand EURO	thousand EURO
Total current assets	374 147	381 822
Total assets	376 587	384 183
Total shareholders' equity	182 364	182 236
Long-term liabilities	92 736	96 547
Short-term liabilities	101 487	105 400
Total liabilities	194 223	201 947
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>4.1458</i>	<i>4.1082</i>

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SELECTED DATA FROM THE INCOME STATEMENT	01.01- -30.06.2010	01.01- -30.06.2009
	thousand EURO	thousand EURO
Sales revenue	75 604	84 672
Gross profit on sales.....	18 207	25 839
Operating profit.....	9 113	18 634
Profit before tax	7 887	17 726
Profit after tax.....	6 256	14 213
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.0042</i>	<i>4.5184</i>

These interim condensed consolidated financial statements were prepared and approved by the Management Board of the Company on 23 August 2010

Jarosław Szanajca
President of the Management Board

Janusz Zalewski
Vice-President of the Management Board

Jerzy Ślusarski
Vice-President of the Management Board

Janusz Stolarczyk
Member of the Management Board

Terry R. Roydon
Member of the Management Board