



Dom Development S.A.
Interim condensed financial statements
for the six-month period ended 30 June 2011

DOM DEVELOPMENT S.A.

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED

30 JUNE 2011

Drafted in accordance
with the International Financial Reporting Standards



CONTENTS

1.	APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY	2
2.	INTERIM CONDENSED BALANCE SHEET	3
3.	INTERIM CONDENSED INCOME STATEMENT	4
4.	INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME.....	5
5.	INTERIM CONDENSED CASH FLOW STATEMENT	6
6.	INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	7
7.	ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS.....	8
7.1.	General information about Dom Development S.A.	8
7.2.	Basis for the drafting of the financial statements	8
7.3.	Significant accounting policies	8
7.4.	Key assumptions and basis for estimates	9
7.5.	Inventory	10
7.6.	Change in the write-downs of short-term receivables.....	10
7.7.	Cash and cash equivalents	11
7.8.	Short-term financial assets.....	11
7.9.	Share capital	11
7.10.	Dividends.....	12
7.11.	Loans	13
7.12.	Bonds	14
7.13.	Accrued interest on loans and bonds	14
7.14.	Segment reporting.....	14
7.15.	Operating income	15
7.16.	Operating costs	15
7.17.	Financial income.....	15
7.18.	Income tax	16
7.19.	Earnings per share	16
7.20.	Transactions with related entities	16
7.21.	Incentive Plan – Management Option Programmes	18
7.22.	Contingent liabilities	19
7.23.	Material court cases.....	19
7.24.	Additional information on the operating activity of the Company	19
7.25.	The factors that will impact the results achieved by the Company in at least the next six months	20
7.26.	Material post-balance sheet events.....	20
7.27.	Forecasts	20
7.28.	Change in the presentation of provision for repair costs.....	21
7.29.	Selected financial data translated into EURO	21



1. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY

These interim condensed financial statements for the six-month period ended 30 June 2011 were drafted and approved by the Management Board of the Company on 23 August 2011.

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



2. INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.06.2011 (unaudited)	31.12.2010
Fixed assets			
Intangible assets		1 080	852
Tangible fixed assets		5 033	4 606
Investments in subsidiaries, associates and a joint venture		2 005	2 931
Long-term receivables		16 292	15 791
Total fixed assets		24 410	24 180
Current assets			
Inventory	7.5	1 313 154	1 118 968
Trade and other receivables		32 656	42 600
Corporate income tax receivables		273	-
Other current assets		3 043	3 398
Short-term financial assets	7.8	168 250	-
Cash and cash equivalents	7.7	223 845	430 751
Total current assets		1 741 221	1 595 717
Total assets		1 765 631	1 619 897

EQUITY AND LIABILITIES	Note	30.06.2011 (unaudited)	31.12.2010
Shareholders' equity			
Share capital	7.9	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		23 917	22 610
Other capital (supplementary capital)		471 528	453 943
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		7 139	39 689
Total shareholders' equity		759 189	772 847
Liabilities			
Long-term liabilities			
Long-term loans	7.11	62 330	107 330
Deferred tax provision		6 531	4 398
Bonds	7.12	270 000	270 000
Long-term provisions		11 959	12 179
Other long-term liabilities		39 280	19 018
Total long-term liabilities		390 100	412 925
Short-term liabilities			
Trade payables, tax and other liabilities		199 807	132 340
Short-term part of long-term loans	7.11	49 585	100 532
Accrued interest on loans and bonds	7.13	1 527	1 637
Corporate income tax payables		-	564
Short-term provisions		3 858	3 939
Deferred income		361 565	195 113
Total short-term liabilities		616 342	434 125
Total liabilities		1 006 442	847 050
Total equity and liabilities		1 765 631	1 619 897



3. INTERIM CONDENSED INCOME STATEMENT

	Note	Six-month period ended	
		30.06.2011 (unaudited)	30.06.2010 (unaudited)
Sales revenue	7.15	166 265	302 798
Cost of sales	7.16	(114 912)	(229 859)
Gross profit on sales		51 353	72 939
Selling costs	7.16	(17 967)	(14 301)
General administrative expenses	7.16	(22 687)	(20 800)
Other operating income		806	1 356
Other operating expenses		(2 320)	(2 427)
Operating profit/(loss)		9 185	36 767
Financial income	7.17	2 577	1 348
Financial costs		(2 490)	(6 270)
Profit/(loss) before tax		9 272	31 845
Income tax	7.18	(2 133)	(6 550)
Net profit/(loss)		7 139	25 295
Earnings/(loss) per share:			
Basic (PLN)	7.19	0.29	1.03
Diluted (PLN)	7.19	0.29	1.02



4. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended	
	30.06.2011 <i>(unaudited)</i>	30.06.2010 <i>(unaudited)</i>
Net profit/(loss)	7 139	25 295
Other comprehensive income	-	-
Total comprehensive income	7 139	25 295



5. INTERIM CONDENSED CASH FLOW STATEMENT

	Six-month period ended	
	30.06.2011 (unaudited)	30.06.2010 (unaudited)
Cash flow from operating activities		
Profit/(loss) before tax	9 272	31 845
Adjustments:		
Depreciation	1 143	1 158
Profit/loss on foreign exchange differences	35	(29)
Profit/loss on investments	(731)	5
Interest cost/income	4 205	11 696
Cost of the management option programmes	1 307	1 979
Changes in the operating capital:		
Changes in provisions	(301)	(337)
Changes in inventory	(192 852)	73 203
Changes in receivables	9 442	4 358
Restricted cash in an escrow account	(168 250)	-
Changes in trade payables and other liabilities	87 593	(24 669)
Changes in prepayments and deferred income	165 860	(63 813)
Other adjustments	(35)	(8)
Cash flow generated from operating activities	(83 312)	35 388
Interest paid and received	(4 687)	(10 174)
Income tax paid	(837)	(9 516)
Net cash flow from operating activities	(88 836)	15 698
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	23	13
Dividends received	709	-
Other income from financial assets	965	36
Acquisition of intangible and tangible fixed assets	(1 798)	(1 575)
Net cash flow from investing activities	(101)	(1 526)
Cash flows from financing activities		
Proceeds from contracted loans	3 011	52 898
Commercial papers issued	-	84 737
Repayment of loans and borrowings	(98 958)	(72 579)
Dividends paid	(21 969)	(19 506)
Payment of financial lease liabilities	(53)	(70)
Net cash flow from financing activities	(117 969)	45 480
Increase / (decrease) in net cash and cash equivalents	(206 906)	59 652
Cash and cash equivalents – opening balance	430 751	225 828
Cash and cash equivalents – closing balance	223 845	285 480



Dom Development S.A.
Interim condensed statement of changes in shareholders' equity
for the six-month period ended 30 June 2011
(all amounts in thousands PLN unless stated otherwise)

6. 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 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	-	-	17 585	-	-	(17 585)	-
Payment of dividends to shareholders						(22 104)	(22 104)
Creation of reserve capital from the valuation of the share options	-	-	-	-	1 307	-	1 307
Total comprehensive income for the six-month period ended 30 June 2011	-	-	-	-	-	7 139	7 139
Balance as at 30 June 2011 (unaudited)	24 560	231 535	471 528	510	23 917	7 139	759 189

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from 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	-	-	65 582	-	-	(65 582)	-
Payment of dividends 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 the six-month period ended 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



7. ADDITIONAL NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

7.1. 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 30 June 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 operations is unlimited.

In the six-month period ended 30 June 2011 the Company did not discontinue any of its activities.

7.2. 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 but they have 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 six-month period ended 30 June 2011. These statements were approved by the Management Board of the Company on 23 August 2011.

7.3. Significant 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 matter described in note 7.28 and 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, performance of the Company or the scope of information presented in the financial statements 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 Funding Requirements*. The adoption of these amendments had no impact on the financial position or performance of the Company,
- IFRIC 19 *Extinguishing Conversion of 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 Company has not decided for earlier adoption of any other standard, interpretation or improvement/amendment, which was published and has not yet come into force.

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

7.4. Key assumptions and basis for estimates

In addition to the accounting estimations, 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.

Seasonality

The operating activity of the Company is not subject to any major seasonality.



7.5. Inventory

INVENTORY	30.06.2011 <i>(unaudited)</i>	31.12.2010
Advances on deliveries	9 070	22 375
including: at purchase prices/production costs	9 139	22 444
including: write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	1 017 366	899 712
including: at purchase prices/production costs	1 025 906	909 435
including: write down to the net realisable value	(8 540)	(9 723)
Finished goods	286 718	196 881
including: at purchase prices/production costs	290 575	200 078
including: write down to the net realisable value	(3 857)	(3 197)
Total	1 313 154	1 118 968

WRITE DOWN TO THE NET REALISABLE VALUE	01.01- - 30.06.2011 <i>(unaudited)</i>	01.01- - 30.06.2010 <i>(unaudited)</i>
Opening balance	12 989	25 449
Increments	958	2 963
Reversal	(1 481)	(5 606)
Closing balance	12 466	22 806

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

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	30.06.2011 <i>(unaudited)</i>	31.12.2010
Carrying value of inventory used to secure liabilities	288 207	379 468
Mortgages:		
Value of mortgages used to secure real estate purchase agreements	34 000	-
Value of mortgages used to secure loan agreements	257 578	776 111

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

CHANGE IN THE WRITE DOWNS OF TRADE AND OTHER RECEIVABLES	01.01- - 30.06.2011 <i>(unaudited)</i>	01.01- - 30.06.2010 <i>(unaudited)</i>
Opening balance	3 577	3 547
a) Additions	125	849
b) Disposals	(63)	-
Closing balance	3 639	4 396

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



7.7. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank and cash in hand. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	30.06.2011 <i>(unaudited)</i>	31.12.2010	30.06.2010 <i>(unaudited)</i>
Cash in hand and at bank	1 348	1 737	5 435
Short-term deposits	222 459	428 982	279 994
Overdrafts	(11)	-	-
Other	49	32	51
Total	223 845	430 751	285 480

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 7.11).

7.8. Short-term financial assets

The Company transferred the amount of PLN 168 250 thousand into an escrow account in the performance of the preliminary agreement for the sale of ownership title to the undeveloped property at Powązkowska street dated 26 April 2011. In the case that the conditional agreement for the purchase of this property is entered into this amount will be accounted towards the purchase price of the property with an area of 98 879 sq.m. in Warsaw.

On 3 August 2011, the Company signed a conditional agreement for the purchase of the property (see note 7.26 Material post-balance sheet events).

7.9. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30.06.2011 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 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 three-month period ended 31.03.2011
	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	-
Jarosław Szanajca	1 534 050	6.25	1 534 050	6.25	-
Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.35	1 313 383	5.35	no data
Grzegorz Kielpsz	1 280 750	5.21	1 280 750	5.21	-

*) Shareholding of Aviva Powszechnie Towarzystwo Emerytalne (*General Pension Society*) Aviva BZ WBK S.A. has been presented as per the latest notice as of 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A.

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 are drafted and approved by the Company's Management Board.

Status as at the date of drafting of the financial statements				Change in the period from publication of the interim financial statements for the three-month period ended 31.03.2011	
	Shares	Share options	Total	Shares	Share options*)
The Management Board					
Jarosław Szanajca	1 534 050	-	1 534 050	-	-
Janusz Zalewski	300 000	123 534	423 534	-	23 534
Jerzy Ślusarski	9 363	109 634	118 997	-	23 534
Janusz Stolarczyk	100 200	64 447	164 647	-	11 767
Terry Roydon	58 500	61 767	120 267	-	11 767
The Supervisory Board					
Grzegorz Kielpsz	1 280 750	-	1 280 750	-	-

*) The share options shown in the table cover share options conditionally granted under the first tranche of Programme III on 13 December 2010 by resolution of the Supervisory Board. On 19 May 2011 the General Meeting of Shareholders adopted a resolution identifying the persons eligible to participate in Programme III, in particular to cover the shares under terms and conditions specified in the resolution by the Supervisory Board.

7.10. Dividends

On 19 May 2011 the Ordinary General Meeting of the Shareholders of the Company resolved to assign PLN 22 104 thousand from the Company's profit for 2010 to dividends. This implies the payment of PLN 0.90 per share. The dividend day was set at 7 June 2011 and the dividend payment day was set at 22 June 2011. The dividend was paid out in accordance with the resolution. While the amount of PLN 17 585 thousand was allocated to the increase of the Company's supplementary capital. In the preceding year, the dividend allocation was PLN 19 648 thousand and the dividend payment amounted to PLN 0.80 per share.



7.11. Loans

LOANS DUE	30.06.2011 <i>(unaudited)</i>	31.12.2010
Less than 1 year	49 585	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	111 915	207 862
including: long-term	62 330	107 330
short-term	49 585	100 532

As at 30 June 2011 and 31 December 2010 the Company did not have borrowing-related liabilities.

As at 30 June 2011 and 31 December 2010 all the loans taken by the Company were expressed in Polish zloty.

BANK LOANS AS AT 30.06.2011						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
PKO BP	Warszawa	200 000	PLN	90 000	PLN	31.12.2012
BOŚ	Warszawa	11 990	PLN	4 585	PLN	31.12.2011
PKO BP	Warszawa	15 000	PLN	-	PLN	31.05.2012
BOŚ	Warszawa	17 330	PLN	17 330	PLN	30.09.2012
Total bank loans				111 915	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 7.7).

ASSET REDUCING OVERDRAFTS AS AT 30.06.2011						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warszawa	5 000	PLN	11	PLN	19.08.2012
Total overdrafts		5 000	PLN	11	PLN	

ASSET REDUCING OVERDRAFTS AS AT 30.06.2010						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warszawa	40 000	PLN	-	PLN	23.04.2010
Total overdrafts		40 000	PLN	-	PLN	



7.12. Bonds

BONDS	30.06.2011 <i>(unaudited)</i>	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 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 plus 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 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 31.06.2011					
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		

7.13. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	30.06.2011 <i>(unaudited)</i>	31.12.2010
Accrued interest on bonds	991	963
Accrued interest on loans	536	674
Total accrued interest on loans and bonds	1 527	1 637

7.14. Segment reporting

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



7.15. Operating income

REVENUE BREAKDOWN	01.01- - 30.06.2011 (unaudited)	01.01- - 30.06.2010 (unaudited)
Sales of finished goods	160 156	296 977
Sales of services	6 109	5 821
Sales of goods (land)	-	-
Total	166 265	302 798

7.16. Operating costs

OPERATING COSTS	01.01- - 30.06.2011 (unaudited)	01.01- - 30.06.2010 (unaudited)
Cost of sales		
Cost of finished goods sold	(109 092)	(224 865)
Cost of services sold	(6 343)	(7 637)
Cost of goods (land) sold	-	-
Inventory write down to the net realisable value	523	2 643
Total cost of sales	(114 912)	(229 859)
Selling costs, and general administrative expenses		
Selling costs	(17 967)	(14 301)
General administrative expenses	(22 687)	(20 800)
Total selling costs, and general administrative expenses	(40 654)	(35 101)
Selling costs, and general administrative expenses by kind		
Depreciation	(1 143)	(1 158)
Cost of materials and energy	(6 971)	(4 789)
External services	(9 970)	(8 746)
Taxes and charges	(95)	(72)
Remuneration	(16 937)	(14 873)
Social security and other benefits	(2 405)	(2 257)
Management Option Programme	(1 307)	(1 979)
Other prime costs	(1 826)	(1 227)
Total selling costs, and general administrative expenses by kind	(40 654)	(35 101)

7.17. Financial income

FINANCIAL INCOME	01.01- - 30.06.2011 (unaudited)	01.01- - 30.06.2010 (unaudited)
Dividends	709	-
Interest	1 865	1 299
Other	3	49
Total	2 577	1 348



7.18. Income tax

INCOME TAX	01.01- - 30.06.2011 (unaudited)	01.01- - 30.06.2010 (unaudited)
Current income tax	-	8 754
Deferred tax	2 133	(2 204)
Total	2 133	6 550

7.19. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- - 30.06.2011 (unaudited)	01.01- - 30.06.2010 (unaudited)
Basic earnings per share		
Profit for calculation of the basic earnings per share	7 139	25 295
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)	0.29	1.03
Diluted earnings per share		
Theoretical profit for calculation of the diluted earnings per share	7 139	25 295
Potential diluting shares related to the Management Share Option Programme II	167 994	132 253
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 728 216	24 692 475
Diluted earnings per share (PLN)	0.29	1.02

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

7.20. Transactions with related entities

In the six-month periods ended 30 June 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- 30.06.2011 (unaudited)	01.01- 30.06.2010 (unaudited)
Woodsford Consulting Limited	Consulting services as per the agreement dated 1 February 2000, as amended	708	675
Hansom Property Company Limited	Consulting services as per the agreement dated 31 March 1999	106	108
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2010	179	175
Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" under liquidation	Insurance of financial loss risk	-	(111)



DOM DEVELOPMENT S.A. AS A LAND BUYER UNDER AN AGENCY AGREEMENT

Counterparty	Transaction description	01.01- 30.06.2011 <i>(unaudited)</i>	01.01- 30.06.2010 <i>(unaudited)</i>
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development Grunty sp. z o.o. in the performance of mandate contracts	-	54 796
Dom Development Grunty sp. z o.o.	Additional payments to invoices for land ownership transfer to Dom Development S.A.	-	1 217

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)

Counterparty	Transaction description	01.01- 30.06.2011 <i>(unaudited)</i>	01.01- 30.06.2010 <i>(unaudited)</i>
Fort Mokotów sp. z o.o.	Repair services as per the agreement dated 22 July 2005	102	72
Fort Mokotów sp. z o.o.	Other	35	8
Dom Development Grunty sp. z o.o.	Other	3	3
Dom Development B.V.	Other	25	-
Dom Development Morskie Oko sp. z o.o.	Other	2	31

DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES

Counterparty	Transaction description	01.01- 30.06.2011 <i>(unaudited)</i>	01.01- 30.06.2010 <i>(unaudited)</i>
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- 30.06.2011 <i>(unaudited)</i>	01.01- 30.06.2010 <i>(unaudited)</i>
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing in the amount of PLN 1 300 thousand	39	-

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER

Counterparty	Transaction description	01.01- 30.06.2011 <i>(unaudited)</i>	01.01- 30.06.2010 <i>(unaudited)</i>
Dom Development B.V.	Dividends	13 686	12 397



BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2011 <i>(unaudited)</i>	31.12.2010	30.06.2011 <i>(unaudited)</i>	31.12.2010
Total balance	2 501	2 546	186	220
Subsidiaries	2 486	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.	-	16	-	-
Dom Development Grunty sp. z o.o.	1 339	1 300	-	-
Joint-ventures	15	83	-	-
Fort Mokotów sp. z o.o.	15	83	-	-
Other entities	-	-	186	220
Woodsford Consulting Limited	-	-	96	130
Holland Park Advisory Limited	-	-	90	90

REMUNERATION AND FEES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS OF DOM DEVELOPMENT S.A.		
Counterparty	01.01-30.06.2011 <i>(unaudited)</i>	01.01-30.06.2010 <i>(unaudited)</i>
The Management Board	2 651	2 892
The Supervisory Board	516	426

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

7.21. Incentive Plan – Management Option Programmes

Structure of share options granted and not exercised as at 30 June 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	158 400	114.48
Programme II	10.12.2008	183 175	14.91
Programme II	15.01.2009	31 000	16.97
Programme II	10.12.2009	198 025	40.64
Programme III	13.12.2010	120 000	1.00
Total		840 000	

The 120 000 of share options shown in the table granted under Programme III on are the first tranche of the options to be granted under this Programme. These share options were conditionally granted by Supervisory Board's resolution on 13 December 2010. On 19 May 2011 the General Meeting of Shareholders adopted a resolution identifying the persons eligible to participate in Programme III, in particular to cover the shares under terms and conditions specified in the resolution by the Supervisory Board.

In the six-month period ended 30 June 2011 the number of share options eligible to participate in Programme II of Management Option Programmes was reduced by 6 000 options as a result of termination of employment contracts with the persons eligible to participate in the programme.

Allocation of new share options

In the six-month period ended 30 June 2011 the Company did not grant any new share options.



7.22. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2011 <i>(unaudited)</i>	31.12.2010
Guarantees	3 048	3 051
Sureties	736	804
Total	3 784	3 855

Additionally, some of the Company's liabilities are secured with promissory notes:

COLLATERALS FOR LIABILITIES	30.06.2011 <i>(unaudited)</i>	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	15 000	65 000
– promissory notes as an additional guarantee for TU Euler Hermes arising from the good performance guarantee	1 889	1 889
Total	151 209	201 209

In the six-month period ended 30 June 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.

7.23. Material court cases

As of 30 June 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 30 June 2011 there were not two or more proceedings before any court, authority competent for arbitration or public administration body, concerning the liabilities or receivables, the value of which would be at least 10% of the Company's shareholders' equity.

As of 30 June 2011, the Company was a party to proceedings concerning liabilities and receivables, the total value of which was approx. PLN 37 016 thousand, including the total value of proceedings concerning liabilities at approx. PLN 36 656 thousand and the total value of proceedings concerning receivables at approx. PLN 360 thousand.

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

7.24. Additional information on the operating activity of the Company

In the period from 1 January to 30 June 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 30 June 2011:

Project	Standard	Number of apartments
Akropol	Popular	366
Wilno, phase 2 (stage 2A)	Popular	117
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



Projects ended in the period from 1 January until 30 June 2011:

Project	Standard	Number of apartments
Derby 9	Popular	258
Klasyków, phase 1	Popular	135
Saska, phase 1 (stage 1A)	Popular	325

7.25. The factors that will impact the results achieved by the Company in at least the next six months

The most important factors that may impact the financial situation of the Company in at least the next six 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.

7.26. Material post-balance sheet events

On 3 August 2011, in the performance of the preliminary sale agreement dated 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 conditional agreement for the sale of ownership title to the undeveloped property located in Warsaw, Żoliborz district, at ul. Powązkowska 7/13, plot number 23/1, cadastral unit 7-03-02, with an area of 98 879 sq.m.. This agreement was entered into under a condition subsequent being the failure to exercise a statutory pre-emptive right by the Mayor of the Capital City of Warsaw. The aggregate payable for the property described above is PLN 209 355 thousand gross. The amount of PLN 168 250 thousand that was deposited in an escrow account and disclosed in the balance sheet as at 30 June 2011 under "short-term financial assets" has been accounted towards the price of the property.

The conclusion of the agreement for the transfer of ownership title to the property described above to the Company shall take place within 14 days from when the pre-emptive right waiver statement issued by the Mayor of the Capital City of Warsaw is submitted or within 14 days from ineffective expiry of the term for the submission of the statement concerning such right being exercised by the Mayor of the Capital City of Warsaw. In accordance with the statement dated 11 August 2011, the Mayor of the Capital City of Warsaw waived the statutory preemptive right vested in the Capital City of Warsaw.

On 28 July 2011, the general meeting of shareholders of Fort Mokotów Sp. z o.o. resolved on the dissolution of Fort Mokotów Sp. z o.o. The dissolution will take place following liquidation. This event does not materially affect the financial data presented in these interim condensed financial statements.

7.27. Forecasts

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



7.28. Change in the presentation of provision for repair costs

The Company has changed the presentation of provision for repair costs. In the balance sheet presented in the financial statements for the twelve-month period ended 31 December 2010 the provision for repair costs was disclosed entirely in short-term liabilities as "Short-term provisions". In these financial statements a long-term portion of the provision for repairs was disclosed in long-term liabilities as "Long-term provisions". As a result of this change, a long-term portion of the provision for repairs in the amount of PLN 12 179 thousand was moved from "Short-term provisions" to "Long-term provisions" in the balance sheet drafted as at 31 December 2010 and incorporated in these financial statements.

7.29. Selected financial data translated into EURO

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

SELECTED DATA FROM THE BALANCE SHEET	30.06.2011	31.12.2010
	<i>(unaudited)</i>	
	thousand Euro	thousand Euro
Total current assets	436 768	402 928
Total assets	442 891	409 034
Total shareholders' equity	190 435	195 149
Long-term liabilities	97 853	104 266
Short-term liabilities	154 603	109 619
Total liabilities	252 456	213 885
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>3.9866</i>	<i>3.9603</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01-30.06.2011	01.01-30.06.2010
	<i>(unaudited)</i>	<i>(unaudited)</i>
	thousand Euro	thousand Euro
Sales revenue	41 909	75 619
Gross profit on sales	12 944	18 215
Operating profit/(loss)	2 315	9 182
Profit/(loss) before tax	2 337	7 953
Net profit/(loss)	1 799	6 317
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>3.9673</i>	<i>4.0042</i>