



DOM DEVELOPMENT S.A.

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

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

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

I. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.06.2010 <i>(unaudited)</i>	31.12.2009
Fixed assets			
Intangible fixed assets		349	717
Tangible fixed assets		6 211	5 432
Investments in subsidiaries and associated entities		1 631	1 642
Long-term receivables		2 528	2 438
Long-term deferred costs		-	74
Total fixed assets		10 719	10 303
Current assets			
Inventory	4	1 222 303	1 295 762
Trade and other receivables		32 723	37 171
Other current assets		5 420	4 959
Cash and cash equivalents	6	285 480	225 828
Total current assets		1 545 926	1 563 720
Total assets		1 556 645	1 574 023

EQUITY AND LIABILITIES	Note	30.06.2010 <i>(unaudited)</i>	31.12.2009
Shareholders' Equity			
Share capital	7	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		20 705	18 726
Other capital (supplementary capital)		453 943	388 361
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		25 295	85 230
Total shareholders' equity		756 548	748 922
Liabilities			
Long-term liabilities			
Long-term loans	9	90 000	184 945
Deferred tax provision	10	9 464	11 668
Bonds	11	285 000	200 000
Other long-term liabilities.....		-	-
Total long-term liabilities		384 464	396 613
Short-term liabilities			
Trade payables, tax payables and other liabilities		106 207	130 733
Short-term part of long-term loans	9	209 970	134 218
Accrued interest on loans and bonds	12	1 531	1 861
Personal income tax payables		1 583	2 346
Short-term provisions		12 681	13 018
Deferred income		83 661	146 312
Total short-term liabilities		415 633	428 488
Total liabilities		800 097	825 101
Total equity and liabilities		1 556 645	1 574 023

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

II. INTERIM CONDENSED INCOME STATEMENT

		Period of six months ended on	
	Note	30.06.2010 (unaudited)	30.06.2009 (unaudited)
Sales revenues	14	302 798	379 951
Cost of sales	15	(229 859)	(264 171)
Gross profit on sales		72 939	115 780
 Selling expenses	15	(14 301)	(10 993)
General administrative expenses	15	(20 800)	(21 290)
Other operating income		1 356	2 103
Other operating expenses		(2 427)	(1 785)
Operating profit		36 767	83 815
 Financial income	16	1 348	7 466
Financial costs		(6 270)	(5 353)
Profit before tax		31 845	85 928
 Income tax expense	17	(6 550)	(15 766)
Profit after tax		25 295	70 162
 Consolidated earnings per share:			
Basic (PLN)	18	1.03	2.86
Diluted (PLN)	18	1.02	2.85

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

III. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Period of six months ended on	
	30.06.2010	30.06.2009
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit	25 295	70 162
Other comprehensive income	-	-
Total comprehensive income	25 295	70 162

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

IV. INTERIM CONDENSED CASH FLOW STATEMENT

	Period of six months ended on	
	30.06.2010 (<i>unaudited</i>)	30.06.2009 (<i>unaudited</i>)
Cash flow from operating activities		
Profit before taxation	31 845	85 928
Adjustments:		
Depreciation	1 158	1 233
Profit/loss on foreign exchange differences	(29)	49
Profit/loss on investments	5	(6 170)
Interest paid and accrued	11 696	8 372
Cost of the management option scheme	1 979	2 514
Changes in the operating capital		
Changes in provisions	(337)	(953)
Changes in inventory	73 203	16 436
Changes in receivables	4 358	24 909
Changes in short term liabilities excluding loans and borrowings	(24 669)	15 435
Changes in prepayments	(63 813)	(189 572)
Other adjustments	(8)	(49)
Cash flow generated from operating activities	35 388	(41 868)
Interest paid	(10 174)	(12 019)
Income tax paid	(9 516)	(25 219)
Net cash flow from operating activities.....	15 698	(79 106)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	13	272
Dividends received	-	6 370
Other income from financial assets	36	-
Acquisition of intangible and tangible fixed assets	(1 575)	(721)
Net cash flow from investing activities	(1 526)	5 921
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	52 898	46 687
Proceeds from contracted bonds	84 737	-
Repayment of loans and borrowings	(72 579)	(22 896)
Dividend payments	(19 506)	(19 648)
Payment of financial leasing liabilities	(70)	(103)
Net cash flow from financing activities	45 480	4 040
Increase / (decrease) in net cash and cash equivalents	59 652	(69 145)
Cash and cash equivalents – opening balance	225 828	213 168
Cash and cash equivalents – closing balance	285 480	144 023

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

V. INTERIM CONDENSED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total 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	-	-	65 582	-	-	(65 582)	-
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	(19 648)
Creation of reserve capital from the valuation of the share options	-	-	-	-	1 979	-	1 979
Total Comprehensive income for six months ended on 30 June 2010	-	-	-	-	-	25 295	25 295
Balance as at 30 June 2010 (unaudited) ..	24 560	231 535	453 943	510	20 705	25 295	756 548

	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 equity
Balance as at 1 January 2009	24 560	231 535	371 837	510	13 908	36 172	678 522
Transfer of profit to supplementary capital	-	-	122 514	-	-	(122 514)	-
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	(19 648)
Creation of reserve capital from the valuation of the share options	-	-	(105 990)	-	-	105 990	-
Transfer of the adjustment to the opening balance to the supplementary capital (implementation of IFRIC-15)	-	-	-	-	2 514	-	2 514
Total Comprehensive income for six months ended on 30 June 2009	-	-	-	-	-	70 162	70 162
Balance as at 30 June 2009 (unaudited) ..	24 560	231 535	388 361	510	16 422	70 162	731 550

VI. ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Note 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 June 2010, Dom Development B.V. controlled 63.10 % of the Company's shares.

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

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

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

Note 2. Significant accounting policies

Basis for the preparation of the financial statements

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

Certain information and footnote disclosures, which in accordance with International Financial Reporting Standards adopted by European Union (EU) are normally included in annual 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 prepared 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, but they were a subject of review by a certified independent auditor. These unaudited interim condensed financial statements do not include all information and footnote disclosures which are required in 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 2009.

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

Significant accounting policies

The Polish law requires the Company to prepare its interim condensed financial statements in accordance with IFRS, applicable to interim financial reporting as adopted by European Union ("EU") (IAS 34). At this particular time, due to the

Dom Development S.A.

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

endorsement process of the EU and activities of the Company, there are no differences in the policies applied by the Company between IFRS and IFRS that have been endorsed by the EU.

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

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

- IFRS 3 *Business Combinations* (revised in January 2008). The adoption of these amendment did not have an impact on the financial position or performance of the Company.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (issued in January 2008). The adoption of these amendment did not have an impact on the financial position or performance of the Company.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (issued in July 2008). The adoption of these amendments did not have an impact on the financial position or performance of the Company.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (restructured in November 2008). The adoption of this revised standard had no impact on the financial position or performance of the Company.
- IFRIC 17 *Distributions of Non-cash Assets to Owners*. The adoption of this interpretation had no impact on the financial position or performance of the Company.
- Improvements to IFRSs (issued in April 2009). The adoption of these improvements had no impact on the financial position or performance of the Company.
- Amendments to IFRS 2 *Share-based Payments – Group Cash-settled Share-based Payment Transactions* (amended in June 2009) – The adoption of these amendments had no impact on the financial position or performance of the Company.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters*. The adoption of these amendments had no impact on the financial position or performance of the Company.
- IFRIC 12 *Service Concession Arrangements*. The Company does not pursue business activities related to concessioned services.

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

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

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Additional notes to the interim condensed financial statements
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- Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011 - not endorsed by EU till the date of approval of these financial statements.

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

Note 3. Key assumptions and bases for estimates

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

Note 4. Inventories

INVENTORY	30.06.2010	31.12.2009
Advances on deliveries	22 452	52 823
in this at purchase prices/production costs	22 521	52 892
in this write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	891 475	733 001
in this at purchase prices/production costs	913 778	757 936
in this write down to the net realisable value	(22 303)	(24 935)
Finished goods	308 376	509 938
in this at purchase prices/production costs	308 810	510 383
in this write down to the net realisable value	(434)	(445)
Total	1 222 303	1 295 762

	01.01- - 30.06.2010	01.01- - 30.06.2009
WRITE DOWN TO THE NET REALISABLE VALUE		
Balance at the beginning of the period	25 449	11 436
Increase	2 963	5 331
Decrease	(5 606)	(19)
Balance at the end of the period	22 806	16 748

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

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

SECURITY ON INVENTORIES – MORTGAGE	30.06.2010	31.12.2009
Balance sheet value of inventory used to secure liabilities	534 703	629 183
Value of mortgages used to secure the loans	1 180 260	987 900

Dom Development S.A.
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Note 5. Change in the write-offs revaluating short-term receivables

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- - 30.06.2010	01.01- - 30.06.2009
Opening balance	3 547	2 161
a) Additions	849	500
b) Disposals	-	-
Closing balance.....	4 396	2 661

Note 6. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash in hand and short-term bank deposits which will mature within 3 months. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	30.06.2010	31.12.2009	30.06.2009
Cash in hand and at bank	5 435	1 828	4 963
Short-term deposits	279 994	223 957	139 034
Other	51	43	26
Total	285 480	225 828	144 023

Note 7. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2010 AND 31.12.2009

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividend (since)
A	bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Total number of shares				24 560 222				
Total share capital					24 560 222			
Nominal value per share = PLN 1								

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

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

Dom Development S.A.
Additional notes to the interim condensed financial statements
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List of shareholders who have, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at the date of preparing and approving by the Company's Management Board these financial statements for the 1st half of 2010

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

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development SA as at the date of preparing and approving by the Company's Management Board these financial statements for the 1st half of 2010

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

Note 8. Dividend

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

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

Dom Development S.A.
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Note 9. Loans and borrowings

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

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

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

Loan liabilities as at 30 June 2010

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

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

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

Note 10. Deferred tax

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

Deferred tax show in balance sheet as at 31.12.2009	Assets	Liabilities
Before the change of presentation in balance sheet	9 354	21 022
After the change of presentation in balance sheet	-	11 668

Note 11. Bonds

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

On 5 November 2007 the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement. During the seven-year term of this programme, based on the above agreement Dom Development S.A. is allowed to issue mid-term bonds (with a maturity date exceeding 1 year, but not 7 years) with the total value of no more than PLN 400 000 000, which is to be construed as the nominal value of all issued and unredeemed bonds on any day of the term of the Programme. The return on bonds depends on the market conditions on the sale date and calculated according to WIBOR 3M + margin. According to the agreement, the bonds shall be issued in series and offered to selected investors. The Company does not plan to introduce the bonds issued under the programme to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such programmes.

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20 000 I series bonds with the nominal value of PLN 10 000 each and the total nominal value of PLN 200 000 000 under the Bond Issue Programme Agreement signed with Bank BPH S.A. on 5 November 2007. The maturity date of these bonds is 28 November 2012 and the interest rate at WIBOR 3M plus bank commission is payable every three months until the settlement date. The interest becomes due and payable in February, May, August and November during the term of the agreement. The proceeds from the issue of bonds are used for financing the development of the Company. The bonds are an unsecured liability of the Company.

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

Note 12. Accrued interest liability on loans and bonds.

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

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

Note 13. Segment reporting

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

Note 14. Operating income

SALES REVENUES BY KIND	01.01.- 30.06.2010	01.01.- -30.06.2009
Sales of finished goods	296 977	371 038
Sales of services	5 821	7 281
Sales of goods for resale (land)	-	1 632
Total	302 798	379 951

Note 15. Operating costs

OPERATING COSTS	01.01.- 30.06.2010	01.01.- -30.06.2009
Cost of sales		
Cost of finished goods sold	(224 865)	(250 701)
Cost of services sold	(7 637)	(6 300)
Cost of land sold	-	(1 858)
Inventory write down to the net realisable value	2 643	(5 312)
Total cost of sales	(229 859)	(264 171)
Selling costs and general administrative expenses		
Selling costs	(14 301)	(10 993)
General administrative expenses	(20 800)	(21 290)
Total selling costs and general administrative expenses.....	(35 101)	(32 283)
Selling costs and general administrative expenses by kind		
Depreciation	(1 158)	(1 233)
Cost of materials and energy	(4 789)	(3 456)
External services	(8 746)	(8 377)
Taxes and charges	(72)	(75)
Wages and salaries	(14 873)	(13 488)
Social security and other benefits	(2 257)	(1 941)
Management Options Programme.....	(1 979)	(2 514)
Other costs by kind	(1 227)	(1 199)
Total selling costs and general administrative expenses by kind	(35 101)	(32 283)

Note 16. Financial income

FINANCIAL INCOME	01.01.- 30.06.2010	01.01.- -30.06.2009
Dividends	-	6 370
Interest	1 299	1 060
Other	49	36
Total	1 348	7 466

Note 17. Income tax

INCOME TAX	01.01.- 30.06.2010	01.01.- -30.06.2009
Current income tax	8 754	20 714
Deferred income tax	(2 204)	(4 948)
Total	6 550	15 766

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

Note 18. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01.- 30.06.2010	01.01.- -30.06.2009
Basic earnings per share		
Profit for calculation of the basic earnings per share	25 295	70 162
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 560 222	24 560 222
Basic earnings per share (PLN)	1.03	2.86
Diluted earnings per share		
Theoretical profit for calculation of the diluted earnings per share	25 295	70 162
Potential diluting shares related to Management Share Options Programme II	132 253	42 165
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 692 475	24 602 387
Diluted earnings per share (PLN)	1.02	2.85

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

Note 19. Transactions with related entities

In the six-month periods ended 30 June 2010 and 2009 the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided. Due to the 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.- -30.06.2010	01.01.- -30.06.2009
Woodsford Consulting Limited.....	Consulting services as per agreement dated 1 February 2000, with further amendments	675	739
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	108	130
Holland Park Advisory Limited	Consulting services as per agreement dated 5 January 2010	175	-
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	(111)	(115)
Fort Mokotów sp. z o.o.....	Other	-	(2)

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

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

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Dom Development S.A. providing services (seller)

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

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

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

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

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

Balances with related entities

Balances as in the books of the Company

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

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

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

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

Note 20. Incentive plan – Management Options Programme

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

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

Allocation of new share options

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

Note 21. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2010	31.12.2009
Guarantees	104	102
Sureties	891	1 093
Total	995	1 195

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

CONTINGENT LIABILITIES	30.06.2010	31.12.2009
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	100 000	140 000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	130 000	105 000
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the trilateral contract on insurance of loan guarantees of the Company's clients	2 000	2 000
Total	232 000	247 000

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

Note 22. Material court cases as at 30 June 2010

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

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

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

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

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

Note 23. Additional information on the operating activity of the Company

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

Projects commenced in the first half of 2010

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

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

Note 24. The factors which will influence the results achieved by the Company at least in the next three months

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

- economic trend of the residential market which the Company 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,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities.

Note 25. Material post-balance sheet events

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

Note 26. Forecasts

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

Note 27. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.06.2010	31.12.2009
	thousand EURO	thousand EURO
Total current assets	372 890	380 634
Total assets	375 475	383 142
Total shareholders' equity	182 485	182 299
Long-term liabilities	92 736	96 542
Short-term liabilities	100 254	104 301
Total liabilities	192 990	200 843
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>4.1458</i>	<i>4.1082</i>

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SELECTED DATA FROM THE INCOME STATEMENT	01.01- -30.06.2010	01.01- -30.06.2009
	thousand EURO	thousand EURO
Sales revenue	75 619	84 090
Gross profit on sales.....	18 215	25 624
Operating profit.....	9 182	18 549
Profit before tax	7 953	19 016
Profit after tax.....	6 317	15 527
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.0042</i>	<i>4.5184</i>

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

Jarosław Szanajca
President of the Management Board

Janusz Zalewski
Vice-President of the Management Board

Jerzy Ślusarski
Vice-President of the Management Board

Janusz Stolarczyk
Member of the Management Board

Terry R. Roydon
Member of the Management Board