



DOM DEVELOPMENT S.A.

**CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF THREE MONTHS ENDED
ON 30 SEPTEMBER 2009**

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 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 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 September 2009, Dom Development B.V. controlled 63.15 % of the Company's shares.

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

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

In the period of three months ended on 30 September 2009 the Company did not discontinue any of its activities.

2. Summary of significant accounting policies

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 2009 as well as the standards which became effective by 30 September 2009 were applied by the Company in the condensed financial statements for the period of three months ending on 30 September 2009 („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 Dom Development S.A. would continue its business activities in the foreseeable future, with no threats to the continuation of these activities.

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

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 consolidated financial statements of the Company **with the exception of a change in the moment at which sales revenue is recognised (described below)**.

Description of the change in the accounting policies

In June 2008 the International Financial Reporting Interpretation Committee (IFRIC) completed a project reviewing the interpretation of the **moment of revenue recognition** from real estate sales under IAS 11 ("Construction contracts") and IAS 18 ("Revenue").

A draft interpretation prepared by IFRIC (D-21 Real Estate Sales) was approved by the 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.

According to the transitional provisions included in the above interpretation, application of this interpretation is required to the Company's consolidated financial statements for the periods beginning on 1 January 2009. This introduces changes to the previously applied accounting policies in relation to the moment of real estate (products) sales recognition.

Up to 31 December 2008 the Company recognized sales revenue based on IAS11 using "percentage of completion" method described in the chapter "Significant accounting policies" in the financial statements for the year ended 31 December 2008. Using IAS11, the Company recognized sales revenue in proportion to the state of progress of sales and construction for specific investment projects.

Use of the IFRIC-15 interpretation requires the Company to recognize sales revenue differently than in the past, that is to say in accordance with IAS18. From 1 January 2009 real estate sales revenue is recognized only at the moment it is released to the buyer, based on a handover protocol signed by both parties ("recognition on completion" method).

The main result of the above change is that sales revenue and cost of sales (and as a result – sales contribution) is recognized considerably later than it has been previously using "percentage of completion" method. From 1 January 2009 sales revenue for an individual real estate project are not recognized until after the completion of the construction process of that particular project. The above change do not impact the profitability of the real estate development projects but it influences the allocation of revenues and cost of sales to individual accounting periods.

According to the requirements of the IFRIC-15 interpretation, the above change to the accounting principle was introduced retrospectively. This means the opening balance of the shareholders' equity was adjusted (in the item "Accumulated, unappropriated profit") for the earliest period presented, which was 1 January 2008, as well as the comparative data presented in these condensed consolidated financial statements, as if the new accounting principle had always been applied.

Impact of the above described change in the accounting policy on the Company's condensed financial statements

SHAREHOLDERS' EQUITY

a/ Total adjustment to the shareholders' equity opening balance as at 1 January 2009, consisting of:

i/ Adjustment to the shareholders' equity opening balance as at 1 January 2008

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 31 December 2007, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008.

This adjustment represents the difference between net profit recognized using "percentage of completion" method (shown in the consolidated financial statements for the year ended 31 December 2008) and the net profit that would be recognized if the "recognition on completion" method was used.

Dom Development S.A.
Introduction to the condensed financial statements
for the period of three months ended on 30 September 2009

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2009

Shareholders' equity as at 31 December 2008 – previously disclosed (using IAS 11)	784 512
i/ Adjustment to the opening balance as at 1 January 2008	(193 796)
ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008, consisting of:	
- elimination of the consolidated net profit for the year 2008 recognised under IAS 11 (i.e. before the change of accounting policy)	(142 162)
- consolidated net profit for the year 2008 recognised under IAS 18 (i.e. after the change in accounting policy)	229 968
Adjustment to the consolidated net profit for the year ended 31 December 2008	87 806
Shareholders' equity as at 1 January 2009 – restated (using IAS 18)	678 522

b/ Adjustment to the shareholders' equity opening balance as at 1 January 2008, by PLN 193 796 thousand

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 31 December 2007, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2008

Shareholders' equity as at 31 December 2007 – previously disclosed (using IAS 11)	685 673
Adjustment to the opening balance as at 1 January 2008	(193 796)
Shareholders' equity as at 1 January 2008 – restated (using IAS 18)	491 877

BALANCE SHEETS

	31.12.2008 Restated	31.12.2008 Previously disclosed
ASSETS – ITEMS THAT HAVE BEEN RESTATED		
Deferred income tax assets	8 381	8 376
Inventory	1 446 616	1 141 898
Other current assets	6 325	80 527

	31.12.2008 Restated	31.12.2008 Previously Disclosed
EQUITY AND LIABILITIES – ITEMS THAT HAVE BEEN RESTATED		
Accumulated, unappropriated profit (loss)	36 172	142 162
Deferred tax liability	29 393	54 929
Short-term tax liabilities	7 883	7 203
Accrued liabilities and deferred income	387 603	26 236

Dom Development S.A.
Introduction to the condensed financial statements
for the period of three months ended on 30 September 2009

INCOME STATEMENTS

INCOME STATEMENTS – ITEMS THAT HAVE BEEN RESTATED	Period of nine months ended on		Period of three months ended on	
	30.09.2008 Restated	30.09.2008 Previously disclosed	30.09.2008 Restated	30.09.2008 Previously disclosed
Sales revenues	771 105	606 014	270 880	150 481
Cost of sales	(441 949)	(370 284)	(152 753)	(101 270)
Income tax expense	(51 392)	(33 659)	(18 476)	(5 385)
Earnings per share:				
Basic (PLN)	8.61	5.54	3.12	0.84
Diluted (PLN)	8.61	5.54	3.12	0.84

Dom Development S.A.
 Balance sheets
 as at 30 September 2009 and 31 December 2008
 (in PLN; all amounts in thousands unless stated otherwise)

II. BALANCE SHEETS

ASSETS	Note	30.09.2009	31.12.2008
Fixed assets			
Intangible fixed assets		843	1 359
Tangible fixed assets		5 683	6 732
Investments in associated entities		3 081	3 081
Deferred income tax assets		7 102	8 381
Long-term receivables		2 441	2 910
Long-term deferred costs		145	361
Total fixed assets		19 295	22 824
Current assets			
Inventory	1	1 405 468	1 446 616
Trade and other receivables		41 970	65 756
Other current assets		4 959	6 325
Cash and cash equivalents	3	164 927	213 168
Total current assets		1 617 324	1 731 865
Total assets		1 636 619	1 754 689
EQUITY AND LIABILITIES			
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		17 662	13 908
Other capital (supplementary capital)		388 361	371 837
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		75 118	36 172
Total shareholders' equity		737 746	678 522
Long-term liabilities			
Long-term loans and borrowings	6	209 957	233 283
Deferred tax liability		18 114	29 393
Bonds	7	200 000	200 000
Other Long-term liabilities		-	-
Total long-term liabilities		428 071	462 676
Short-term liabilities			
Trade payables and other liabilities		155 381	144 874
Short-term loans and borrowings	6	119 802	62 510
Short-term tax liabilities		3 132	7 883
Short-term provisions		9 180	10 621
Accrued liabilities and deferred income		183 307	387 603
Total short-term liabilities		470 802	613 491
Total liabilities		898 873	1 076 167
Total equity and liabilities		1 636 619	1 754 689

Dom Development S.A.
Income statements
for the periods of three and nine months ended on 30 September 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

III. INCOME STATEMENTS

	Note	Period of nine months ended on		Period of three months ended on	
		30.09.2009	30.09.2008	30.09.2009	30.09.2008
Sales revenues	11	512 186	771 105	132 235	270 880
Cost of sales	12	(368 506)	(441 949)	(109 647)	(152 753)
Gross profit on sales		143 680	329 156	22 588	118 127
Selling costs	12	(16 535)	(23 986)	(5 542)	(8 057)
General administrative expenses	12	(30 918)	(45 497)	(9 628)	(14 795)
Other operating income		2 637	1 335	534	388
Other operating expenses		(5 388)	(4 682)	1 709	(1 581)
Operating profit		93 476	256 326	9 661	94 082
Financial income	13	8 252	7 490	786	1 011
Financial costs		(9 345)	(842)	(3 992)	(106)
Profit before tax		92 383	262 974	6 455	94 987
Income tax expense	14	(17 265)	(51 392)	(1 499)	(18 476)
Profit after tax		75 118	211 582	4 956	76 511
Earnings per share:					
Basic (PLN).....	8	3.06	8.61	0.20	3.12
Diluted (PLN).....	8	3.05	8.61	0.20	3.12

Dom Development S.A.
Statements of comprehensive income
for the periods of three and nine months ended on 30 September 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

IV. STATEMENTS OF COMPREHENSIVE INCOME

	Period of nine months ended on		Period of three months ended on	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Net profit	75 118	211 582	4 956	76 511
Other comprehensive income	-	-	-	-
Total comprehensive income	75 118	211 582	4 956	76 511

Dom Development S.A.
Cash flow statements
for the periods of nine months ended on 30 September 2009 and 2008
(in PLN; all amounts in thousands unless stated otherwise)

V. CASH FLOW STATEMENTS

	Period of nine months ended on	
	30.09.2009	30.09.2008
Cash flow from operating activities		
Profit before taxation	92 383	262 974
Adjustments:		
Depreciation.....	1 818	1 692
Profit/loss on foreign exchange differences	85	3
Profit/loss on investments	(6 330)	(27)
Interest paid and accrued	13 930	8 642
Cost of the management option scheme	3 754	5 590
Changes in the operating capital		
Changes in provisions	(1 442)	1 291
Changes in inventory	47 816	(135 009)
Changes in receivables	29 692	(18 194)
Changes in short term liabilities excluding loans and borrowings	5 755	6 695
Changes in prepayments.....	(203 552)	(243 590)
Other adjustments.....	(85)	(3)
Cash flow generated from operating activities	(16 176)	(109 936)
Interest paid.....	(19 132)	(14 796)
Income tax paid.....	(32 700)	(48 478)
Net cash flow from operating activities.....	(68 008)	(173 210)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets.....	379	151
Dividends received	6 370	-
Other proceeds from financial assets	175	-
Acquisition of intangible and tangible fixed assets	(846)	(2 265)
Net cash flow from investing activities.....	6 078	(2 114)
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	103 752	109 200
Repayment of loans and borrowings	(70 272)	(34 103)
Dividend payments	(19 648)	(50 103)
Payment of financial leasing liabilities.....	(143)	(161)
Net cash flow from financing activities	13 689	24 833
Increase (decrease) in net cash and cash equivalents.....	(48 241)	(150 491)
Cash and cash equivalents – opening balance	213 168	262 166
Cash and cash equivalents – closing balance	164 927	111 675

Dom Development S.A.
 Statements of changes in the shareholders' equity
 for the periods of nine months ended on 30 September 2009 and 2008
 (in PLN; all amounts in thousands unless stated otherwise)

VI. 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 31 December 2008							
– previously disclosed	24 560	231 535	371 837	510	13 908	142 162	784 512
Impact of IFRIC-15*/							
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193 796)	(193 796)
Adjustment to the consolidated net profit for the year ended 31 December 2008	-	-	-	-	-	87 806	87 806
Balance as at 1 January 2009							
– restated	24 560	231 535	371 837	510	13 908	36 172	678 522
Transfer of profit to supplementary capital	-	-	122 514	-	-	(122 514)	-
Dividend payment	-	-	-	-	-	(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 .	-	-	-	-	3 754	-	3 754
Comprehensive income for nine months ended on 30 September 2009.....	-	-	-	-	-	75 118	75 118
Balance as at 30 September 2009.....	24 560	231 535	388 361	510	17 662	75 118	737 746

Dom Development S.A.
 Statements of changes in the shareholders' equity
 for the periods of nine months ended on 30 September 2009 and 2008
 (in PLN; all amounts in thousands unless stated otherwise)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – CONT.

	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 – previously disclosed	24 560	231 535	191 556	510	7 128	230 384	685 673
Impact of IFRIC-15*/							
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193 796)	(193 796)
Balance as at 1 January 2008 – restated	24 560	231 535	191 556	510	7 128	36 588	491 877
Transfer of profit to supplementary capital	-	-	180 281	-	-	(180 281)	-
Dividend payment	-	-	-	-	-	(50 103)	(50 103)
Creation of reserve capital from the valuation of the share options .	-	-	-	-	5 590	-	5 590
Comprehensive income for nine months ended on 30 September 2008.....	-	-	-	-	-	211 582	211 582
Balance as at 30 September 2008 – restated	24 560	231 535	371 837	510	12 718	17 786	658 946

*/ description of the impact of IFRIC-15 on the consolidated shareholders' equity is presented in "Introduction to the condensed consolidated financial statements".

VII. ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note 1. Inventories

INVENTORY	30.09.2009	31.12.2008
Advances on deliveries	53 676	67 253
in this at purchase prices/production costs	53 745	67 322
in this revaluation write down	(69)	(69)
Semi-finished goods and work in progress	1 175 712	1 270 900
in this at purchase prices/production costs	1 189 058	1 281 803
in this revaluation write down	(13 346)	(10 903)
Finished goods	176 080	108 463
in this at purchase prices/production costs	176 525	108 927
in this revaluation write down	(445)	(464)
Total	1 405 468	1 446 616

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -30.09.2009	01.01- -30.09.2008
Balance at the beginning of the period	11 436	7 560
Increase	5 649	-
Utilisation	(3 225)	(414)
Balance at the end of the period	13 860	7 146

As a result of the impairment tests and analysis performed, the Company made a provision for impairment of projects in the construction phase and land for future projects for the amount of PLN 318 thousand in the third quarter of 2009.

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

SECURITY ON INVENTORIES - MORTGAGE	30.09.2009	31.12.2008
Balance sheet value of inventory used to secure liabilities	426 323	352 289
Value of mortgages used to secure the loans	987 900	514 177

*) due to the change in the accounting principle related to the moment of revenue recognition on sale of real estate there was an adjustment to the balance sheet value of inventory used to secure liabilities as at 31 December 2008 (see "Introduction to the condensed financial statements")

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

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -30.09.2009	01.01- -30.09.2008
Opening balance	2 161	2 781
a) Additions	500	478
b) Disposals	(161)	(543)
Closing balance	2 500	2 716

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

Note 3. 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	30.09.2009	31.12.2008
Cash in hand and at bank	2 566	2 757
Short-term deposits and treasury bills	196 453	278 184
Overdraft	(34 126)	(67 820)
Other	34	47
Total	164 927	213 168

The Company presents overdrafts as a decrease in cash and cash equivalents when holding deposits in the same banks exceeding the level of the overdrafts (see note 6).

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 SEPTEMBER 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								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 2008

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								

Dom Development S.A.
 Additional notes to the financial statements
 for the period of three months ended on 30 September 2009
 (in PLN; all amounts in thousands unless stated otherwise)

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, 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 2009 to the date of preparing the financial statements.

In the period from 1 January 2009 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 these financial statements for the 3rd quarter of 2009

	Shares	% of capital	Number of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Dom Development B.V.	15 509 386	63.15	15 509 386	63.15
Jarosław Szanajca	1 734 050	7.06	1 734 050	7.06
Grzegorz Kiełpsz.....	1 390 750	5.66	1 390 750	5.66

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 3rd quarter of 2009

	Shares	Share Options	Total
Management Board			
Jarosław Szanajca	1 734 050	-	1 734 050
Janusz Zalewski	359 000	31 000	390 000
Jerzy Ślusarski	21 363	51 850	73 213
Janusz Stolarczyk	106 200	35 850	142 050
Terry Roydon	58 500	50 000	108 500
Supervisory Board			
Grzegorz Kiełpsz.....	1 390 750	-	1 390 750
Zygmunt Kostkiewicz	29 500	-	29 500

On 15 January 2009 the Supervisory Board of the Company allotted 31 000 share options to Janusz Zalewski, Vice President of the Management Board of the Company, under the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 31 000 ordinary shares of Dom Development SA.. In the first quarter of 2009 Janusz Stolarczyk , a member of the Management Board, sold 1 000 ordinary shares.

Dom Development S.A.
 Additional notes to the financial statements
 for the period of three months ended on 30 September 2009
 (in PLN; all amounts in thousands unless stated otherwise)

In the third quarter of 2009 Vice-president of the Board Janusz Zalewski sold 77 000 shares. Vice-president of the Board Jerzy Ślusarski purchased 16 000 of the Company's shares for PLN 6.10 per share according to the agreement under the Management Share Option Scheme (Programme I B).

Nota 5. Approval of the financial statements for 2008 and the distribution of profit

On 21 May 2009 the Ordinary General Meeting of the Shareholders of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2008, the report of the Management Board on the activities of Dom Development S.A. in 2008, the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2008 and the report of the Management Board on the activities of Dom Development S.A. Capital Group in 2008, as presented by the Management Board. The Ordinary General Meeting of the Shareholders granted to the Management of the Company an acknowledgement of fulfilment of their duties for the year 2008.

The Ordinary General Meeting of the Shareholders of Dom Development S.A. allotted a part of the Company's net profit for 2008 in the amount of PLN 19 648 177.60 i.e. PLN 0.80 per share for the payment of dividend to shareholders of the Company, and the remaining part of net profit in the amount of PLN 122 514 153.74 to increase the Company's reserve capital. The dividend day was set at 9 June 2009 and the day of payment of the dividend was set at 24 June 2009. The dividend was paid on the agreed date.

Note 6. Loans and borrowings

LOANS DUE WITHIN	30.09.2009	31.12.2008
1 year	119 802	62 510
More than 1 year less then 2 years	119 957	71 663
More than 2 years less then 5 years	90 000	161 620
More than 5 years	-	-
Total loans	329 759	295 793
including: long-term	209 957	233 283
short-term	119 802	62 510

As at 30 September 2009 and 31 December 2008 the Company did not have borrowing-related liabilities.

As at 30 September 2009 and 31 December 2008 all the Company's loans were expressed in Polish Zloty.

Loan liabilities as at 30 September 2009

BANK LOANS SHOWN IN LIABILITIES AS AT 30.09.2009						
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	180 000	PLN	31.12.2012
PKO BP	Warsaw	65 000	PLN	49 789	PLN	31.01.2011
Total bank loans shown in liabilities				329 759		

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

In the case that the Company holds overdrafts in the same banks where it holds deposits in the amounts exceeding the amounts of the overdrafts and deposit accounts payment terms preceding repayment of the overdrafts, the Company presents these overdrafts as a decrease in cash and cash equivalents (see note 3).

BANK LOANS (OVERDRAFTS) REDUCING ASSETS AS AT 30.09.2009						
Bank	Registered office	Amount of loan – as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	40 000	PLN	34 126	PLN	23.04.2010
PKO BP	Warsaw	40 000	PLN	-	PLN	16.03.2010
Total overdrafts		80 000	PLN	34 126	PLN	

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

Note 7. Bonds

BONDS	30.09.2009	31.12.2008
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	1 016	1 460

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. 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 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.

Note 8. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
Basic earnings per share				
Profit attributable to the equity holders of the Company (PLN) ..	75 118	211 582	4 956	76 511
The average weighted 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)	3.06	8.61	0.20	3.12
Diluted earnings per share				
Theoretical profit attributable to the equity holders of the Company for the calculation of the diluted earnings per share .	75 118	211 582	4 956	76 511
Potential diluting shares related to Management Share Options Programme II	68 642	-	97 928	-
The average weighted number of ordinary shares for the calculation of diluted earnings per share	24 628 864	24 560 222	24 658 150	24 560 222
Diluted earnings per share (PLN)	3.05	8.61	0.20	3.12

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

Note 9. Key assumptions and estimate bases

The amount of costs necessary for the completion of the conducted development projects is based on detailed budgets of individual development projects prepared based on the Company's best knowledge and experience. Each development project budget is updated at least once every three months.

Note 10. Segment reporting

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

Note 11. Operating income

SALES REVENUES BY KIND	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
Sales of finished goods	498 851	754 509	127 813	265 724
Sales of services	11 701	16 442	4 420	5 002
Sales of goods for resale (land)	1 634	154	2	154
Total	512 186	771 105	132 235	270 880

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

Note 12. Operating costs

OPERATING COSTS	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
Cost of sales				
Cost of finished goods sold	(356 564)	(427 312)	(105 863)	(147 914)
Cost of services sold	(10 084)	(14 483)	(3 784)	(4 685)
Cost of land sold	(1 858)	(154)	-	(154)
Total cost of sales	(368 506)	(441 949)	(109 647)	(152 753)
Selling costs and general administrative expenses				
Selling costs	(16 535)	(23 986)	(5 542)	(8 057)
General administrative expenses	(30 918)	(45 497)	(9 628)	(14 795)
Total selling costs and general administrative expenses.....	(47 453)	(69 483)	(15 170)	(22 852)
Selling costs and general administrative expenses by kind				
Depreciation	(1 818)	(1 692)	(585)	(618)
Cost of materials and energy	(5 157)	(6 756)	(1 701)	(2 473)
External services	(12 206)	(19 192)	(3 829)	(6 966)
Taxes and charges	(121)	(268)	(46)	(44)
Wages and salaries	(20 117)	(29 306)	(6 629)	(9 536)
Social security and other benefits	(2 586)	(4 080)	(645)	(886)
Management Options Programme	(3 754)	(5 590)	(1 240)	(1 864)
Other costs by kind	(1 694)	(2 599)	(495)	(465)
Total selling costs and general administrative expenses by kind.....	(47 453)	(69 483)	(15 170)	(22 852)

Note 13. Financial income

FINANCIAL INCOME	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
Dividends	6 370	-	-	-
Interest received	1 697	7 477	637	1 008
Other	185	13	149	3
Total	8 252	7 490	786	1 011

Note 14. Income tax

INCOME TAX	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
Current income tax	27 264	49 617	6 550	17 575
Deferred income tax	(9 999)	1 775	(5 051)	901
Total	17 265	51 392	1 499	18 476

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

Note 15. Transactions with related entities

In the nine-month periods ended 30 September 2009 and 2008 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 Company'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- -30.09.2009	01.01- -30.09.2008
Woodsford Consulting Limited.....	Consulting services as per agreement dated 1 February 2000, with further amendments	1 160	1 270
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	193	161
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	(61)	365
Fort Mokotów sp. z o.o.....	Other	(2)	134

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

Counterparty	Transaction description	01.01- -30.09.2009	01.01- -30.09.2008
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	301	10 267
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	-	47 375

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

Counterparty	Transaction description	01.01- -30.09.2009	01.01- -30.09.2008
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	450	450
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	108	108
Fort Mokotów sp. z o.o.	Real estate management services	-	10
Fort Mokotów sp. z o.o.	Other	22	16

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

Counterparty	Transaction description	01.01- -30.09.2009	01.01- -30.09.2008
Dom Development B.V.	Dividend (gross)	12 397	31 613

Dom Development S.A. as a party receiving a dividend or participating in decrease of reserve capital

Counterparty	Transaction description	01.01- -30.09.2009	01.01- -30.09.2008
Fort Mokotów sp. z o.o.	Participating in decrease of reserve capital	6 370	-

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

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

Counterparty	Transaction description	01.01- -30.09.2009	01.01- -30.09.2008
Dom Development Na Dolnej Sp. z o.o.	Payment to cover the loss /additional payment to capital	-	30
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Repayment of additional payment to capital made in 2006	(175)	-

Balances with related entities

Balances as in the books of the Company

Entity	Receivables from related entities		Liabilities to related entities	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Total balance	57 117	56 833	173	3
Balances below PLN 100 000	88	9	-	3
Balances over PLN 100 000.....	57 029	56 824	173	-
Subsidiaries	57 029	56 727	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	55 882	55 580	-	-
Joint-venture	79	97	-	-
Fort Mokotów sp. z o.o.	79	97	-	-
Other entities	-	-	173	-
Woodsford Consulting Limited.....	-	-	173	-

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 of agreement with the Company (PLN)
Jarosław Szanajca and Iwona Jackowska-Szanajca	28.04.2009	Transfer agreement of rights and obligations for promissory sale agreement concerning residential facilities, one utility room and two parking spaces in investment „Patria”	557 743.75
Michał Jackowski	11.08.2009	Sales agreement concerning the above mentioned residential facilities, one utility room and two parking spaces in investment „Patria”.	
Marek Dalba and Krystyna Dalba	06.05.2009	Transfer agreement of rights and obligations for participation in a promissory sale agreement concerning two parking spaces in investment „Kasztanowa Aleja I”.	4 000.00
Zygmunt Kostkiewicz	18.06.2009	Sales agreement concerning participation in a joint ownership of land with rights to exclusive use of part of the real estate consisting of two parking spaces in investment „Akacje V”.	600.00
Jacek Orkisz and Agnieszka Orkisz	25.06.2009	Termination of promissory sale agreement concerning residential facilities, one parking space with utility room, and one parking space in investment „Grzybowska”	1 389 800.10

Note 16. Incentive plan – Management Options Programme

As at 30 September 2009 there were two Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company. These are Programme IB and Programme II (all options related to Programme I were exercised before 1 January 2008).

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)
	30.09.2009			31.12.2008		
Programme I B	92 500	92 500	82 750	92 500	92 500	-
Programme II	726 000	535 575	-	726 000	565 475	-

In the nine months of 2009 the number of share options allotted under Programme II has changed due to the allotment of 31 000 share options under this programme with a simultaneous decrease of 60 900 share options due to the termination of employment contracts with several employees who were under this Programme.

Within the two nine month periods which ended on 30 September 2009 and 2008, the following amounts were accounted for in the income statement: PLN 3 754 thousand and PLN 5 590 thousand respectively.

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

SHARE OPTIONS		30.09.2009	31.12.2008
Options unexercised at the end of the period	Amount	545 325	657 975
	Total exercise price	39 623	44 290
Options possible to be exercised at the end of the period	Amount	9 750	-
	Total exercise price	59	-

Structure of share options allocated and not exercised as at 30 September 2009:

Programme	Amount of options	Exercise price per option (PLN)
Programme I B	9 750	6.10
Programme II	316 500	114.48
Programme II	188 075	14.91
Programme II	31 000	16.97
Total	545 325	

Exercised share options concerning Programme IB

During the first nine months of 2009 the Company's employees holding options for shares concerning Programme IB exercised options for 82 750 shares in the Company. The shares were purchased from UniCredit CA IB Polska S.A. being the depository in this programme (see note 4).

Allocation of new share options

In the period of three months ended 30 September 2009 the Company did not allocate any new share options.

Note 17. Contingent liabilities

CONTINGENT LIABILITIES	30.09.2009	31.12.2008
Guarantees	106	9 904
Sureties	1 120	1 109
Total	1 226	11 013

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

CONTINGENT LIABILITIES	30.09.2009	31.12.2008
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	140 000	140 000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	105 000	47 241
– 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
– bills of exchange constituting other guarantees	-	1 452
Total	247 000	190 693

In the nine month period ended 30 September 2009 the Company did not provide any guarantees for loans, borrowings or other guarantees – jointly to one entity or its subsidiary, of which the value would amount to at least 10% of the Company's shareholders' equity.

Note 18. Material court cases as at 30 September 2009

In the presented period, as at 30 September 2009, any proceedings concerning liabilities and claims of Dom Development S.A. or its subsidiary entities, which total value would be at least 10% of the Company equity, did not run before the court, the organ proper for the arbitration proceedings or public administration body. Information on the dispute with Erabud dated 8 October 2009 is presented in note 21 "Material post-balance sheet events".

Note 19. Additional information on the operating activity of the Company

In the period from 1 January to 30 September 2009 the following material changes in the portfolio of the Company's investments under construction took place:

The finished projects:

Project	Decision on the use permit	Segment	Number of apartments
Regaty I- 1st phase	I Q 2009	Popular	148
Regaty I - 2nd phase	I Q 2009	Popular	242
Derby 18	II Q 2009	Popular	82
Derby 13	II Q 2009	Popular	174
Regaty II phase 9.....	III Q 2009	Single family	88
Laguna II	III Q 2009	Single family	26
Róża Wiatrów.....	III Q 2009	Popular	184
Derby 16.....	III Q 2009	Popular	276
Akacje 11.....	III Q 2009	Popular	77

In the period from 1 January to 2009 the Company did not commence any new projects.

The information about the projects commenced by the Company after balance sheet date but before publication of these financial statements is presented in note 21 "Material post-balance sheet events".

Note 20. The factors which will influence the results achieved by the Company at least in the next nine months

The most important factors which may influence the financial situation of the Company at least in the next nine 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 Company 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 Company and the Group,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

Note 21. Material post-balance sheet events

- In the period between the balance sheet date and the date of publication of these financial statements the Company commenced development of two new projects:

Derby 9 in Białołęka, Warsaw with 258 flats (popular standard).

Saska Kepa phase 1A with 327 flats (popular standard). Following a bidding procedure, on 20 October 2009 the Company and Unibep S.A. signed a General Contract Agreement for the Construction of a multi-family housing complex at Bora Komorowskiego Street in Warsaw. The net fee due to Unibep S.A. amounts to PLN 90.6 million which was the lowest bid submitted. The construction work is due to start in October 2009 and its planned completion date is October 2011.

- On 10 July 2009 the Company made a declaration on withdrawal from the preliminary agreement of purchase of the right of perpetual usufruct to a plot of land situated in Warsaw in the district of Ursynów, constituting a built-up plot of 11 149 m², entered into on 17 June 2008 with Spółdzielnia Budownictwa Mieszkaniowego "Natolin". In consequence, the Company expects to be reimbursed for the advance payment in the gross amount of PLN 15 006 thousand. At the time of preparation of these financial statements the amount of PLN 12 300 thousand had been paid into the Company's bank account.
- On 8 October 2009 the Company received a statement of claim for the performance of the preliminary purchase agreement dated 4 January 2008 and relating to the purchase of a piece of real estate in Józefosław. The gross value of the disputed amount comes to PLN 64 778 thousand and it is identical to the total price for the above real estate. The Company believes that this claim is unfounded. The Company did effectively withdraw from the said preliminary agreement on 17 September 2008. Following the said withdrawal, the Company commenced the procedure of recovering the sum paid to Emabud Sp z o.o., i.e. the sum equal to 35% of the value of the gross price of the real estate, i.e. PLN 22 672 thousand. In light of the above, a court bailiff is currently conducting enforcement proceedings for reimbursement to the Company the sum of PLN 22 672 thousand. The said real estate is encumbered by a mortgage in favour of the Company of up to PLN 45 345 thousand.

Note 22. Forecasts

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

Note 23. Selected financial data translated into EURO

The following financial data of the Company have been translated into Euro:

SELECTED DATA FROM BALANCE SHEET	30.09.2009	31.12.2008
	thousand EURO	thousand EURO
Total current assets	383 016	415 076
Total assets	387 586	420 547
Total shareholders' equity	174 714	162 622
Long-term liabilities	101 376	110 890
Short-term liabilities	111 496	147 035
Total liabilities	212 872	257 925
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>4.2226</i>	<i>4.1724</i>

Dom Development S.A.
Additional notes to the financial statements
for the period of three months ended on 30 September 2009
(in PLN; all amounts in thousands unless stated otherwise)

SELECTED DATA FROM INCOME STATEMENT	01.01- -30.09.2009	01.01- -30.09.2008	01.07- -30.09.2009	01.07- -30.09.2008
	thousand EURO	thousand EURO	thousand EURO	thousand EURO
Sales revenue	116 424	225 160	31 780	81 616
Gross profit on sales	32 659	96 113	5 429	35 592
Operating profit	21 246	74 847	2 322	28 347
Profit before tax	20 998	76 788	1 551	28 619
Profit after tax	17 074	61 782	1 191	23 053
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.3993</i>	<i>3.4247</i>	<i>4.1610</i>	<i>3.3190</i>

Warsaw, 3 November 2009

Jarosław Szanajca
President of the Management Board

Janusz Zalewski
Vice-President of the Management Board