



DOM DEVELOPMENT S.A.

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED

31 MARCH 2011

Drafted in accordance
with the International Financial Reporting Standards



CONTENTS

1.	INTERIM CONDENSED BALANCE SHEET	2
2.	INTERIM CONDENSED INCOME STATEMENT	3
3.	INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME.....	4
4.	INTERIM CONDENSED CASH FLOW STATEMENT	5
5.	INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	6
6.	ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS.....	7
6.1.	General information about Dom Development S.A.	7
6.2.	Basis for the drafting of the financial statements	7
6.3.	Accounting policies	7
6.4.	Key assumptions and basis for estimates	8
6.5.	Inventory	9
6.6.	Change in the write-downs of short-term receivables.....	9
6.7.	Cash and cash equivalents	10
6.8.	Share capital	10
6.9.	Dividends.....	11
6.10.	Loans	11
6.11.	Bonds	12
6.12.	Accrued interest on loans and bonds	13
6.13.	Segment reporting.....	13
6.14.	Operating income	13
6.15.	Operating costs	14
6.16.	Financial income.....	14
6.17.	Income tax	14
6.18.	Earnings per share	15
6.19.	Transactions with related entities	15
6.20.	Incentive Plan – Management Option Programmes	17
6.21.	Contingent liabilities	17
6.22.	Material court cases.....	17
6.23.	Additional information on the operating activity of the Company	18
6.24.	The factors that will impact the results achieved by the Company for at least the next three months	18
6.25.	Material post-balance sheet events.....	19
6.26.	Forecasts	19
6.27.	Selected financial data translated into EURO	19



1. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	31.03.2011 (unaudited)	31.12.2010
Fixed assets			
Intangible assets		733	852
Tangible fixed assets		4 556	4 606
Investments in subsidiaries, associates and joint-venture		1 985	2 931
Long-term receivables		16 053	15 791
Total fixed assets		23 327	24 180
Current assets			
Inventory	6.5	1 238 164	1 118 968
Trade and other receivables		31 385	42 600
Corporate income tax receivables		273	-
Other current assets		4 192	3 398
Cash and cash equivalents	6.7	403 865	430 751
Total current assets		1 677 879	1 595 717
Total assets		1 701 206	1 619 897
EQUITY AND LIABILITIES			
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)		27 975	39 689
Total shareholders' equity		761 794	772 847
Liabilities			
Long-term liabilities			
Long-term loans	6.10	62 330	107 330
Deferred tax provision		1 733	4 398
Bonds	6.11	270 000	270 000
Long-term provisions		11 953	12 179
Other long-term liabilities		39 842	19 018
Total long-term liabilities		385 858	412 925
Short-term liabilities			
Trade payables, tax and other liabilities		155 033	132 340
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		-	564
Short-term provisions		3 860	3 939
Deferred income		318 597	195 113
Total short-term liabilities		553 554	434 125
Total liabilities		939 412	847 050
Total equity and liabilities		1 701 206	1 619 897



2. INTERIM CONDENSED INCOME STATEMENT

	Note	Three-month period ended		Three-month period ended	
		31.03.2011 <i>(unaudited)</i>	31.03.2010 <i>(unaudited)</i>	31.03.2011 <i>(unaudited)</i>	31.03.2010 <i>(unaudited)</i>
Sales revenue	6.14	20 225	159 920	20 225	159 920
Cost of sales	6.15	(16 098)	(124 750)	(16 098)	(124 750)
Gross profit on sales		4 127	35 170	4 127	35 170
Selling costs	6.15	(8 404)	(7 917)	(8 404)	(7 917)
General administrative expenses	6.15	(11 068)	(9 737)	(11 068)	(9 737)
Other operating income		768	384	768	384
Other operating expenses		(167)	(439)	(167)	(439)
Operating profit/(loss)		(14 744)	17 461	(14 744)	17 461
Financial income	6.16	1 765	633	1 765	633
Financial costs		(1 400)	(3 179)	(1 400)	(3 179)
Profit/(loss) before tax		(14 379)	14 915	(14 379)	14 915
Income tax	6.17	2 665	(3 095)	2 665	(3 095)
Net profit/(loss)		(11 714)	11 820	(11 714)	11 820
Earnings/(loss) per share:					
Basic (PLN)	6.18	(0.48)	0.48	(0.48)	0.48
Diluted (PLN)	6.18	(0.47)	0.48	(0.47)	0.48



3. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended		Three-month period ended	
	31.03.2011 <i>(unaudited)</i>	31.03.2010 <i>(unaudited)</i>	31.03.2011 <i>(unaudited)</i>	31.03.2010 <i>(unaudited)</i>
Net profit/(loss)	(11 714)	11 820	(11 714)	11 820
Other comprehensive income	-	-	-	-
Total comprehensive income	(11 714)	11 820	(11 714)	11 820



4. INTERIM CONDENSED CASH FLOW STATEMENT

	Three-month period ended	
	31.03.2011 <i>(unaudited)</i>	31.03.2010 <i>(unaudited)</i>
Cash flow from operating activities		
Profit/(loss) before tax	(14 379)	14 915
Adjustments:		
Depreciation	564	575
Profit/loss on foreign exchange differences	24	8
Profit/loss on investments	(730)	3
Interest cost/income	869	6 121
Cost of the management option programmes	661	984
Changes in the operating capital:		
Changes in provisions	(306)	(82)
Changes in inventory	(117 776)	65 350
Changes in receivables	10 953	1 602
Changes in trade payables and other liabilities	43 517	(35 421)
Changes in prepayments and deferred income	122 526	(57 532)
Other adjustments	(24)	(8)
Cash flow generated from operating activities	45 899	(3 485)
Interest paid and received	(477)	(4 407)
Income tax paid	(837)	(5 095)
Net cash flow from operating activities	44 585	(12 987)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	22	3
Dividends received	709	-
Other income from financial assets	965	-
Acquisition of intangible and tangible fixed assets	(394)	(208)
Net cash flow from investing activities	1 302	(205)
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	(26 886)	(69 979)
Cash and cash equivalents – opening balance	430 751	225 828
Cash and cash equivalents – closing balance	403 865	155 849



Dom Development S.A.

Interim condensed statement of changes in shareholders' equity
for the three-month period ended 31 March 2011
(all amounts in thousands PLN unless stated otherwise)

5. INTERIM CONDENSED 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)	Total shareholders' equity
Balance as at 1 January 2011	24 560	231 535	453 943	510	22 610	39 689	772 847
Transfer of profit to supplementary capital	-	-	-	-	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	-
Creation of reserve capital from the valuation of the share options	-	-	-	-	661	-	661
Total comprehensive income for the three-month period ended 31 March 2009	-	-	-	-	-	(11 714)	(11 714)
Balance as at 31 March 2011 (unaudited)	24 560	231 535	453 943	510	23 271	27 975	761 794

	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)	Total shareholders' equity
Balance as at 1 January 2010	24 560	231 535	388 361	510	18 726	85 230	748 922
Transfer of profit to supplementary capital	-	-	-	-	-	-	-
Payment of dividends to shareholders	-	-	-	-	-	-	-
Creation of reserve capital from the valuation of the share options	-	-	-	-	984	-	984
Total comprehensive income for the three-month period ended 31 March 2010	-	-	-	-	-	11 820	11 820
Balance as at 31 March 2010 (unaudited)	24 560	231 535	388 361	510	19 710	97 050	761 726



6. ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

6.1. General information about Dom Development S.A.

The joint stock company Dom Development S.A. (the „Company“) is the parent company 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 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 Company 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, Dom Development B.V. controlled 61.91 % 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 of operation is unlimited.

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

6.2. Basis for the drafting of the financial statements

The interim condensed 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 financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, „Interim Financial Reporting“ (IAS 34).

The interim condensed financial statements have been drafted on the assumption that the Company will continue as a going concern in the foreseeable future.

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.

The presented interim condensed balance sheet, interim condensed income statement, interim condensed statement of comprehensive income, interim condensed cash flow statement and interim condensed 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 financial statements do not include all the information and disclosures that are required from annual financial statements and therefore should be read in conjunction with the audited financial statements and the notes thereto for the year ended 31 December 2010.

The Company also drafts interim condensed consolidated financial statements for Dom Development Capital Group 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. Accounting policies

Polish law requires the Company to draft its interim condensed 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 Company, there are no differences in the IFRS policies applied by the Company and IFRS that have been endorsed by the EU.

The interim condensed 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 financial statements are drafted based on the same accounting policies as for the financial statements of the Company 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 Company;
- 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 Company;
- 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 Company;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The adoption of this interpretation had no impact on the financial position or performance of the Company;
- 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 Company;
- 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 Company.

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 Company and do not affect the financial data presented in these interim condensed 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	1 055 789	909 435
including: write down to the net realisable value	(10 309)	(9 723)
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

INVENTORY WRITE DOWN TO THE NET REALISABLE VALUE	01.01- - 31.03.2011	01.01- - 31.03.2010
Opening balance	12 989	25 449
Increments	586	92
Reversal	(147)	(661)
Closing balance	13 428	24 880

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	3 577	3 547
a) Increments	24	136
b) Decrements	(63)	-
Closing balance	3 538	3 683

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



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(all amounts in thousands PLN unless stated otherwise)

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	960	1 737	2 589
Short-term deposits	402 871	428 982	153 206
Overdrafts	-	-	-
Other	34	32	54
Total	403 865	430 751	155 849

The Company 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).

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 Kielpsz	1 280 750	5.21	1 280 750	5.21	-



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(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 Kielpsz	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



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(all amounts in thousands PLN unless stated otherwise)

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

As at 31 March 2011 and 31 December 2010 all the loans taken by the Company 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 Company 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 Company 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	Currency	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 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.



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(all amounts in thousands PLN unless stated otherwise)

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 Company 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	2 878	2 884	2 878	2 884
Sales of goods (land)	-	-	-	-
Total	20 225	159 920	20 225	159 920



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	(3 203)	(3 891)	(3 203)	(3 891)
Cost of goods (land) sold	-	-	-	-
Inventory write down to the net realisable value	(439)	569	(439)	569
Total cost of sales	(16 098)	(124 750)	(16 098)	(124 750)
Selling costs, and general administrative expenses				
Selling costs	(8 404)	(7 917)	(8 404)	(7 917)
General administrative expenses	(11 068)	(9 737)	(11 068)	(9 737)
Total selling costs, and general administrative expenses	(19 472)	(17 654)	(19 472)	(17 654)
Selling costs, and general administrative expenses by kind				
Depreciation	(564)	(575)	(564)	(575)
Cost of materials and energy	(2 971)	(2 738)	(2 971)	(2 738)
External services	(4 775)	(4 323)	(4 775)	(4 323)
Taxes and charges	(29)	(42)	(29)	(42)
Remuneration	(8 396)	(7 163)	(8 396)	(7 163)
Social security and other benefits	(1 239)	(1 342)	(1 239)	(1 342)
Management Option Programme	(661)	(984)	(661)	(984)
Other prime costs	(837)	(487)	(837)	(487)
Total selling costs, and general administrative expenses by kind	(19 472)	(17 654)	(19 472)	(17 654)

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	709	-	709	-
Interest	1 056	632	1 056	632
Other	-	1	-	1
Total	1 765	633	1 765	633

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	-	(3 543)	-	(3 543)
Deferred tax	2 665	448	2 665	448
Total	2 665	(3 095)	2 665	(3 095)



Dom Development S.A.

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(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	(11 714)	11 820	(11 714)	11 820
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)	(0.48)	0.48	(0.48)	0.48
Diluted earnings per share				
Theoretical profit for calculation of the diluted earnings per share	(11 714)	11 820	(11 714)	11 820
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)	(0.47)	0.48	(0.47)	0.48

As the Company 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 Company was 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 "Bezpечny 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	



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 (<i>insurance company</i>)	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

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

Except for as stated above, the Company 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	3 845	3 855

Additionally, some of the Company's liabilities 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 Company 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 Company 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.

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 Company

In the period from 1 January to 31 March 2011 the following material changes in the portfolio of the Company'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 Company did not complete any projects.

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

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

- the economic trend in the residential market, where the Company 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 Company 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 Company in an uncontrolled manner,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.



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 Company.

6.27. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	31.03.2011	31.12.2010
	thousand Euro	thousand Euro
Total current assets	418 226	402 928
Total assets	424 040	409 034
Total shareholders' equity	189 884	195 149
Long-term liabilities	96 178	104 266
Short-term liabilities	137 978	109 619
Total liabilities	234 156	213 885
PLN/EURO exchange rate as at the balance sheet date	4.0119	3.9603

**Dom Development S.A.**

Additional notes to the interim condensed financial statements
for the three-month period ended 31 March 2011
(all amounts in thousands PLN unless stated otherwise)

SELECTED DATA FROM THE INCOME STATEMENT	01.01- 31.03.2011	01.01- 31.03.2010	01.01- 31.03.2011	01.01- 31.03.2010
	thousand Euro	thousand Euro	thousand Euro	thousand Euro
Sales revenue	5 089	40 314	5 089	40 314
Gross profit on sales	1 038	8 866	1 038	8 866
Operating profit /(loss)	(3 711)	4 401	(3 711)	4 401
Profit /(loss) before tax	(3 619)	3 760	(3 619)	3 760
Net profit /(loss)	(2 947)	2 980	(2 947)	2 980
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>3.9742</i>	<i>3.9669</i>	<i>3.9742</i>	<i>3.9669</i>

These interim condensed 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