THIS ENGLISH LANGUAGE VERSION OF THE PROSPECTUS IS PREPARED AND PROVIDED FOR INFORMATION PURPOSES ONLY TO INVESTORS. IT IS NOT, AND DOES NOT CONSTITUTE OR FORM PART OF, THE PROSPECTUS AS APPROVED ON 14 SEPTEMBER 2006 BY THE POLISH SECURITIES AND EXCHANGE COMMISSION AND SHOULD NOT BE TREATED AS SUCH. THE COMPANY TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THIS ENGLISH LANGUAGE VERSION OF THE PROSPECTUS AND THE CONTENTS HEREOF ARE QUALIFIED IN THEIR ENTIRETY BY THE PROSPECTUS AS APPROVED BY THE POLISH SECURITIES AND EXCHANGE COMMISSION.

Issue Prospectus for shares in Dom Development S.A.

This Prospectus has been prepared in relation to:

- the public subscription for Series F Shares ("Subscription Offer");
- the public sale of Shares belonging to Dom Development B.V. ("Sale Offer"); and
- the introduction to trading on the WSE of all the Series F Shares included in the Offer and of Rights to Shares arising from them, 21,344,490 New Series A Shares, 172,200 bearer series H Shares, 92,700 bearer series I Shares and 148,200 bearer series L Shares.

In the public offer of shares in Dom Development S.A. (the "Offer"), Series F Shares and Shares Being Sold are being offered (jointly, the "Shares Offered"). The nominal value of a share in Dom Development S.A. is PLN 1.00. The Offer will be carried out exclusively in Poland. The Shares Offered will be offered to both Institutional Investors and to Individual Investors.

The Issuer and the Seller will decide upon the final number of Shares Offered before the beginning of the Offer. The Company's Management Board may offer a number of Series F Shares which is different than the number stated in the Company's Management Board resolution No. 02/09/06 of 5 September 2006 as amended by Management Board resolution No. 03/09/06 of 6 September 2006. In such case the Company's Management Board will adopt a resolution amending the Company's Management Board's resolution No. 02/09/06 of 5 September 2006 as amended by Management Board resolution No. 03/09/06 of 6 September 2006. At the same time the Seller will decide upon the number of Shares Sold offered in the Offer.

As a result of the decision by the Issuer and the Seller, information on the final number of Shares Offered in the Offer, together with its division into particular tranches will be made public at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of investors to the provisions of point 2.5 *Possibility of avoiding the legal consequences of a submitted subscription* in Section XXII *Terms and Conditions of the Offer*.

The Issue Price and the Sale Price shall be made available to the public at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of investors to the provisions of point 2.5 *Possibility of avoiding the legal consequences of a submitted subscription* in Section XXII *Terms and Conditions of the Offer*.

Prior to the beginning of the Offer, Bookbuilding for the Shares Offered will be conducted. Bookbuilding shall be carried out exclusively among Institutional Investors intending to purchase Shares Offered being offered as part of the Institutional Investors' Tranche. Persons interested in participating in the process of Bookbuilding shall contact one of the Joint Bookrunners. On the basis of the results of the Bookbuilding for the Shares Offered, the Issue Price and Sale Price will be made public, and will be equal to each other and the prices will not differ between tranches. The process of Bookbuilding shall last from 4 October 2006 to 16 October 2006.

Subscriptions in the Institutional Investors' Tranche for the Shares Offered will be accepted in the period from 17 October 2006 to 19 October 2006. Subscriptions in the Individual Investors' Tranche for the Shares Offered will be accepted in the period from 17 October to 3 p.m. on 19 October 2006. The Issuer intends to list the Shares Offered on the WSE in October 2006.

The particular terms of the Offer are described, *inter alia*, in Section II *Summary*.

The risks connected to the Offer are described in Section III *Risk Factors*. Information included in the Prospectus was updated to the date on which the Commission approved the Prospectus.

The Global Coordinator of the Offer and the Offeror is Centralny Dom Maklerski Pekao S.A., whose registered office is in Warsaw

CDM PEKAO

The Joint Bookrunners are:

CDM PEKAO CA IB

The Prospectus was approved by the Securities and Exchange Commission on 14 September 2006

THIS PUBLIC OFFER IS BEING CONDUCTED ONLY WITHIN THE TERRITORY OF THE REPUBLIC OF POLAND. OUTSIDE POLAND, THIS PROSPECTUS MAY NOT BE TREATED AS A PROPOSAL OR AN OFFER TO SELL. NEITHER THE PROSPECTUS NOR THE SHARES COVERED BY IT HAVE BEEN THE SUBJECT OF REGISTRATION, APPROVAL OR NOTIFICATION IN ANY STATE OTHER THAN THE REPUBLIC OF POLAND, AND IN PARTICULAR PURSUANT TO THE PROVISIONS OF DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING AND AMENDING DIRECTIVE 2001/34/EC OR STATE OR FEDERAL LEGAL REGULATIONS RELATING TO THE OFFERING OF SECURITIES THAT APPLY IN THE UNITED STATES OF NORTH AMERICA. THE SHARES COVERED BY THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE THE REPUBLIC OF POLAND (INCLUDING IN THE EUROPEAN UNION OR THE UNITED STATES OF AMERICA), UNLESS IN THE GIVEN STATE SUCH AN OFFER OR SALE COULD BE CONCLUDED LEGALLY, WITHOUT THE NEED TO FULFIL ANY ADDITIONAL LEGAL REQUIREMENTS. EACH INVESTOR RESIDING IN OR HAVING ITS REGISTERED OFFICE OUTSIDE THE REPUBLIC OF POLAND SHOULD BECOME FAMILIAR WITH THE PROVISIONS OF POLISH LAW AND THE PROVISIONS OF THE LAW OF OTHER STATES THAT MAY APPLY TO THIS INVESTOR.

FORWARD LOOKING STATEMENTS

CERTAIN INFORMATION INCLUDED IN THIS ISSUE PROSPECTUS DOES NOT CONSIST OF HISTORICAL FACTS BUT RELATES TO THE FUTURE. THESE STATEMENTS MAY IN PARTICULAR RELATE TO STRATEGY, BUSINESS DEVELOPMENT, MARKET FORECASTS, PLANNED INVESTMENTS OR FUTURE REVENUES. THESE STATEMENTS MAY ALSO BE IDENTIFIED BY THE USE OF EXPRESSIONS RELATING TO THE FUTURE SUCH AS “CONSIDER”, “JUDGE’, “EXPECT”, “MAY”, “WILL”, “SHOULD”, “EXPECT”, “ASSUME”, EXPRESSIONS CONTRARY TO THESE, VARIETIES OF THEM OR SIMILAR TERMS. STATEMENTS CONTAINED IN THE PROSPECTUS THAT RELATE TO MATTERS THAT ARE NOT HISTORICAL FACTS SHOULD BE TREATED EXCLUSIVELY AS FORECASTS WHICH ARE ASSOCIATED WITH RISK AND UNCERTAINTY. ASSURANCE CANNOT BE GIVEN THAT THESE FORECASTS WILL BE FULFILLED, IN PARTICULAR AS A RESULT OF THE APPEARANCE OF THE RISK FACTS DESCRIBED IN THIS ISSUE PROSPECTUS.

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I. DEFINITIONS AND EXPLANATIONS OF ABBREVIATIONS AND TERMS

Accounting Act	Law of 29 September 1994 on accountancy (Journal of Laws of 2002, No. 76, Item 694, as amended)
Annual Meeting of Shareholders	Annual Meeting of Shareholders of Dom Development S.A.
Bonds Act	Law of 29 June 1995 on bonds (Journal of Laws of 2001, No. 120, Item 1300, as amended)
Bookbuilding	The process of gauging demand for the Shares Offered
CDM, CDM Pekao S.A.	Centralny Dom Maklerski Spółka Akcyjna with its registered office in Warsaw
Certain Types of Financial Collateral Act	Act of 2 April 2004 on Certain Types of Financial Collateral (Journal of Laws, No. 91, item 871 as amended)
City of Warsaw	The capital city of Warsaw within its administrative boundaries, in accordance with the applicable laws
Civil Code, CC	Law of 23 April 1964 — Civil Code (Journal of Laws No. 16, Item 93, as amended)
Civil Procedure Code	Law of 17 November 1964 — Civil Procedure Code (Journal of Laws No. 43, Item 296, as amended)
Commercial Code	Regulation of the President of the Republic of Poland of 27 June 1934 (Journal of Laws No. 57, Item 502, as amended)
Commercial Companies Code, CCC	Law of 15 September 2000 — Commercial Companies Code (Journal of Laws No. 94, Item 1037, as amended)
Commission, Polish SEC, KPWiG	Polish Securities and Exchange Commission
Company's Shares, Shares	All outstanding shares of the Company and shares of series H, I, J and L
Current Report	Ongoing information provided by the Issuer, prepared in the form and scope set forth in the Regulation of the Minister of Finance of 19 October 2005 on ongoing and periodic information provided by issuers of securities (Journal of Laws No. 209, Item 1744), disclosing information in accordance with the terms of that Ordinance
Customer Service Points, CSP	Customer Service Points of the brokerage houses which accept subscriptions for Shares Offered in the Individual Investors Tranche
EBRD, EBOR	European Bank for Reconstruction and Development
EUR	The legal currency unit in force in countries of the European Monetary Union
Extraordinary Shareholders Meeting	Extraordinary Shareholders Meeting of Dom Development
Global Coordinator	Centralny Dom Maklerski Pekao S.A. with its registered office in Warsaw
Group	The Issuer along with its subsidiaries and joint-venture Fort Mokotów sp. z o.o.
GUS	Główny Urząd Statystyczny (Main Statistics Office)
IAS	International Accounting Standards
IBnGR	Instytut Badań nad Gospodarką Rynkową (The Institute for Market Economics)

IFRS	International Financial Reporting Standards
Institutional Investors	Investors entitled to submit subscriptions for Shares Offered in the Institutional Investors Tranche are investors who received from one of the Bookrunners an invitation to submit a subscription for Shares Offered
Individual Investors	Investors, being natural persons, who are entitled to acquire Shares Offered in the Individual Investors Tranche on the principles set out in the Prospectus
Individual Investor Tranche	The part of the Offer addressed to Individual Investors
Institutional Investor Tranche	The part of the Offer addressed to Institutional Investor
Issue Price	Issue price of the Series F Shares
Issue Sponsor Account	Securities account of the Shares which are registered under ISIN code held by the brokerage house in favour of persons who have not filed deposit instructions to transfer Shares on their own securities account
Issuer, Company, Dom Development	Dom Development S.A.
Joint Bookrunners, Bookrunners	Centralny Dom Maklerski Pekao S.A. and CAIB International Markets Ltd.
KDPW	Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities)
KW	Land and Mortgage Register
Member of the Management Board	Member of the Management Board of Dom Development
Management Board, Management, and also the expressions “We”, “Our” and their synonyms	The Management Board of Dom Development
Marina Mokotów	A residential project developed by Fort Mokotów sp. z o.o., a company of which 51% of the shares are owned by PKO Inwestycje sp. z o.o. and 49% of the shares are owned by Dom Development
Member of the Management Board	Member of the Management Board of Dom Development
Monetary Policy Council	Rada Polityki Pieniężnej (Monetary Policy Council) - body of the National Bank of Poland
MSWiA	Ministerstwo Spraw Wewnętrznych i Administracji (Ministry of Interior and Administration)
NBP	Narodowy Bank Polski (National Bank of Poland)
New Series A Shares	21,344,490 ordinary bearer shares created as the result of the merger of all the former Series A-D and F Shares and 81,000 of the former Series G Shares on the basis of a resolution of the Issuer’s Extraordinary Shareholders Meeting of 9 August 2006
Offer	The public offering of Series F Shares and Shares Sold under this Prospectus
Offeror	Centralny Dom Maklerski Pekao S.A. with its registered office in Warsaw
PAS	Polish Accounting Standards

PLN, zł, zloty	The legal currency of the Republic of Poland, introduced into circulation on 1 January 1995, pursuant to the Law of 7 July 1995 on the denomination of the zloty (Journal of Laws No. 84, item 386, as amended)
Prospectus	This prospectus of Dom Development relating to the Offer
Public Offering and Public Companies Act	Law of 29 July 2005 on public offering, the conditions governing the introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws No. 184, Item 1539)
Reas Konsulting	Reas sp. z o.o. with its registered office in Warsaw
Reas Report	The Warsaw Residential Market Report 2005/2006 published by Reas Konsulting
Regulation 809	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
Regulation on Markets	Regulation of the Minister of Finance of 14 October 2005 regarding the particular conditions that must be fulfilled by the market for official stock exchange quotations and the issuers of securities admitted to trading on such a market (Journal of Laws No. 206, item 1712)
Rights to Series F Shares, PDAs	Securities conferring the rights to receive Series F Shares, arising upon the allotment of Series F Shares and expiring after the Shares are registered in the depository of securities or after a decision of the court refusing to record the share capital increase on the commercial register becomes final
Risk Factors	The risks described in Section III, "*Risk Factors*", which the Investor should read carefully before deciding to invest in the Shares Offered
Sale Offer	The public offer for the sale of Shares Sold under this Prospectus
Sale Price	Sale price of the Shares Sold
Seller, Dom Development B.V.	Dom Development B.V. with its registered office at Max Euwelaan 61, 3062 MA Rotterdam, The Netherlands
Series F Shares	Up to 3,273,000 Series F Shares of the Issuer, issued on the basis of resolution No. 02/09/06 of the Management Board dated 5 September 2006 as amended by resolution No. 03/09/06 of the Management Board dated 6 September 2006. The Management Board may take a decision to offer a number of Series F Shares which is different than the number stated in the Company's Management Board resolution No. 02/09/06 of the Management Board dated 5 September 2006 as amended by resolution No. 03/09/06 of the Management Board dated 6 September 2006; in that case the Management Board will adopt a resolution amending the resolution that constitutes the basis for the issue of Series F Shares; information about the final number of Series F Shares offered in the course of the Offer will be made public at the latest on the first day of acceptance of subscriptions, in accordance with Article 54 paragraph 3 of the Public Offering and Public Companies Act
Shareholders Meeting	Shareholders Meeting of Dom Development

Shares Introduced	21,344,490 New Series A Shares, 172,200 Series H ordinary bearer shares, 92,700 Series I ordinary bearer shares and 148,200 Series L ordinary bearer shares with a nominal value of 1.00 zloty each of the company Dom Development S.A.
Shares Offered	Series F Shares and Shares Sold
Shares Sold, Shares Being Sold	New Series A Shares offered by Dom Development B.V. through an Offer for Sale, the final number of which will be made public at the latest on the first day of acceptance of subscriptions for Shares Offered, in accordance with Article 54 paragraph 3 of the Public Offering and Public Companies Act
Statute	The Statute of Dom Development in force at the day on which the Prospectus was approved
Stock Exchange Bylaws, WSE Bylaws	Bylaws of the WSE adopted by WSE Board resolution No. 1/1110/2006 dated 4 January 2006
Subscription Offer	The public offer to subscribe for Series F Shares under this Prospectus
Supervisory Board	Supervisory Board of Dom Development
Tax Ordinance	Law of 29 August 1997 — Tax Ordinance (uniform text: Journal of Laws of 2005, No. 8, Item 60, as amended)
Trading in Financial Instruments Act	Law of 29 July 2005 on trading in financial instruments (Journal of Laws No. 183, Item 1538)
Underwriter	An entity that is party to an agreement concluded with the Issuer under which it undertakes to purchase for its own account all or a part of the securities offered in the primary offer for which subscriptions are not lodged during the period for their acceptance
UOKiK	Office for the Protection of Competition and Consumers
Warsaw	The City of Warsaw within its administrative borders and its metropolitan area
WSE, GPW, Stock Exchange	Giełda Papierów Wartościowych w Warszawie S.A.
WSE Principles of Best Practices	Principles of corporate governance as referred to in resolution No. 44/1062/2004 of the Board of the WSE dated 15 December 2004 and resolution No. 45/1063/2004 dated 15 December 2004 concerning acceptance of the principles of corporate governance for joint-stock companies that are issuers of shares, convertible bonds with or without attached priority rights, and admitted to stock exchange trading on an official market
Zoning Decision	Decision No. 94/Mo/01/GC issued by the Mayor of the Borough of central Warsaw on 4 July 2001 defining the conditions for the development of the entire site of the Marina Mokotów development

II. SUMMARY

This Summary should be deemed an introduction to the Prospectus. Investors should read and understand the entire Prospectus before reaching any decision to invest in securities. They should pay particular attention to the Risk Factors described later in this Summary and also in Section III, "*Risk factors*". An investor who submits a claim in relation to the Prospectus will pay the costs of any translation of the Prospectus prior to the commencement of court proceedings. Civil liability resides with those persons who wrote the Summary together with any translation thereof and who requested its approval, but only if the Summary is misleading, inaccurate or otherwise non-compliant with the remainder of the Prospectus.

The expressions "we", "our" or synonyms thereof refer to the Management Board of Dom Development S.A. or the Company.

1 The Offer and the dates

On the basis of this Prospectus, Series F Shares and Shares Being Sold (jointly the Shares Offered) are offered. No additional performance obligations are associated with the Shares Offered. Series F Shares and Shares Being Sold are being offered jointly as part of the Offer without any differentiation during subscription for such by investors. As a result, an investor submitting a subscription as part of the Offer may be allocated both Series F Shares as well as Shares Being Sold. The Offer will be divided into two tranches: the Individual Investors' Tranche and the Institutional Investors' Tranche.

Prior to the beginning of the Offer, Bookbuilding for the Shares Offered will be conducted. Bookbuilding shall be carried out exclusively among Institutional Investors intending to purchase Shares Offered as part of the Institutional Investors' Tranche. Persons interested in participating in the process of Bookbuilding shall contact one of the Bookrunners. The process of Bookbuilding shall last from 4 October to 16 October 2006.

The Issuer and the Seller shall decide upon the number of Shares Offered prior to the commencement of the Offer. The Management Board of the Company may decide to offer for subscription a number of Series F Shares which is different than the number stated in resolution No. 02/09/06 dated 5 September 2006 as amended by resolution No. 03/09/06 dated 6 September 2006. In such case the Management Board of the Company shall make a resolution which amends the Management Board's resolution No. 02/09/06 dated 5 September 2006 as amended by resolution No. 03/09/06 dated 6 September 2006. At the same time, the Seller shall decide upon the number of Shares Being Sold under the Offer.

As a result of the decision of the Issuer and the Seller, information on the final number of Shares Offered in the Offer together, with its division into particular tranches, will be made public at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of investors to the provisions of point 2.5 "*Possibility of avoiding the legal consequences of a submitted subscription*" in Section XXII "*Terms and Conditions of the Offer*".

The Offer will be divided into two tranches: the Individual Investors' Tranche and the Institutional Investors' Tranche.

Series F Shares will first be allocated followed by Shares Being Sold. In the event of an investor being allocated both Series F Shares and Shares Being Sold this allocation will have a proportional nature, taking into account any rounding. An investor to whom Series F Shares are allocated will have Rights to Series F Shares entered in its securities account.

Detailed information concerning the Shares Offered has been set out in Section XXI *Information Concerning the Shares to be Offered and Admitted to Trading*, whereas detailed terms of the Offer are presented in Section XXII *Terms and Conditions of the Offer*.

Schedule

17 October 2006	Commencement of the Offer.
From 17 October to 3.00 p.m. on 19 October 2006	Acceptance of subscriptions in the Individual Investor Tranche.
From 17 October to 19 October 2006	Acceptance of subscriptions in the Institutional Investor Tranche.
20 October 2006	Acceptance of subscriptions from Underwriters.
20 October 2006	Close of the Offer.
20 October 2006	Planned date for the allocation of the Shares Offered.

All the above deadlines are subject to change. In the event of a change to any of the deadlines, this information will be published as an annex to the Prospectus pursuant to Art. 51 of the Act on Public Offering and Public Companies. A change to the dates of the Offer will not constitute a withdrawal of the Offer.

2 Issue Price/Sale Price

The Issue Price will be determined by the Management Board with the agreement of the Supervisory Board. The Sale Price will be determined by the Seller. In both cases this will be done in consultation with the Bookrunners on the basis of the results of the Bookbuilding carried out among Institutional Investors. The Joint Bookrunners, during Bookbuilding, will examine the level of interest in the Shares Offered among Institutional Investors as well as demand sensitivity to different prices. The Issue Price and Sale Price will be determined on the basis of the following criteria: (a) level of interest among Institutional Investors in the Offer during Bookbuilding, (b) examination of demand sensitivity to price, (c) current market conditions on financial markets including the WSE.

The Issue Price and the Sale Price will be equal to each other, and the prices of both will not differ between tranches. The decision regarding the Issue Price will be made by the Management Board in the form of a resolution, with the agreement of the Supervisory Board, whereas the decision regarding the Sale Price will be made by the Seller in the form of a declaration.

The Issue Price and the Sale Price will be made available to the public at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of investors to the provisions of point 2.5 *Possibility of avoiding the legal consequences of a submitted subscription* in Section XXII *Terms and Conditions of the Offer*.

3 Offeror and locations for placing subscriptions

Centralny Dom Maklerski Pekao S.A. with its registered office in Warsaw at ul. Wołoska 18, 02-675 Warsaw shall act as the Offeror and Global Coordinator of the Offer.

Subscriptions for Shares Offered in the Individual Investors' Tranche will be accepted by the Customer Service Points, a current list of which is included in Appendix 3 to the Prospectus.

Subscriptions for Shares Offered in the Institutional Investor's Tranche will be accepted by CDM Pekao S.A., ul. Wołoska 18, 02-675 Warsaw and by CAIB Securities S.A., ul. Emilii Plater 53, 00-113 Warszawa. Details regarding the manner of distributing the Shares Offered are set forth in Section XXII *Terms and Conditions of the Offer*.

4 Admission of the Shares Introduced, of Series F Shares and of Rights to Series F Shares to trading on the WSE

The Shares Introduced, Series F Shares and Rights to Series F Shares will be the subject of an application by us for their admission to trading on the WSE (the main market). We will use our best efforts to secure the admission and introduction to WSE trading of the Shares Introduced and Rights to Series F Shares in the shortest time possible following the date of allocation. In our opinion, admission of the Shares Introduced and Rights to Series F Shares can take place in October 2006. However, we are aware that the admission to trading of shares on the WSE is to a significant degree conditional on the satisfaction by us of numerous conditions imposed by the regulations of the WSE.

In the event of the failure of the issue of Series F Shares after the introduction of Rights to Series F Shares to exchange trading, no later than three business days before the decision of the court refusing to register the increase in share capital through the issue of Series F Shares becomes legally binding, the quotation of PDAs on the WSE will cease. In this situation an investor holding PDAs in its securities account on the day of settlement of transactions for the last day of quotation of the PDAs on the WSE is refunded the monetary amount that corresponds to the number of PDAs multiplied by the Issue Price. The Issuer undertakes to publish in the form of a Current Report information on the date on which the court decision on refusal to register the increase in share capital through the issue of Series F Shares becomes legally binding.

5 Our business

5.1 Background and history

Dom Development S.A. was founded by a group of international investors in 1995, and a partnership with local management was established in November 1996, with the purpose of bringing Western European expertise and standard of residential development to the Warsaw market. The focus was and remains mainly the development of affordable housing, mainly flats, to appeal to the so-called ‘popular segment’ of home buyers. The Issuer’s first project was the construction of the Akacje residential development in the northern Warsaw district of Białołęka, around 12 km from the centre of Warsaw.

However, true to its reputation as an innovator, Dom Development S.A. has expanded into more upmarket segments as the business has grown and the Warsaw residential market has developed.

In 2003 the Issuer embarked on the ***Marina Mokotów*** project, one of Central & Eastern Europe’s most ambitious residential developments to date and arguably the most innovative residential development in Warsaw. This 22-hectare project on a greenfield site only 4 km from the centre of Warsaw consists of over 1,500 apartments and houses with shops and shared amenities including an artificial lake. Marina Mokotów, delivered in partnership with one of the biggest Polish banks, PKO BP S.A., has supplied the market with a new type of carefully master-planned housing product and has raised expectations amongst Warsaw’s home buying public.

Over ten years’ experience of developing residential real estate across a number of market segments has allowed the Issuer to devise effective in-house processes and systems.

Between its establishment and 30 June 2006, the Company completed 43 projects consisting of almost 8,000 residential units. At present, 15 developments are underway, with a subsequent 33, where the Company either already owns the land, or has secured it under contract. In total, at 30 June 2006 the Group controlled land for around 8,400 units which are planned for handover in the next five years.

The Issuer has defined its product range as follows:

- Multi-family buildings (flats and apartments), which are divided into the following market segments:
  - Popular flats
  - Superior apartments
  - Luxury apartments
- Single-family houses (detached, semi-detached and terraced houses).

Currently, Dom Development is a leading developer operating in Warsaw, according to the Reas Report. As at the end of June 2006, the Company had completed almost 8,000 residential units. The Issuer's aim is to build on its leading position in the Polish market in respect of the scope of its product range and business excellence. The Issuer possesses an ISO 9001:2000 certificate, reflecting the high quality standards it strives to implement.

5.2 Our objectives

The key objectives of the Company are to:

- Maintain and strengthen the Company's position as the leading residential developer in the Warsaw market by achieving a market share of at least 15% of the housing development market in Warsaw (see Section XII, "*Market environment*", for information on the market).
  - Secure adequate financing to meet the Company's growth ambitions.
  - Identify and mitigate risks which could impact on the achievement of the Company's objectives.

The Company will continue to focus on the popular flat and superior apartment segments of the market, which represented around 97.1% of the Warsaw residential market in 2005-2006, according to the Reas Report. Our founding principle was, and remains today, to develop affordable yet high quality housing to target the largest segment of the market. This strategy, with sales in the popular flat and superior apartment segments making up 62% of turnover in 2004 and 70% in 2005, has driven the Company's growth.

The small luxury apartment segment will not play a significant role in the Company's business activities.

The Company currently operates exclusively in Warsaw, which is the most attractive market in Poland. However, the Company is monitoring the residential markets of other cities in Poland. Over the next five years, as and when appropriate development opportunities arise, the Company will look to enter other markets. A number of market entry strategies are being explored.

6 Our financial results

Consolidated financial data of the Group for the years 2003-2005 and the first half of 2006

	1st half 2006	1st half 2005	2005	2004	2003
	(In PLN'000s)				
Income statement					
Sales revenues, including	349,075	192,025	537,166	371,207	306,890
- sale of finished goods	336,741	182,216	512,959	346,632	289,754
- sale of services	12,334	9,808	24,207	20,780	16,152
- sale of goods for resale (land)	—	1	—	3,795	984
Costs of sales, including:	244,885	149,251	407,674	298,047	252,541
- cost of finished goods sold	235,812	141,395	391,463	282,400	240,660
- cost of services sold	9,073	7,856	16,211	14,412	11,135
- cost of land sold	—	—	—	1,235	746
Gross profit on sales	**104,190**	**42,774**	**129,492**	**73,160**	**54,349**
Selling costs	10,441	9,576	21,571	17,944	15,061
Administrative expenses	17,463	17,750	31,904	30,471	22,423
Other operating income	2,293	1,681	3,780	4,701	4,473
Other operating expenses	5,546	1,064	8,289	5,796	3,574
Operating profit	73,033	16,065	71,508	23,650	17,763
Financial income	1,622	2,292	3,801	3,455	1,578
Financial costs	3,151	4,713	10,647	14,221	7,887
Profit (loss) before tax	**71,505**	**13,644**	**64,662**	**12,883**	**11,454**
Income tax	13,529	2,045	12,512	2,321	4,488
Profit (loss) after tax	**57,976**	**11,599**	**52,150**	**10,562**	**6,967**
Balance sheet					
Cash and equivalents	148,302	74,210	73,837	78,685	56,775
Net working capital(1)	404,285	281,182	271,776	226,758	163,562
Total assets	635,368	440,987	573,684	419,789	322,550
Long-term credit liabilities(2)	193,320	190,933	129,886	156,410	99,504
Short-term credit liabilities	46,023	48,391	107,035	58,934	60,669
Share capital	21,854	21,854	21,854	21,854	21,854
Shareholders' equity	191,943	92,639	133,411	76,525	70,631
Other financial data					
Amortization and depreciation	797	863	1,751	1,482	1,278
EBITDA(3)	73,830	16,929	73,259	25,132	19,041
Net cash flow from operations	73,450	(36,045)	(35,372)	(32,559)	(106,803)

Source: Dom Development consolidated financial statements for 2003-2005 and abbreviated consolidated financial statements for the first half of 2006

(1) Net working capital: current assets less short-term liabilities.

(2) Credit liabilities include loans, borrowings and bonds.

(3) EBITDA: total of operating profit and amortization and depreciation.

7 Key persons for the Issuer's activities

Jarosław Szanajca – President of the Management Board

Grzegorz Kiełpsz – Vice President of the Management Board, COO

Janusz Zalewski – Vice President of the Management Board, CFO

Terry Roydon – Member of the Management Board

Janusz Stolarczyk – Member of the Management Board, Customer Service Director

Jerzy Ślusarski – Production Director

Jerzy Bieniewski – Sales and Marketing Director

Jacek Sadowski – Land Director

8 Dilution

Before the Offer	**Following the Offer**
The present shareholders hold 21,344,490 Shares, representing 100% of the Company's share capital	Based on the Company's estimations, following the Offer, the present shareholders will hold Shares representing between 77% and 82% of the Company's share capital. Based on the Company's estimations, following the Offer, the new shareholders will hold Shares representing between 18% and 23% of the Company's share capital.

9 Grounds for the Offer and use of the proceeds

The fundamental purpose of the Offer is to raise funds for increasing the Issuer's working capital.

Funds obtained from the Offer will make it possible to increase the scale of the Issuer's operations, i.e. the implementation of a greater number of concurrent development projects. In particular, the proceeds of the Offer will be used for purchases of land planned by the Issuer for future development projects.

In addition, the Issuer intends to repay the capital amount of loans that have not been repaid and that were extended by Dom Development B.V. (amounting to USD3,382,554), which are described in Section XXXII *Related party transactions*.

The Issue estimates the net proceeds from the issue at PLN 220 million.

Planned use of proceeds from issue of Series F Shares

Purpose for which proceeds are to be used	**Amount**
Repayment of loans extended to the Issuer by Dom Development B.V.	10,595,173.89 zł(1)
Addition to working capital – purchase of land for new development projects	209,404,826.11 zł(2)

(1) Amount of the loans calculated using the mid-rate of the National Bank of Poland of 8 September 2006, i.e. USD1 = PLN 3.1323

(2) The increased working capital will serve to increase the scale of the Group's activity. Financial resources amounting to more than PLN 209 million will be used to purchase land for new development projects. They will constitute Dom Development's own contribution to land purchase transactions (of up to 25% of the purchase price) while the remaining part will constitute funds obtained by the Company from bank credits.

10 Risk Factors

The following are the most important Risk Factors concerning the Company, its operations and the economic sector in which it operates:

- Risk associated with the concentration of the Group's activities on the Warsaw residential market
- Risk associated with acquisition of further land
- Risk associated with administrative decisions
- Risk associated with taxation

All the Risk Factors that we deem significant are presented later in the "*Risk factors*" section.

11 Significant shareholders

As at the day on which the Prospectus was approved, Dom Development B.V. holds 17,728,290 of the Company's outstanding Shares and votes at the Shareholders Meeting, which constitutes 83.06% of the Company's outstanding Shares and of the total votes at the Shareholders Meeting, making Dom Development B.V. the controlling shareholder of the Company.

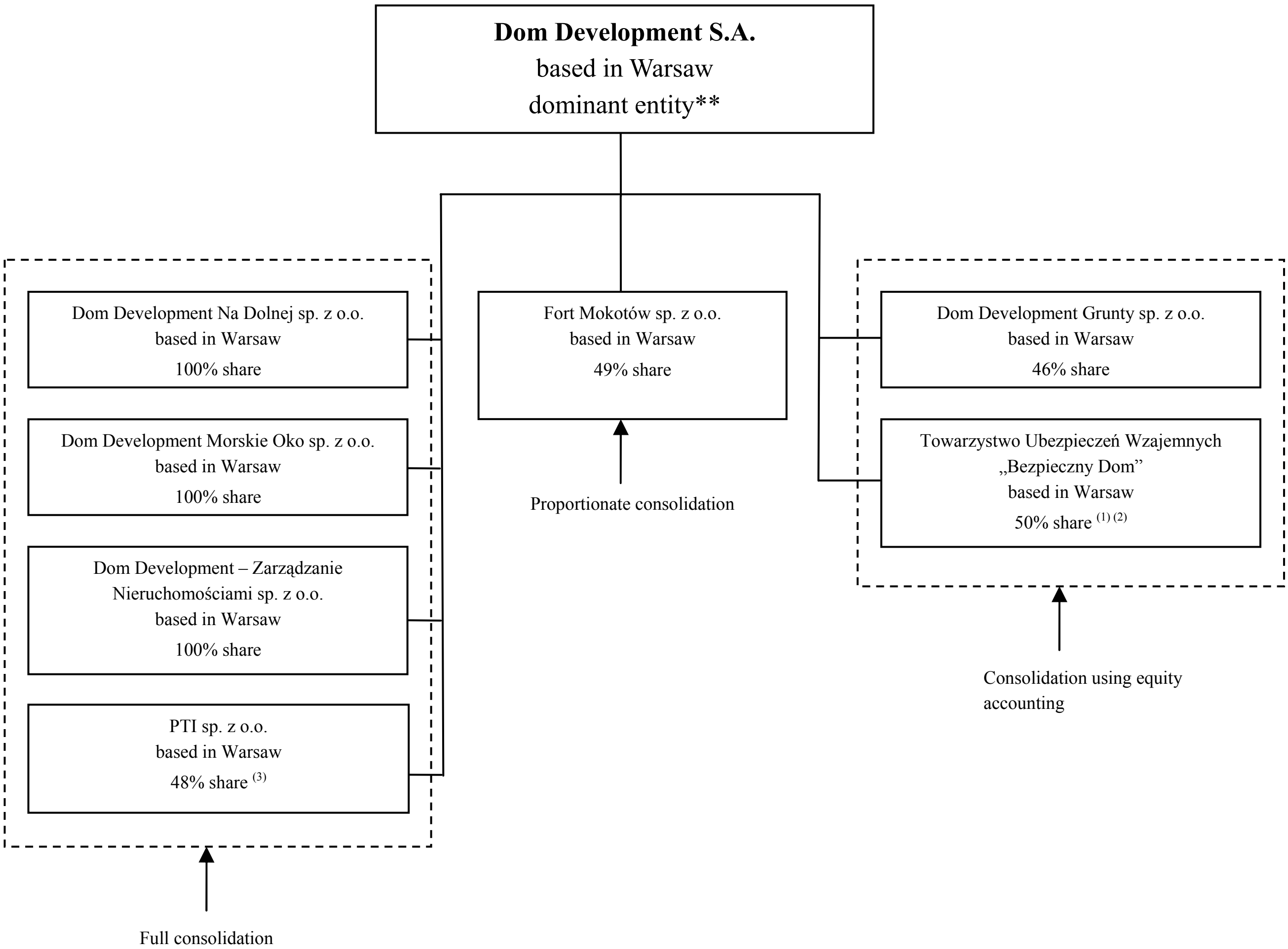
As at the day on which the Prospectus was approved, the President of the Management Board Jarosław Szanajca holds 1,759,050 of the Company's outstanding Shares and votes at the Shareholders Meeting, which constitutes 8.24% of the Company's outstanding Shares and of the total votes at the Shareholders Meeting.

As at the day on which the Prospectus was approved, the Vice-President of the Management Board Grzegorz Kiełpsz holds 1,410,750 of the Company's outstanding Shares and votes at the Shareholders Meeting, which constitutes 6.61% of the Company's outstanding Shares and of the total votes at the Shareholders Meeting.

12 Organisational structure

Description of the Group and the Issuer's place in this Group

The dominant entity in the Group is the Issuer. The Group's organisational structure*



* the share that Dom Development S.A. holds in the capital of particular entities is identical to its share in their shareholders meeting

** Dom Development is not a dominant entity in respect of the company Fort Mokotów sp. z o.o., which is a joint venture between Dom Development S.A. and PKO Inwestycje and is jointly controlled by the Issuer

(1) Fort Mokotów sp. z o.o. holds an additional 5% of shares in Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”

(2) Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom” will be subject to full consolidation for the financial year 2006, as a result of the Issuer increasing its shareholding from 40% to 50% in July 2006

(3) Dom Development Grunty sp. z o.o. holds an additional 12% of shares in PTI sp. z o.o., which means that PTI sp. z o.o. must be subject to full consolidation.

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III. RISK FACTORS

Prospective investors should carefully consider the Risk Factors set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Shares Offered. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Company, which, in turn, could have a material adverse effect on the price of the Shares or the rights of investors under the Shares Offered and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Group may face. The Group has described only those Risk Factors relating to its operations that it considers to be material. There may be other Risk Factors that the Company currently believes are not material or of which the Group is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should also be aware that the value of the Shares Offered and the income from them may decrease and that they may not realise their initial investment.

1 Risk factors which are specific to the Company and its industry

1.1 Risk associated with strategic objectives

There is no guarantee that the Group's strategic objectives will be achieved. The market in which it operates is constantly changing and the direction and intensity of the changes depends on a number of factors. Therefore, the Group's future position and revenues and profits depend on its ability to work out an effective long term strategy. Any incorrect decisions taken as a result of an inaccurate assessment of a situation or inability to adapt to changing market conditions may have an adverse effect on its financial results. In order to minimise the risk, the Group aims to monitor all facts which have a bearing on its choice of strategy in the short-term and in the long-term, so as to be able to identify the direction and the nature of changes in the business environment as precisely as possible.

1.2 Risk associated with construction costs

The Group has entered into, and will enter into, construction agreements with general contractors to build the Group's development projects.

The costs of these projects can vary due to:

(a) changes in the scope of a given project and in its architectural design;

(b) increases in the cost of building materials;

(c) increases in the cost of employing properly qualified workers or shortages of properly qualified workers;

(d) the contractors not completing the works within the agreed term and to a standard which is acceptable to the Group.

Any material increase in the costs of, or delay in completion of construction projects may adversely affect the Company's profitability and/or reduce its net asset value growth.

1.3 Risk associated with the Group's dependence on contractors

The Group uses specialist construction companies for most of the construction work on its various projects. Despite the fact that the Group's policy is to continuously supervise the execution of the construction works, the Group cannot guarantee the correct and timely performance of the contracted works by the contractors. This may cause delays in the completion of individual projects and consequently increase the costs of their completion. Another risk is that the contractors may develop liquidity problems which may affect the quality and the timely completion of the works commissioned by the Group. In extreme cases this may lead to the contractor stopping work altogether and the necessity to change contractor. Consequently, all the delays and costs associated with a change of contractor may adversely affect the profitability of a given project. The Group's policy is to mitigate such risks by developing long-term partnerships with a number of reputable contractors.

1.4 Risk associated with increases in operating and other costs

The Group's operating and other costs could increase without a corresponding increase in the Group's turnover.

Factors which could increase operating and other costs include:

(a) inflation;

(b) increases in taxes and other statutory charges;

(c) changes in the law, regulations or government policies (including those relating to health and safety at work and environmental protection) which increase the costs of compliance with such laws, regulations or policies; and

(d) increases in the cost of borrowing.

Such factors could have a material adverse effect on the business, financial condition or results of the Group.

1.5 Risk associated with the completion of development projects

The projects developed by the Group require substantial capital expenditure at the preparation stage and during the construction stage and frequently a positive cash flow from such developments is possible only 15-18 months after construction works have started. Due to extensive funding requirements, such ventures by their very nature are accompanied by many significant risks. These risks include, in particular, the failure to receive permits required for the sites to be used in accordance with the Group's plans, delays in the completion of construction, costs that exceed those budgeted because of unfavourable weather conditions, the insolvency of contractors or subcontractors, labour disputes at the contractor or subcontractor level, shortages of construction materials or equipment, accidents or unforeseen technical difficulties, the inability to obtain permits needed to bring the building or buildings into use or other required permits, or changes in the regulations relating to land use. The materialisation of any of the above risks may cause delays in the completion of a development project, an increase in costs or loss of revenues, the tying-up of moneys invested in the purchase of land for development, and in certain cases the inability to complete a development project, any of which may in turn have a material adverse effect on the business, financial condition or results of the Group.

1.6 Risk associated with administrative decisions

The Group cannot guarantee that any permits, consents or permissions required from third parties in connection with existing or new development projects will be obtained by the Group, or that any current or future permits, consents or permissions will not be withdrawn. A failure to obtain such consents, or their withdrawal, may have an adverse effect on the ability of the Group to carry out or complete current or new development projects. This may have a material adverse effect on the business, financial condition or results of the Group.

An example of the risks associated with obtaining administrative permits is provided by the proceedings concerning the conditions for the use of the land on the site of the Marina Mokotów development, which is described in the Section XXXIII in the point "*Legal and arbitration proceedings*".

1.7 Risk associated with liability regarding protection of the environment

Under Polish law entities which use land on which there are dangerous or contaminated substances may be required to decontaminate the land or bear the remediation costs, or to pay an administrative fine in respect of the polluted land. So far as the Group is concerned, an assessment of the risk of claims for compensation, the obligation of incurring the remediation costs and payment of an administrative fine resulting from the pollution of the environment is an important element of the legal and technical due diligence carried out during the process of acquiring land for future development projects. However, it is not possible to currently exclude the possibility that in the future unforeseen costs of repairing damage or remediation may arise or that fines may be imposed on the Group in relation to environmental pollution on the properties used. This may have a material adverse effect on the business, financial condition or results of the Group.

1.8 Risk associated with dependence on key management personnel

The Group is dependent on senior members of the management, especially the Members of the Management Board and the Company's key employees. The personnel holding managerial positions within the Group possess extensive experience gained on the Polish property market with regard to the identification, acquisition, financing, construction, marketing and management of development projects. The departure of any Member of the Management Board or of a key employee could have an adverse effect on the ability of the Group to conduct its activities. In addition, there is currently a shortage in Poland of experienced managers of development companies and there are difficulties in finding qualified management personnel. These restrictions could have an adverse effect on the ability of the Group to generate new development projects, or to complete ongoing developments. This could also have a significant adverse effect on the business, financial condition or results of the Group.

1.9 Risk associated with the concentration of the Group's activities on the Warsaw residential market

All the Group's development projects currently under way or planned are located in Warsaw and relate to residential projects. The Group is currently analysing the markets in other Polish cities, but the risk/reward ratio of an immediate expansion into these new markets appears unattractive to Management. Consequently, in the short-term, the majority of profits generated by the Group will be dependent on the situation in Warsaw residential market. Any downturn in Warsaw residential market could have a material adverse effect on the business, financial condition or results of the Group.

1.10 Risk associated with acquisition of further land

The successful growth in activity and profitability of the Group is dependent, in particular, on acquiring good development sites at competitive prices and their appropriate development, followed by the ability of the Group to sell the residential units built in a timely fashion at a good margin. The ability to satisfy the above conditions is largely dependent on the condition of Warsaw's residential market. The acquisition of sites for development may be difficult for reasons such as the competition in the real estate market, the slow process of obtaining permits, the absence of local zoning plans and the limited availability of land with the appropriate infrastructure. Furthermore, there is no certainty that the negotiations currently taking place for the acquisition of development sites will culminate in the purchase of those sites. The aforementioned facts could have a material adverse effect on the business, financial condition or results of the Group.

1.11 Risk associated with competition

The Group may face significant competition from other developers in identifying and acquiring suitable land. Competition may also lead either to an over-supply of residential properties through over-development or to prices for land being driven up. Such competition may have a material adverse effect on the business, financial condition or results of the Group.

1.12 Risk associated with property prices

The Group's profitability depends partly on the level of prices of apartments and houses in Poland, particularly in Warsaw. If prices fall, the Company cannot guarantee whether the Group will be in a position to sell the residential units which it has developed at favourable prices. This may have a material adverse effect on the business, financial condition or results of the Group.

1.13 Risk associated with exchange rates

A currency risk may occur, associated with the exchange rates on bank mortgages taken out in foreign currencies by residential property buyers in order to finance the purchase of their properties. A fall in the value of the PLN against foreign currencies, especially the Swiss Franc, US dollar and the Euro, may result in buyers being unable to service their mortgages or may limit the ability of new buyers to take out mortgages. This may result in a significant fall in the demand for new apartments and homes and may lead to an increase in repossessions of customers' properties by banks. This may have a material adverse effect on the Warsaw residential market, and therefore on the business, financial condition or results of the Group.

1.14 Risk associated with liability following the sale of residential units

The Group's activities involve the sale of residential units. In connection with those activities the Group could be exposed to disputes or litigation and could be forced to make payments to third parties as a result of such disputes or litigation (such as those resulting from construction guarantees granted to customers). This may have a material adverse effect on the business, financial condition or results of the Group.

1.15 Risk associated with claims against contractors

The Group has concluded agreements for the construction and completion of development projects with construction contractors, and will do so in the future. The duties assumed by the contractors relating to the completion of the development projects may result in claims against them, arising from non-performance or the incorrect performance of such duties. Although contractors provide performance bonds which help to mitigate the impact of their non-performance, disputes with contractors can still lead to delays in the completion of a development project and/or cost overruns. An unreliable contractor may not be in a position to fully satisfy the Group's above-mentioned claims. This may result in the Group, which is directly liable to customers, not being able to fully recover the costs which it will incur in the non-completion of or delay in the completion of a development project, which may have an adverse effect on the business, financial condition or results of the Group.

1.16 Risk associated with using the wrong construction technology

The costs of the construction of a building can vary substantially, depending on the construction technology used. There are many kinds of construction technologies available on the market and new technologies are frequently introduced. The choice of the wrong technology in the initial stages of a project may result in the construction budget being exceeded or in a delay in the completion of the project. This could have a material adverse effect on the business, financial condition or results of the Group.

1.17 Risk associated with adverse ground conditions

When purchasing potential development sites, the Group carries out a technical analysis of the site being acquired. Nevertheless, given the limitations of such an analysis, there is always a risk that during the development of a project the Group may encounter unexpected factors which may cause delay or increase the costs of site preparation e.g. matters concerning the water table, unstable ground conditions and archaeological finds. Such events may have a material impact on the costs of developing a given project or may render it impossible to develop as planned. This could have a material adverse effect on the business, financial condition or results of the Group.

1.18 Risk associated with infrastructure

A project can only be developed if it has access to the infrastructure required by law. Despite the legal and technical analysis, the absence of the necessary infrastructure may mean that the development of a project on a given site is impossible, or, in the event that the Group has to provide the infrastructure, expensive. Particularly in the case of larger development projects, the Group's policy is to separately supervise the infrastructure. Nevertheless, there exists the risk that because of delays in preparing access to the infrastructure, particularly as the result of factors over which the Group has no control, delays may occur in the handing over of a given project or an unexpected increase in the cost of the infrastructure may arise.

Such an event may have a material impact on the viability of a project. This could have a material adverse effect on the business, financial condition or results of the Group.

1.19 Risk associated with delays in the completion of a development project because the architect was inappropriately instructed

The complex nature of the various development projects carried out by the Group and the need to obtain many consents and permissions in connection with them requires that the architect be instructed precisely with regard to the assumptions behind a given development project. If the architect misunderstands those assumptions, delays and cost overruns may occur. This could have a material adverse effect on the business, financial condition or results of the Group.

1.20 Risk associated with accidents at work involving the contractors

Despite the fact that the Group generally is not directly liable for accidents at work involving the contractors on the Group's building sites, such accidents may cause interruptions in the contractors' work. This may result in a delay in the completion of a project and a consequent increase in the costs of its development. This could have a material adverse effect on the business, financial condition or results of the Group.

1.21 Risk associated with a collapse in the value of land

In line with the practices adopted in Western Europe, the Group maintains a land bank. Securing land for this bank consists of: (i) the purchase of land and (ii) the reservation of sites through the conclusion of preliminary sale agreements. A deposit is paid at the conclusion of a preliminary agreement, whose value usually amounts to between 10% and 20% of the value of the land. The conclusion of a preliminary agreement gives the Group an option to purchase the land within an average term of eight months (between two and nineteen months). As at 30 June 2006, the Group had land in its land bank, with a total purchase cost of over PLN 290,000,000. Furthermore, at that date, around PLN 6,600,000 in deposits had been paid under preliminary contracts. A sudden collapse in land prices would result in: (i) a decrease in the value of land already owned by the Group, and/or in addition, depending on market conditions, (ii) the Group purchasing land at above market prices or (iii) losing the paid deposit. This could have a material adverse effect on the business, financial condition or results of the Group.

1.22 Risk associated with a breakdown of the Information Technology system

The Group is not dependent on its Information Technology (IT) system. However, any breakdown in the IT system used leading to a consequent loss of data could temporarily disorganise the Group's activities, especially its contact with its customers. The Group is also not able to guarantee that the IT systems being used will be adequate to meet future needs. This could have a material adverse effect on the business, financial condition or results of the Group.

1.23 Risk associated with employees embezzlement or disloyalty

Any embezzlement of funds by the Group employees or their disloyalty to the Group, such as their taking on or participating in competing activities, may have a material adverse effect on the business, financial condition or results of the Group.

1.24 Risk associated with inefficiency of the land and mortgage registry system

The land and mortgage registry system in Poland is currently inefficient, which can cause delays in the land assembly process, i.e. registration of many plots into one consolidated plot (which is a requirement before the development can be sub-divided between individual customers, who purchase units from the Group). This inefficiency could have a material adverse effect on the business, financial condition or results of the Group.

1.25 Risk associated with the act concerning guarantees of payment for construction works

Pursuant to the provisions of the 9 July 2003 guarantees of payment for construction works act (Journal of Laws No. 180, item 1758) a contractor selected by the Group to build a development project may, at any time, demand that the Group provides a guarantee of payment up to a value equivalent to any claim for remuneration under the contract or any additional orders. The guarantee of payment, in accordance with the act, shall be a bank or insurance company guarantee, a bank letter of credit or a bank warranty issued to the contractor on the Group's instructions. Thus far, contractors have not demanded that companies in the Group provide such guarantees of payment. However, the risk exists that such demands may be made in the future. The absence of adequate guarantee constitutes an obstacle to the completion of the construction works because of the Group's culpability and entitles the contractor to demand his remuneration under Article 639 of the Civil Code. This may result in an increase in costs and a delay in the completion of development projects or may even make their development impossible. This could have a material adverse effect on the business, financial condition or results of the Group.

1.26 Risk associated with the issue of bonds and their bank covenants

On 22 June 2004 the Company entered into the agreement with PKO BP S.A. and Bank Ochrony Środowiska S.A. on servicing and guaranteeing an issue of bonds, which is described in Section XXXV point 2 *Agreements associated with bond issues*. Under this agreement certain covenants, especially the ratios covenant, apply, described in detail in the point referred to in the previous sentence. During the periods ended 31 December 2004, 30 June 2005 and 31 December 2005, the Company did not maintain the level of the ratios stipulated in the agreement mentioned above, and the banks consented to this. In the period ending 30 June 2006, the Company maintained the ratio as set out in the agreement. Furthermore, on 4 August 2006, an annex amending the level of the ratio based on the Company's current financial forecasts. However, any breach of these covenants in future may lead to a call for immediate repayment of the bonds, which may have a material adverse effect on the business, financial condition or results of the Group.

1.27 Risk associated with material losses in excess of insurance pay outs

It is the Group's policy to ensure its buildings are adequately insured. However, the buildings on projects developed by the Group could suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of risks that may be uninsurable.

Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose its investment in the affected development as well as anticipated future revenue from that development. In addition, the Group could be liable for the repair of the damage caused by the risk which is not covered by the insurance. In addition the Company may be obliged to continue servicing the debt associated with the damaged development project. This may have a material adverse effect on the business, financial condition or results of the Group.

1.28 Risk associated with further share issues and additional financing requirements

Although the Company believes that with the proceeds of the Offer, the Company will have sufficient working capital to finance its current activities, a need may arise in the future for the Company to raise further funds through, for example, issuing shares on a non pre-emptive basis which would result in a dilution of the existing shareholdings. Furthermore, there can be no guarantee that such a further fundraising or any type of fundraising would be successful and the development and growth of the business of the Group may be constrained if it is not successful in such fundraising or if funds are raised on unfavourable terms.

1.29 Risk associated with debt gearing

In order to finance its activities the Group uses borrowings and debt instruments. The Group cannot guarantee that it will be able to pay the interest or repay the principal, or to meet other liabilities under the loan and debt instrument agreements. Should the Group not be in a position to procure additional funds in line with its expectations, it may be forced to change its strategy and to restrict its growth and to refinance such borrowings. In such event the repayments may become immediately payable, in whole or in part, and the Group may be forced to sell some of its assets in order to settle the aforementioned liabilities. This could have a material adverse effect on the business, financial condition or results of the Group.

1.30 Risk associated with non-payment of the property management receivables

For the period during which the Group manages property after the sale of residential units in a particular development project, i.e. for a period of approximately one year, the Group is exposed to the risk of non-payment of service charges by owners of the residential units. As at 30th June 2006, total receivables from service charges amounted to PLN 3.3 million, including overdue receivables. Receivables in relation to which payment delays exceeded 12 months, amounted to PLN 1.3 million. The Company maintains an active policy of collecting receivables from non-paying clients but cannot guarantee that the above figure will not increase in the future. An increase in this sum could have a material adverse effect on the business, financial condition or results of the Group.

1.31 Risk associated with taxation

Changes in tax law may have a significant effect on the Group's business. Taxation risk in Poland is higher than in highly developed countries, where tax systems are more stable. Tax law in Poland is subject to continuing changes intended to adapt it to both the growing economy and to the requirements of EU law. The extent of changes, their content and the interpretational difficulties related to the application of new regulations hinder the conduct of development activities, especially in tax planning.

From 1 January 2008 the VAT rate on sales of residential units is to change from 7% to 22%. This increase will not apply to "social residential projects". The draft law that contains the definition of social residential projects provides that almost all types of residential developments developed by the Group are covered by this "social residential projects" definition. There is no guarantee that this definition will become binding law, and if the definition of "social residential projects" adopted as law narrows, there is a risk that following a period of increased demand in anticipation of the increase in VAT, the Group may not be able to pass onto customers the whole increase in VAT after its implementation. This may have a material adverse effect on the business, financial condition or results of the Group.

1.32 Risk associated with restitution

Following the introduction of nationalisation in Poland during the post-War years, many privately-owned properties and businesses were taken over by the State Treasury. In many cases the requisition of the property took place in contravention of the prevailing law. After Poland moved to a market economy system in 1989, many former property owners or their legal successors took steps to recover the properties or businesses lost after the War or to obtain compensation. For many years efforts have been made to regulate the issue of restitution claims in Poland. Despite several attempts, no act regulating the restitution process has been passed. Under the present law former owners of properties or their legal successors may file applications with the authorities for the administrative decisions under which the properties were taken away from them to be revoked. As at the day on which the Prospectus was approved, there are no proceedings under way for administrative decisions issued by the authorities to be declared invalid concerning properties held by companies in the Group. Although the Group aims to analyse all the issues concerning the possibility of restitution claims being filed before it buys a site, the results of such analyses are not always decisive and there is no guarantee that restitution claims may not be brought against a company from the Group in the future, and this could have a material adverse effect on the business, financial condition or results of the Group.

1.33 Economic and political risk

The Group carries out its activities in Poland, which is regarded as an emerging market. Investors buying shares in companies operating in such markets should be aware that political and economic risks are greater than in developed markets.

The financial condition of the property development sector in Poland, and therefore the financial condition of the Group, is linked with many economic factors, such as changes in GDP, inflation, unemployment, currency rates and interest rates. Any future adverse changes in one or more of the aforementioned factors could result in a fall in the demand for new residential units, which could have a material adverse effect on the business, financial condition or results of the Group.

1.34 Risk associated with the influence of the controlling shareholder on the Company

As at the day on which the Prospectus was approved, the Company's controlling shareholder, i.e. Dom Development B.V. owns 83.06% of its shares. It is anticipated that, following completion of the Offer, Dom Development B.V.'s shareholding will decrease to no less than 50.1% and Dom Development B.V. will remain the Company's controlling shareholder. Consequently, Dom Development B.V. will have the decisive vote on resolutions adopted by the Shareholders Meeting, including those relating to the payment of dividends and the election of members of the Supervisory Board (which in turn appoints members of the Management Board). Furthermore, Dom Development B.V. will be able to block any changes to the Statute.

Apart from this general influence, Dom Development B.V., under the Statute, as the entity holding at least 50.1% of shares in the Company, from the date of the first Shareholders Meeting after the registration by the court of the increase in share capital effected through the Offer, will have the following personal rights as regards the composition of the Company's governing bodies:

- appointment and dismissal of half the members of the Management Board, including the President of the Management Board and the Vice-President of the Management Board responsible for the Company's finances; in the event of an odd number of Members of the Management Board, Dom Development B.V. may appoint and dismiss three (where the Management Board is comprised of five persons) or four (where the Management Board is comprised of seven persons) Members of the Management Board;
- appointment and dismissal of half of the members of the Supervisory Board, including the Deputy Chairman; in the event of an odd number of Supervisory Board members, Dom Development B.V. may appoint and dismiss three (where the Supervisory Board is comprised of five persons) or four (where the Supervisory Board is comprised of seven persons), or five (where the Supervisory Board is comprised of nine persons) Supervisory Board members;
- designation of the Chairman of the Supervisory Board in the case of appointing the Supervisory Board by separate groups pursuant to Article 385 paragraph 5 or paragraph 6 of the Commercial Companies Code;

Apart from the above personal rights, in accordance with the Company's Statute the Shareholders Meeting is valid and may adopt resolutions only when shareholders holding at least 50.1% of all votes are represented at the Shareholders Meeting. This means that the presence of a representative of Dom Development B.V. will be necessary in order for resolutions of a Shareholders Meeting to be valid

In addition, the adoption of Supervisory Board resolutions will require the presence at the relevant meeting of at least half the members appointed by Dom Development B.V. This rule does not apply where the Supervisory Board is appointed in group voting in accordance with Article 385 of the Commercial Companies Code.

1.35 Risk associated with dividend

Potential investors should take into account the fact that the payment of any dividend in the future will be dependent on the adoption of an appropriate resolution by a Shareholders Meeting following the analysis of many factors, including the Company's operating profits, the Group's financial condition and the current and expected financing needs of the Group. Although the Management Board intends to propose to Shareholders an annual distribution of profits in the form of a dividend, the Management Board cannot guarantee that the appropriate resolution will be adopted.

2 Risk Factors relating to the Shares

2.1 Risk associated with the Offer failing, being withdrawn or cancelled

This risk may be relevant if:

- at least one Series F Share is not taken up and fully paid up by the dates specified in the Prospectus; or
- the Management Board of the Company does not lodge an appropriate motion with the relevant Registry Court for the registration of the share capital increase within a period of six months from the day on which the Prospectus is approved. In addition, the motion for the approval of the Prospectus cannot be lodged with the relevant Registry Court more than four months after the date on which the resolution to increase the share capital has been adopted; or
- a ruling by the Registry Court refusing to register the share capital increase by issuing Series F Shares becomes legally binding.

The registration of the increase in the Company's share capital through the issue of Series F Shares is also dependent on the Management Board lodging a declaration specifying the amount of the increase in the Company's share capital on the basis of the number of Series F Shares taken up by valid subscriptions. This declaration is lodged on the basis of Article 310 of the Commercial Companies Code read together with Article 431 par. 7 of the Commercial Companies Code. This declaration shall stipulate the amount of the Company's share capital after close of subscription for Series F Shares, according to limits established in the resolution concerning the increase in the Company's share capital through the issue of Series F Shares. The failure by the Management Board to lodge the above declaration would make it impossible to register the share capital increase through the issue of Series F Shares and would prevent the issue of Series F Shares taking place.

In the event of the failure of the issue of Series F Shares after the introduction of Rights to Series F Shares to exchange trading, no later than three business days before the decision of the court refusing to register the increase in share capital through the issue of Series F Shares becomes legally binding, the quotation of PDAs on the WSE will cease. In this situation an investor holding PDAs in its securities account on the day of settlement of transactions for the last day of quotation of the PDAs on the WSE is refunded the monetary amount that corresponds to the number of PDAs multiplied by the Issue Price. The Issuer undertakes to publish in the form of a Current Report information on the date on which the court decision on refusal to register the increase in share capital through the issue of Series F Shares becomes legally binding.

2.2 Risk associated with appeal against the share capital increase in relation to Series F Shares

Pursuant to Article 422 of the Commercial Companies Code, a resolution of a Shareholders Meeting that is contrary to the Statute or to good practice which conflicts with the interests of the Company or is intended to harm a shareholder, may be appealed against by taking legal action against the Company to annul the resolution. Pursuant to Article 425 of the Commercial Companies Code, a resolution of a Shareholders Meeting that contravenes the law may be appealed against by taking legal action against the Company to determine the invalidity of the resolution. The Company has made all due efforts to ensure that resolutions do not contravene the law, the Statute or good practice, and will not conflict with the Company's interests. However, it cannot be guaranteed that the litigation referred to above will not be initiated.

2.3 Risk associated with the possibility of the Offer being withdrawn

Until the opening of the subscriptions for the Shares Offered, the Company may cancel the Subscription Offer and the Seller may cancel the Sale Offer without stating a reason, and can do so independently of each other.

After the Offer period has commenced and until the Shares Offered are allocated, the Company and the Seller may each, independently of each other, cancel respectively the Subscription Offer and the Sale Offer only for material reasons. Such material reasons may include:

- the appearance of sudden, unexpected changes in the economic or political situation in Poland or globally or in the Group's financial situation, which could have a material negative influence on financial markets, the Polish economy or on the Group's activities,
- the appearance of other sudden, unexpected changes which have a direct bearing on the Group's operations or which could result in the completion of the Offer being impossible or detrimental to the Group.

In the event of the cancellation of the Subscription Offer or the Sale Offer or withdrawal from the Offer and the non-allocation of the Shares Offered, such a decision will be announced publicly in the form of an annex to the Prospectus, pursuant to Article 51 of the Public Offering and Public Companies Act.

In the aforementioned circumstances the reimbursement of the payments made shall take place within 14 days of the decision to withdraw. The funds shall be returned to the accounts specified in the subscription forms for the Shares Offered. The funds shall be returned without interest or compensation.

2.4 Risk associated with the Shares Introduced, Series F Shares and Rights to Series F Shares not being admitted to exchange trading

Admission of the Shares Introduced, Series F Shares and Rights to Series F Shares to official exchange trading (to the main market) requires the fulfilment of conditions specified in Article 3 par. 2 of the Regulation of Markets and in the Stock Exchange Bylaws relating to this market and requires the appropriate consent of the WSE's Management Board. A resolution of the WSE's Management Board is adopted on the basis of an application lodged by a company, within 14 days of it being lodged, subject to the proviso of § 8 sections 3 and 4 of the WSE Bylaws. When examining an application for the admission of securities to exchange trading, the Management Board of the WSE takes the following into account:

- the Issuer's present and forecast financial situation, in particular its profitability, liquidity and debt service capacity, and also other factors that affect the financial results of the Issuer;
- the prospects for the Issuer's growth, in particular assessment of its ability to carry out its development projects, taking into account the sources of their financing;
- the experience and qualifications of members of the Management Board and Supervisory Board;
- the terms and conditions on which the securities were issued and their conformity with the principles referred to in § 35 of the WSE Bylaws;
- the safety of exchange trading and the interests of its participants.

It is the view of the Management Board that the Offer will be conducted in such a way that the requirements of the Regulation of the Exchange and those of the Regulation of Markets regarding the markets are met.

Theoretically, the possibility exists that the Company will not meet the requirements established in the Regulation of Markets and that it will not obtain the consent of the WSE's Management Board to list the shares, which would adversely affect their liquidity. The Company intends to fulfil all the obligations and to meet all the required deadlines regarding the filing of applications for the admission of the Shares Introduced, Series F Shares and Rights to Series F Shares to trading on the Stock Exchange in accordance with all the requirements established in all the decrees and it is not aware of any factors which could result in the Stock Exchange's Management Board refusing to admit the Shares Introduced, Series F Shares and Rights to Series F Shares to trading on the Stock Exchange.

2.5 Risk associated with the Shares Introduced, Series F Shares and Rights to Series F Shares not being introduced to trading on a regulated market

The securities are introduced to trading on the WSE by the WSE's Management Board on the basis of an application of the Company (§ 38 of the WSE's Regulations). The Company should lodge an application for the introduction of securities to exchange trading within six months of the date on which the resolution on the admission of these securities to exchange trading is issued. If it does not do so, the WSE's Management Board may abrogate its resolution on admitting the securities to exchange trading.

The Company intends to fulfil all the obligations and deadlines for submitting its application for introducing the Shares Introduced, Series F Shares and Rights to Series F Shares — to exchange trading as required by the WSE Bylaws under the various regulations and it is not aware of factors that could provide grounds for the WSE Management Board to refuse to introduce the Shares Introduced, Series F Shares and Rights to Series F Shares to exchange trading. Theoretically, the possibility of the Company's failure to fulfil the requirements of the WSE Bylaws does exist and this could cause a failure to secure the consent of the WSE's Management Board for introducing the Shares Introduced or Series F Shares to exchange trading. That would have an adverse effect on the liquidity of the Shares Introduced or Series F Shares.

2.6 Risk associated with regulations being breached in relation to the admission of the Shares Introduced, Series F Shares and the Rights to Series F Shares to trading on a regulated market

In accordance with Article 16 of the Public Offering and Public Companies Act, in the event of a breach or a justified suspicion of a breach of legal provisions in relation to a public offer within the territory of the Republic of Poland by the Company, the selling shareholder or other entities participating in the offer in the name or on the instructions of the Company or the selling shareholder, or in the event of justified suspicion that such a breach may take place, the Commission may:

- order the suspension of the beginning of the public offer or interruption of its conduct for a period of no more than ten business days;
- prohibit the beginning of the public offer; or
- publish, at the cost of the Company or the selling shareholder, information about the unlawful action related to the public offer.

In accordance with Article 17 of the Public Offering and Public Companies Act, in the event of a breach or a justified suspicion of a breach of legal regulations in relation to attempts to secure the admission of securities to trading on a regulated market within the territory of the Republic of Poland by the Company, the selling shareholder or other entities acting in the name or on the instruction of the Company or the selling shareholder, or in the event of justified suspicion that such a breach may take place, the Commission may:

- order the suspension of the admission of the securities to trading on a regulated market; or
- prohibit the admission of the securities to trading on a regulated market; or
- publish, at the cost of the Company or the selling shareholder, information about the unlawful action related to attempts to secure the admission of securities to trading on a regulated market.

In accordance with Article 18 of the Public Offering and Public Companies Act, the Commission may apply the same measures as provided in Article 16 and 17 of the Public Offering and Public Companies Act, if:

- the public offer of securities or their admission to trading on a regulated market would significantly affect the interests of investors;
- the establishment of the Company entailed a serious breach of the law whose consequences continue to be felt;
- the Company's business was or is conducted in serious breach of the provisions of law whose consequences continue to be felt; or
- the legal status of the securities is not consistent with the provisions of law.

2.7 Risk associated with the exclusion of Shares Introduced or Series F Shares from trading on a regulated market

If the Issuer or the Seller does not fulfil the obligations or does not properly fulfil the obligations referred to in the Public Offering and Public Companies Act in Article 14 par. 2, Article 15 par. 2, Article 37 par. 4 and 5, Article 38 par. 1 and 5, Article 39 par. 1, Article 42 par. 1 and 6, Article 44 par. 1, Article 45, Article 46, Article 47 par. 1, 2 and 4, Article 48, Article 50, Article 51 par. 4, Article 52, Article, 54 par. 2 and 3, Articles 56 and 57, Article 58 par. 1, Article 59, Article 62 par. 2, 5 and 6, Article 63 par. 5 and 6, Article 64, Article 66 and Article 70 or does not fulfil or does not properly fulfil the obligations referred to in Article 42 par. 5 in relation to Article 45, Article 46, Article 47 par. 1, 2 and 4, Article 51 par. 4, Article 52, Article 54 par. 2 and 3, does not comply or does not properly comply with the order referred to in Article 16 sub. 1, breaches the prohibition referred to in Article 16 sub. 2, or does not fulfil the obligations or does not properly fulfil the obligations referred to in Article 22 par. 4 and 7, Article 26 par. 5 and 7, Article 27, Article 29-31 and Article 33 of Regulation 809, the Commission may issue a decision on the exclusion of the securities from trading on a regulated market for a defined period or permanently, or impose, taking into consideration in particular the financial situation of the entity on which the penalty is imposed, a fine of up to PLN 1,000,000 or may apply both sanctions together.

Furthermore, in accordance with Article 20 par. 3 of the Trading in Financial Instruments Act, at the Commission's request, a company that maintains a regulated market must exclude securities or other financial instruments specified by the Commission from trading, if trading them significantly threatens the correct functioning of the regulated market or the safety of trading in the market, or harms the interests of investors.

2.8 Risk associated with the Shares Introduced or Series F Shares being excluded from exchange trading

In accordance with § 31 of the WSE Bylaws, the WSE Management Board must exclude securities if their tradability has become limited, at the request of the Commission made in accordance with the regulations of the Trading in Financial Instruments Act, in the event that their dematerialisation is cancelled and in the event of their being excluded from trading on a regulated market by the appropriate supervisory body. Furthermore, the WSE's Management Board may exclude securities from exchange trading in accordance with § 31 section 2 of the WSE Bylaws.

2.9 Risk associated with the possibility of trading in Shares Introduced or Series F Shares on the WSE being suspended

Pursuant to § 30 section 1 of the WSE Bylaws, if it is requested by the Company, or if the WSE Management Board deems that the Company is breaching regulations that are in force on the WSE, or if it is required by the interests or safety of the participants in trading, the WSE's Management Board may suspend trading in the Company's shares for a period of up to three months. The WSE's Management Board may suspend trading in the Company's shares for a period of up to one month at the request of the Commission made in accordance with the regulations of the Trading in Financial Instruments Act.

2.10 Risk associated with delaying the introduction of the Series F Shares to exchange trading

Series F Shares may be introduced to exchange trading after the registration of the share capital increase by the appropriate court and after its registration in KDPW. Potential delays in the registration of Series F Shares by the court or the KDPW, in particular for delays for which the Company is responsible for, may result in delays to the introduction of Series F Shares to exchange trading, in relation to the assumed date of the Company commencing trading.

2.11 Risk associated with the variability of the market price of the Company's Shares and Rights to Series F Shares

The market price is established by supply and demand, which is the result of many factors (including variations in the operating results of the Group, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Company's sector, or other events and factors outside the Company's control) and the result of investors' reactions, which are hard to predict. In the event of significant variations in the price, shareholders may be exposed to the risk of not achieving planned profits. Furthermore, it should be taken into account that the market price of the Shares Offered and Rights to Series F Shares may differ significantly from the Issue Price/Sale Price. This may occur because of periodic changes in the Company's financial results, the size and liquidity of the market in the Shares, conditions on the WSE, conditions on world stock markets and changes in economic and political factors. In the event of the Company's publishing information on the refusal to register the increase in share capital through the issue of Series F Shares the risk exists that the market price of PDAs may be subject to fluctuations.

In addition, stock markets have from time to time experienced extreme price and volume volatility, which in addition to general economic and political conditions, could adversely affect the market price for the shares. To optimise returns, investors may need to hold the shares on a long-term basis and they may not be suitable for short-term investment. Admission to exchange trading on the WSE should not be taken as implying that there will be a liquid market for the Shares. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected. Even if an active trading market develops, the market price for the Shares Offered may fall below the Issue Price/Sale Price.

In the event of the failure of the issue of Series F Shares after the introduction of Rights to Series F Shares to exchange trading, no later than three business days before the decision of the court refusing to register the increase in share capital through the issue of Series F Shares becomes legally binding, the quotation of PDAs on the WSE will cease. In this situation an investor holding PDAs in its securities account on the day of settlement of transactions for the last day of quotation of the PDAs on the WSE is refunded the monetary amount that corresponds to the number of PDAs multiplied by the Issue Price. The Issuer undertakes to publish in the form of a Current Report information on the date on which the court decision on refusal to register the increase in share capital through the issue of Series F Shares becomes legally binding.

2.12 Risk associated with the purchase of Rights to Series F Shares in secondary trading

Persons purchasing Rights to Series F Shares in secondary trading should note that in the event of the issue of Series F Shares failing, an owner of Rights to Series F Shares will obtain the return of only an amount equivalent to the product of the number of Rights to Series F Shares in his securities account or in the Issue Sponsor Account and of the Issue Price. This gives rise to the risk of the investor bearing losses if the price he paid for the Rights to Series F Shares in the secondary market is higher than the Issue Price.

2.13 Risk associated with the sale of Shares Introduced by existing shareholders

Immediately after conducting the Offer, the Company plans to introduce all the Shares Introduced to trading on the WSE. The Company is unable to predict the level of demand for the Shares Introduced immediately after their introduction to market trading. The sale of a significant number of Shares

Introduced on a regulated market may negatively affect the market price of the Shares Offered. However, it should be noted that the Company's shareholders holding not less than 5% of the Company's share capital before the Offer and all members of the Management Board on 13 September 2006 concluded with the Global Coordinator an agreement (described inter alia in Section XXIV, "*Selling Shareholders*") pledging to not sell their Shares without the Global Coordinator's consent for a period of 12 months from the date of allocation of the Shares Offered under the Offer.

Investors should carefully consider whether investment in the Company is suitable for them, in view of the Risk Factors outlined above and the information contained in this document, their personal circumstances and the financial resources available to them.

IV. PERSONS RESPONSIBLE

1 Issuer's representatives responsible for information in the Prospectus and their declaration of liability

Jarosław Szanajca	President of the Management Board
Janusz Zalewski	Vice-President of the Management Board

The persons named above are responsible for all information contained in the Prospectus. Messrs Jarosław Szanajca and Janusz Zalewski have been duly authorised to submit the following declaration pursuant to a Management Board resolution dated 11 September 2006.

We declare that, to the best of our knowledge and belief and having exercised all due care so as to confirm this, the information contained in the Prospectus is true, fair and compliant with the facts, and that nothing has been omitted from the Prospectus that might affect its meaning.

Jarosław Szanajca
President of the Management Board

Janusz Zalewski
Vice-President of the Management Board

2 Persons representing Centralny Dom Maklerski Pekao S.A. (the Offeror) responsible for the information contained in specified parts of the Prospectus and their representation on the responsibility

Jakub Papierski	President of the Management Board
Paweł Roszczyk	Head of Capital Markets Department, Proxy

The abovementioned persons are responsible for the information contained in the following sections of this Prospectus:

- The Title Page of the Prospectus
- The Summary (Section II, points 1, 2, 3, 4, 5, 6, 7, 8, 9 and 12)
- Risk Factors relating to capital markets and trading in shares (Section III, points 2.3, 2.10, 2.11, 2.12 and 2.13);
- Significant events during the development of the Issuer's business (Section VII, point 1.6);
- Investments (section VIII);
- Business overview (Section IX);
- Business and marketing strategy (Section XI);
- Market environment (Section XII, points 1, 2, 3, 4 and 6)
- Organisational structure (Section XIII, points 1, 2 and 3);
- Overview of operational and financial situation (Section XV, points 1 and 2)
- Capital resources (Section XVI, points 1 and 2);
- Research and development, patents and licences (Section XVII, point 1);
- Information on trends (Section XVIII point 1);
- Key information relating to the Offer (Section XX, point 3)
- Information on the terms and conditions of the Offer (Section XXII);
- Admission of the Shares Introduced, Series F Shares and Rights to Series F Shares to trading on the WSE (Section XXIII);
- Expense of the Offer (Section XXV);
- Dilution (Section XXVI);
- Appendices (Section XXXIX No. 3 and 4).

We hereby represent that to the best of our knowledge the information contained in those parts of the Prospectus for which we are responsible is in accordance with the facts and contains no omission likely to affect its import , and that we have taken all reasonable care to ensure that such is the case.

Jakub Papierski
President of the Management Board

Paweł Roszczyk
Head of Capital Markets Department, Proxy

3 Persons representing the Issuer's Legal Advisor: Linklaters T. Komosa i Wspólnicy sp. k. with their registered office in Warsaw, responsible for the information contained in specified parts of the Prospectus and their representation on the responsibility

Tadeusz Komosa	Legal Counsel, General Partner, Managing Partner
Marcin Chyliński	Legal Counsel, Proxy

The persons named above are responsible for the information contained in the following sections and sub-sections of this Prospectus:

- Risk Factors of a legal nature which are specific to the Company and its industry (Section III, points 1.6, 1.7, 1.14, 1.15, 1.25, 1.31, 1.32, 1.34, 2.1, 2.2, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9);
- Persons representing the Issuer's Legal Advisor: Linklaters T. Komosa i Wspólnicy sp. k. with their registered office in Warsaw, responsible for the information contained in specified parts of the Prospectus and their representation on the responsibility (Section IV, point 3);
- Information on the Issuer, except the significant events during the development of the Issuer's business (Section VII with the exception of point 1.6);
- Dependence of the Issuer on patents or licences, industrial, commercial or financial agreements or on new production process (Section XII, point 5);
- Schedule of significant subsidiaries of the Issuer (Section XIII, point 4);
- Description of issues and requirements regarding environmental protection that could affect the Issuer's use of its material tangible fixed assets (Section XIV, point 2);
- Information relating to any elements of governmental, economic, fiscal, monetary and political policy and to factors which have had a material influence or which may directly or indirectly have material influence on the operating activity of the Issuer (Section XV, point 3);
- Information concerning any limitations on the use of capital resources which have had or could have a material direct or indirect influence on the operating activity of the Issuer (Section XVI, point 3);
- Information concerning the expected sources of funds needed to meet the liabilities presented in the section concerning information about the Issuer and the section concerning fixed assets (Section XVI, point 4);
- Research and development, patents and licences (Section XVII, point 2);
- Information on any known trends, uncertainties, demands, commitment or events that are responsibly likely to have a material effect on the Issuer's prospects for at least the current financial year (Section XVIII, point 2);
- Information concerning the Shares Offered and the Shares admitted to trading (Section XXI);
- Managing and supervisory bodies and senior management (Section XXVII);
- Remuneration and benefits (Section XXVIII);
- The practices of the management and supervisory body (Section XXIX);;
- Employees (Section XXX);
- Major shareholders (Section XXXI);
- Transactions with related parties (Section XXXII, with the exception of data and information for 2006).

- Legal and arbitration proceedings (Section XXXIII, the point titled “*Legal and arbitration proceedings*”);
- Additional information (Section XXXIV);
- Material Contracts (Section XXXV);
- Information regarding shares in other undertakings (Section XXXVIII).

Acting on behalf of Linklaters T. Komosa i Wspólnicy sp. k., we declare that, having taken all reasonable care to ensure that such is the case, the information contained in the above cited parts of the Prospectus is, to our best knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Tadeusz Komosa
General Partner

Marcin Chyliński
Proxy

V. COMPANY'S STATUTORY AUDITORS

The following authorized entity sets out its opinions on the Issuer's financial statements:

Name:	BDO Polska Spółka z ograniczoną odpowiedzialnością
Registered office	Warszawa
Address:	ul. Postępu 12
Authorization:	Entity entered on the list of entities authorized to audit financial statements in number 523
Telephone number:	(+48 22) 543 16 00
Fax number:	(+48 22) 543 16 01
e-mail:	office@bdo.pl
Internet address:	www.bdo.pl

Individuals acting on behalf of the entity authorized to audit financial statements:

Acting on behalf of BDO Polska sp. z o.o. with regard to responsibility for the opinion included in financial information on the truth and fairness of the consolidated financial statements of the Group for the period from 1 January 2005 to 31 December 2005 are:

Hanna Sztuczyńska - Certified Auditor – Reg. No. 9269/6955, Member of the Management Board of BDO Polska sp. z o.o.

Marcin Jagodziński – Certified Auditor – Reg. No. 90042/7384.

The responsibility of the individuals acting on behalf of BDO Polska sp. z o.o. as an entity authorized to audit financial statements is limited to the following sections of the Prospectus:

- "Company's statutory auditors", Section V;
- Auditor's opinion in the chapter "*Financial Information concerning the Issuer's assets and liabilities, financial position and profits and losses*", Section XXXIII;
- Examination of the correctness and reliability of the information for the years 2003-2005 contained in Section XXXII "*Transactions with related parties*" prepared and supplied by the Company;

Certified Auditors auditing the Issuer's financial statements:

The consolidated financial statements of the Group for the period from 1 January 2005 to 31 December 2005 have been audited by BDO Polska sp. z o.o. (the auditor performing the audit was Marcin Jagodziński – Certified Auditor – Reg. No. 90042/7384).

The consolidated financial statements of the Group for the period from 1 January 2004 to 31 December 2004 have been audited by BDO Polska sp. z o.o. (the auditor performing the audit was Marcin Jagodziński – Certified Auditor – Reg. No. 90042/7384).

The consolidated financial statements of the Group for the period from 1 January 2003 to 31 December 2003 have been audited by BDO Polska sp. z o.o. (the auditor performing the audit was Marcin Jagodziński – Certified Auditor – Reg. No. 90042/7384).

The entity authorized to audit financial statements was not changed in the reporting period.

Declaration of the individuals acting on behalf of the entity authorized to audit financial statements.

I hereby declare that BDO Polska sp. z o.o.:

- was selected as the auditor of the consolidated financial statements of the Group for the periods from 1 January 2003 to 31 December 2003, from 1 January 2004 to 31 December 2004 and from 1 January 2005 to 31 December 2005 in accordance with legal requirements;
- meets the conditions required to issue an objective and independent opinion on the audited financial statements;
- has audited the consolidated financial statements of the Group for the period from 1 January 2003 to 31 December 2003, 1 January 2004 to 31 December 2004 and from 1 January 2005 to 31 December 2005 in accordance with binding legal regulations and professional auditing standards issued by the Polish National Chamber of Certified Auditors.

Marcin Jagodziński

Certified Auditor

Reg. No. 90042/7384

Hanna Sztuczyńska

Certified Auditor

Reg. No. 9269/6955

Member of the Management Board

BDO Polska sp. z o.o.

VI. SELECTED FINANCIAL INFORMATION

Consolidated financial data of the Group for the years 2003-2005

	1st half 2006	1st half 2005	2005	2004	2003
			(PLN'000s)		
Income statement					
Sales revenues, including	349,075	192,025	537,166	371,207	306,890
- sale of finished goods	336,741	182,216	512,959	346,632	289,754
- sale of services	12,334	9,808	24,207	20,780	16,152
- sale of goods for resale (land)	—	1	—	3,795	984
Costs of sales, including:	244,885	149,251	407,674	298,047	252,541
- cost of finished goods sold	235,812	141,395	391,463	282,400	240,660
- cost of services sold	9,073	7,856	16,211	14,412	11,135
- cost of land sold	—	—	—	1,235	746
Gross profit on sales	**104,190**	**42,774**	**129,492**	**73,160**	**54,349**
Selling costs	10,441	9,576	21,571	17,944	15,061
Administrative expenses	17,463	17,750	31,904	30,471	22,423
Other operating income	2,293	1,681	3,780	4,701	4,473
Other operating expenses	5,546	1,064	8,289	5,796	3,574
Operating profit	**73,033**	**16,065**	**71,508**	**23,650**	**17,763**
Financial income	1,622	2,292	3,801	3,455	1,578
Financial costs	3,151	4,713	10,647	14,221	7,887
Profit (loss) before tax	**71,505**	**13,644**	**64,662**	**12,883**	**11,454**
Income tax	13,529	2,045	12,512	2,321	4,488
Profit (loss) after tax	**57,976**	**11,599**	**52,150**	**10,562**	**6,967**
Balance sheet					
Cash and equivalents	148,302	74,210	73,837	78,685	56,775
Net working capital(1)	404,285	281,182	271,776	226,758	163,562
Total assets	635,368	440,987	573,684	419,789	322,550
Long-term credit liabilities(2)	193,320	190,933	129,886	156,410	99,504
Short-term credit liabilities	46,023	48,391	107,035	58,934	60,669
Share capital	21,854	21,854	21,854	21,854	21,854
Shareholders' equity	191,943	92,639	133,411	76,525	70,631
Other financial data					
Amortization and depreciation	797	863	1,751	1,482	1,278
EBITDA(3)	73,830	16,929	73,259	25,132	19,041
Net cash flow from operations	73,450	(36,045)	(35,372)	(32,559)	(106,803)

Source: Dom Development consolidated financial statements for 2003-2005 and abbreviated consolidated financial statements for the first half of 2006

(1) Net working capital: current assets less short-term liabilities.

(2) Credit liabilities include loans, borrowings and bonds.

(3) EBITDA: total of operating profit and amortization and depreciation.

VII. INFORMATION ABOUT THE ISSUER

1 Issuer's history and development

1.1 Issuer's legal and business name

The Issuer operates under the business name: Dom Development Spółka Akcyjna. The Issuer may use the following shortened version of its name: Dom Development S.A.

1.2 Issuer's place of registration and registration number

Pursuant to a decision dated 7 August 2001, on 8 August 2001 the Issuer was entered in the register of businesses held by the Regional Court for the City of Warsaw, XII Commercial Division of the National Court Register, registration number KRS 0000031483.

1.3 Date on which the Issuer was established and the period for which it was established, unless it was established in perpetuity

The Issuer was established on 9 July 1999 as a result of the transformation of the company Dom Development spółka z ograniczoną odpowiedzialnością, pursuant to a resolution of the Issuer's Shareholders Meeting dated 25 February 1999.

The transformation of the Issuer's legal form was entered in the commercial register on the basis of a decision by the registry court dated 9 July 1999.

The Issuer was established in perpetuity.

1.4 Issuer's registered office, legal form, domicile, address and telephone number

Registered office:	Warsaw
Legal form:	Joint-stock company
Domicile:	Poland
Address:	plac Piłsudskiego 3, 00-078 Warsaw
Telephone:	+48 22 351 68 78
Facsimile:	+48 22 351 63 11

1.5 Provisions on the basis of which and in compliance with which the Issuer operates

The Issuer was established in compliance with the Commercial Code.

Today, the Issuer operates on the basis of:

(i) The Commercial Companies Code;

(ii) The Issuer's Statute of 25 February 1999, as amended.

1.6 Significant events during the development of the Issuer's business

1995

Dom Development spółka z ograniczoną odpowiedzialnością was established under the name of Woodsford Development Krucza sp. z o.o. on 2 November 1995.

1996

The Company began its first development in Warsaw's Białołęka district, where by 30 June 2006 it had built 2,785 apartments in 10 residential developments.

1999

Launch of the first *superior apartment* project – the ***Oaza Apartments***.

Dom Development S.A. was established on 9 July 1999 as a result of the transformation of the company Dom Development spółka z ograniczoną odpowiedzialnością, pursuant to a resolution of the Issuer's Shareholders Meeting dated 25 February 1999.

2000

Commencement of the Derby housing development, one of the Company's largest multi-phased developments, in Warsaw's Białołęka district.

2001

The Issuer's share capital was increased from the amount of PLN 1,720,679 to PLN 21,680,640 in November 2001.

2003

Dom Development embarked on the Marina Mokotów project, a joint-venture with PKO Inwestycje sp. z o.o.

Dom Development obtained a EUR30,000,000 mezzanine facility from EBRD.

Launch of the first *luxury apartment* projects – ***Morskie Oko Residence*** and ***Opera Residence***.

2004

The Company obtained a Quality Management System BS EN ISO 9001:2000 certificate

Opera Residence wins the 2004 Central & Eastern European Residential Development of the Year title awarded by Central & Eastern European Real Estate Quality Awards.

VIII. INVESTMENTS

1 Description of the Issuer's investment in fixed assets during the period covered by the financial information.

The investments in tangible and intangible fixed assets made by the Group during the period 2003 to 2005 are shown in the following table.

Investment	1st half 2006	2005	2004	2003
		(PLN'000s)		
Office equipment [(1)]	290	1,976	859	650
Land, premises used as offices and the like	—	163	1,250	2,807
Passenger cars	851	778	945	634
Computer software	841	125	122	158
Other	168	404	180	88
Total investments	2,150	3,446	3,356	4,337

Source: The Company

(1) Investment made in 2005 includes an amount of approximately PLN 1,136,000 related to office equipment purchased for the new office that is not included in tangible fixed assets in the consolidated financial statement. This is recognised in the consolidated balance sheet under deferred cost. This cost is deferred over 5 years.

Detailed data relating to principle investments in material and non-material fixed assets undertaken by the Group in the years 2003-2005 and in the first half of 2006 are shown below:

Period	Description	Value *(PLN'000s)*
2003	5 accommodation units to be used as offices by estate managers	1,074
	11 passenger cars	634
	Building plot	886
	Alterations to furniture and fittings in rented offices (registered Office of the company)	772
2004	16 passenger cars	945
	Accommodation units to be used as office by estate managers	325
	Building plot	313
2005	16 passenger cars	778
	Fittings and fixtures at the Company's new registered office	1,136
	New Company logo	363
1st half 2006	11 passenger cars	851
	Expenditure on New IT system to Support financial and operational activity	789

All the above investments were made in relation to the Group's activities and are located in Warsaw.

These investments were financed from the Group's own resources. The majority of cars are under financial lease agreements.

In the Group's investments detailed above are included, inter alia, accommodation units destined for use as property managers' offices produced by the Group itself and classified as tangible fixed assets. These units, located in residential buildings on property developed by Dom Development are usually used until the Company ceases to administer the estate in question, which happens after creation by residents of a housing community. After this the units in question are sold.

2 Description of current Issuer's investment in fixed assets

Currently the Group has only one material fixed assets investment being undertaken. In 2005 the Issuer signed the contract for development of a customised Information Technology (IT) system supporting financial and operating activities. The total cost of this investment is approximately PLN 1,000,000. The amount spent on this project by 30 June 2006 totalled approximately PLN 859,000 (of which PLN 789,000 was spent in the first half of 2006). The project is financed from the Issuer's own resources.

There are no binding decisions concerning future investments made by the Issuer's Management Board.

IX. BUSINESS OVERVIEW

1 Background and history of Dom Development

The company which became Dom Development was founded by a group of international investors in 1995, and in November 1996 formed a partnership with local management, with the purpose of bringing a Western European expertise and standard of residential development to the Warsaw market. The focus was and remains to develop affordable housing, mainly flats, to appeal to the so-called popular segment of home buyers. Dom Development's first project was in the Northern Warsaw district of Białołęka, around 12 km from the centre of Warsaw. Named ***Akacje***, it was a 4-phase development of around 1,170 units of quality affordable housing. Such has been the success of ***Akacje*** that the development is now into its 11th phase. However, true to its reputation as an innovator, Dom Development has expanded into more upmarket segments as the business has grown and the Warsaw residential market has developed.

In 2003 the Issuer embarked on the ***Marina Mokotów*** project, one of Central & Eastern Europe's most ambitious residential developments to date and arguably the most innovative residential development in Warsaw. This 22-hectare project on a greenfield site only 4 km from the centre of Warsaw consists of over 1,500 apartments and houses with shops and shared amenities including an artificial lake. Marina Mokotów, delivered in partnership with one of the biggest Polish banks, PKO BP S.A., has supplied the market with a new type of carefully master-planned housing product and raised expectations amongst Warsaw's home buying public.

Currently, Dom Development is a leading developer operating in Warsaw, according to the Reas Report. By the end of June 2006, the Company had completed almost 8,000 flats, apartments and houses. The Issuer's aim is to build on its leading position in the Polish market in respect of its product range and business excellence. The Issuer possesses an ISO 9001:2000 certificate, reflecting the high quality standards it strives to implement.

2 Dom Development's Products

Dom Development has defined its product range as follows:

- Multi-family buildings (flats and apartments) which are divided into the following market segments:
  - *Popular flats*: multi-family buildings or developments, mainly in the suburbs of the City of Warsaw, that usually consist of no less than 200 flats at prices of up to PLN 7,000/m^2, with an average size of around 56 m^2. ***Akacje*** is a typical gated development comprising popular flats, and is characterised by low-rise buildings, playgrounds and parking. In Białołęka, land prices are relatively low, despite good transportation links to the centre of Warsaw (Trasa AK—Armia Krajowa express route) and close proximity to green areas such as the Zegrzyński reservoir area.
  - *Superior apartments:* usually multi-family apartment buildings or small groups of buildings located in the centre of Warsaw and in well-known residential areas (Żoliborz, Mokotów, Śródmieście, Ochota) that in principle consist of up to 250 apartments priced at PLN 6,000-15,000/m^2, with an average apartment size of some 75 m^2. The ***Oaza*** development, completed in 2001 is an example of a development comprising 190 superior apartments, located in the Ochota district of Warsaw at ul. Białobrzeska, near the Park Szczęśliwicki. The development consists of two seven-storey buildings, characterised by bold architecture with balconies and a functional layout set around a private garden square. This was the first building in which clients could buy "lofts", i.e., apartments having a height of more than 6 m. Facilities include underground parking, 24-hour security and a reception area.

  In the popular and superior segments, flats are offered on a standard basis, with finishing to be added by the purchaser. Alternatively, the Issuer offers a turn-key option, which provides most of the finishing.

  - *Luxury apartments:* multi-family apartment blocks located in the centre of Warsaw and in Old Mokotów, close to attractive landscaped areas and parks, which usually have up to 100 flats priced at more than PLN 15,000/m^2. The ***Opera Residence*** is an example of a luxury apartment development. This single building, consisting of 39 luxury flats located in the centre of Warsaw, directly next to the Saski Garden, is characterised by stunning architecture and ornate balconies. Facilities include an indoor swimming pool, underground parking, a concierge and grand reception.
  - *Commercial units*: predominantly retail units, these also developed by the Company within its multi-family buildings. The provision of such units makes up a very small part of overall output, but enables the Company to create mixed developments with amenities such as shops which are attractive to residents.
- Houses which consist of detached, semi-detached and terraced houses. The Company develops a wide range of single-family products including detached, semi-detached and terraced houses with examples including ***Willa Laguna*** and ***Malwa***. ***Villa Laguna*** is a luxury development of 85 semi-detached and terraced houses built around its own small lake. Located near the Kabacki Forest, with easy access to the city centre. In comparison, ***Malwa***, located in Białołęka, is a simpler development consisting of 69 affordable houses targeted at young families

3 Development process

Over ten years' experience of developing residential real estate across a number of market segments has allowed Dom Development to devise effective in-house processes and systems.

3.1 Identification of development sites

The identification of suitable development sites is a key skill which will drive the growth of the business. Dom Development's dedicated land buying department has excellent knowledge of real estate in Warsaw, a source of competitive advantage for the company. Since foundation, the Group has purchased over PLN 558,000,000 of land across Warsaw, making it one of the largest acquirers of land in Warsaw. Such a transaction history has given Dom Development a reputation as one of the most reliable purchasers of land in the market, which has allowed the Company to be viewed as a preferred partner by vendors of land.

3.2 Site appraisal

Dom Development carries out extensive due diligence including legal due diligence, geological surveys and the assessment of infrastructure needs (which are important in determining the costs of a development), before purchasing a site. Senior management, with the assistance of the land department, the sales and marketing department and the production department, carries out a feasibility study to assess the suitable product mix and the potential profitability of the development. At this stage preliminary designs are also drawn up to help the team working on the feasibility study to visualise the development and develop a marketing strategy. Such a thorough approach significantly reduces the risk of carrying out an unfeasible project.

All projects undertaken are characterised by good location (assessed in relation to the market sector to which particular buildings belong), efficient architectural design and a quality of external finish which correspond in principle to Western European standards in the equivalent segment.

3.3 Land purchase

Once a site passes the internal appraisal process, a preliminary land purchase agreement is signed whereby the Company generally pays the vendor a deposit, secured on the land, equal to between 10% and 20% of the agreed purchase price. The agreement is generally conditional on the Company obtaining a legally binding decision regarding zoning. In effect, the deposit secures an option to purchase the site valid for a period of between two and nineteen months, with an average option period estimated at around eight months. In December 2003 all pre-1995 master plans throughout Warsaw were cancelled. As a result, many potential building sites were left without zoning status. In certain cases, the Company therefore had to buy unzoned land, although such purchases only take place when Management is confident of obtaining appropriate permits.

3.4 Project design

The architectural firm selected (usually by tender) to perform detailed design work takes into consideration detailed guidelines given to it by the Company, which specifies development criteria including the number of units in a particular building, the area and configuration of units, the number of parking spaces and the agreed finishing standard. The detailed concept of how the land is to be used is also developed at this stage. This concept takes into account technical and urban planning possibilities and the conclusions of analysis prepared by the sales and marketing department. Detailed building permit applications are then made, which are based on previously approved zoning regulations. The design process is complete when a valid building permit is obtained.

3.5 Construction

The Company's policy is to select, though a tender process, the general contractor that will be responsible for all construction work. The Company employs strict contractor selection criteria including as assessment of the contractors' financial standing, resources and experience. A construction contract is signed between the Company and the selected general contractor, and the site is then handed over to the contractor. Supervision of construction is carried out by reputable, specialist external companies, usually selected through tender immediately following the start of the construction process. The Company manages the overall project, aiming to ensure project milestones and cost targets are met. Payments to contractors are made in stages in line with construction progress in order to retain financial control. The timely performance of all construction works is encouraged by contractual penalties for any delays or deviations from the contract. The Company, as security for possible claims for faults and damages during the Contractor's guarantee period, retains part of the contract price or insists on a bank guarantee.

3.6 Sales and marketing

Marketing activities related to promotion of a new development project usually begin about a month before the expected receipt of a final building permit. This is possible as the Company knows almost all the main parameters of the project at that time. The Company's policy is that sales can only commence once a building permit is received. The Company's sales contracts ensure that customers' payments are proportionate to the expected advancement of work on the entire project, and payable in instalments.

Sales and marketing are done entirely in-house, and considered a core competence of the business. The process is geared around on-site marketing suites, interior-designed show homes supplemented by press advertising, participation in residential development fairs, and the Company web site. The Company has always had a number of development sites in prominent locations all over Warsaw where the "Dom Development" brand and logo are advertised on on-site hoardings, which helps to raise the profile of the brand.

The recent addition of a modern sales centre at the Company's headquarters, where clients are also able to discuss fit-out requirement, is a good example of the Company's commitment to improving the customer experience as is the agreement with Expander, a financial advisory company that offers a comprehensive range of mortgage products to customers at the Company's offices.

3.7 Customer service

The Company, to enhance the client experience and maximise client satisfaction, has created a special department responsible for customer care during the development process. Each customer is looked after by an employee of the customer service department who informs them about the advancement of works on their new home and informs them about remaining stage payments due.

The activities of the customer care department end when the Company ceases to manage the building, usually about one year after hand-over, by which time the residents should have created a residents' committee and appointed an external property management company.

3.8 Project completion and handover

Following the completion of construction, the development is only accepted by the Company after a thorough inspection. Prior to handing over units to customers, an additional internal inspection of the premises is carried out by the customer service department.

X. DOM DEVELOPMENT'S PROJECTS

Between its establishment and 30 June 2006, the Company completed 43 projects consisting of almost 8,000 residential units. At present, 15 developments are underway with a subsequent 33, where the Company either already owns the land, or has secured it under contract. In total at 30 June 2006 the Group controlled land for around 8,400 units which are planned for handover in the next five years.

All tables in this section show data on ***Marina Mokotów*** reduced in proportion to Dom Development's share in Fort Mokotów, i.e. to 49%.

Completed projects at 30 June 2006

	Number of projects	District	Market Segment	Number of units	Number of units sold as at 30 June 2006	Number of units unsold	Number of units sold but not handed over as at 30 June 2006
Akacje 1-10	10	Białołęka	Popular flats	2,785	2,785	0	67
Derby 1-6	6	Białołęka	Popular flats	1,716	1,713	3	110
Kasztanowa Aleja 1-2	3	Ursynów	Popular flats	629	629	0	211
Jeżewskiego	1	Ursynów	Popular flats	374	374	0	0
Bartycka	1	Mokotów	Popular flats	314	314	0	0
Olimpia	1	Ursynów	Popular flats	281	281	0	0
Planty	1	Praga Płn.	Popular flats	245	245	0	0
Bielany	1	Bielany	Popular flats	226	226	0	0
Metrum	1	Ursynów	Popular flats	155	155	0	0
Willa Anna	1	Mokotów	Popular flats	46	46	0	0
Total popular flats	26			6,771	6,768	3	388
Marina Mokotów (49%)	3	Mokotów	Superior apartments	402	402	0	77
Oaza	1	Ochota	Superior apartments	190	190	0	0
Na Dolnej	1	Mokotów	Superior apartments	136	136	0	1
Total superior apartments	5			728	728	0	78
Marina Mokotów (49%)	3	Mokotów	Luxury apartments	167	162	5	18
Morskie Oko	1	Mokotów	Luxury apartments	43	43	0	1
Opera	1	Śródmieście	Luxury apartments	39	39	0	5
Total luxury apartments	5			249	244	5	24
Malwa 1-3	3	Białołęka	Houses	69	69	0	1
Laguna 1	2	Ursynów	Houses	55	53	2	1
Białopole	1	Mysiadło	Houses	42	42	0	0
Marina Mokotów (49%)	1	Mokotów	Houses	2	2	0	2
Total houses	7			168	166	2	4
Total	43	x	x	7,916	7,906	10	494

Current projects at 30 June 2006

	Number of projects	District	Market Segment	Number of units	Number of units sold as at 30 June 2006	Number of units unsold	Number of units sold but not handed over as at 30 June 2006
Olimpia 2 (phase 1-3)	3	Ursynów	Popular flats	594	449	145	449
Derby 7 1 phase	1	Białołęka	Popular flats	254	122	132	122
Fort Bema	1	Bemowo	Popular flats	248	228	20	228
Bemowo	1	Bemowo	Popular flats	152	143	9	143
Total popular flats	**6**			**1,248**	**942**	**306**	**942**
Dworzec Gdański	1	Śródmieście	Superior apartments	260	168	92	168
Patria, phase 1	1	Śródmieście	Superior apartments	129	79	50	79
Patria, phase 2	1	Śródmieście	Superior apartments	113	75	38	75
Marina Mokotów (49%)	1	Mokotów	Superior apartments	101	100	1	100
Total superior apartments	**4**			**603**	**422**	**181**	**422**
Marina Mokotów (49%)	1	Mokotów	Luxury apartments	40	36	4	36
Total luxury apartments	**1**			**40**	**36**	**4**	**36**
Laguna, phase 3	1	Ursynów	Houses	30	30	0	30
Marina Mokotów (49%)	3	Mokotów	Houses	29	20	9	20
Total luxury apartments	**4**			**59**	**50**	**9**	**50**
Total	**15**			**1,950**	**1,450**	**500**	**1,450**

Planned Projects as at 30 June 2006

	Number of projects	District	Market Segment	Number of units	Ownership status	Planning status
Derby 7 (phase 2)-10 i Derby 14-15	10	Białołęka	Popular flats	2,054	owned	Derby 7 phase 2 - not included in masterplan; Derby 8 - building permit; Derby 9/1 and 9/2 - not included in masterplan; Derby 10 ph 1,3 - building permit; Derby 10 ph 2 - included in masterplan; Derby 14 - not included in masterplan; Derby 15/1 and 15/2 - included in masterplan
Regaty 1-6	6	Białołęka	Popular flats	1,104	owned/under conditional contract	included in masterplan
Winnica 1 (phase 1-4)	4	Białołęka	Popular flats	860	under conditional contract / negotiating	partly included in masterplan
Olbrachta 1-2	2	Wola	Popular flats	448	owned	building conditions expected
Zawiszy 1-2	2	Wola	Popular flats	355	owned	building conditions
Olimpia 2 (phase 4-5)	2	Ursynów	Popular flats	345	owned	Olimpia 2 ph 4 - building permit; Olimpia 2 ph 5 - building conditions
Akacje 11 (Światowida)	1	Białołęka	Popular flats	77	owned	included in masterplan
Akacje 10 phase 2	1	Białołęka	Popular flats	63	owned	-
Total popular flats	**28**			**5,306**		
Bruna	1	Mokotów	Superior apartments	247	owned	building permit
Grzybowska	1	Śródmieście	Superior apartments	384	owned	not included in masterplan
Total superior apartments	**2**			**631**		
Opera 2	1	Śródmieście	Luxury apartments	11	owned	building conditions
Total luxury apartments	**1**			**11**		
Laguna 2	1	Ursynów	Houses	24	Under conditional contract	not included in masterplan
Malwa 4	1	Białołęka	Houses	16	owned	-
Total houses	**2**			**40**		
Total	**33**			**5,988**		

The table below presents summarised figures for completed, current and planned projects.

State of project	Number of projects	Number of housing units	Number of housing units for sale	Number of housing units for handover to clients
Completed projects	43	7,916	10	504
Projects in hand	15	1,950	500	1,950
Planned projects	33	5,988	5,988	5,988
Total	**91**	**15,854**	**6,498**	**8,442**

Number of units completed and with occupation permits(1) in the years 2003-2005 and first half of 2006

	Six months 2006	2005	2004	2003
Popular flats	557	489	1,116	1,473
Superior apartments	64	474	0	0
Luxury apartments	0	167	82	0
Houses	2	55	20	49
Total	**623**	**1,185**	**1,218**	**1,522**

(1) The table shows residential units in developments holding occupancy permits.

Number of units sold in the years 2003-2005 and first half of 2006

	Six months 2006	2005	2004	2003
Popular flats	584	936	938	1,317
Superior apartments	307	437	184	37
Luxury apartments	34	90	99	58
Houses	21	73	48	11
Total	**946**	**1,536**	**1,269**	**1,423**

1 Description of completed projects, in the execution stage and planned as at 30 June 2006

1.1 Completed Projects

1.1.1 Popular flat segment

Since its foundation, the Company has developed projects in Warsaw's Bialoleka district, namely in the Tarchomin area. In 1996, Dom Development was one of the first companies to undertake housing projects in the Bialoleka district, and continues to do so. The advantages of homes in this district for customers are attractive prices, good transport links to Central Warsaw, and proximity to leisure areas such as the Zegrzynski reservoir.

The ***Akacje*** development, one of the first of its quality in this district, is gated and features low-rise buildings with modern elevators, playgrounds for children, and individual parking. In total, around 2,700 households have come to live in the ten phases of this development completed in the years 1996-2006.

The ***Derby*** development, in the Bialoleka district, is characterised by efficient flats in pleasant low-rise buildings. The development has separate parking spaces and a security system. This attractive project, with its first phase completed in 2003 has found significant market success. Approximately 1,700 flats over six phases have been sold by 30 June 2006, while further phases are currently under development.

Still in the popular flat segment yet targeted at a slightly more demanding clientele is the modern, gated, ***Planty*** project in Praga. Surrounded by greenery and consisting of 245 flats in two buildings, it was completed in 2004.

Built in 2003 and located in northern Żoliborz is the ***Bielany*** development, which comprises 226 flats in a distinctive modern building.

The Company has also completed projects nearer to the centre of Warsaw within this product segment. ***Bartycka***, completed in 2001, is a modern group of seven four- and five-storey buildings near the Vistula river in the Mokotów district, forming a sophisticated development of 314 flats.

Due to the popularity and attractiveness of the Ursynów district of Warsaw, the Company has also carried out a number of projects there, specifically in Kabaty. The ***Kasztanowa Aleja 1, Kasztanowa Aleja 2*** (phases I and II) and ***Osiedle Jeżewskiego*** projects are integrated with the surrounding natural greenery of the area. All of these developments are near to a large forested area and have underground parking and modern elevators. ***Osiedle Jeżewskiego***, a 374-flat development, completed in 2003, consists of buildings set around courtyards where playgrounds have been incorporated. ***Kasztanowa Aleja 1*** consists of 195 flats, whilst ***Kasztanowa Aleja 2*** consists of 434 flats built over two phases. Phase I was completed in June 2005 and Phase II was completed in June 2006. More than 1,000 families have become established in these developments.

The ***Olimpia*** project, also in the Ursynów area, consists of three buildings containing 281 flats. The development was designed with its own recreational areas and sports facilities, whilst the location enables easy access to the centre of Warsaw.

The ***Willa Anna*** building, consisting of 46 flats, was a small project, completed in 2004, targeted at clients seeking a more intimate environment. Built in a sought-after part of the Mokotów district, it features attractive, modern architecture.

1.1.2 Superior apartment segment

The ***Oaza*** project, completed in 2001, consists of 190 flats located in the Ochota district of Warsaw, near the Park Szczęśliwicki. Recreational facilities nearby consist of a lake and artificial ski slope, as well as swimming pools and other facilities. The project consists of two seven-storey buildings and is characterised by bold architecture and interesting apartment layouts. It was the first Dom Development project to offer 'lofts', where ceiling heights exceed 6 metres. Also offering an underground car park and reception area, Oaza is a popular gated project with 24 hour security.

Na Dolnej, completed in 2005, is a modern seven-storey 136-apartment-building, located in the centre of the Mokotów district.

1.1.3 Luxury apartment segment

The Company has to date completed two projects in this segment with the highest standards of finish and the best architecture and construction.

The ***Morskie Oko Residence***, located in a prestigious part of the Mokotów district, consists of 46 apartments, with recreational facilities and swimming pool. The project offered compact stylish flats, as well as elegant duplex penthouses and large apartments benefiting from terraces.

The award-winning (*Central and East European Real Estate Quality Awards*), unique ***Opera Residence*** is located in the centre of Warsaw overlooking the famous Saski Garden, and consists of 39 luxury apartments with the highest possible standard of finish. It was completed in 2005.

1.1.4 House segment

Malwa 1, a 30-house gated development, located in the Tarchomin district, was the first project carried out by the Company in this segment. In total, the three ***Malwa*** projects, comprising 69 houses, completed between 2002 and 2004 all benefited from attractive locations, utilized high quality materials and offered customers variable sizes and interior layouts.

Completed in 2003, and situated in the area of ul. Pulaski, is the quiet, cosy, 42-house ***Białopole*** development of terraced houses, featuring refined architecture, traditional technology and careful finish.

The prestigious ***Villa Laguna*** consists of 85 semi-detached and terraced houses in a gated development near the Kabacki Forest. Built around a small lake in its own park, this attractive development was completed in 2006, and its success has prompted the Company to plan a second phase, which is currently underway.

1.2 Projects in the execution or planning stage

1.2.1 Flats and apartments in the popular or superior segment

The development of multi-family buildings consisting of flats and apartments is the Company's core business, accounting for 88% of turnover in 2005. The majority of current and planned developments are in the *popular flat* segment.

Popular flats

- ***Derby 7 and Derby 8***, consisting of 598 flats, are both under construction. These projects are typical of the Company's current offer in the popular flat segment, and are being carried out using traditional technology, adapted to ever rising building standards. Both developments are gated and are equipped with access control and parking facilities. Derby 7 is planned for completion by mid-2007 and ***Derby 8*** is expected to be finished by late 2007.
- ***Derby 10*** is planned to have around 360 flats, construction of which is expected to start in 2006. The architecture of this development will be the most modern of all Derby developments to date, utilising a large amount of glass in its construction and featuring very modern facades. However, competitive pricing will remain a key feature. The Company plans to continue to develop this part of Białołęka up to 2009 with increasingly modern and spacious designs.
- More than 2,050 units are planned to be built across ***Derby 7-10 and 14-15*** between 2007 and 2010.
- ***Bemowo*** is located near two important roads in the district of Bemowo (Powstańców Śląskich street and Generała Maczka street), and benefits from close proximity to a wooded park. This development consists of a single building of five to six storeys, equipped with modern elevators. The configuration of the building is in the shape of a letter E to maximise light and utilise the site efficiently. A single-level underground car park will be located under the building. Around 150 flats are planned, with the entire premises gated. Completion of the development is planned for the 4th quarter of 2006.
- ***Fort Bema***. Located on the green grounds of the old fort, the development will consist of two rectangular buildings with a two-level underground car park. Construction of around 250 flats began in early 2005 with completion now planned for December 2006.

- ***Olimpia 2*** is located at ul. Rtm. Edwarda Pileckiego, near Kabacki Forest. The attractiveness of this project is enhanced by good transport links to the city centre and access to shopping areas and parks. The entire development is characterised by multi-level architecture set around a landscaped internal courtyard with underground parking, modern elevators and with security provided. **Olimpia 2** consists of six buildings ranging between five and ten storeys that will be completed in five phases. Phase I and III consist of two buildings located in the centre of the development consisting of around 320 flats. These buildings, which are under construction, are planned to be completed in December 2006 and March 2007 respectively. Phase II of the project, consisting of around 280 flats, is also under construction, and is due to be completed during the summer of 2007. Phase IV, consisting of approximately 280 flats, started in July 2006 and should be completed during the Autumn of 2007. The final phase will consist of around 60 flats completing in mid-2008. In total, more than 940 flats will be completed as part of ***Olimpia 2***.

- ***Regaty*** is a residential development aimed at less wealthy customers looking to move to the convenient Białołęka district of Warsaw. The main attributes of this location are its proximity to green areas as well as easy access to shopping areas and transport links. The development will consist of gated housing complexes, utilising interesting architecture and traditional building technology, characterised by low-rise, three to four storey buildings built on a 108,477 square metre site. Regaty has been divided into six phases to be completed from 2008 to mid-2010. In total, around 1,100 flats in 22 buildings will be built. In addition around 935 square metres of commercial space (approximately 16 premises) will provide amenities for future residents.

- ***Akacje 10 (Phase II)***. The current Akacje 10 development will be expanded by a further 63 flats.

- ***Akacje 11 (Światowida)*** will be built opposite the forest located at ul. Leśna Polana. Around 80 flats will be located in a three- to five-storey building sheltered from the street by trees and a car park. The main attributes of this development will be welcoming architecture, well-planned interior layouts, large recessed balconies and good transport links with the city centre.

- ***Winnica***. This development is being prepared in the Białołęka district of Tarchomin. It will be located between ul. Modlińska and ul. Leśna Polanka and will be characterised by a group of four- to nine-storey buildings with enclosed courtyards. Around 860 flats are planned. This development will feature underground parking, comprehensive security and good transport links with the city centre. With such features it is expected to be very popular with clients. The construction is expected to start at the beginning of 2008. The first phase is expected to be completed in 2009, and the whole development is planned to be finished by the end of 2011.

- ***Olbrachta***. Situated in the Wola district, near ul. Górczewska, ul. Wolska and Trasa AK, this location provides easy access to transport links and shopping centres. This group of four buildings of between six and nine storeys will create a coherent, comfortable and safe environment with an internal courtyard and playground. The attractiveness of this project, consisting of around 450 flats will be enhanced by well thought-out apartment designs, as well as an underground car park. Construction is planned to start at the beginning of 2007. The development is expected to be carried out in two phases with the first phase ready in mid-2008, and the second phase ready later in the same year.

- ***Zawiszy***. Located at the intersection of ul. Zawiszy, ul. Radziwie and ul. Banderii, this development's architecture utilises a large amount of glass and features varied facades, balconies and terraces. As such it is at the top-end of the popular flat segment. The project will consist of two buildings of between six and ten storeys, facing each other. The building layout allows spacious internal courtyards and includes a single level underground car park. Around 355 flats are planned to be built from late 2006, with completion due in 2008.

Superior apartments

- ***Gdański Residential Apartments***. This is being built in the centre of Warsaw located directly opposite a metro station (Dworzec Gdański), near to municipal parks and close to the historic Old Town. The project will be the tallest building the Company has developed to date, with one part of the building rising to 23 storeys, the other to 18 storeys. Spacious apartments and penthouses, multi-level parking, fast elevators, and integrated heating and air conditioning systems are features of this ambitious development. The entire project consists of 260 flats. Construction has started and completion is planned for December 2007.

- ***Patria Apartments***. This project is being built in the central Powiśle district near Pl. Trzech Krzyży. The key aspects are its prestigious location and its excellent architecture. The project will be gated and consist of four buildings ranging from seven to ten storeys. Spacious penthouses with large terraces are located on the top floors, while the attractiveness of this development is enhanced by a high level of finish throughout. Construction of 242 units has already begun. They are currently under construction over two phases with the first phase due for completion in March 2007 and the second in July 2007.

- ***Bruna Apartments***. This development is located in an attractive part of the Mokotów district near the Pola Mokotowskie Park, close to the metro station by ul. Bruna. The building is between six and ten storeys high. The project is under construction and consists of 247 apartments with completion planned for December 2007.

- ***Grzybowska Apartments***. This will be built in the centre of Warsaw on ul. Grzybowska and will be configured in a "U" shape with the building ranging from 13 to 18 storeys. The development will consist of around 380 apartments including penthouses with roof terraces. Construction is expected to commence in late 2007 and be finished by the end of 2009.

Luxury apartments

- ***Opera 2 Residence***. Following on from the award-winning ***Opera Residence***, which is located in one of the most prestigious areas of the capital, directly opposite the Saski Garden, ***Opera 2 Residence***, consisting of 11 luxury apartments, is planned for sales launch in mid-2008. It will be built to the same high standards as ***Opera Residence,*** emulating its elegant, traditional architecture. This development is not expected to be finished before the end of 2009.

1.2.2 Houses

All the identified house segments taken together made up less than 12% of turnover in 2005.

- ***Malwa 4***, a development of 16 semi-detached single-family houses will be built in the Białołęka district of Tarchomin.

- ***Villa Laguna 2*** is a single-family housing development, a continuation of the desirable ***Villa Laguna*** project, located in the Ursynów district of Warsaw near Puławska street. Twenty-four terraced and semi-detached houses will be surrounded by luxurious gardens. All houses will have garages and additional parking spaces on driveways. This development is expected to be completed in mid-2008.

- ***Marina Mokotów*** villas and residences form a separate and unique category of residential housing, each building design being one of a kind. These designs can be best compared to Mokotów's modern villas and residences.

The houses segment overall makes up only a small proportion of current and planned developments, although the Company will continue to develop a number of projects to maintain its presence and skill-base in this product segment.

2 Marina Mokotów

Marina Mokotów represents a milestone in the history of residential development in Central & Eastern Europe. The 22-hectare project on a greenfield site only 4 km from centre of Warsaw consists of over 1,500 apartments and houses complete with shops and shared amenities including an artificial lake. Marina Mokotów, delivered in partnership with one of the biggest Polish banks, PKO BP S.A., has supplied the market with a new type of carefully master-planned housing product and raised expectations amongst Warsaw's home buying public.

The development of this multi-phase project has created a new quarter in Warsaw targeted at professionals who need easy access to the city, yet appreciate living in a secure, tranquil and stress-free environment within a green corridor of Warsaw. The variety of products available, including superior apartments, luxury apartments and luxury houses, has created a balanced community that has become a showpiece of Dom Development's vision, creativity and leadership. By the end of June 2006, 958 units had been delivered to customers with 311 units expected to be handed over by the end of 2006 and the remaining 244 in 2007.

XI. BUSINESS AND MARKETING STRATEGY

1 Business Objectives

The key objectives of the Company are to:

- Maintain and strengthen the Company's position as a leading residential developer in the Warsaw residential market, by achieving a market share of at least 15% (see Section XII, "*Market environment*", for information on the market).
- Secure adequate financing to meet the Company's ambitions for growth.
- Identify and mitigate risks which could impact on the achievement of the Company's objectives.

2 Sales and marketing strategy

The sales and marketing capabilities of the Company are considered a core competence. The Company, over a number of years, has invested in developing a business that is customer-driven, with the sales and marketing department at its core.

The Company utilises the following sales and marketing techniques as part of its overall sales and marketing efforts:

- Sales offices at project sites, which allow clients to view plans, renderings and models of developments.
- A modern sales centre at the Company's headquarters, where clients are also able to discuss fit-out requirement and select fixtures and fittings.
- Use of interior-designed show homes at many of the Company's developments.
- Exhibiting at residential property exhibitions.
- Press advertising and web marketing.
- Advertising on development site hoardings.
- Provision of a mortgage broker in the Company's headquarters.

The main benefits of the Company's sales and marketing approach are:

- The sales and marketing department is involved from the projects' inception, which helps to ensure the project will meet local demand.
- Sales are conducted solely through the Company's own sales outlets ensuring control over the entire process without the use of external agents.
- Sales people are regularly trained in-house to ensure their skills and knowledge are up-to-date, and they follow the latest sales systems.
- Cooperation with Expander, a mortgage broker, and the presence of their agents in the Company's headquarters allows clients' financing needs to be addressed during the sales process.
- The development of a strong and widely recognised brand.

The Company views the customer relationship as long-term, with satisfied customers more likely to consider purchasing a second Dom Development product as they become more prosperous and seek better homes.

3 Financing strategy

The Company finances the execution of projects both with its own capital and with external capital including senior bank debt and the issue of bonds.

The Company is usually able to apply the following financing structure to its projects:

- For the purchase of land, a land purchase bank credit facility of up to 80% of the land value, with the remainder coming from the Company's own resources.
- For the construction of projects, the Company can access, if necessary, bank credit of up to 80% of total construction costs. However, in the currently strong residential market, the Company's own resources, in conjunction with PLN 80,000,000 of bond issues, are sufficient.

4 Risk management strategy

The Company has introduced a risk management system consisting of:

- Defining efficient procedures for mitigating the negative impact of identified risks.
- Implementing certain defined procedures.
- Conducting on-going monitoring of the effectiveness of these procedures.

The risk management process has been in operation since December 2001 and has been instrumental in developing a "risk-aware" culture within the Company. This has improved the core development processes of the Company as well as the financial management of the business.

5 Market Strategy

5.1 Product strategy

The Company will continue to focus on the popular flat and superior apartment segments of the market, which represented around 97.1% of the Warsaw residential market in 2005-2006, according to the Reas Report. Our founding principle was, and remains today, to develop affordable yet high quality housing to target the largest segment of the market. This strategy, with sales in the popular flat and superior apartment segments making up 62% of turnover in 2004 and 70% in 2005, has driven the Company's growth.

A significant proportion of revenue (around 38% of total revenue in 2005) has and will continue to be derived from the sale of popular flats, which generate satisfactory margins. An additional factor that makes this product attractive to the Company is the availability of suitable land, both in and around existing developments and in new locations on the outskirts of the city.

A significant proportion of revenue (around 32% of total revenue in 2005) has and will continue to be derived from the sale of superior apartments. The number of projects and their scale in this segment will be smaller than in the popular segment. However, due to the higher price per square metre of units in this segment, higher margins can be achieved. Management expect that in the long-term customer demand for housing in this segment will increase in line with growing income levels and prosperity.

The luxury apartment segment will play a significantly smaller role than the popular flat and superior apartment segments in Dom Development's business activities. The share of units included in this segment in overall sales revenues is expected to decrease. The reduction of activities in this segment is due to the relatively small demand and the limited availability of development land suitable for this product. As such, the potential for growth of the luxury apartment segment is smaller than in the other market segments.

The house segment is not a major part of the Company's business at present, although the Company aims to remain active and continue to innovate in this market.

Revenues from sales of own products divided into main product groups (PLN'000s)

Sales	1st half 2006		2005		2004		2003	
				(PLN'000s)				
Popular flats	156,882	47%	197,132	38%	179,770	52%	266,025	92%
Superior apartments	112,311	33%	163,782	32%	35,722	10%	3,413	1%
Luxury apartments	28,402	8%	92,934	18%	117,237	34%	7,865	3%
Houses	39,146	12%	59,112	12%	13,903	4%	12,451	4%
Total	336,741	100%	512,959	100%	346,632	100%	289,754	100%

Source: the Company

Net revenues from sales of products, purchased goods and services (PLN'000s)

Sales	1st half 2006		2005		2004		2003	
				(PLN'000s)				
Products (flats and houses)	336,741	96%	512,959	95%	346,632	93%	289,754	94%
Purchased goods	—	0%	—	0%	3,795	1%	984	<1%
Services	12,334	4%	24,207	5%	20,780	6%	16,152	5%
Total	349,075	100%	537,166	100%	371,207	100%	306,890	100%

Source: the Company

5.2 Geographic strategy

The Company currently operates exclusively in the Warsaw area, which is the most attractive market in Poland for two reasons. Firstly, the Warsaw market is the largest residential market in Poland (the Warsaw market accounted for around 30% of all new housing units delivered in Poland in 2005). Secondly it commands the highest residential prices per square metre. In the opinion of Management, the Company has achieved its objective of becoming the leading residential developer, measured by revenue, in the Warsaw market.

Revenues from sales by geographical segment (in PLN'000s)

Sales	1st half 2006		2005		2004		2003	
				(PLN'000s)				
City of Warsaw (within the administrative boundaries of the city)	336,741	100%	511,926	100%	342,123	99%	282,644	98%
Warsaw surroundings (the metropolitan area)	—	0%	1,033	0%	4,509	1%	7,110	2%
Total	336,741	100%	512,959	100%	346,632	100%	289,754	100%

Source: the Company

5.2.1 Land banking strategy in Warsaw

The primary objective in creating a land bank is to acquire enough development sites in the Warsaw area to consolidate the Company's market leading position and enable the Company's continued growth. Management are currently implementing a land banking strategy which aims to secure at least four years' land (assuming the current scale of operations). Competitors' growing interest in the Warsaw property market has resulted in the Company increasing its endeavours to reserve appropriate development land in selected districts of the city. The time frame within which purchased land should become a construction site does not generally exceed 12 months. At the end of June 2006 the Company had at its disposal new land, either wholly owned, or secured with preliminary purchase agreements, which will allow it to build and hand over 8,442 residential units, equivalent to approximately nine years of 2005 unit deliveries.

5.2.2 Opportunities outside of Warsaw

The secondary objective is to enter other cities in Poland at the appropriate time. To date, given the size and growth of the Warsaw market, as well as the Company's leading position, it has not been necessary to enter other city markets. The Company is however monitoring the residential market of other Polish conurbations. If appropriate development opportunities arise in other cities, the Company will consider entering these new markets. A number of market entry strategies are being explored.

XII. MARKET ENVIRONMENT

1 Macroeconomic environment

The macroeconomic situation in Poland is a key factor in determining the strength of the Polish residential property market. The following key economic indicators can provide some measure of the strength of the Polish economy:

- Gross Domestic Product (GDP) growth, which is an indicator of the general level of economic activity and prosperity.
- Unemployment level.
- Real gross salaries growth, which is an indicator of the economy's ability to increase the income of those in employment.
- Inflation rates, which can influence the central bank's interest rate policy, the stability of the exchange rate and general business confidence.

Key macro-economic indicators 2004-2007E

	2004	**2005**	**2006E**	**2007E**
GDP (year on year % growth)	5.3	3.2	4.4	4.6
Average annual inflation (year on year % growth)	3.5	2.1	0.9	2.2
Real gross salaries (year on year % growth)	0.5	2.0	3.1	3.3
Unemployment (% rate)	19.0	17.6	16.5	15.5
National Bank of Poland base interest rate (%)	6.5	4.5	4.0	n/a

*E denotes an estimate of future macroeconomic indicators made by IBnGR

Source: "Quarterly macroeconomic forecasts" No. 50 IBnGR.

The Polish economy has been one of the fastest growing economies in the EU since 2004, posting growth of 3.2% in 2005, with the rate of growth expected to increase to above 4% in 2006 and 2007. This strong growth coupled with a relatively low inflation rate suggests the economy is likely to experience robust real economic growth in the future. According to forecasts, the strengthening economy is likely to generate employment growth, with the rate of unemployment projected to fall from 17.6% at the end of 2005 to 15.5% by the end of 2007, i.e. a fall of almost 12% in two years. With inflation under control, the Monetary Policy Council of NBP has managed to lower the rate of interest from 6.5% in 2004 to 4% in June 2006.

Analysis of first-quarter 2006 key macro-economic indicators illustrates that the optimistic forecasts for 2006 seem to be on track.

Key macro-economic indicators (first quarter 2006)

	Growth in Q1 2006 relative to Q4 2005 (Annualised)
GDP	4.7%
Real gross salaries	3.8%
	Rate (%) Q1 2006
Inflation rate (year-on-year)	0.6%
Unemployment	17.8%

Source: "Quarterly macroeconomic forecasts" No. 50 IBnGR.

A strengthening macro-economic situation is likely to be positive for the residential property market for a number of reasons:

- Growing employment is likely to increase the number of consumers in a position to make a property purchase.
- Growing prosperity and incomes, combined with low and stable interest rates, are likely to make residential property more affordable to consumers.

2 Warsaw economy

The City of Warsaw, with its 18 districts, had a population of approximately 1.69 million people in 2004, while the City of Warsaw and its metropolitan area was estimated at around 2.7 million inhabitants according to the Reas Report.

The Warsaw economy, which is the market the Company operates in, is not only the largest city economy in Poland, but also the most prosperous. Unemployment in the City of Warsaw, at 5.5% in March 2006 according to GUS, is well below the national average and has remained below 7% since 2001. Wages in Warsaw are also significantly higher than the Polish average with Warsaw residents employed in the private sector earning 35% more than the national average in 2004 (GUS).

3 Warsaw residential property market

3.1 Demand for housing in Warsaw

A number of factors are likely to influence demand for new-build residential property in Warsaw, including:

- the ageing and poor-quality housing stock;
- migration trends;
- a growth in the number of households;
- ready access to affordable mortgage products; and
- the relationship between incomes and property prices.

3.2 The ageing and poor-quality housing stock

According to the Reas Report, in the City of Warsaw alone there are an estimated 600,000 people living in 150,000 housing units constructed of concrete slab panels, many of which are in very poor condition. This represents around 21% of the estimated total of 700,000 housing units in Warsaw.

3.3 Migration trends

Demographic trends are likely to have a positive impact on the demand for housing in the medium to long term. The population of Warsaw is expected to remain relatively stable up to 2012 according to Reas Konsulting's demographic model. Migration trends between the City of Warsaw and its metropolitan area and also from district to district are expected to impact demand for certain types of housing units. For example, around 20,000 young people flow into Warsaw each year looking to start their careers; they are likely to drive demand for the popular flat segment. At the other end of the spectrum, older and wealthier families tend to leave some central Warsaw districts for the suburbs in search of larger units, such as houses.

Districts such as Białołęka and Ursynów have experienced significant net immigration largely attracting residents from suburban locations to new apartment complexes. These residents are often looking to move to more central locations to minimise the growing transportation problems between the city centre and some suburban areas. In 2004 alone the net inflow to these two districts was over 6,000 people according to Reas Konsulting. This helps to explain the popularity of some of the Company's developments, such as Derby and Akacje in Białołęka, and Olimpia in Ursynów.

3.4 A growth in the number of households

The number of households in Warsaw is increasing, largely driven by its relatively young population leaving the parental home to start new households (almost 30% of the population are between 20 and 29 years old). Similarly the increasing number of divorces is creating more single-person households. Overall, the average household size is expected to decrease by about 10% by 2010 according to Reas Konsulting. This will create new demand for housing units on top of the estimated 100,000-unit deficit which already exists, according to Reas Konsulting's research.

3.5 Ready access to affordable mortgage products

Recent years have seen a clear expansion of the residential finance sector, driven by growing prosperity and falling interest rates. According to the NBP, the value of outstanding mortgage loans has grown steadily in recent years, reaching PLN 44.5 billion in 2005 from a base of PLN 19.7 billion in 2002, representing growth of 151% in this four-year period. From 2004 to 2005 alone the balance of outstanding mortgage loans has increased by PLN 14.5 billion, a growth of 41%.

Further information published by the Polish Bank Association suggests the pace of growth of mortgage lending has been sustained since 2005, with year-on-year growth in mortgage loans extended to May 2006 reaching 46%.

Moreover, the average size of loans extended has also risen significantly according to data published by the Polish Bank Association, reflecting an increase in the affordability of such loans. The average value of residential loans grew from PLN 60,000 in 2002 to approximately PLN 140,000 in May 2006, representing a 133% increase.

Apart from the strong growth in the value of loans extended, the ratio of mortgage debt to GDP has risen in Poland to about 6%, which is very low in comparison with the level of 50-60% seen in the wealthiest countries of the EU, according to estimates of the NBP. According to forecasts from the Polish Bank Association, the level of mortgage debt may increase to PLN 250 billion over the next 15 years, which represents a fivefold increase between 2005 and 2020.

3.6 The relationship between incomes and property prices

Research by Reas Konsulting suggests that demand for popular flats is set to rise fastest out of the segments the Issuer operates in. They base this on an analysis of the interplay between property prices and income. Given that property prices over the last two years have been rising far quicker than income levels, property has become less affordable resulting in the average size of flats being purchased, falling. However, Reas Konsulting expects this to develop into strong demand for better value products in less expensive areas, such as those offered by the Company as part of its popular flat product range.

3.7 Supply of housing in the City of Warsaw

Units handed over in Warsaw

Year	Number of Units
2000	14,408
2001	16,278
2002	13,101
2003	12,920
2004	10,300
2005	14,431

Source: GUS

The Company considers its main market to be the new-build residential housing market in the City of Warsaw. In 2005, this market, as measured by the number of units delivered, amounted to 14,431 units according to GUS. The market grew by around 40% from 2004 to 2005.

3.8 Competition

According to Reas Konsulting's research, in 2005-2006 Dom Development was the second largest (by number of units handed over) developer of multi-family products in Warsaw with a market share of 7.6%. Reas Konsulting estimates that the top five developers accounted for around 30% of the multi-family market in 2005, and the top ten around 40%. Management has identified a new breed of competitors with foreign origins.

Management regards J.W. Construction, Budimex Nieruchomości, Dolcan and Acciona Nieruchomości as the most serious competitors in the popular flat segment. In the superior apartment segment Echo Investment S.A., Marvipol S.A. Pirelli Pekao Real Estate, Acciona Nieruchomości, Fadesa Prokom and a series of small foreign firms, which undertake single projects, often in good locations and characterised by attractive architecture and high quality of execution, are strong competitors. In the luxury apartment segment, the ORCO Property Group and Ghelamco Polska are particularly active.

Competition in the house segment is regarded as being particularly fragmented, with small local projects being carried out by small companies.

Dom Development, in the opinion of Management, has established a strong position in the market, and considers the following as sources of competitive advantage:

- Development of a strong brand recognised as a symbol of quality and credibility.
- Effective land buying, with over PLN 425,000,000 spent on the purchase of land over the last 3.5 years (from 1 January 2003 to 30 June 2006), has made the Company one of the largest land buyers on the Warsaw market; securing land in an increasingly competitive market is likely to become an even greater source of competitive advantage in the future.
- Effective in-house sales and marketing processes allowing the Company to control its sales and marketing activities.
- Effective management and control of development projects, and strong relationships with building contractors and architectural firms, allowing many large and complex projects to be delivered on time and on budget.
- Excellent relationships with a number of local banks providing a ready source of finance.

4 The influence of extraordinary factors

No extraordinary factors influenced the Issuer's Capital Group's activities from the beginning of 2003 until the day on which the Prospectus was approved.

5 The dependence of the Issuer on patents or licences, industrial commercial or financial agreements or on new production processes

5.1 Commercial agreements

In the normal course of its business the Issuer and Fort Mokotów sp. z o.o. conclude agreements with general contractors and with architects, and conclude agreements on the purchase of land. As at the day on which the Prospectus was approved, the total value of agreements concluded by these entities with general contractors amounts to PLN 866,531,543.01, and that of agreements with architects to PLN 48,948,375.50. As at the day on which the Prospectus was approved, the Group had concluded preliminary agreements for the purchase of land in an amount exceeding PLN 136,000,000.

In the course of its business the Issuer is not dependent on commercial agreements.

5.2 Leasing agreements

As at the day on which the Prospectus was approved, the Issuer is a party to 33 leasing agreements, of which 31 are financial leasing agreements and two operating leasing agreements. As at the day on which the Prospectus was approved, Fort Mokotów sp. z o.o. is a party to three leasing agreements, of which one was a financial leasing agreement and two operating leasing agreements. These agreements are related to vehicles used by the Company

In the course of its business the Issuer is not dependent on leasing agreements.

5.3 Industrial agreements and new production processes

The Issuer is not a party to industrial agreements or to agreements concerning new production processes and is not dependent on such agreements.

5.4 Financial agreements

In the course of its business the Issuer is not dependent on financial agreements.

5.5 Patents or licences

The Issuer does not possess any patents.

The Issuer holds licences as indicated in the Section XVII, *Research and development, patents and licences*. However, the licences it holds do not play an important role in its business.

The Issuer is not dependent on any patents or licences.

6 The bases of all assertions, declarations and announcements of the Issuer concerning its competitive position

The bases of all assertions, declarations and announcements concerning its competitive position have been published by the following sources:

- Warsaw Residential Market Report for 2005/2006 by REAS Konsulting;
- Quarterly Macroeconomic Forecasts No. 50 by IBnGR;
- Official statistical data by GUS, NBP.

Wherever a specific source is not indicated, the basis for all assertions, declarations or announcements concerning the Company's competitive position is the Management Board's knowledge of the Group's business and its competitive position.

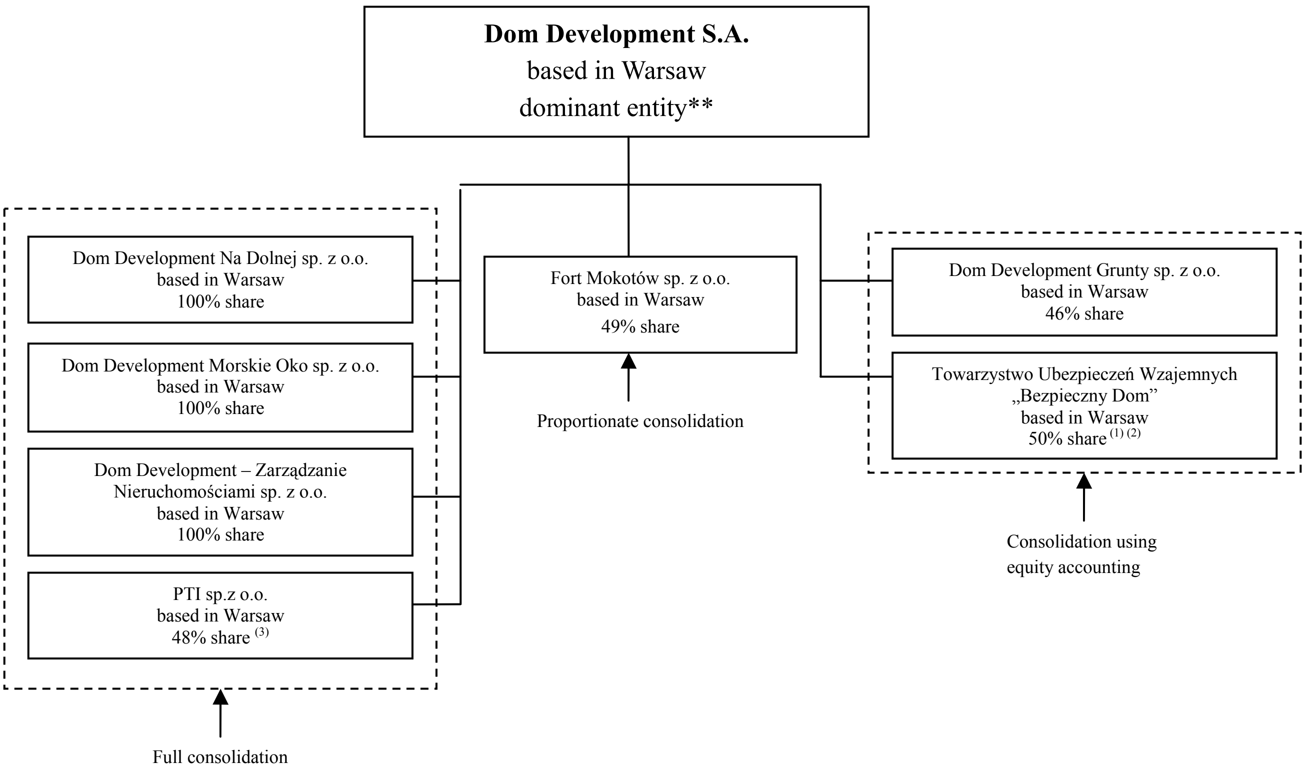
XIII. ORGANISATIONAL STRUCTURE

1 Description of the Group and the Issuer's place in this Group

The dominant entity in the Group is Dom Development S.A., a joint stock company with its registered office in Warsaw.

As at the day on which the Prospectus was approved, the dominant entity, Dom Development S.A., was controlled by Dom Development B.V., which holds an 83.06% share in the Company. Minority shareholders owning over 5% of shares are Jarosław Szanajca with 8.24% and Grzegorz Kiełpsz with 6.61%. The remaining shares in Dom Development S.A. are mainly held by the Company's key employees and the Company's Management Board.

The Group's organisational structure*



* the share that Dom Development S.A. holds in the capital of particular entities is identical to its share in their shareholders meeting

** Dom Development is not a dominant entity in respect of the company Fort Mokotów sp. z o.o., which is a joint venture between Dom Development S.A. and PKO Inwestycje and is jointly controlled by the Issuer

(1) Fort Mokotów sp. z o.o. holds an additional 5% of shares in Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom".

(2) Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" will be subject to full consolidation for the financial year 2006, as a result of the Issuer increasing its shareholding from 40% to 50% in July 2006.

(3) Dom Development Grunty sp. z o.o. holds an additional 12% of shares in PTI sp. z o.o., which means that PTI sp. z o.o. must be subject to full consolidation.

2 Position of the Issuer in the Group

Dom Development S.A. undertakes development projects and also obtains the external financing necessary for the conduct of its activity. In some cases the Issuer has decided to form special purpose companies, above all for the conduct of specific development projects. The scope of the activity of these companies is described below.

As at the day on which the Prospectus was approved, a material role in the Group was played by the company Fort Mokotów sp. z o.o. (a joint venture), which is developing the Marina Mokotów project, and the company Dom Development Grunty sp. z o.o., which deals with the procedures for purchasing certain areas of land on the instructions of Dom Development S.A

3 List of companies shown in the organisational structure of the Group

Dom Development Na Dolnej sp. z o.o., in which the Company is the sole shareholder, was established as a project company, but has not launched commercial activity.

Dom Development Morskie Oko sp. z o.o., in which the Company is the sole shareholder, was established as a project company for the ***Morskie Oko Residence***. It has continued to conduct business related to managing the Morskie Oko Residence since the completion of the project.

Dom Development – Zarządzanie Nieruchomościami sp. z o.o., in which the Company is the sole shareholder, does not conduct commercial activity.

Fort Mokotów sp. z o.o. is a special-purpose company implementing the ***Marina Mokotów*** project. Dom Development holds a 49% share in its capital, while PKO Inwestycje – a company wholly owned by PKO BP S.A. – holds a 51% stake. The company is time-limited to last for the duration of the ***Marina Mokotów*** project, or until 31 December 2011, whichever comes earlier.

Dom Development Grunty sp. z o.o., in which the Company holds a 46% stake, was established to service land purchase procedures for the Company.

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”, in which the Company holds a 52.45% stake (50% directly and 2.45% through Fort Mokotów sp. z o.o.), was established to provide insurance services for development agreements. Its corporate purpose is to insure financial risk. Its current scope of operations is limited.

PTI sp. z o.o., in which the Company holds a 53.52% stake (48% directly and 5.52% through Dom Development Grunty sp. z o.o.), has been established to carry out a development project.

4 Schedule of significant subsidiaries of the Issuer:

- Dom Development Morskie Oko sp. z o.o., with its registered office in Warsaw. The Issuer holds 100% of the shares in this company’s share capital.
- Dom Development — Na Dolnej sp. z o.o., with its registered office in Warsaw. The Issuer holds 100% of the shares in this company’s share capital.
- Dom Development — Zarządzanie Nieruchomościami sp. z o.o., with its registered office in Warsaw. The Issuer holds 100% of the shares in this company’s share capital.
- Dom Development Grunty sp. z o.o., with its registered office in Warsaw. The Issuer holds 46% of the shares in this company’s share capital, entitling it to 46% of the votes in the shareholders meeting. The company is a subsidiary within the meaning of the Public Offering and Public Companies Act because all the members of its management board are also members of the Issuer’s Management Board or are the Issuer’s commercial proxies.
- PTI sp. z o.o., with its registered office in Warsaw. The Issuer holds 48% of the shares in this company’s share capital, entitling it to 48% of the votes in the shareholders meeting. Dom Development Grunty sp. z o.o., a subsidiary of the Issuer, holds 12% of the shares in this company’s share capital, entitling it to 12% of the votes in the shareholders meeting.

XIV. PROPERTY, PLANT AND EQUIPMENT

1 Information regarding any existing or planned material tangible fixed assets, including leased properties, and any major encumbrances thereon

The Company does not possess and does not plan to acquire significant material tangible fixed assets. In the period from 1 January 2003 to 31 December 2005 the share of tangible assets in total assets fell from 2.5% to 1.3%. These assets are described in detail in the consolidated financial statements presented in this Prospectus.

2 Description of issues and requirements related to environmental protection that could influence the Issuer's use of its material tangible fixed assets

As the Company does not possess significant material tangible fixed assets, there are no requirements or issues related to environmental protection that could influence the Issuer's use of its material tangible fixed assets.

XV. OPERATING AND FINANCIAL REVIEW

1 The most important factors affecting the business and financial results of the Group

Issuer's financial year is 1 January – 31 December.

2 The financial situation of the Group, changes in it, operating results, and reasons for material changes as required to understand and evaluate the whole of the Issuer's business

Table: Dom Development's consolidated sales revenues (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Sales revenues, of which:	349,075	192,025	537,166	371,207	306,890
– from sale of finished goods	336,741	182,216	512,959	346,632	289,754
– from sale of services	12,334	9,808	24,207	20,780	16,152
– from sale of goods held for resale	—	1	—	3,795	984

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006.

Between 2003 and 2005, the Company saw significant growth in overall revenues. This growth was driven mainly by sale of goods of flats, single family houses, and commercial premises located in multi-family housing units, with revenues from these sales constituting, respectively, 94.4%, 93.4% and 95.5% of overall income. In 2004, sale of goods revenue growth was almost 19.6% compared to 2003; in 2005 this was 48.0% compared to the previous year. The achievement of such significant growth, in particular in 2005, was the result of extremely strong growth in demand for housing on the Warsaw market, and our ability to meet clients' expectation in terms of location and project design. At the same time, the Group achieved improved sales margins.

Sales revenues from the sale of services during this period reached PLN 16-24 million. They consisted largely of revenues achieved by the Company from the management of buildings it had built, as well as revenues from the sale of services and commissions on sales in respect of Fort Mokotów sp. z o.o.

Sales revenues from the sale of goods held for resale arose mostly from the sale of land which was surplus to the needs of certain developments. These revenues are irregular and of marginal importance to the Company's financial results.

Results for the first half of 2006 point to the continuation of the very strong growth trend in revenues, which is particularly easy to see when compared with the results for the first half of 2005.

Table: Selected data from Dom Development S.A.'s consolidated profit and loss statement (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Cost of sales	244,885	149,251	407,674	298,047	252,541
Cost of finished goods sold	235,812	141,395	391,463	282,400	240,660
Cost of services sold	9,073	7,856	16,211	14,412	11,135
Cost of goods held for resale sold	—	—	—	1,235	746
Selling costs	10,441	9,576	21,571	17,944	15,061
Administrative costs	17,463	17,750	31,904	30,471	22,423
Other operating income	2,293	1,681	3,780	4,701	4,473
Other operating expenses	5,546	1,064	8,289	5,796	3,574
Operating profit	73,033	16,065	71,508	23,650	17,763
EBITDA	73,830	16,929	73,259	25,132	19,041

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006.

An analysis of operating expenses for the years 2003-2005 shows that the greatest share is associated with the production costs of goods sold, a situation that is consistent with the nature of the Group's business. Such expenses during the years 2003, 2004 and 2005 amounted to, respectively, 83.0%, 81.5% and 84.9% of the Group's operating expenses. At the same time, the selling costs and general administrative expenses during the period in question increased at a significantly slower pace than the production costs of goods sold and revenues from the sale of goods, thus showing a significant improvement in the Group's operating efficiency. Such results were possible to achieve mainly as the result of actions undertaken by the Company in 2004 aimed at increasing operating efficiency and output (implementation of development projects). The ratio of selling costs and administrative costs to sales revenues was 12.2% in 2003, 13.0% in 2004 and in 2005 reached a level of 10.0%. Such a drop in the years 2003-2005 demonstrates a marked improvement of the Company's operating efficiency.

Financial data for the first half of 2006 show that the structure of operating costs maintained positive tendencies, leading to the further improvement of the operational efficiency of the Group. In the first half of 2006 administrative costs fell slightly in relation to the same period of the previous year.

Operating results in 2003-2005 grew significantly. However, a significant growth here did not take place until the year 2005. Operating profits increased from PLN 17.8 million in 2003 to almost PLN 23.7 million in 2004 (an increase of 33.1%) and PLN 71.5 million in 2005 (three times the results achieved in 2004).

The strong growth trend was continued in the first half of 2006 and resulted in operating profits for the first six months of the year reaching a level higher than that for the whole of 2005.

The increase in cost of goods sold as well as in other cost categories shown in 2003-2005 and in the first half of 2006 was a natural consequence of the increase in the Company's business activities. However, the rate of increase in that growth was smaller than the increase in revenues.

Operating efficiency improved significantly during the period under review. The EBITDA margin (EBITDA margin = (operating profit (loss) + depreciation)/Overall sale revenues)) increased from 6.2 % in 2003 to 6.8 % in 2004 (an increase of around 9.0%), with the Company achieving a margin of double this amount in 2005 (13.6%) compared to 2004. In the first half of 2006 this indicator reached the very high level of 21.2%.

TABLE: Selected data from Dom Development S.A. consolidated profit and loss statement (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Financial income	1,622	2,292	3,801	3,455	1,578
Financial costs	3,151	4,713	10,647	14,221	7,887
Profit before tax	71,505	13,644	64,662	12,883	11,454
Income tax	13,529	2,045	12,512	2,321	4,488
Consolidated profit after tax	**57,976**	**11,599**	**52,150**	**10,562**	**6,967**

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006.

In 2003-2005 the Group saw increasing after-tax profits. Substantial after-tax profit was achieved in 2005, with after-tax profits almost five times those achieved in 2004. The strong demand for apartments being offered by the Company as well as the fact that the Company was able to meet this increased demand to such a degree by offering an appropriately large number of residential units to the market in various developments had the greatest impact on after-tax profit achieved in 2005. Improved operating efficiency also helped improve financial results.

In the first half of 2006 these same factors contributed to very strong growth in after-tax profit, which exceeded the after-tax profit noted in the whole of 2005.

Financial costs recognised directly in the income statement relate primarily to the external debt financing costs and foreign exchange differences from foreign-currency denominated loans that can not be directly attributed to the costs incurred on development projects. The interest on external debt financing that is directly attributable to work in progress (primarily financing of land and construction) is capitalised in the balance sheet as a part of the cost of work in progress. This accounting policy has been adopted as a result of the long development cycle of construction projects, which typically lasts no less than two years from the moment land is purchased.

The debt interest service to EBITDA ratio during the period under review was 8.8 for the year ending 30 June 2006, 2.7 for the year ending 31 December 2005, 1.7 for the year ending 31 December 2004 and 1.6 for the year ending 31 December 2003, with these results showing a significant improvement in the Group's ability to service the cost of its debt.

The overall level of costs incurred by the Group for debt servicing remains at a satisfactory level.

TABLE: Dom Development consolidated current assets as at 31 December and 30 June in the event of mid year figures (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Current assets	614,523	421,351	556,320	402,436	310,771
Inventory	389,419	291,440	372,091	252,269	210,795
Current Investments held for trading[(1)]	—	—	—	10,000	93
Receivables for goods and services as well as remaining receivables	30,606	32,003	56,934	29,984	29,918
Other current assets	46,195	23,698	53,458	31,498	13,190
Cash and cash equivalents	**148,302**	**74,210**	**73,837**	**78,685**	**56,775**

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006.

(1) In 2004 current investments held for trading were treasury bonds.

Current assets constitute the largest share of overall assets (their share during the period under review remained at a level of more than 96%). Of these, production in progress is the most important.

The significant growth in the value of current assets in 2003-2005 (from PLN 310.8 million in 2003 to PLN 556.3 million in 2005 and to 614.5 million in the first half of 2006) resulted from the Company expanding its core business activities associated with the construction and sale of residential units as a developer. As a result, the value of inventories increased significantly, by 76.5% to the end of 2005 and by 84.7% over the whole of the period under review. Inventories include land that has been acquired for future developments and residential projects under construction (as production in progress).

The increase in other elements of current assets during the period under review was a natural result of the Company increasing its scale of activities. The growth in holdings of cash also had a significant effect on the growth of this category in the first half of 2006.

Receivables in 2005 consisted mainly of receivables from the sale of goods and services (PLN 15.7 million), tax receivables (PLN 16.6 million) and funds provided to the affiliated company Dom Development Grunty for the purchase of land for the Company (PLN 24.6 million). Receivables in the first half of 2006 consisted mainly of receivables from the sale of goods and services (PLN 22.6 million) and receivables relating to taxes (PLN 7.5 million)

Cash and cash equivalents in 2003-2005 were at a level of PLN 56.8 million in 2003 and PLN 78.7 in 2004. At the end of 2005, this was at a level of PLN 73.8 million and at the end of the first half of 2006 they reached the level of PLN 148.3 million. This level is sufficient to ensure the Group's safe and efficient operations. Fluctuations in the value of this position during the period under review arise from the specific nature of the Group's business.

In the year 2004, Treasury bonds (tradable investments) were added to the current assets structure as assets purchased in conjunction with the Company’s liquidity management policies.

TABLE: Value of land accounted for as consolidated inventories by Dom Development at 31 December and at 30 June in the case of mid-year data (in PLN‘000s)

	First half 2006	First half 2005	2005	2004	2003
Total inventory, of which	389,419	291,440	372,091	252,269	210,795
Value of land	286,497	191,185	256,974	162,474	114,728
Prepayments for land	9,285	14,413	14,742	18,731	1,406
Share of land (including prepayments for land) in inventory	76,0%	70,5%	73,0%	71,8%	55,1%

Source: the Company.

During the period under review the value of inventory increased significantly by 76.5% from PLN 210.8 m in 2003 to PLN 372.1m in 2005 and by 84.7% to PLN 389.4 million at the end of the first half of 2006. This can be assigned to two factors. Firstly, it is due to increased level of activities. Secondly, the Group has built a land bank to secure land for future developments. From 2003 to 2005 the value of land accounted for as inventories increased from PLN 114.7 m to PLN 257.0 m or by 124.1%. This significant increase in land bank value has caused an increase of the proportion of land value in the Group's inventory from 55.1% in 2003 to 73% in 2005.

At the end of the first half of 2006 the proportion of the value of land holdings (taking into account deposits paid in respect to the purchase of land) in stocks amounted to 76.0%.

TABLE: Dom Development consolidated receivables and liabilities as at 31 December and at 30 June in the case of mid year data (PLN‘000)

	1st half 2006	1st half 2005	2005	2004	2003
Long-term receivables	**928**	—	**928**	—	—
in Polish currency	928	—	928	—	—
in foreign currency (after conversion into PLN)	—	—	—	—	—
Short-term receivables	**30,606**	**32,003**	**56,934**	**29,984**	**29,918**
in Polish currency	30,606	32,003	56,934	29,984	29,918
in foreign currency (after conversion into PLN)	—	—	—	—	—
Long-term liabilities	**233,187**	**208,179**	**155,729**	**167,586**	**104,710**
in Polish currency	229,600	134,877	148,375	95,576	20,474
in foreign currency (after conversion into PLN)	3,587	73,302	7,354	72,010	84,236
Short-term liabilities	**210,238**	**140,169**	**284,545**	**175,678**	**147,209**
in Polish currency	202,529	140,067	249,368	175,575	139,365
in foreign currency (after conversion into PLN)	7,709	102	35,177	103	7,844

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006.

In 2003-2005 and the first half of 2006, receivables (with the exception of a small amount in 2005 and in the first half of 2006) consisted solely of short-term receivables. No foreign-denominated receivables appeared during the period under review. Most of the short-term receivables were from sale of services and goods and other short-term receivables related to the resources provided to an associated entity for purchase of land.

The structure of liabilities, however, consisted of both short-term and long-term liabilities denominated in Polish zlotys and foreign currencies.

The largest portion of Polish zloty denominated long-term liabilities consists of long-term loans and borrowings, as well as liabilities from bonds. Another significant item in the structure of liabilities consists of reserves for deferred income tax created by the Group as a result of the timing differences between the time income is recognised from an accounting perspective and the time income is recognised from a taxation perspective.

Long-term foreign-denominated liabilities include long-term foreign-denominated loans and borrowings. The importance of these has decreased significantly in the period analysed as the result of their repayment, including the Company’s above-mentioned decision regarding the early repayment of the EBRD loan, which resulted in these liabilities being presented under short-term liabilities. Currently, these liabilities consist of loans granted to the Company by the Company’s main shareholder.

The largest Polish zloty denominated item in short-term liabilities in 2005 and in the first half of 2006 (and also in previous years) constituted liabilities mainly from the receipt of services relating primarily to construction services (PLN 60.8 million in 2003, PLN 72.6 million in 2004, PLN 132.3 million in 2005 and PLN 133.6 million in the first half of 2006). The unusual increase in 2005 relates to a specific land purchase where a substantial part of the payment is deferred to the future periods. Other significant items were liabilities from the soon to mature parts of debt liabilities, which amounted to PLN 60.7 million in 2003, PLN 58.9 million in 2004, PLN 107.0 million in 2005, and PLN 46.0 million in the first half of 2006 as well as accrued expenses, which amounted to PLN 19.0 million in 2003, PLN 35.9 million in 2004, PLN 36.4 million in 2005 and PLN 23.5 million in the first half of 2006 – this item consists mainly of both the completion of planned yet unfinished works associated with the final phases of projects developed and works completed but not invoiced by the contractors.

Short-term foreign currency liabilities include the current amount of the total foreign-denominated debt. The increase in this item in 2005 resulted from a decision undertaken by the Company to make an early repayment of the remainder of a EUR8.0 million long-term loan drawn from the EBRD, and so this item was moved from long-term liabilities.

TABLE: Dom Development consolidated fixed assets as at 31 December and at 30 June in the case of mid year data (PLN‘000)

	1st half 2006	**1st half 2005**	**2005**	**2004**	**2003**
Total assets	635,368	440,987	573,684	419,789	322,550
Fixed assets	20,845	19,636	17,364	17,353	11,779
Intangible fixed assets	335	448	394	138	111
Tangible fixed assets	7,608	8,199	7,265	8,169	8,032
Investments in associates	512	849	559	949	17
Deferred income tax asset	11,463	10,140	8,218	8,087	3,096
Long-term receivables	928	—	928	—	—
Other long-term deferred costs	—	—	—	9	522

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006

The majority of the Company’s fixed assets consist of tangible fixed assets and the deferred income tax asset.

Tangible fixed assets consist mainly of vehicles and equipment used by the Company in its business activities.

The Group’s deferred income tax asset results mainly from accrued costs and provisions as well as carry-forward tax losses (in Fort Mokotów sp z o.o.). This balance sheet element should be viewed together with reserves for deferred income tax.

Fixed assets had a relatively small share in the overall asset structure in 2003-2005 and the first half of 2006 , being 3.7% in 2003, 4.1% in 2004, 3.0% in 2005 and 3.3% in the first half of 2006, a situation typical for companies carrying out this type of business.

TABLE: Dom Development consolidated equity and liabilities as at 31 December and at 30 June in the case of mid year data (PLN‘000)

	1st half 2006	1st half 2005	2005	2004	2003
Total equity and liabilities	635,368	440,987	573,684	419,789	322,550
Share capital	21,854	21,854	21,854	21,854	21,854
Shareholders’ equity	191,943	92,639	133,411	76,525	70,631
Total liabilities	443,425	348,347	440,274	343,264	251,919
Long-term liabilities, of which:	233,187	208,179	155,729	167,586	104,710
reserves for deferred income tax	38,758	14,077	22,275	8,887	4,898
Short-term liabilities, of which:	210,238	140,169	284,545	175,678	147,209
accrued liabilities	23,482	32,924	36,362	35,904	18,955
Short-term provisions	3,005	1,014	4,378	782	1,079

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006

Dom Development finances its operations from shareholders equity (mainly retained earnings), which increased to PLN 133.4 million in 2005 and reached PLN 191.9 million at the end of the first half of 2006, as well as short-term and long-term liabilities.

The largest proportion of liabilities at 31 December 2005 consisted of liabilities from loans and borrowings as well as the issue of bonds - overall PLN 236.9 million. Trade payables in 2005 reached PLN 134.9 million (of which PLN 47.4 million were trade liabilities with a maturity of more than 12 months).

The deferred tax liability related primarily to the difference between the time income is shown for accounting purposes and the time it is shown for taxation purposes.

The Group’s net deferred tax liability position (deferred income tax liability less deferred income tax asset) amounted to PLN 1.8 million in 2003, PLN 0.8 million in 2004, PLN 14.1 million in 2005 and PLN 27.3 million in the first half of 2006. The substantial increase in 2005 and in the first half of 2006 relates to both increasing profit margin on realised developments and increasing level of operations.

TABLE: Dom Development consolidated cash flow (PLN‘000)

	1st half 2006	1st half 2005	2005	2004	2003
Net cash flow from operating activities	73,450	(36,045)	(35,372)	(32,559)	(106,803)
Net cash flow from investing activities	(946)	8,845	7,037	(11,788)	(4,121)
Net cash flow from financing activities	1,961	22,726	23,487	66,256	111,827

Source: Dom Development consolidated financial statements for the years 2003-2005 and abbreviated consolidated financial statements for the first half of 2006

Net cash flows from operating activities in 2003-2005 were negative. The most significant items having a negative impact on cash flows from operating activities were changes in inventories and receivables, as well as accurals and prepayments.

The significant growth in inventories in 2003-2005 – in particular in 2005 – was mainly the result of increased land acquisition as well as an increased scale of operations associated with the execution of development projects. The purchase of land for future residential development (the land bank) also has an impact on the cash flow from operating activities. This expansion of a land bank is planned to enable the Company to meet the expected future demand for residential units. The most significant changes to receivables in 2005 arose from the transfer of funds to the affiliated company Dom Development Grunty for the acquisition of land on behalf of the Company, and also from current income tax payments.

The largest impact on cash flows from investing activities in 2003-2005 was made by the acquisition of treasury bonds for almost PLN 10 million in 2004 and their subsequent sale in 2005. Another significant item in cash flow from investing activities in 2003-2005 was expenditures associated with the acquisition of tangible and intangible assets. Cash flow from investing activities in 2003-2004 was negative. However, as a result of the sale treasury bonds purchased in 2004, this value became positive in 2005 (almost PLN 7 million).

Cash flow from financing activities in 2003-2005 was affected upon by the drawing and repayment of loans and a bond issue for almost PLN 50 million (the issue took place in 2004). A drop in positive cash flows from financing activity during the period under review is evident. This was due to diminishing demand for external financing by the Group. This was mainly the result of the successful sale of increasing numbers of residential units during this period.

3 The decrease in the cash flow deficit on operating activities in 2003-2005 and the decreasing demand for additional external financing is mainly due to a gradual increase in the contribution margin of projects under construction and completed, resulting in an increasing stream of cash resources to the Group.

At the same time, it should be stressed that these cash flows are typical for companies such as Dom Development acting as developers.

In the first half of 2006 the Group noted large positive net cash flows from operating activity. This derived principally from the improvement in margins on completed projects, the increased cash holdings in Fort Mokotów sp. z o.o. related to the final phase of development of the Marina Mokotów project and the accumulation of resources by Dom Development for planned purchases of land in the second half of 2006.

In the first half of 2006 the Group noted negative net cash flows from investment activity as a result of the purchase of fixed assets and intangible assets in the course of the usual business of the Group.

In the first half of 2006 the Group noted slightly positive net cash flows from financing activity, which was affected by the repayment of loans amounting to a total of PLN 65.2 million and the contracting of loans for PLN 37.2 million and the issue of bonds for PLN 30 million.

4 Information relating to any elements of government, economic, fiscal, monetary and political policy and to factors which have had a material influence or which may directly or indirectly have material influence on the operating activity of the Issuer

When examining questions related to the influence of elements of government, economic and fiscal policy which have had a material influence or which may directly or indirectly have a material influence on the operating activity of the Issuer, attention should be paid to the specific nature of its business, which on the one hand consists of the purchase of land and on the other the execution of development projects.

For that reason the factors influencing the results and the activity of the Issuer are:

- the overall economic situation in Poland;
- government, political and economic policy in relation to housing construction, for example: (i) the introduction to the government programme for the next few years of a programme of support for housing construction, involving legislative and organisational work permitting the construction of a greater number of apartments and their increased availability to the population and (ii) delays in the preparation of new spatial management plans for areas in which the old plan expired on 31 December 2003 (this relates to the spatial plans adopted before 1 January 1995 on the basis of the provisions of law previously in force);
- monetary policy - in recent years, the Council for Monetary Policy's consistent reduction of base interest rates has caused a reduction in the interest rates on credits, including credits to finance property, resulting in an increased desire by natural persons to purchase real estate with a bank mortgage;

- trends in the preferences of potential purchasers of housing units;
- the degree and nature of competition; and
- fiscal policy, for example a possible increase in the rate of VAT on apartments sold by developers from 7% to 22% as of 1 January 2008 (see Section III *Risk factors*);
- legal regulations determining the extent/affecting the business of the Issuer, including tax regulations and regulations concerning other charges of a public law nature and regulations concerning property and construction, which include:
    - provisions that regulate activity in the trading of property and the purchase and management of property (The Civil Code, the 21 August 1997 Management of Property Act (Journal of Laws of 2004, No 261, item 2603 as amended), the 24 March 1920 Purchase of Property by Foreigners Act (Journal of Laws of 2004, No. 167, item 1758 as amended) and the 24 June 1994 Ownership of Premises Act (Journal of Laws of 2000, No. 80, item 903 as amended));
    - provisions regulating matters related to land development and construction (the 27 March 2003 Spatial Planning and Development Act (Journal of Laws No. 80, item 717 as amended), the 7 July 1994 Building Law (Journal of Laws of 2003, No. 207, item 2016 as amended), the Ordinance of the Minister of Infrastructure on 12 April 2002 on the technical conditions that should be met by buildings and their locations (Journal of Laws No. 75, item 690 as amended)); and
    - provisions regulating matters related to environmental protection and building development projects (the 16 April 2004 Protection of Nature Act (Journal of Laws No. 92, item 880 as amended) and the 27 April 2001 Environmental Protection Law (Journal of Laws No. 32, item 627 as amended)).

The results of the Issuer's activity may also be influenced by new legislative initiatives, such as, for example, the 13 July 2006 Act on financial assistance for families purchasing their own flats, which has been placed before the Senate, and on the basis of which persons purchasing certain types of property with the help of mortgages will be able to apply for a reimbursement of some of their interest costs.

On the basis of the draft of the Long-Term Development Strategy for Housing Sector for 2005-2025, prepared by the Ministry of Transport and Construction, one may consider that the Issuer's activity may also be affected, among others, by the following:

- implementation of the programme for development of an integrated system of information about properties,
- definition of the principles of taxation of residential property;
- development and implementation of a programme supporting private investors who are building residential accommodation for letting;
- support for systematic savings for housing purposes.

XVI. CAPITAL RESOURCES

1 The sources and amounts of the Issuer's capital and also of cash flows, information about credit requirements and the structure of financing of the Issuer

TABLE: Consolidated working capital size and structure as well as working capital requirements of Dom Development as at 31 December and 30 June in relation to half-yearly data (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Shareholders' equity	191,943	92,639	133,411	76,525	70,631
Current assets	614,523	421,351	556,320	402,436	310,771
Short-term liabilities,	210,238	140,169	284,545	175,678	147,209
Inventory	389,419	291,440	372,091	252,269	210,795
Trade receivables and other current assets, of which:	76,801	55,701	110,392	61,482	43,107
Receivables for goods and services	22,638	17,713	15,724	16,799	6,364
Cash and cash equivalents	148,302	74,210	73,837	78,685	56,775
Current investments held for trading	—	—	—	10,000	93
Working capital	404,285	281,182	271,776	226,758	163,562
Share of inventories in current assets	63%	69%	67%	63%	68%
Share of receivables in current assets	5%	8%	10%	7%	10%
Share of other current assets in current assets	8%	6%	10%	8%	4%
Share of cash and cash equivalents in current assets	24%	18%	13%	22%	18%

Source: Dom Development consolidated financial statements for the years 2003-2005 and the short-form consolidated financial statement for the first half of 2006.

The level of equity increased significantly in 2005 and in the first half of 2006 as the result of a growth in accumulated retained profits.

Working capital in 2005 reached PLN 271.8 million, an increase of almost 19.9% in comparison to the previous year. During the first half of 2006 the working capital reached PLN 404.3m, mainly as the result of an increase in cash held and a decline in short-term liabilities caused, inter alia, by the repayment of short-term interest liabilities.

The share of inventories in current assets as well as trade and other receivables and other current assets in working capital remained at a relatively stable level in 2003-2005 and in the first half of 2006.

Despite certain changes, the share of cash and cash equivalents within overall current assets during the period under review remained at a safe level.

TABLE: Consolidated finance structure of Dom Development assets as at 31 December and 30 June in the case of mid-year data (PLN'000)

	1st half 2006	First half 2005	2005	2004	2003
Total assets	635,368	440,987	573,684	419,789	322,550
Shareholders' equity	191,943	92,639	133,411	76,525	70,631
Total liabilities	443,425	348,347	440,274	343,264	251,919
Long-term liabilities (including provisions for deferred income tax)	233,187	208,179	155,729	167,586	104,710

	1st half 2006	First half 2005	2005	2004	2003
Long-term loans and borrowings as well as bonds	193,320	190,933	129,886	156,410	99,504
Short-term loans and borrowings	46,023	48,391	107,035	58,934	60,669
Assets to equity ratio	30%	21%	23%	18%	22%
Overall debt ratio	70%	79%	77%	82%	78%
Long-term indebtedness indicator	121%	225%	117%	219%	148%
Short-term indebtedness indicator	110%	151%	213%	230%	208%
Debt to equity ratio	231%	376%	330%	449%	357%

Source: Dom Development consolidated financial statements for the years 2003-2005 and the short-form consolidated financial statements for the first half of 2006

Despite an increase in the nominal value of debt liabilities, the overall debt to equity ratio during the entire period under review remained at a relatively stable level. In 2005 the long-term debt and short-term debt to equity ratios decreased, while in the first half of 2006 the long-term debt ratio increased slightly and the short-term debt ratio declined substantially.

TABLE: Sources of external capital (interest liabilities) during the years 2003 – 2005 and the first half of 2006

						Amount utilised (if no currency is stated, then the amount is in PLN'000)			
No.	Type of finance	Source of finance	Date of agreement	Repayment date	Amount	1st half 2006	2005	2004	2003
1	Bank loan	Bank Ochrony Środowiska SA	12.05.2003	31.10.2005	PLN 50,000,000	—	—	31,377	20,574
2	Bank loan	Bank Ochrony Środowiska SA	06.09.2004	31.12.2006	PLN 23,350,000	23,238	23,238	4,088	—
3	Bank loan	Bank Ochrony Środowiska SA	08.08.2005	31.12.2007	PLN 35,000,000	33,447	22,846	—	—
4	Bank loan	Bank Ochrony Środowiska SA	18.05.2006	30.09.2008	PLN 40,000,000	7,663	—	—	—
5	Bank loan	PKO BP SA	20.10.2004	01.09.2006	PLN 33,830,000	7,452	22,356	32,292	—
6	Bank loan	PKO BP SA	10.01.2005	01.07.2007	PLN 10,080,000	6,552	9,576	—	—
7	Bank loan	PKO BP SA	28.07.2005	01.10.2007	PLN 11,380,000	11,380	11,380	—	—
8	Bank loan	PKO BP SA	03.10.2005	01.12.2007	PLN 18,950,000	18,950	18,950	—	—
9	Bank loan	Pekao SA	30.11.2005	30.11.2007	PLN 18,875,000	18,875	18,875	—	—
10	Bank loan	Pekao SA	16.02.2006	29.02.2008	PLN 18,956,000	18,956	—	—	—
11	Bonds	Bank Ochrony Środowiska SA	22.06.2004	21.07.2008	PLN 50,000,000	50,000	50,000	50,000	—
12	Bonds	PKO BP SA	24.03.2006	19.06.2011	PLN 30,000,000	30,000	—	—	—
13	Overdraft	Bank Ochrony Środowiska SA	08.08.2005	24.07.2006	PLN 2,000,000	1	—	—	—
14	Overdraft	PKO BP SA	16.03.2006 available from 19.07.2006	15.03.2007	PLN 40,000,000	—	—	—	—
15	EBRD loan	EBRD	19.03.2003	18.03.2010	EUR30,000,000	—	EUR8,000,000	EUR15,000,000	EUR15,000,000
16	Loan	Dom Development BV	28.10.2002	23.11.2004	USD2,054,000	—	—	—	—
17	Loan	Dom Development BV	10.10.2001	31.10.2008	USD1,032,000	3,445	3,389	3,106	3,881
18	Loan	Dom Development BV	06.01.2000	31.10.2008	USD4,702,000	7,851	7,723	7,080	8,846

Source – the Company

TABLE: Maturity structure of Dom Development's consolidated long-term debt as at 31 December and at 30 June in the case of the mid-year data (PLN'000)

	1st half 2006	1st half 2005	2005	2004	2003
Long-term liabilities (excl. provisions for deferred income tax) with a maturity period as at the balance date of:					
more than 1 year but less than 2 years	105,232	124,455	74,695	38,024	308
more than 2 year but less than 5 years	89,197	69,647	58,759	120,674	—
more than 5 years	—	—	—	—	99,504
Provision for deferred income tax	38,758	14,077	22,275	8,887	4,898
Total long-term liabilities	233,187	208,179	155,729	167,586	104,710

Source: Dom Development consolidated financial statements for the years 2003-2005 and short-form financial statements for the first half of 2006

The structure of long-term liabilities in 2003-2005 saw a gradual shortening of maturity periods mainly as the result of the upcoming maturity dates of loans and borrowings, but also as a result of the decision to repay the EBRD loan in advance (PLN 30.9 million). The reason for the increase in liabilities with maturity terms of 2-5 years in the first half of 2006 was the issue of bonds with a value of PLN 30 million.

2 Capital situation

Financial liquidity has been assessed by analysing the size and structure of net working capital. Analysis has also been conducted of the rotation of the major components of working capital. In calculating indicators of rotation of the major components of working capital, use has been made of the following formulae:

- the inventory rotation cycle – the proportion of the average annual value of inventories to cost of sales, expressed in days,
- the cycle of rotation of receivables relating to goods and services – the proportion of the value of average annual receivables from sales of goods and services to sales revenues, expressed in days,
- the cycle of rotation of trade liabilities – the proportion of the value of average annual trade liabilities to costs of operations, corrected by changes to inventories, expressed in days.

In analysing financial liquidity use has been made of the following formulae:

- the current ratio, which indicates the ability of the firm to settle its current liabilities by using current assets – the relationship of current assets to short-term liabilities at the end of a given period,
- the quick ratio, which indicates the ability to accumulate monetary resources to cover pressing liabilities within a short time period – the relationship of current assets less inventories to short-term liabilities at the end of the period,
- the immediate ratio, which measures the ability to cover liabilities that may fall due immediately – the relationship between cash and cash equivalents to short-term liabilities at the end of the period.

TABLE: Liquidity ratios and consolidated working capital structure of Dom Development (PLN‘000)

	1st half 2006	1st half 2005	2005	2004	2003
Inventory rotation cycle, in days	295	351	291	299	265
Cycle of rotation of receivables relating to goods and services sold, in days	10	17	12	12	7
Cycle of rotation of trade liabilities to adjusted cost of sales, in days	84	57	67	66	63
Indicator I (current)	2.92	3.01	1.96	2.29	2.11
Indicator II (quick)	1.07	0.93	0.65	0.85	0.68
Indicator III (immediate)	0.71	0.53	0.26	0.45	0.39

Source: Dom Development consolidated financial statements for the years 2003-2005 and the short-form financial statement for the first half of 2006

Following an increase in 2004, the inventory rotation cycle decreased in 2005 to just below 300 days and remained at that level during the first half of 2006, a value typical for the development cycle.

The growth of the item “cycle of rotation of receivables relating to goods and services sold” in 2004 was caused by a change of the system for invoicing payments from clients as part of instalments set in schedules determined by apartment sale agreements. In the new invoicing system, due to the possibility of several days’ delay in clients’ payments, there was an increase in liabilities. This is a normal situation, which does not endanger the Group’s financial situation. In general, there are no problems related to payments from clients as the hand-over of an apartment is conditional on the payment of all receivables.

At the same time, the drop in liquidity indicators in 2005 resulted from more efficient methods of managing liquidity introduced by the Group. The liquidity ratios increased significantly in the first half of 2006 as a result of a further improvement in margins on the developments being built, an increase in funds at Fort Mokotów sp. z o.o. as a result of the final phase of the Marina Mokotów development and the accumulation of funds by Dom Development for land purchases planned in the second half of 2006.

Despite certain fluctuations, liquidity indicators remained at a level generally considered to be safe, during the entire period under review.

TABLE: Dom Development consolidated cash flow as at 31 December (PLN‘000) and 30 June 2006 in respect of half yearly data

	1st half 2006	1st half 2005	2005	2004	2003
Net cash flow from operating activities	73,450	(36,045)	(35,372)	(32,559)	(106,803)
Net cash flow from investing activities	(946)	8,845	7,037	(11,788)	(4,121)
Net cash flow from financing activities	1,961	22,726	23,487	66,256	111,827

Source: Dom Development consolidated financial statements for the years 2003-2005 and the short-form financial statement for the first half of 2006

Net cash flows from operating activities in 2003-2005 were negative. The most significant items having a negative impact on cash flows from operating activities were changes in inventories and receivables, as well as accruals and prepayments.

The significant growth in inventories in 2003-2005 – in particular in 2005 – was mainly the result of increased land acquisition as well as an increased scale of operations associated with the execution of development projects. The purchase of land for future residential development (the land bank) also has an impact on the cash flow from operating activities. This expansion of a land bank is planned to enable the Company to meet the expected future demand for residential units. The most significant changes to receivables in 2005 arose from the transfer of funds to the affiliated company Dom Development Grunty sp. z o.o. for the acquisition of land on behalf of the Company, and also from current income tax payments.

The largest impact on cash flows from investing activities in 2003-2005 was made by the acquisition of treasury bonds for almost PLN 10 million in 2004 and their subsequent sale in 2005. Another significant item in cash flow from investing activities in 2003-2005 was expenditures associated with the acquisition of tangible and intangible assets. Cash flow from investing activities in 2003-2004 was negative. However, as a result of the sale treasury bonds purchased in 2004, this value became positive in 2005 (just over PLN 7 million).

Cash flow from financing activities in 2003-2005 was affected upon by the drawing and repayment of loans and a bond issue for almost PLN 50 million (the issue took place in 2004). A drop in positive cash flows from financing activity during the period under review is evident. This was due to diminishing demand for external financing by the Group. This was mainly the result of the successful sale of increasing numbers of residential units during this period.

The decrease in the cash flow deficit on operating activities in 2003-2005, and the decreasing demand for additional external financing is mainly due to a gradual increase in the contribution margin of projects under construction and completed, resulting in an increasing stream of cash resources to the Group.

At the same time, it should be stressed that these cash flows are typical for companies such as Dom Development acting as developers.

In the first half of 2006 the Group enjoyed a high net operating cash flow. This was mainly the result of an improvement in margins on the developments being built, an increase in funds at Fort Mokotów sp. z o. o as a result of the final phase of the Marina Mokotów development and the accumulation of funds by Dom Development for land purchases planned in the second half of 2006.

In the first half of 2006 the Group experienced negative cash flow on its investment activities as the result of the purchase of fixed and intangible assets during the Group's current activities.

In the first half of 2006 the Group experienced a small positive cash flow on its financial activities as the result of the repayment of loans in the total amount of PLN 65.2 million, taking out loans in the sum of PLN 37.2 million and issuing bonds worth PLN 30 million.

3 Information concerning any limitations on the use of capital resources which have had or which could have a material direct or indirect influence on the operating activity of the Issuer

3.1 Limitations on the use of the capital resources of the Issuer arising from the provisions of the law

The shareholder's equity in a joint-stock company includes share capital, supplementary capital, capital reserves and profit (loss) for the current year and profit (loss) for previous years. In relation to a joint-stock company, the principles of creation and use of shareholders' equity are specified by the provisions of the law, and in particular by the provisions of the CCC. In accordance with Article 396 of the CCC, supplementary capital is created to cover losses. At least 8% of a financial year's profit is transferred to supplementary capital each year until it reaches the level of one third of share capital. Up to the level of one third of share capital supplementary capital may be devoted only to cover losses shown in the financial statements. The shareholders' general meeting decides on the use of supplementary capital and capital reserves.

In accordance with Article 396 of the CCC, it is necessary to transfer to supplementary capital, after covering the costs of the share issue, the surplus obtained through the issue of shares for more than their nominal value. Surcharges paid by shareholders in exchange for recognition of particular entitlements of their already-held shares also flow into supplementary capital, inasmuch as the surcharges will not be used to cover extraordinary deductions or losses.

Pursuant to Article 457 par. 2 of the CCC, under Resolution No. 4 of 2 August 2006, the Extraordinary Shareholders Meeting established a separate capital reserve for sums from share capital decreases. The Issuer had created supplementary capital, to which it transferred the whole of the profit earned in the years 2005, 2004, 2002 and a part of the profit for 2003.

In accordance with Article 344 of the CCC during a company's existence it may not return to shareholders payments they have made into share capital, in whole or in part, other than with certain exceptions which are clearly set out in the provisions of the CCC.

3.2 Limitations on the use of the capital resources of the Issuer arising from the provisions of agreements

Under all the loan agreements to which the Issuer is a party, which are described in detail in Section XXXV point 1 *Loan agreements signed by the Issuer*, a series of obligations has been imposed on the Issuer, an obligation not to contract additional credits, loans, guarantees, sureties or other forms of financing, not to make changes in the share capital and structure of shareholdings in the Issuer and not to make other financial investments without obtaining the prior consent of banks.

In light of the provisions of the agreements for servicing and guaranteeing issues of bonds, to which the Issuer is a party, described in detail in Section XXXV point 2 *Agreements associated with bond issues*), the Issuer undertook not to contract any other financial obligations of a credit or guarantee nature without the consent of the banks, excluding guarantees or credits taken out as part of the Issuer's normal business. Until the day on which certain bonds are redeemed, the Issuer is obliged not to establish any security on its assets without the banks' consent.

Other than the above, there are no other restrictions to the use of Company's funds which have had or could have a material direct or indirect effect on the activity of the Issuer.

4 Information concerning the expected sources of funds needed to meet the liabilities presented in the section concerning information about the Issuer and the section concerning fixed assets

Liabilities arising from development projects currently in hand or planned by the Issuer, which are referred to in Section X *Dom Development's projects*, and also liabilities arising from current investments in fixed assets described in Section VII *Investments*, will be covered from the Issuer's own resources, from loans obtained by the Issuer and from the receipts from bond issues, which are described in detail in Section XXXV *Material contracts*. The Issuer possesses no significant tangible or intangible fixed assets.

XVII. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

1 Research and development

The Issuer does not carry out its own research and development.

2 Patents and licences

The Issuer does not own any patents.

The Issuer holds licences for use of Microsoft software.

Based on an agreement dated 3 July 2000 (as amended) concluded with Hogart sp. z o.o., the Issuer holds a licence for the use of software supplied by Hogart sp. z o.o. relating to ledger accounting, sales order processing, sales invoicing and inventory control.

Based on agreement No. U-614/2005 dated 16 December 2005, the Issuer holds a licence to use a computer system which will be designed, built and implemented especially for the Issuer's needs related to its business activities.

The Issuer issued, on the basis of a sublicence agreement dated 4 August 2003, a sublicence, against payment, for Fort Mokotów sp. z o.o. to use SunSystems software within Poland.

The Issuer holds a protection certificate for the trademark "Dom Development S.A." (R-160404).

The Issuer has also notified the Polish Patent Office of the following trademarks: Rezydencja Marina (Z 267 857), Apartamenty Patria (Z 280 591), Rezydencja Patria (Z 280 588), Willa Patria (Z 280 589), Villa Patria (Z 280 586), Zespół Mieszkaniowy Patria (Z 280 590), Dom Development (Z 293 472), Dom Development znak najwyższej jakości (Z 296 907), Dom Development (Z 296 908), Osiedle Regaty (Z 299 148).

Conditional decisions on granting protection rights have been issued for the following trade marks: Rezydencja Opera (Z 256 060), Marina (Z 267 854), Marina Park (Z 267 855), Willa Marina (Z 267 856), Osiedle Marina (Z 267 858), Marina Mokotów (Z 267 859) and Marina Mokotów (Z 267 860); these will become final after appropriate fees are paid.

Fort Mokotów sp. z o.o. is entitled to two trade marks, which were submitted to the Polish Patent Office: Fort Mokotów (Z 254471) and Ogrody Mokotowskie (Z 254470), for which conditional decisions on granting protection rights have been issued. These decisions will become final after appropriate fees are paid.

Dom Development Morskie Oko sp. z o.o. holds a protection certificate for the trade mark Rezydencja Morskie Oko (R 166 253).

Dom Development Morskie Oko sp. z o.o. has a right to the trademark, which has been submitted to the Polish Patent Office, Rezydencja Morskie Oko (Z 256 061) and for which a conditional decision on granting a protection certificate has been issued. This decision will become final upon a payment of a protection fee.

The Issuer has obtained certificate FM 89466 and operates on the basis of a Quality Management System compliant with BS EN ISO 9001:2000 requirements in respect of conducting property development activity concerning: trading in property, running design projects, preparation and construction of residential developments, sale of apartments and residential property management. The date of registration was 26 October 2004.

XVIII. TREND INFORMATION

1 The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document

Since 31 December 2005, costs related to both land purchase and the development of projects have undergone marked changes. This has resulted from a general increase in the price of land for residential developments, as well as the growing prices of construction services supplied by firms serving as general contractors on the Issuer's projects. In the Group's assessment, the average price of land purchased by Group has increased by 25% in the period since 31 December 2005 and building services have increased by ca. 20% during the same period.

The scale of the Issuer's activity has increased, as can be seen by the Group's growing work in progress and sales revenues. As a result of the expansion of the Group's activities, stocks increased by 4.7% and work in progress increased by 12.2% since the beginning of 2006.

A very rapid growth trend has been noticeable since the beginning of 2006 in the Group's sales revenues. As a result of this situation, as at 30 June 2006, the Group had generated revenues equal to 65% of those achieved in the whole of last year. Currently, the Group continues to observe growth in this regard.

In the period under discussion, market prices of residential units offered by the Issuer have grown rapidly. The Group estimates that prices during this period have grown by 21%

2 Information on any known trends, uncertainties, demands, commitment or events that are responsibly likely to have a material effect on the issuer's prospects for at least the current financial year

The Management believes that there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects until the end of the current financial year.

XIX. PROFIT FORECASTS AND ESTIMATES

The Prospectus does not contain forecasts or estimated results.

As at the day on which the Prospectus was approved, the Issuer had not published any forecasts or estimated results.

XX. KEY INFORMATION ABOUT THE OFFER

1 Working capital statement

The Issuer states and assures that, in its opinion, the level of working capital possessed by the Group is sufficient to meet the current needs of the Company and the conduct of business for a period of at least 12 months, taking into account the broad range of changeable risk factors.

2 Capitalisation and indebtedness

Capitalisation and indebtedness of the Issuer as at 30 June 2006 amounted to:

	PLN'000s
Capitalisation and indebtedness of the Issuer as at 30 June 2006	
Total short-term indebtedness	210,238
- guaranteed	-
- secured*	38,314
- neither guaranteed nor secured	171,924
Total long-term indebtedness (including the short-term portion of long term indebtedness)	**233,187**
- guaranteed	-
- secured*	189,734
- neither guaranteed nor secured	43,453
Shareholders' equity	**191,943**
a. Share capital	21,854
b. Compulsory reserves	0
c. Other reserves	170,089
Total	635,368

Note:

* The Company's secured indebtedness is secured by promissory notes and mortgages.

Net indebtedness of the Issuer in a short and medium-term perspective as at 30 June 2006 amounted to:

	PLN'000s
A. Monetary resources	148,302
B. The equivalent of monetary resources (in detail)	0
C. Securities earmarked for trading	0
D. Liquidity (A) + (B) + (C)	148,302
E. Current financial receivables	0
F. Short term indebtedness in banks	1
G. Current portion of long term indebtedness	46,023
H. Other short term financial indebtedness	0

	PLN'000s
I. Short term financial indebtedness (F) + (G) + (H)	46,024
J. Net short term financial indebtedness (I) — (E) — (D)	(102,279)
K. Long term bank credits and loans	108,199
L. Bonds issued	81,543
M. Other long term credits and loans	3,587
N. Long term net financial indebtedness (K) + (L) + (M)	193,329
O. Net financial indebtedness (J) + (N)	91,051

Conditional indebtedness, understood as a liability that may arise if a condition stipulated in an agreement is realised, relates to banks securing loans and bond issues. It takes the form of ordinary capped mortgages and collective capped mortgages on the Company's real estate. Indirect indebtedness, understood as an obligation to pay the debts of another entity, relates to sureties over the debts of clients buying housing units from the company. Detailed information on conditional and indirect indebtedeness may be found in the Company's abbreviated consolidated financial statements for 30 June 2006..

Interests of persons involved in the Offer

Persons involved in the Offer include:

- "Centralny Dom Maklerski Pekao S.A.", with its registered office is in Warsaw — The Offeror and Global Coordinator of the Offer;
- Linklaters T. Komosa i Wspólnicy sp. k. with its registered office in Warsaw, acts as legal advisors to the Company, whilst Linklaters Netherlands acts in a limited capacity as advisors to Dom Development B.V.;
- BDO Polska sp. z o.o. with its registered office in Warsaw – auditor.

The above named persons do not possess any securities of the Issuer or of any subsidiary of the Issuer.

In the opinion of the Issuer the above-named persons, with the exception of Centralny Dom Maklerski Pekao S.A., do not have a direct or indirect economic interest that is contingent on the success of the Offer. Centralny Dom Maklerski Pekao S.A., apart from fixed remuneration (independent of the success of the Offer), has remuneration agreed with the Issuer as contingent on the success of the Offer. In the opinion of the Issuer, the above-named person does not suffer from any conflict of interest which may materially influence the Offer.

3 Reasons for the Offer and use of the proceeds

The fundamental purpose of the Offer is to raise funds to increase the Issuer's working capital.

Funds obtained from the Subscription Offer will make it possible to increase the scale of the Issuer's operations, i.e. the implementation of a greater number of concurrent development projects. The proceeds of the Offering will be used for land purchases planned by the Issuer for future development projects.

In addition, the Issuer intends to repay the principal of outstanding loans provided by Dom Development B.V. (amounting to USD3,382,554), which are described in Section XXXII "*Related party transactions*".

The Issuer estimates that the net proceeds of the issue will amount to PLN 220 million.

The expected use of the proceeds from the issue of Series F Shares

Purpose for which the funds will be used	**Amount**
Repayment of the loan received by the Issuer from Dom Development B.V.	PLN 10,595,173.89[1]
Working capital – purchase of land for new development projects	PLN 209,404,826.11[2]

Notes:

(1) The amount of the loan has been calculated according to the NBP mid-rate on 8 September 2006 – i.e. 1 USD= PLN 3.1323

(2) The increase in the working capital will facilitate the expansion of the Group's activities. The funds of over PLN 209 million will be used to buy land for new development projects. They will constitute Dom Development's equity in the land purchases (up to 25% of each transaction) while the remainder of the purchase price will be financed through bank loans obtained by the Company.

XXI. INFORMATION CONCERNING THE SHARES OFFERED AND THE SHARES ADMITTED TO TRADING

1 Type and nature of the Shares Offered and admitted to trading

On the basis of the Prospectus Series F Shares will be issued and admitted to trading on the regulated market on the WSE and 21,344,490 New Series A Shares, 172,200 series H bearer Shares, 92,700 series I bearer Shares and 148,200 Series L bearer Shares will be admitted to trading on the regulated market on the WSE.

All the Shares referred to above are or will be bearer shares with a nominal value of PLN 1.00 (one zloty) each. The shares are not privileged in any regard.

2 Legislation under which the Shares Offered and admitted to trading have been created

All the outstanding Issuer's Shares have been created under the relevant provisions of the Commercial Code, the CCC and the Company's Statute:

(i) 1,800,000 series A shares were created on the basis of the deed transforming the Issuer into a joint-stock company dated 25 February 1999 (the issue price was PLN 1);

(ii) 2,250,000 series B shares, 8,550,000 series C shares, 2,468,961 series D shares were created on the basis of resolution No. 1 of the Issuer's Extraordinary Shareholders Meeting of 30 March 2000 (the issue price was PLN 1);

(iii) 417,150 series E shares were created on the basis of resolution No. 1 of the Issuer's Extraordinary Shareholders Meeting of 25 July 2000 (the issue price was PLN 1);

(iv) 6,194,529 series F shares were created on the basis of resolution No. 1 of the Issuer's Extraordinary Shareholders Meeting of 30 October 2001 (the issue price was PLN 1);

(v) 173,700 series G shares were created on the basis of resolution No. 1 of the Issuer's Extraordinary Shareholders Meeting of 23 May 2002 (the issue price was PLN 1);

The series A-D, F Shares and 81,000 series G Shares were consolidated into New Series A Shares on the basis of the Issuer's Extraordinary Shareholders Meeting of 9 August 2006.

On 2 August 2006 the Issuer's Shareholders Meeting passed resolution upon redemption of 417,150 series E shares and 92,700 series G shares and the related decrease of the Company's share capital by PLN 509,850 to PLN 21,344,490. On the same date the Issuer's Shareholders Meeting passed resolution No. 5 (amended on 9 August 2006) on the increase of the Company's share capital by PLN 509,850 to PLN 21,854,340 by issuance of:

- 172,200 series H bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 92,700 series I bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 96,750 series J bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 148,200 series L bearer Shares with a nominal value of PLN 1.00 (one zloty) each.

Upon resolution No. 7 of the above-mentioned Shareholders Meeting, 77,700 series H Shares, 92,700 series I Shares and 148,200 series L Shares were offered for private subscription to Janusz Zalewski, 72,000 series H Shares were offered for private subscription to Janusz Stolarczyk, 22,500 series H Shares were offered for private subscription to Terry Roydon and 96,750 series J Shares were offered for private subscription to a depositary which was appointed by the Company's Management Board (i.e. Centralny Dom Maklerski Pekao S.A.) for the purpose of administering the purchase of the Shares by authorised persons under one of the incentive programmes described in Section XXX *Employees*. The deadline for the acceptance of offers has been set for 2 November 2006. As at the day on which the Prospectus was approved, all the above-mentioned Shares, with the exception of the 96,750 series J Shares and 74,100 series L Shares, were subscribed for, but they were not registered by the relevant Registry Court. Within the statutory term, the Company's Management Board will file the relevant applications for the registration of the increase in the share capital by series H, I, J and L Shares, after all the persons entitled to do so have submitted declarations that they have taken up the aforementioned Shares in the private subscription.

The decrease in the Company's share capital following the redemption of the series E shares and part of the series G shares was registered by the relevant court on 5 September 2006.

Series F Shares will be created on the basis of resolution No. 02/09/06 of the Company's Management Board of 5 September 2006, amended by resolution No. 03/09/06 of 6 September 2006 on the basis of point 3.2.8 of the Company's Statute. The text of point 3.2.2 of the Company's Statute as well as the text of the resolution concerning the Series F Shares issuance are shown below.

Relevant Statute provisions:

"3.2.8 The Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 5,626,000 (in words: five million six hundred and twenty six thousand) by way of one or several share capital increases within the limits specified above (authorised and unissued capital). The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN 3,900,000 shall expire 1 year after the changes to the Statute made under resolution No. 1 dated 10 August 2006 are entered in the register of business entities. The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN 1,726,000 shall expire 3 years from the date of entry to the register of business entities of the amendment to the Statute performed under resolution No. 1 dated 10 August 2006.

3.2.9 A condition of the Management Board performing a share capital increase within the limits of the authorised and unissued capital is obtaining a positive opinion of the Supervisory Board in this respect.

3.2.10 With the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or part of its pre-emptive rights in relation to shares issued within the limits of the authorised and unissued capital.

3.2.11 Subject to clause 3.2.9 above and 3.2.12 below, and provided that the provisions of the Commercial Companies Code do not stipulate otherwise, the Management Board may decide on all matters relating to increases in the share capital within the limits of the authorised and unissued capital.

3.2.12 Management Board resolutions concerning determination of the issue price of shares under the authorised and unissued capital or issuing shares in exchange for contributions in-kind require the consent of the Supervisory Board. Furthermore, the following acts require the consent of the Supervisory Board:

(i) conclusion of underwriting and sub-underwriting agreements or other agreements that would ensure the success of an issue, as well as to conclude agreements under which depository receipts would be issued outside the Republic of Poland;

(ii) undertaking acts concerning the dematerialisation of shares and conclusion of agreements with the Krajowy Depozyt Papierów Wartościowych S.A. [The Polish National Securities Depository] in respect of the registration of the shares;

(ii) undertaking acts in respect of the issue of shares by way of a public offering or to the seeking of a listing of the shares on a regulated market.

3.2.13 Authorisation to increase the share capital referred to in clause 3.2.8 includes the issuing of subscription warrants with subscription rights expiring after the periods referred to in clause 3.2.8."

Relevant resolutions:

"RESOLUTION 02/09/06

dated 5 September 2006

of the Management Board of Dom Development Spółka Akcyjna

with its registered office in Warsaw

on increasing its share capital

by issuing series F shares within the framework of authorised share capital

Pursuant to Article 444 of the Commercial Companies Code and point 3.2.8 of the Company's Statute, the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw resolves as follows:

§ 1

1. The Company's share capital is hereby increased from PLN 21,344,490 (twenty-one million three hundred and forty-four thousand four hundred and ninety zlotys) to an amount no higher than PLN 24,844,490 (twenty-four million eight hundred forty-four thousand four hundred ninety zlotys), i.e. by an amount no higher than PLN 3,500,000 (three million five hundred thousand zlotys) within the Company's authorised share capital.
2. The share capital increase referred to in Clause 1 above is effected by issuing up to 3,500,000 (three million five hundred thousand) new series F bearer shares with a nominal value of PLN 1.00 (one zloty) each (further referred to as the "Series F Shares"). The Series F Shares are not privileged in any regard.
3. The issue price of the Series F Shares will be determined by the Company's Management Board upon the Company's Supervisory Board's consent.
4. The Series F Shares will participate in dividends payable for the financial year ending 31 December 2006.
5. The Series F Shares must be paid up exclusively in cash.
6. The Series F Shares shall be issued in a subscription for shares within a public offer (the "Public Offer") within the meaning of the Law of 29 July 2005 on public offering, the conditions governing the introduction of financial instruments to organised trading, and public companies (Journal of Law No. 184, item 1539).

§ 2

1. Pursuant to pt. 3.2.10 of the Company's Statute and acting in the interests of the Company, the Management Board hereby excludes the pre-emptive rights vested in the current shareholders. Series F Shares will be offered to institutional and individual investors by way of a public offer. The exclusion of the pre-emptive rights of existing shareholders will enable new investors to subscribe for Series F Shares, thanks to which the Company will acquire external funding. The acquisition of funds from external sources will enable the further development of the Company's operations, strengthening its position vis-à-vis competitors and further enhancement of the Company's credibility.
2. The date of the opening and the closing of the subscription shall be determined by means of a separate resolution of the Company's Management Board.

§ 3

1. The Management Board may amend this resolution at any time, in particular in respect of the number of Series F Shares in the Public Offer.

2. After the Public Offer of Series F Shares is completed, the Management Board shall adopt a resolution determining the exact amount of share capital subscribed for.

§ 4

1. This resolution shall become effective upon its adoption.
2. This resolution requires the positive opinion of the Company's Supervisory Board and the consent of the Supervisory Board for the shareholders to be deprived of their pre-emption rights pursuant to the provisions of § 2 par. 1 above.

RESOLUTION 03/09/06

dated 6 September 2006

of the Management Board of Dom Development Spółka Akcyjna

with its registered office in Warsaw

on amending resolution 02/09/06 of 5 September 2006 of the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw on increasing its share capital by issuing series F shares within the framework of authorised share capital

Pursuant to Article 444 of the Commercial Companies Code and point 3.2.8 of the Company's Statute the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw resolves as follows:

§ 1

Resolution 02/09/06 of 5 September 2006 of the Management Board of Dom Development Spółka Akcyjna, on increasing its share capital by issuing series F shares within the framework of authorised share capital, is hereby amended as follows:

1. The existing § 1 par. 1 shall now read:

"The Company's share capital is hereby increased from PLN 21,344,490 (twenty-one million, three hundred and forty-four thousand, four hundred and ninety zlotys) to an amount no higher than PLN 24,617,490 (twenty-four million, six hundred and seventeen thousand, four hundred and ninety zlotys) i.e. by an amount no higher than PLN 3,273,000 (three million, two hundred and seventy-three thousand zlotys) within the Company's authorised share capital."

2. The existing § 1 par. 2 shall now read:

"The share capital increase referred to in Clause 1 above is effected by issuing 3,273,000 (three million two hundred and seventy-three thousand) new series F bearer shares with a nominal value of PLN 1 (one zloty) each (further referred to as the "Series F Shares"). The Series F Shares are not privileged in any regard."

§ 2

1. This resolution shall become effective upon its adoption.

RESOLUTION 04/09/06

Dated 6 September 2006

of the Management Board of Dom Development Spółka Akcyjna

with its registered office in Warsaw

on the terms for opening and closing the subscription for series F Shares in a public offering pursuant to Law of 29 July 2005 on public offering, the conditions governing the introduction of financial instruments to organised trading, and public companies (Journal of Laws No. 184, item 1539)

Pursuant to Articles 444 and 432 par. 1 pt. 6 of the of the Commercial Companies Code and point 3.2.8 of the Company's Statute, in connection with resolution 02/09/06 dated 5 September 2006 of the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw, amended today by resolution 03/09/06 of the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw, on increasing its share capital by issuing series F shares within the framework of authorised share capital, the Management Board of Dom Development Spółka Akcyjna with its registered office in Warsaw resolves as follows:

§ 1

1. The subscription will open on 17 October 2006.
2. Subscriptions in the Institutional Investor Tranche will be accepted between 17 October 2006 and 19 October 2006.
3. Subscriptions in the Individual Investor Tranche will be accepted between 17 October 2006 and 19 October 2006, up to 3:00 p.m.
4. Subscriptions from Underwriters will be accepted on 20 October 2006,
5. The subscription will close on 20 October 2006.

§ 2

1. This resolution shall become effective upon its adoption.

Supervisory Board resolution No. 06/09/06

on revoking Dom Development S.A. Supervisory Board resolution No. 1 of 10 August 2006 – an opinion on increasing the Company's share capital by issuing series F shares within the framework of authorised share capital and excluding the pre-emption rights of the existing shareholders

The Supervisory Board of Dom Development Spółka Akcyjna with its registered office in Warsaw (hereinafter the "**Company**") hereby revokes Dom Development S.A. Supervisory Board Resolution No. 1 of 10 August 2006, on increasing the Company's share capital by issuing series F shares within the framework of authorised share capital and, pursuant to Article 444 of the Commercial Companies Code and points 3.2.9, 3.2.10, 3.2.11 and 3.2.12 of the Company's Statute, the Supervisory Board resolves as follows:

1. The Supervisory Board positively assesses:
   - the increase in the Company's share capital from PLN 21,344,490 (twenty-one million, three hundred and forty-four thousand, four hundred and ninety zlotys) to an amount no higher than PLN 24,617,490 (twenty-four million, six hundred and seventeen thousand, four hundred and ninety zlotys) i.e. by an amount no higher than PLN 3,273,000 (three million, two hundred and seventy-three thousand zlotys) within the Company's authorised share capital, in accordance with resolution No. 02/09/06 of the Company's Management Board, amended by resolution No. 03/09/06 of the Company's Management Board;

— The dates for opening and closing subscriptions for series F Shares in accordance with resolution No. 04/09/06 of the Company's Management Board;

and consents to all the provisions contained in those resolutions, including the exclusion of the pre-emption rights of the Company's existing shareholders.

2. The Company's Supervisory Board hereby consents to the Management Board undertaking the following actions in connection with the above share issue:

(1) conclusion of investment underwriting (*subemisja inwestycyjna*) and service underwriting (*subemisja usługowa*) agreements, or other agreements aimed at ensuring the success of the issue,

(2) any actions aimed at dematerialising the shares and rights to shares and at concluding agreements with Krajowy Depozyt Papierów Wartościowych S.A. for registering the shares and rights to shares,

(3) any actions aimed at issuing the shares by way of a public offering or at listing the shares or rights to shares on a regulated market.

3. This resolution shall become effective upon its adoption.

RESOLUTION No. 3

dated 5 September 2006

on issuing the Company's shares in a public offer, on the admission of the Company's shares to regulated trading, and on the execution of activities related to the said admission and to the dematerialisation of the shares

Pursuant to Article 27 par. 2 pt. 3 of the Law of 29 July 2005 on public offering, the conditions governing the introduction of financial instruments to organised trading, and public companies (Journal of Law No. 184, item 1539) , it is resolved as follows:

§ 1

The Shareholders Meeting consents to the dematerialisation of all of the Company's shares and rights to shares and for the Company's Management and Supervisory Boards to undertake all actions necessary to issue the Company's shares and rights to shares by way of a public offer, and for the Management and Supervisory Boards to undertake all actions aimed at admitting all existing and newly issued Company shares and rights to Company shares to trading on a regulated market.

§ 2

Subject to obtaining the Supervisory Board's consent, in accordance with the Company's Statute, the Management Board is authorised and obliged to undertake any and all legal and factual actions required to perform the provisions of § 1 of this resolution, and, in particular, to:

(1) submit the respective applications and/or notifications to the Polish Securities and Exchange Commission,

(2) undertake any activities in relation to Krajowy Depozyt Papierów Wartościowych S.A., including the conclusion of agreements for the registration of securities referred to in Art. 5 of the Act on Trading in Financial Instruments dated 29 July 2005 (Journal of Laws No. 183 item 1538), for the purpose of their dematerialisation,

(3) apply for the admission of the Company's shares and rights to shares to trading on the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) and their introduction to trading on the stock exchange market,

(4) conclude agreements with entities authorised to accept subscriptions for shares and to determine the places in which these subscriptions will be accepted,

(5) conclude agreements for investment underwriting (*subemisja inwestycyjna*) or for service underwriting (*subemisja uslugowa*), if the Management Board deems it appropriate,

(6) undertake any and all legal and factual actions required for the execution of one or more public offers and for the admission of the shares and/or rights to shares to trading on the regulated market on the Warsaw Stock Exchange and their introduction to trading on the stock exchange market.

§ 3

This resolution shall become effective upon its adoption."

3 Nature and form of the securities

Series F Shares will be bearer securities.

4 The currency of the securities issued

Series F Shares will be issued in Polish currency.

5 Rights, together with all limitations on those rights, associated with the securities and procedures for the exercise of those rights

The rights associated with the Shares are defined by the Commercial Companies Code, the Statute, the Trading In Financial Instruments Act and the Public Offering and Public Companies Act. For detailed information on rights associated with the Shares, assistance of legal advisors is to be sought.

6 Right to dividend

In accordance with Article 347 § 1 of the Commercial Companies Code, shareholders have the right to participate in the profit shown in the audited financial statements which has been allocated by the Shareholders Meeting for distribution to shareholders.

In accordance with Article 347 § 2 of the Commercial Companies Code, profit allocated for distribution is distributed among shareholders in proportion to the number of Shares held and, if the Shares are not fully paid up, in proportion to the amount of payment made for shares.

In accordance with Article 348 § 1 of the Commercial Companies Code, the amount of dividend allocated for distribution among shareholders may not exceed the profit for the last financial year together with undistributed profits for previous years and the amount that may be devoted to the payment of dividends from supplementary capital and capital reserves that have been created. This amount is to be reduced by the amount of uncovered losses, own shares held by the Issuer and the amount which in accordance with the Commercial Companies Code or the Statute is to be transferred from profit for the previous financial year to supplementary capital or capital reserves.

The dividend may be paid to shareholders once a year, after completion of the financial year, on the basis of a resolution of the Ordinary Shareholders Meeting on the allocation of profits to distribution to shareholders. The resolution of the Shareholders Meeting on the payment of a dividend may specify that the amount for distribution among shareholders should include undistributed profits from previous years and amounts which may be allocated to payment of dividends from supplementary capital and capital reserves formed from profits.

In accordance with Article 348 of the Commercial Companies Code, the dividend date may be set by the Ordinary Shareholders Meeting as the day of adoption of the resolution or within the period of three months beginning from that date.

Shareholders may exercise claims for payment of a dividend within a period of ten years from the date of adoption by the Shareholders Meeting of a resolution on the allocation of profits to distribution to shareholders. After the expiry of that term, claims for payment of dividend are time-barred.

According to Management Board resolution No. 02/09/06 dated 5 September 2006 amended by resolution No. 03/09/06 on 6 September 2006, the Series F Shares will participate in the dividends payable for the financial year ending 31 December 2006.

In public companies dividend payments are made in accordance with the regulations of the National Depository for Securities.

7 Voting right

A share provides the right to one vote.

In accordance with Article 412 of the Commercial Companies Code a shareholder may participate in the Shareholders Meeting and exercise the right to vote personally or through a representative. A power of attorney should be issued in writing or will otherwise be invalid. A member of the management board or employee of a company may not be a representative at Shareholders Meetings.

In accordance with Article 413 of the Commercial Companies Code, a shareholder may not, either personally or through a representative, or as a representative of another person vote during the adoption of a resolution concerning his liability to the company on any grounds, including discharging him from liability in the performance of his duties as a member of the management board, relieving him of obligations to the company or disputes between him and the company.

8 Pre-emption right in offers to subscribe for securities of the same class

In accordance with Article 433 § 1 of the Commercial Companies Code, shareholders have the right of pre-emption in relation to taking up new shares in proportion to the number of shares owned. In the interests of the company the Shareholders Meeting may deprive shareholders of pre-emption rights in whole or in part. The Shareholders Meeting resolution requires a majority of at least 4/5 of votes cast. Deprivation of shareholders of their pre-emption rights may occur if it is included in the agenda of the Shareholders Meeting. The Management Board presents the Shareholders Meeting with a written opinion that justifies the proposal for deprivation of pre-emption rights and proposes the issue price of shares or a manner for its establishment. See also the Section XXII pt. 15 "*Pre-emptive right and justification for its cancellation*".

9 Right to participate in the Issuer's profits

The Shareholders Meeting has not during the current financial year adopted a resolution in accordance with Article 392 of the Commercial Companies Code that awards to the Supervisory Board remuneration in the form of a right to participate in the profits of the Company for a given financial year allocated to distribution among shareholders.

The Shareholders Meeting has also not adopted during the current financial year a resolution in accordance with Article 378 § 2 of the Commercial Companies Code on authorising the Supervisory Board to establish that the remuneration of members of the Management Board also includes the right to a specific share in the annual profits of the Company allocated to distribution among shareholders.

In the financial years 2003, 2004 and 2005 the Shareholders Meeting did not adopt the resolution referred to in the provisions of Article 392 § 2 of the Commercial Companies Code. Furthermore in the same years the Shareholders Meeting did not adopt the resolution referred to in the provisions of Article 378 § 2 of the Commercial Companies Code.

10 Right of participation in the surplus in the event of liquidation

In accordance with Article 474 § 2 of the Commercial Companies Code, in the event of liquidation the Issuer's property is divided among shareholders in proportion to the contributions made by each of them to the share capital.

11 Resolutions on redemption of shares

Pursuant to point 3.2.5 of the Company's Statute redemption of shares may be effected only upon a resolution of the Shareholders Meeting and the consent of the shareholder whose shares are to be cancelled (voluntary redemption).

12 Resolutions on amendments

Pursuant to point 3.2.4 of the Company's Statute bearer shares cannot be changed into registered shares.

13 Resolutions, permits, agreements on the basis of which new securities have been or will be created or issued

As of the date of drafting the Prospectus, the Management Board/Shareholders Meeting of the Issuer had not adopted a resolution on the issue of shares other than Series F Shares, Series H Shares, Series I Shares, Series J Shares and Series L Shares described above in "*Provisions of law under which the Shares offered and Shares admitted to trading were created*" above..

14 Expected date of new issues

The newly issued shares are Series F Shares. The legal basis of their issue is shown in the pt. 2 "*Legislation under which the Shares offered and Shares admitted to trading were created*" above. The terms and principles of the issue are shown, inter alia, in Section XXII *Terms and conditions of the offer*.

15 Limitations on freedom of transfer of the securities

Neither the Commercial Companies Code nor the Company's Statute provide any limitations on freedom of transfer of any shares in the Company. Furthermore, the Company is not aware of any agreements concluded pursuant to Article 338 § 1 of the Commercial Companies Code, which would establish limitations upon the transfer of any of the Company's shares or parts of the Company's shares, with the exception of agreements described in Section XXIV *Selling Securities Holders*. The Company is also not aware of any agreements concluded pursuant to Article 338 § 2 of the Commercial Companies Code, which would establish rights of first refusal or any other priority rights in respect of any of the of the Company's shares or parts of the Company's shares, with the exception of the joint-venture agreement between Dom Development B.V. Gres Investi sp. z o.o. and Jarosław Szanajca dated 27 March 1998, which stipulates that none of the parties to that agreement are entitled to sell, transfer or dispose of shares to any other entity in a manner other than that stipulated in the above-mentioned joint-venture agreement. Among other provisions on the disposal of shares, the agreement grants existing shareholders a right of first refusal to buy Shares belonging to a shareholder who wants to dispose of its Shares. The above agreement was terminated by a consensus of the parties on 10 August 2006, with legal effect on the closing of the Offer.

16 Obligations and limitations arising from the Trading in Financial Instruments Act and the Public Offering and Public Companies Act

Trading of the securities of the Issuer, as a public company, is subject to the limitations defined in the Public Offering and Public Companies Act and the Trading in Financial Instruments Act which, together with the Law of 29 July 2005 on supervision of the capital market, replaced the provisions of the Law of 21 August 1997 — law on public trading in securities - as amended.

In accordance with Article 19 of the Trading in Financial Instruments Act, unless the law provides otherwise:

- securities covered by an approved issue prospectus may be traded on a regulated market only after their admission to such trading, and
- the carrying out in the territory of the Republic of Poland of a public offer or trading in securities or in other financial instruments on a regulated market requires the intermediation of an investment firm.

In accordance with Article 159 of the Trading in Financial Instruments Act, members of the Management Board, Supervisory Board, commercial proxies or representatives of an issuer or drawer, its employees, auditors or other persons related to the issuer by a contract of mandate of any legal relationship of a similar nature with the issuer may not during the course of a restricted period, acquire or dispose of, for their own account or that of a third party, shares in the issuer, derivatives related to the shares of the issuer or other financial instruments related to them or perform, for their own account or that of a third party, other legal transactions which cause or which may cause the disposal of such financial instruments.

A restricted period is:

- the period from the receipt by a natural person referred to in Article 159 of the Trading in Financial Instruments Act of inside information concerning an issuer or financial instruments that meet the conditions laid down in Article 156 paragraph 4 of the Trading in Financial Instruments Act to the making of this information public;
- in the case of an annual report — two months before the report is made public or, if shorter, the period between the end of the financial year and the making of this report public, unless the natural person referred to above does not possess access to the financial data on the basis of which the report is prepared;
- in the case of a semi-annual report, a month before the making of the report public, or, if shorter, the period between the end of the relevant half year and the making of this report public, unless the natural person referred to above does not possess access to the financial data on the basis of which the report is prepared; and
- in the case of a quarterly report — two weeks before the making of the report public or, if shorter, the period between the end of the relevant quarter and the making of this report public, unless the natural person referred to above does not possess access to the financial data on the basis of which the report is prepared.

In accordance with Article 160 of the Trading in Financial Instruments Act, persons who are members of the managing or supervisory bodies of the issuer or are its commercial proxies and other persons who perform management roles within the organisational structure of the issuer who have ongoing access to inside information that relates directly or indirectly to the issuer or who are authorised to take decisions that influence its development and prospects for conducting economic activity, are obliged to provide the Commission and the issuer with information about transactions contracted by them or by people closely related to them, as described in Article 160 paragraph 2 of the Trading in Financial Instruments Act, for their own account to acquire or dispose of the issuer’s shares, derivatives related to the issuer’s shares or other financial instruments related to those securities admitted to trading on a regulated market or for which efforts are being made to secure admission to such a market.

17 Disclosure of ownership

In accordance with Article 69 of the Public Offering and Public Companies Act every person who:

1. reaches or exceeds 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total number of votes in a public company; or
2. owned at least 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total number of votes in the company and as a result of reduction of that share reaches respectively 5%, 10%, 20%, 25%, 33%, 50% or 75% or less of the total number of votes,

is obliged to report this to the Commission and the company within a period of four days from the date of the change of the share in the total number of votes or from the day on which he becomes, or by exercising due care could have become, aware of it.

The reporting obligation also arises in the case of:

1. a change that relates to a holding previously of over 10% of the total number of votes of at least:
   (a) 2% of the total number of votes in a public company whose shares are admitted to trading on an official stock-exchange listing market; and
   (b) 5% of the total number of votes in a public company whose shares are admitted to trading on another regulated market; and
2. a change that relates to a holding previously of over 33% of the total number of votes.

The report must contain information on the data and nature of the event causing the change in the shareholding to which the report relates, the number of shares owned prior to the change in the shareholding and their percentage share in the share capital of the company and the number of votes given by those shares and their percentage share in the total number of votes and also on the number of shares now held and their percentage share in the share capital of the company and the number of votes given by those shares and their percentage share in the total number of votes. A report lodged in relation to reaching or exceeding 10% of the total number of votes should additionally contain information concerning intentions to further increase the share in the total number of votes during the period of 12 months from the lodging of the report and the purpose of increasing that share. In the event of a change in these intentions or purpose, the shareholder is obliged promptly, no later than within three days of that change taking place, to inform the Commission and the company of this. The obligation to report does not arise if after settlement in the securities depository of several transactions made on a regulated market on the same day the change in the share in the total number of votes in a public company at the end of the settlement day does not cause a threshold that gives rise to such obligations to be reached or exceeded.

18 Tender offers to register for the sale or exchange of shares in a public company

In accordance with Article 72 of the Public Offering and Public Companies Act the purchase of shares in a public company of a number that causes an increase of the share in the total number of votes of more than:

1. 10% of the total number of votes within a period shorter than 60 days by an entity whose share in the total number of votes in the company amounts to less than 33%; or
2. 5% of the total number of votes within a period shorter than 12 months by a shareholder whose share in the total number of votes in the company amounts to at least 33%.

may take place, subject to the reservations described below, only as a result of announcement of a tender offer to register for the sale or exchange of the shares.

If in the periods referred to above an increase in the share in the total number of votes of more than 10% or 5% respectively of the total number of votes occurs as a result of a legal event other than a legal action the shareholder is obliged, within three months of the date on which this occurs, to dispose of the number of shares that causes the share in the total number of votes not to increase in this period by more than 10% or 5% respectively.

Furthermore, in accordance with Articles 73 and 74 of the Public Offering and Public Companies Act, exceeding:

1. the level of 33% of the total number of votes in a public company may occur, subject to the reservations described below, only as a result of the announcement of a tender offer to register for the sale or exchange of shares of the company in an amount that assures reaching of the level of 66% of the total number of votes, unless the crossing of the level of 33% of the total number of votes is to take place as the result of publication of a tender offer as referred to in point 2 below (Article 73 paragraph 1 of the Public Offering and Public Companies Act); and

2. the level of 66% of the total number of votes in a public company may occur, subject to the reservations described below, only as a result of the announcement of a tender offer to register for the sale or exchange of all the residual shares of the company (Article 74 paragraph 1 of the Public Offering and Public Companies Act).

In accordance with Article 73 paragraph 2 and Article 74 paragraph 2 of the Public Offering and Public Companies Act, if exceeding the thresholds referred to in points 1 and 2 above took place as a result of the acquisition of shares in a public offer, or as a result of their contribution to a company as a non-monetary contribution, the merger or division of a company or as a result of amendment of the company's statutes, expiry of privileged shares or the occurrence of a legal event other than a legal action, the shareholder is obliged, within three months of exceeding the 33% threshold or the 66% threshold, respectively, of the total number of votes, to announce a tender offer to register for the sale or exchange of the shares of the company in an amount allowing the level of 66% of the total number of shares (if the 33% threshold is exceeded), or all the residual shares in the company (if the 66% threshold is exceeded), or to dispose of a number of shares sufficient, to achieve no more than 33% or 66% of the total number of votes, unless within this period the share of the shareholder in the total number of votes is reduced appropriately to no more than 33% or 66% of the total number of votes as a result of an increase in share capital, amendment of the statutes of the company, or expiry of preference rights attached to shares (Article 73 paragraph 2 and Article 74 paragraph 2 of the Public Offering and Public Companies Act). The Obligation referred to in Article 73 paragraph 2 of the Public Offering and Public Companies Act and Article 74 paragraph 2 of the Public Offering and Public Companies Act applies also if exceeding the threshold of 33% or 66% as appropriate, of the total number of votes in a public company occurs as a result of inheritance only if the share in the total number of votes increases further, the three month term then being counted from the day on which the event causing the increase of the share in the total number of votes takes place (Article 73 paragraph 3 and Article 74 paragraph 5 of the Public Offering and Public Companies Act). Furthermore, the provision of Article 74 paragraphs 1 and 2 of the Act applies equivalently to an increase in the ownership of the total number of votes by a subsidiary or the parent company of an entity that is obliged to announce a tender offer or an entity that is party to an agreement concluded with it relating to the acquisition by this entity of shares in the public company or voting in concert at a general meeting in relation to issues material to the company (Article 74 paragraph 4 of the Public Offering and Public Companies Act). A shareholder who in the course of six months after conducting a tender offer announced in accordance with Article 74 paragraph 1 acquires at a price higher than the price set in the tender offer other shares in the company in another manner than through a tender offer, is obliged within a month of that acquisition to pay the difference between the prices to all persons from whom shares were purchased in the tender offer, with the exception of persons whose shares were acquired at a reduced price in the circumstances described in Article 79 paragraph 4.

The obligations referred to in Article 72 of the Public Offering and Public Companies Act do not arise in the case of acquisition of shares in primary trading, through their contribution to a company as a non-monetary contribution or in the case of a merger or division of companies (Article 75 paragraph 1 of the Public Offering and Public Companies Act).

The obligations referred to in Articles 72 and 73 of the Public Offering and Public Companies Act do not arise in the case of acquisition of shares from the State Treasury through an initial public offer or within three years of the ending of sale by the State Treasury through an initial public offer. Furthermore, the obligations referred to in Articles 72-74 of the Act do not apply in the case of acquisition of shares:

- which have been introduced to an alternative trading system and in respect of which no application has been made for admission to trading on a regulated market or which have not been admitted to such trading;
- from a member of the same capital group;
- in the manner provided for by the provisions of the insolvency and recovery law or in enforcement proceedings;

- under an agreement on the creation of financial collateral between qualifying entities concluded on the terms and conditions defined in the Certain Types of Financial Collateral Act;
- encumbered with a pledge in order to satisfy a pledgee who is entitled on the bases of other statutes to satisfy its claims by taking over the pledged asset; and
- by inheritance with the exception of the cases referred to in Article 73 paragraph 3 and Article 74 paragraph 5 of the Public Offering and Public Companies Act.

In accordance with Article 75 paragraph 4 of the Public Offering and Public Companies Act, shares encumbered with a pledge may not be traded until the pledge expires with the exception of their being acquired so as to perform an agreement on the creation of financial collateral within the meaning of the aforementioned the Certain Types of Financial Collateral Act.

In accordance with Article 76 of the Public Offering and Public Companies Act, only dematerialised shares in another company, dematerialised depository receipts, dematerialised mortgage bonds or bonds issued by the State Treasury may be acquired in exchange for shares that are the subject of a tender offer to register for exchange of shares. If the subject of the tender offer is to be all the residual shares in a company, the tender offer must include an option for shareholders accepting the offer to sell the shares at a price defined in accordance with Article 79 paragraph 1-3 of the Public Offering and Public Companies Act.

In accordance with Article 77 of the Public Offering and Public Companies Act, a tender offer is to be announced after collateral is created for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or other financial institution which granted or intermediated in the granting of the collateral. A tender offer is to be announced and carried out through the intermediation of an entity that conducts brokerage business on the territory of the Republic of Poland, which is obliged, no later than seven business days before the opening of the subscription period to simultaneously notify the Commission and the company operating the regulated market on which the shares are listed and to attach to the notification the contents of the tender offer. Abandonment of a tender offer that has been announced is impermissible unless after its announcement another entity announces a tender offer for all the residual shares of the company at a price of no lower than in the first tender offer. After the announcement of a tender offer the entity that is obliged to announce the tender offer and the management board of the company whose shares the tender offer concerns are to transfer information about the tender offer, together with its contents, to appropriate representatives of workplace organisations of employees of the company and, if such organisations do not exist, directly to employees.

After receiving the notification, the Commission may, no later than three business days before the opening of the subscription period, announce a requirement to introduce necessary amendments or additions to the contents of the tender offer or to submit explanations about its contents within a specified period of not less than two days. In the period between making the notification and the end of the tender offer an entity that is obliged to announce a tender offer or an entity that is its subsidiary or parent company or entities that are parties to an agreement concluded with it concerning the acquisition by these entities of the shares of the public company or voting in concert at a general meeting that concerns issues material to the company may acquire the shares of the company to which the tender offer relates, only through the tender offer, and only in the manner defined in it, and simultaneously may not dispose of such shares or conclude agreements which might give rise to an obligation to dispose of these shares during the course of the tender offer.

The price of the shares offered in the tender offer referred to in Articles 72-74 of the Public Offering and Public Companies Act is to be established in accordance with the principles specified in Article 79 of the Public Offering and Public Companies Act.

Detailed procedures relating to the conduct of tender offers were specified in the Regulation of the Minister of Finance of 19 October 2005 on models for tender offers for registration for the sale or exchange of shares in a public company, the specific manner of their announcement and the conditions of acquisition of shares as a result of tender offer (Journal of Laws No. 207, item 1729).

The obligations listed above, in accordance with Article 87 of the Public Offering and Public Companies Act, also apply in relation to:

1. an entity that reaches or exceeds a threshold of the total number of votes specified in the Public Offering and Public Companies Act as a result of:
   (a) the occurrence of a legal event other than a legal act;
   (b) acquisition or disposal of bonds convertible into shares in a public company, depository receipts issued in relation to shares in the company or other securities that confer the right or obligation to acquire its shares;
   (c) becoming the parent company of an incorporated company or other legal person that holds shares in a public company or of another incorporated company or of another legal person that is the parent entity of the public company; and
   (d) performance of a legal act by a subsidiary or the occurrence of another legal event concerning the subsidiary;
2. an investment fund, including when reaching or exceeding a given threshold of the total number of votes defined in these provisions is related to the ownership of shares jointly by:
   (a) other investment funds managed by the same fund management company; or
   (b) other investment funds created outside the territory of the Republic of Poland that are managed by the same entity;
3. an entity that reaches or exceeds a given threshold of the total number of votes defined in these provisions as a result of the ownership of shares:
   (a) by a third party in its own name but on the instructions of or for the benefit of that entity, apart from shares acquired during performance of the actions referred to in Article 69 paragraph 2 sub paragraph 2 of the Trading in Financial Instruments Act;
   (b) in performance of actions referred to in Article 69 paragraph 2 sub paragraph 4 of the Trading in Financial Instruments Act, in relation to shares that are part of managed portfolios of securities in which the entity, as the manager, may in the name of the principals exercise the right to vote at shareholders' general meetings; and
   (c) by a third party with whom the entity has concluded an agreement on the transfer of voting rights;
4. an entity that conducts brokerage activity on the territory of the Republic of Poland which in its representation of owners of securities in relations with issuers of these securities exercises, on the instructions of a third party, voting rights in a public company if that party has not issued binding instructions as to how to vote;
5. jointly all entities who are bound by a written or oral agreement concerning the acquisition by these entities of shares in a public company or on voting in concert at a shareholders general meeting on issues material to the company even if only one of these entities has taken or has intended to take actions giving rise to these obligations; and
6. entities which enter into an agreement as referred to in point 5 that own shares in a public company in a number sufficient to jointly reach or exceed a given threshold of the votes specified in these provisions.

The obligations specified above arise also if voting rights are attached to:

- securities that comprise collateral, unless the entity for the benefit of whom the collateral was established has the right to exercise the voting rights and declares its intent to do so, in which case the voting rights are deemed to be vested with the entity for the benefit of which the collateral was established;
- shares which confer voting rights to a given entity personally and in perpetuity; and
- securities deposited or registered with an entity which may dispose of them at its own discretion.

In the circumstances referred to in points 5 and 6 above, the obligations may be performed by one of the parties to the agreement designated by the other parties to it. The existence of the agreement referred to in point 5 is presumed in the event of the actions specified in the provisions being performed by:

- spouses, their descendants or ascendants, siblings and persons related through marriage in the same line or degree of kinship and also to relatives by adoption, custodianship or guardianship;
- persons living in the same household;
- a principal or its commercial proxy other than an investment firm that is authorised to perform on a security account the actions of disposing of or acquiring securities; and
- related undertakings as defined in the Accounting Act.

The number of votes which give rise to obligations listed above:

- in the case of a parent entity includes the number of votes held by its subsidiaries;
- in the case of an entity that conducts brokerage activities on the territory of the Republic of Poland and performs the actions specified in point 4 above includes the number of votes conferred by shares in the company covered by an instruction given to the entity by a third party; and
- includes the number of votes conferred by all shares even if the exercise of voting rights is limited or excluded by statute, agreements or provisions of law.

In accordance with Article 88 of the Public Offering and Public Companies Act, bonds convertible into shares in a public company and depository receipts issued in connection with shares in such a company are deemed securities conferring the right to such share in the total number of votes that the holder of these securities may obtain as a result of their conversion into shares. This provision applies accordingly to other securities that give rise to the right or obligation to acquire shares in a public company.

In accordance with Article 90 of the Public Offering and Public Companies Act, the provisions of Chapter 4 of the Act concerning substantial shareholdings in public companies, other than Articles 69-70 and Article 89 to the extent that it relates to Article 69, do not apply to shares that are acquired:

- in the manner and on the terms and conditions specified in regulations issued on the basis of Article 94 paragraph 1 sub paragraph 3 of the Trading in Financial Instruments Act;
- by an investment firm in the performance of its tasks specified in bylaws, related to the organisation of a regulated market which are specified by rules referred to in Article 28 paragraph 1 and Article 37 paragraph 1 of the Trading in Financial Instruments Act; and
- as part of a system guaranteeing the liquidity of transaction settlement on the bases specified by the National Depository for Securities in the rules referred to in Article 50 of the Trading in Financial Instruments Act.

With the exception of Articles 69 and 70 and Article 87 paragraph 1 sub paragraph 6 of the Public Offering and Public Companies Act and Article 89 paragraph 1 sub paragraph 1 to the extent that it relates to Article 69 of the Public Offering and Public Companies Act the provisions of Chapter 4 of the Public Offering and Public Companies Act also do not apply to agreements relating to the acquisition of shares in a public company or voting in concert at shareholders general meetings on issues material to the company that are concluded in defence of the rights of minority shareholders for the purpose of joint exercise by them of the rights specified in Article 84, Article 85, Article 385 paragraph 3, Article 400 paragraph 1, Article 422, Article 425, Article 429 paragraph 1 of the Commercial Companies Code.

19 Liability arising from failure to observe obligations that arise under the Trading in Financial Instruments Act and the Public Offering and Public Companies Act

The Trading in Financial Instruments Act deals with liability for failure to fulfil the obligations referred to above in the following manner:

1. in accordance with Article 174, the Commission may impose, by way of decision, a pecuniary penalty of up to PLN 200,000 on a person enumerated in Article 156 paragraph 1 sub paragraph 1 (a) thereof, who during a restricted period performs the action referred to in Article 159 paragraph 1 of the Act, unless the person has commissioned an authorised entity conducting brokerage activities to manage his securities portfolio in a manner which precludes the interference of the person in the taking of decisions with respect to his account;
2. in accordance with Article 175, the Commission may impose, by way of decision, a pecuniary penalty of up to PLN 100,000 on a person who fails to perform or improperly performs the obligation referred to in Article 160 paragraph 1 of the Act, unless the person (i) has commissioned an authorised entity conducting brokerage activities to manage his securities portfolio in a manner which precludes his knowing about transactions concluded in the course of this management and (ii) despite exercising due care did not know or could not know of the execution of the transaction.

The Public Offering and Public Companies Act deals with liability for failure to fulfil the obligations referred to above in the following manner:

1. in accordance with Article 89 of the Act a shareholder may not exercise voting rights conferred by:
   (a) shares in a public company which are the subject of a legal action or other legal event causing the shareholder to reach or exceed a given threshold of the total number of votes, if reaching or exceeding this threshold took place in breach of the obligations specified in Article 69, Article 72 paragraph 1 or Article 73 paragraph 1 of the Act;
   (b) all shares in a public company if exceeding the 66% threshold of the total number of votes occurred in breach of the obligations specified in Article 74 paragraph 1 of the Act; and
   (c) shares in a public company acquired in a public tender at a price established in breach of Article 79 of the Act.

   An entity whose share in the total number of votes giving rise to the obligations referred to in Article 72 paragraph 1, Article 73 paragraph 1 or Article 74 paragraph 1, changes as a result of the events referred to respectively in Article 72 paragraph 2 or Article 73 paragraphs 2 and 3 of the Act may not exercise voting rights conferred by all shares in the public company until it performs the obligations specified in these provisions. With reservation to the provisions of other statutes, voting rights conferred by shares in a public company that are exercised despite the proscription referred to above are not taken into account when calculating the results of a vote on a resolution of a shareholders general meeting; and
2. in accordance with Article 97 of the Act, the Commission may, by way of a decision, impose a pecuniary penalty of up to PLN 1,000,000 on anyone who:
   (a) acquires or disposes of securities in breach of the proscription referred to in Article 67 of the Act;
   (b) fails to make on time the notification referred to in Article 69 of the Act or makes such a notification in breach of the conditions specified in the provisions;

(c) exceeds a defined threshold of the total number of votes without complying with the conditions referred to in Articles 72-74 of the Act;

(d) does not comply with the conditions referred to in Article 76 or Article 77 of the Act;

(e) fails to announce or fails to carry out on time a tender offer or fails to dispose of shares on time in the circumstances referred to in Article 72 paragraph 2, Article 73 paragraphs 2 and 3 and Article 74 paragraphs 2 and 5 of the Act;

(f) makes public information about intent to announce a tender offer prior to submitting information about this in the manner referred to in Article 77 paragraph 2 of the Act;

(g) despite receiving the requirement referred to in Article 78 of the Act, fails to introduce on time necessary amendments or additions to the content of a tender offer or does not submit explanations concerning its contents;

(h) in the circumstances specified in Article 74 paragraph 3 of the Act, fails to pay on time the difference in the share price;

(i) in the tender offer referred to in Article 72-74 or Article 91 paragraph 6 of the Act proposes a price lower than that determined on the basis of Article 79 of the Act;

(j) acquires his own shares in breach of the manner, terms and conditions specified in Articles. 72-74 and Article 79 or Article 91 paragraph 6 of the Act;

(k) despite the obligation specified in Article 86 paragraph 1 fails to make documents available to a special-purpose auditor or does not provide him with explanations; and

(l) commits the acts referred to above while acting in the name of or on behalf of a legal person or of an organisational unit without legal personality.

The penalty may be imposed separately for each of the actions specified above and separately for each of the entities that participate in an agreement concerning the acquisition by these entities of shares in a public company or voting in concert at a shareholders general meeting on issues material to the company. In its decision the Commission may set a deadline for the repeated performance of an obligation or the performance of an action required by provisions whose breach was the reason for imposing the pecuniary penalty and in the event of expiry of that deadline without effect may again issue a decision on the imposition of a pecuniary penalty.

20 Obligation to notify the intention of a concentration arising from the Competition and Consumer Protection Act

The Competition and Consumer Protection Act imposes an obligation on the parties to notify the President of the Office of Competition and Consumer Protection if the joint turnover of the companies participating in the concentration exceeds the equivalent of EUR50,000,000 in the financial year prior to the year of notification (Article 12 paragraph 1 of the Competition and Consumer Protection Act). The turnover of companies taking part directly in the concentration and also the turnover of other companies belonging to the capital groups to which the companies participating directly in the concentration are taken into account in establishing the volume of turnover (Article 15 of the Competition and Consumer Protection Act).

In accordance with Article 14 of the Competition and Consumer Protection Act, the performance of a concentration by a subsidiary undertaking is deemed to be its performance by the dominant undertaking.

The obligation to notify concerns among other things intention of:

- taking over — by the acquisition of or subscription for shares, other securities, the entirety or of a part of the property or in any other way obtaining — direct or indirect control over the whole or part of one or more companies by one or more companies (Article 12 paragraph 2 sub paragraph 2 of the Competition and Consumer Protection Act);

- taking over or acquisition of shares of another entrepreneur resulting in achieving at least 25% of the votes at the general meeting (Article 12 paragraph 3 sub paragraph 1 of the Competition and Consumer Protection Act); and
- commencement of the exercise of rights conferred by shares taken over or acquired without prior notification in accordance with Article 13 sub paragraph 3 and 4 (Article 12 paragraph 3 sub paragraph 3 of the Competition and Consumer Protection Act).

Notification of an intention of concentration is made in the case of assuming control or of taking over or acquiring shares in another undertaking, resulting in achieving at least 25% of the votes at the general meeting by the entrepreneur who assumes control, takes over or acquires shares.

In accordance with Article 13 of the Competition and Consumer Protection Act there is no obligation to perform notification of the intention of concentration:

1. if the turnover of the undertaking:

    (a) which is to be taken over, in accordance with Article 12 paragraph 2 sub paragraph 2 of the Act;

    (b) whose shares are to be taken over or acquired, in accordance with Article 12 paragraph 3 sub paragraph 1 of the Act; and

    (c) the rights conferred by the shares of which are to be exercised, in accordance with Article 12 paragraph 3 sub paragraph 3 of the Act,

    has not exceeded the equivalent of EUR10,000,000 on the territory of the Republic of Poland in either of the two financial years preceding the notification (Article 13 sub paragraph 1 of the Competition and Consumer Protection Act);

2. if it consists in the temporary acquisition or take over of shares by a financial institution for their resale if the business of the institution is investment, for its own account or the account of others, in the shares of other companies on the condition that the resale takes place within one year of the date of acquisition, and that:

    (a) the institution does not exercise the rights conferred by the shares, with the exception of the right to a dividend; or

    (b) it exercises those rights solely in order to prepare the resale of the whole or part of the company, its property or the shares;

3. if it consists in the temporary acquisition by a company of shares with a view to securing receivables on the condition that it does not exercise the rights conferred by the shares other than the right to sell them;

4. if it arises in the course of insolvency proceedings, with the exception of circumstances in which the party intending to assume control is a competitor or belongs to a capital group to which competitors of the company being taken over belong; and

5. if the companies belong to the same capital group.

In accordance with Article 13a of the Competition and Consumer Protection Act the provisions described in point 1 above do not apply in the case of concentrations that create or strengthen a dominant position in the market in which the concentration takes place. Notification is made by the entrepreneur assuming control, taking over or acquiring shares, a financial undertaking or the undertaking that acquires shares so as to secure receivables.

The President of the Office of Competition and Consumer Protection by way of decision issues consent to a concentration taking place or prohibits the concentration in the circumstances indicated in Articles 17-19 of the Competition and Consumer Protection Act. The President of the Office of Competition and Consumer Protection may impose obligations on a company or companies seeking to effect a concentration, or may accept the undertakings specified in Article 18 paragraph 2 and 3 of the Act. A decision of the President of the Office of Competition and Consumer Protection permitting a concentration expires if the concentration is not effected within two years of the date of issue of the decision, with the reservation that the President of the Office of Competition and Consumer Protection may, on the application of a company participating in the concentration, by adopting a resolution, extend the above term by a year, if the company shows that there has been no change in circumstances as a result of which the concentration could cause a material limitation of competition in the market (Article 21 paragraph 1 and 2 of the Competition and Consumer Protection Act).

21 Regulations concerning mandatory takeover offers or mandatory buyouts and sell outs

21.1 Regulations concerning mandatory takeover offers

The Regulations concerning tender offers to register for the sale or exchange of shares were described above in the pt. 18 *Tender offers to register for sale or exchange of shares in a public company* sub-section.

21.2 Regulations concerning mandatory buyout ("squeeze out")

In accordance with Article 418 of the Commercial Companies Code, its regulations on compulsory sale of shares do not apply to public companies.

In accordance with Article 82 of the Public Offering and Public Companies Act, a shareholder in a public company who individually or jointly with its subsidiaries, parent entities or entities with which the shareholder has concluded the agreement referred to in Article 87 paragraph 1 sub paragraph 5 of the Act, has reached or exceeded 90% of the total number of votes in the company has the right to demand from other shareholders that they sell all the shares held by them.

The price in a mandatory buyout is established in accordance with Article 79 paragraphs 1-3 of the Public Offering and Public Companies Act. The acquisition of shares in a mandatory buyout takes place without the consent of the shareholder to whom the demand to sell is addressed. Announcement of a demand for the sale of shares in a mandatory buyout takes place after the establishment of collateral for not less than 100% of the value of the shares which are to be the subject of the mandatory buyout. The establishment of collateral should be documented by a certificate issued by a bank or other financial institution extending collateral or intermediating in its extension.

A mandatory buyout is announced and carried out through the intermediation of an entity that conducts brokerage activity on the territory of the Republic of Poland, which is obliged, no later than 14 business days before the beginning of the mandatory buyout, to simultaneously provide notification of its intent to the Commission and the company that operates the regulated market on which the shares of the company are listed, and if the shares of the company are quoted on several regulated markets, all such companies. The entity attaches to the notification information about the mandatory buyout. An announced mandatory buyout may not be cancelled.

Detailed regulations concerning mandatory buyouts were contained in the Regulation of the Minister of Finance of 14 November 2005 on the acquisition of shares in public companies through mandatory buyouts (Journal of Laws No. 229, item 1948).

21.3 Regulations concerning mandatory sell outs

The Commercial Companies Code does not regulate the right of minority shareholders in public companies to demand purchase of their shares by majority shareholders.

In accordance with Article 83 of the Public Offering and Public Companies Act, a shareholder in a public company may demand the purchase of shares that he owns by another shareholder who has reached or exceeded 90% of the total number of votes in the company. The demand is made in writing. The obligation to satisfy the demand, within 30 days of its being made, rests jointly and severally on the shareholder who has reached or exceeded 90% of the total number of votes and its subsidiaries and parent company. The obligation to purchase the shares from the shareholder rests also jointly and severally with each of the parties to the agreement referred to in Article 87 paragraph 1 sub paragraph 5 of the Public Offering and Public Companies Act if the parties to this agreement jointly, together with subsidiaries and parent companies, hold at least 90% of the total number of votes. A shareholder demanding that his shares be bought is entitled to receive a price no lower than that established in accordance with Article 79 paragraphs 1-3 of the Public Offering and Public Companies Act.

22 Public takeover bids made by third parties in the course of the last and current financial year

In the course of the last financial year and the present financial year third parties have not made public takeover offers in relation to the capital of the Issuer.

23 Taxation

The information provided below is of a general nature and is based solely on the tax regulations binding at the time that the Prospectus was prepared. In this regard, potential investors are advised to seek the professional advice of tax and legal advisors with regard to the tax implications of holding and trading the shares and the tax liabilities associated with buying the shares.

23.1 Taxation of the dividend income

23.1.1 Taxation of the dividend income for private individuals

In Poland, personal income tax, at a fixed rate of 19%, is imposed on dividends and other income obtained by private individuals from the legal entity's profit sharing. The fixed rate of tax is charged without any allowance with respect to the tax deductible costs of obtaining such income. The aforementioned taxable income (revenue) is not aggregated with income taxed according to the progressive scale.

The above principles are applied pursuant to the double taxation treaties to which the Republic of Poland is a party. However, the application of the tax rate as provided for in the relevant double taxation treaty or the waiver of withholding tax under such a treaty is possibly only if the taxpayer documents its tax residence by providing a certificate of tax residence issued by the appropriate tax authority.

Any party that pays out to a taxpayer funds classified as dividends or other income obtained from the legal entity's profit sharing, is obliged to withhold personal income tax at a fixed rate of 19%.

23.1.2 Taxation of the dividend income for legal entities

Corporate income tax at a fixed rate of 19% is charged on dividends and other income from the legal entity's profit sharing obtained by legal entities that have their registered offices or their Management Board in Poland (with the exceptions provided for in the relevant regulations). Corporation income tax at a fixed rate of 19% is charged on dividends and other income from the legal entity's profit sharing obtained by legal entities that do not have their registered offices or their Management Board in Poland, unless the double taxation treaty is concluded with the country in which the taxpayer is registered or has its Management Board state otherwise.

The party that pays dividends is obliged to deduct income tax at the fixed rate (with the reservations resulting from the relevant regulations) on the day on which the dividend is paid. However, the application of the tax rate provided for in a relevant double taxation treaty or the waiver of tax under such a treaty is possible only if the taxpayer documents its tax residence by providing a certificate of tax residence issued by the appropriate tax authority.

The amount of tax paid on dividends and other income obtained from the legal entity's profit sharing with respect to the legal entities that are registered in Poland shall be deducted from the tax on the legal entity's other income as calculated on the principles defined in the relevant corporate income tax regulations. Should it be impossible to make the deduction in a given tax year, the amount of the tax shall be deducted in future tax years.

Furthermore, dividends and other income from the legal entity's profit sharing are exempt from income tax if all the following conditions are met:

(1) The payer of the dividends and other income from the legal entity's profit sharing is a company that is an income taxpayer with its registered office or Management Board in Poland.

(2) The recipient of the dividends and other income from the legal entity's profit sharing is a company subject to taxation in a European Union member state other than Poland on all its income, irrespective of where it is obtained.

(3) The company referred to in pt. 2 directly holds not less than 20% of the share capital of the company referred to in pt. 1 above.

(4) The recipient of the dividends and other income from the legal entity's profit sharing is:

 (a) A company referred to in pt. 2 above; or

 (b) A foreign permanent establishment of the company referred to in pt. 2 above that is located outside Poland, if the obtained income (revenue) is subject to taxation in the European Union member state in which that foreign permanent establishment is located.

The exemption referred to above applies when the company obtaining income (revenue) from the dividend and other income from the legal entity's profit sharing has held shares in the company making those payments continuously for two years. This exemption is also applicable when the two year period for holding the shares in the number specified in paragraph 4 section 3 by the company receiving the dividend and other income from the legal entity's profit sharing expires on the day following the obtaining of such income. Such exemption applies, however, where in summing the period prior to and after obtaining the income, the taxpayer will hold the shares for a combined period of at least two years.

23.2 Income from the sale of the shares

23.2.1 Taxation of the gain from the sale of shares by private individuals

The tax on income obtained from, inter alia, the sale of securities amounts to 19% of the proceeds (this rule does not apply if the sale of the securities or the exercising of the rights attached to them occurs as part of commercial activities). The above principles are applied taking into consideration the double taxation treaties to which the Republic of Poland is a party.

In the case of the sale of securities, the taxable income is the positive difference between the proceeds from the sale of the securities and the costs of obtaining those proceeds as defined in the relevant provisions of the Personal Income Tax Act.

The income from the sale of securities is not aggregated with income taxed according to the progressive scale.

If a private individual who is domiciled in Poland obtains income from the sale of securities and income resulting from exercising of the rights attached to them both in Poland and abroad, they should aggregate this income and deduct the amount of tax paid abroad from the tax calculated on the total sum of the income. However, that deduction may not exceed that part of the tax calculated prior to the deduction that is proportionally attributable to the income received abroad.

After the end of the tax year, the taxpayer is obliged to declare the income received during the year from the sale of securities in the relevant declaration and to settle the tax due on such income. Such a declaration should be filed by 30 April of the year following the tax year in which the taxpayer obtained such income.

The income obtained from the sale of shares for the purpose of redemption is subject to taxation in accordance with the principles which apply to the taxation of dividends.

23.2.2 Taxation of the gain from the sale of shares by legal entities

The income from the sale of shares obtained by legal entities with their registered office or Management Board in Poland is aggregated with other income received by such an entity and is subject to corporate income tax levied at the rate of 19%. The above principles apply to income from the sale of shares obtained by legal entities that do not have their registered office or their Management Board in Poland taking into consideration the provisions of the relevant double taxation treaties to which the Republic of Poland is a party.

The subject of the taxation is the income that is the positive difference between the amount obtained from the sale of the shares and the tax deductible costs incurred on the acquisition of the shares as defined in the regulations of the Corporate Income Tax Act.

In principle, taxpayers are obliged to file tax declarations (CIT-2) concerning the amount of the taxable income (loss) earned from the beginning of a tax year and to pay the tax office a monthly advance tax payments in an amount equal to the difference between the tax due on the income obtained since the beginning of the tax year and the total of the advances due for the previous month (this rule is subject to certain exceptions that are specified in the relevant regulations). The monthly tax declarations and advances for the period from the first to the eleventh month of the tax year shall be filed and paid by the 20th of the following month. The advances for the last month of the tax year shall be paid in the amount of those for the previous month by the 20th of the last month of the tax year. In principle, taxpayers are obliged to complete tax declaration (CIT-2) concerning the settlement of the taxable income (loss) earned during a tax year, and to file it with the tax office by the end of the third month of the following year, and to pay the tax due or the difference between the tax due on the income declared in the declaration and the total of the advances paid since the beginning of the tax year within that same period.

Legal entities obtaining the income from the sale of shares are obliged to calculate the income earned from that sale and to add it to the other income gained in the month of the sale, to declare it in the tax declaration for that given month and to pay the advance on the corporate income tax. As a general rule the monthly tax declarations and advances for the period from the first to the eleventh month of the tax year shall be filed and paid by the 20th of the following month, however the advances for the last month of the tax year shall be paid in the amount of those for the previous month by the 20th of the last month of the tax year. By the end of the third month of the following year, such an entity should file the tax declaration regarding the settlement of the taxable income (loss) earned during the tax year and should pay the tax due or the difference between the tax due on the income declared in the declaration and the total of the advances paid since the beginning of the tax year within that same period.

The income obtained from the sale of shares for the purpose of redemption is subject to taxation in accordance with the principles that apply to the taxation of dividends.

23.3 Inheritance and gift tax

Pursuant to the provisions of the Inheritance and Gift Tax Act, the acquisition by private individuals of property rights exercisable in the Republic of Poland through inheritance or donation is subject to inheritance and gift tax, if at the moment of that inheritance or the conclusion of a donation agreement either the testator, donor or the beneficiary were Polish citizens or were permanently domiciled in the Republic of Poland.

The rates of the inheritance and gift tax vary and depends on the family or other private relationship between the testator and the beneficiary or between the donor and the beneficiary.

23.4 Civil law transaction tax

In principle, the sale of property rights exercisable within the territory of the Republic of Poland is subject to civil law transaction tax at the rate of 1% of the market value of the rights being sold. However, the sale of securities to a brokerage house and banks that conduct brokerage activities and the sale of securities through the brokerage house and banks that conduct brokerage activities are exempt from civil law transaction tax.

XXII. TERMS AND CONDITIONS OF THE OFFER

1 Terms, parameters and expected schedule for the Offer and actions required when lodging subscriptions

1.1 Terms of the Offer

On the basis of this Prospectus, Series F Shares and Shares Being Sold (jointly the Shares Offered) are offered. No additional performance obligations are associated with the Shares Offered. Series F Shares and Shares Being Sold are being offered jointly as part of the Offer without any differentiation during subscription for such by investors. As a result, an investor submitting a subscription as part of the Offer may be allocated both Series F Shares as well as Shares Being Sold. The Offer will be divided into two tranches: the Individual Investors' Tranche and the Institutional Investors' Tranche.

Prior to the beginning of the Offer, Bookbuilding for the Shares Offered will be conducted. Bookbuilding shall be carried out exclusively among Institutional Investors intending to purchase Shares Offered being offered as part of the Institutional Investors' Tranche. Persons interested in participating in the process of Bookbuilding should contact the one of the Bookrunners. The process of Bookbuilding shall last from 4 October 2006 to 16 October 2006.

1.2 Size of the Offer

The Issuer and the Seller will decide upon the final number of Shares Offered before the beginning of the Offer. The Management Board may take a decision on the offering a number of Series F Shares which is different than the number stated in resolution No. 02/09/06 of 5 September 2006, amended by resolution No. 03/09/06 of 6 September 2006. In that case the Management Board will adopt a resolution amending the resolution No. 02/09/06 of 5 September 2006, amended by resolution No. 03/09/06 of 6 September 2006 . At the same time the Seller will decide upon the number of Shares Sold offered in the Offer.

As a result of decisions by the Issuer and the Seller, information on the final number of Shares Offered in the Offer together with its division into particular tranches will be made public, at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of the investors to the provisions of pt. 2.5 *"The possibility of avoiding the legal consequences of a submitted subscription"*.

1.3 Schedule of the Offer

The detailed schedule of the Offer is presented below:

	Schedule
17 October 2006	The commencement of the Offer.
From 17 October 2006 to 3:00 p.m. on 19 October 2006	Acceptance of subscriptions in the Individual Investor Tranche.
17 October 2006 to 19 October 2006	Acceptance of subscriptions in the Institutional Investor Tranche.
20 October 2006	Acceptance of subscriptions from Underwriters.
20 October 2006	Close of the Offer.
20 October 2006	Planned date for the allocation of the Shares Offered.

All the above deadlines are subject to change. In the event of a change to any of the deadlines, this information will be published as an annex to the Prospectus pursuant to Art. 51 of the Act on Public Offering and Public Companies. A change to the dates of the Offer will not constitute a withdrawal of the Offer.

2 Procedure for submitting subscriptions

2.1 Principles of submitting subscriptions in the Individual Investors Tranche

A person entitled to submit a subscription in the Individual Investors Tranche may subscribe for a minimum of 10 Shares Offered and for a maximum of the number of Shares Offered in this tranche. A person entitled to submit a subscription in the Individual Investors Tranche may submit multiple subscriptions for Shares Offered. A subscription for fewer than 10 Shares Offered or containing a price other than the Issue Price/Sale Price will be invalid.

As evidence of the acceptance of a subscription a person subscribing for Shares Offered will receive one copy of the subscription form submitted. All consequences arising from the improper completion of a subscription form for Shares Offered are borne by the person subscribing. A specimen subscription form constitutes Appendix 4 to the Prospectus.

A subscription for Shares Offered is unconditional, may not contain any reservations and is irrevocable for the period for which the subscription is binding, subject to the reservation described in pt.2.5 "*Possibility of avoiding the legal consequences of a submitted subscription*" sub-section.

2.2 Principles of submitting subscriptions in the Institutional Investors Tranche

An entity entitled to submit a subscription in the Institutional Investors Tranche may submit multiple subscriptions for Shares Offered, but the subscription(s) may be submitted only for the number of Shares Offered that is indicated in the invitation to submit a subscription received from the Offeror.

As evidence of the acceptance of a subscription a person subscribing for Shares Offered will receive one copy of the subscription form submitted. All consequences arising from the improper completion of a subscription form for Shares Offered are borne by the person subscribing. A specimen subscription form constitutes Appendix 4 to the Prospectus.

A subscription for Shares Offered is unconditional, may not contain any reservations and is irrevocable for the period for which the subscription is binding, subject to the reservation described in pt. 2.5 "*Possibility of avoiding the legal consequences of a submitted subscription*" sub-section.

2.3 Acting through a representative

During subscriptions investors may act through the agency of a properly authorised representative.

A person acting as a representative is obliged to produce the power of attorney issued by the investor to the brokerage house accepting the subscription. A power of attorney should be issued in written form. The particular principles for acting through a representative are specified in the procedures of the brokerage houses in which subscriptions are submitted.

The number of powers of attorney issued by one person is unlimited.

An extract from the appropriate register or other official document that contains the essential information about the representative and the investor, that shows their legal status, the form of representation and the full names of persons authorised to act as representatives and the document of the power of attorney or copies of them must remain with the brokerage house that accepts a subscription.

Investors' attention is drawn to the proper manner of drawing up a power of attorney and making payment of stamp duty of PLN 15 (The Stamp Duty Act of 9 September 2000 (Journal of Laws of 2004, No 254, item 2532, of 17 October 2000).

A representative certifies in the name of an investor the receipt of the appropriate documents, i.e. the subscription form and confirmation of payment.

2.4 Place of acceptance of subscriptions for Shares Offered

Subscriptions for Shares Offered in the Individual Investors Tranche will be accepted at the Customer Service Points, a current list of which is included in Appendix No. 3 to this Prospectus.

Subscriptions for Shares Offered in the Institutional Investors Tranche will be accepted at CDM Pekao S.A., ul. Wołoska 18, 02-675 Warsaw and by CAIB Securities S.A., ul. Emilii Plater 53, 00-113 Warsaw.

Subscriptions for Shares Offered may be accepted also in other brokerage houses insofar as the Offeror signs with them appropriate agreements by the date of commencement of the Offer. If other brokerage houses are included in the acceptance of subscriptions for the Shares Offered, this information will be made public in the form of an annex to the Prospectus in accordance with the provisions of Article 51 of the Public Offering and Public Companies Act.

2.5 Possibility of avoiding the legal consequences of a submitted subscription

If after the commencement of the Offer an annex is made public concerning events or circumstances that have come into existence prior to the allocation of the Shares Offered which the Issuer or the Seller became aware of prior to the allocation, a person who submitted a subscription prior to the publication of the annex may avoid the legal consequences of the submitted subscription by submitting to the Offeror a written declaration within two business days of the date of publication of the annex. The Issuer or Seller are obliged to amend appropriately the date of allocation of Shares Offered so as to make it possible for the investor to avoid these legal consequences.

An investor who submitted a subscription for the Shares Offered prior to the making public of information about the price or number of securities offered may avoid the legal consequences of a submitted subscription by submitting a written declaration with the investment firm offering the securities within two business days of that information being made public.

3 Withdrawal or suspension of the Offer

3.1 Withdrawal or suspension of the Offer before its commencement

The Issuer may withdraw the Subscription Offer at any time before subscriptions begin to be accepted without giving reasons. The Seller may withdraw the Sale Offer at any time before subscriptions begin to be accepted without giving reasons.

The Issuer and the Seller may suspend the Offer at any time before subscriptions begin to be accepted without giving reasons.

A decision to suspend the Offer may be made without simultaneously indicating the new dates of the Offer. The Issuer and Seller may establish these dates later. A change in the dates of the Offer is not understood to be a withdrawal of the Offer.

Information about the suspension of the Offer will be made public in the form of an annex to the Prospectus in accordance with the provisions of Article 51 of the Public Offering and Public Companies Act.

3.2 Withdrawal of the Offer after its commencement

The Subscription Offer or Sale Offer may be withdrawn between the day of preparation and the day on which the Offered Shares will be allotted only for important reasons.

Important reasons include (a) sudden and previously unpredictable changes in the economic or political situation of the country or the world which may have a significant negative effect on the financial markets or economy of the country or on the further business of the Group, including the assurances presented in the Prospectus by the Company's Management Board (e.g. terrorist attacks, wars, ecological catastrophes and/or floods) and (b) sudden and unpredictable changes that have a direct effect on the operational activity of the Group.

Information on withdrawal of the Subscription Offer or the Sale Offer will be made public in the form of an annex to the Prospectus in accordance with the provisions of Article 51 of the Public Offering and Public Companies Act.

4 Reduction of subscriptions and return to investors of amounts overpaid

4.1 Reduction of subscriptions

Subscriptions submitted in the Individual Investors Tranche may be reduced only in the event of the oversubscription referred to below in pt. 9.3.3 "*Allocation of Shares Offered in the Individual Investors Tranche*" sub-section.

In the Institutional Investor Tranche only subscriptions submitted by investors who did not participate in the Bookbuilding can be subject to scaling down, in accordance with the principles described in pt. 9.3.4 *"Preferential treatment of investors in the Institutional Investor Tranche"*.

4.2 Return to investors of amounts overpaid

Return of overpayments will be made within seven days of the date of allocation of Shares Offered. No interest or any compensation is payable on overpaid amounts that are returned on time.

5 Minimum and maximum size of subscription

5.1 Individual Investors Tranche

A person entitled to submit a subscription in the Individual Investors Tranche may subscribe for a minimum of 10 Shares Offered and for a maximum of the number of Shares Offered in this tranche.

5.2 Institutional Investors Tranche

A subscription may be submitted only for the number of Shares Offered that is indicated in the invitation to submit a subscription received from one of the Joint Bookrunners and the number of shares indicated in the invitation may not be less than 1,000 Shares Offered or more than the number of Shares Offered in this tranche.

5.3 Deadline for the withdrawal of a subscription for the Shares Offered

A subscription for Shares Offered is unconditional, may not contain any reservations and is irrevocable for the period for which the subscription is binding, subject to the reservation described in pt. 2.5 "*Possibility of avoiding the legal consequences of a submitted subscription*" sub-section.

6 Payment for Shares Offered and delivery of securities

6.1 Payment for Shares Offered

6.1.1 Individual Investors Tranche

Subscriptions for Shares Offered in the Individual Investors Tranche must be paid for in full at the time of their being submitted. Full payment for Shares Offered amounts to the product of the number of Shares Offered subscribed for and the Issue Price/Sale Price. Payment for Shares Offered in the Individual Investors Tranche may be made in cash or by bank transfer.

Payments in the form of bank transfer to be made in Polish zlotys to the account of Centralny Dom Maklerski Pekao S.A. no. 25124011121111001002421422 in Bank Pekao S.A., 8th Branch in Warsaw and annotated "subscription number, personal identification number, full name, payment for shares in Dom Development S.A."

6.1.2 Institutional Investors Tranche

A subscription for Shares Offered in the Institutional Investors Tranche must be paid for at the latest on the last date for submitting subscriptions in this tranche. Full payment for Shares Offered in the Institutional Investors Tranche amounts to the product of the number of Shares Offered indicated in the invitation to submit a subscription received from one of the Bookrunners and the Issue Price/Sale Price. Payments in cash will not be accepted in the Institutional Investors Tranche.

Information concerning the bank account to which payment for the Offered Shares should be made will be provided in the invitation to subscribe.

6.2 Delivery of securities

At Customer Service Points accepting subscriptions for Shares Offered investors who have not submitted instructions for the deposit of Shares Offered on a securities account may obtain confirmation of acquisition of Rights to Series F Shares (prior to the date of registration of Series F Shares in the KDPW) or of Shares Being Sold containing in particular the code of these securities. On the basis of this declaration an investor may submit in the brokerage house that maintains his securities account an instruction for the deposit of Rights to Series F Shares or Shares Being Sold on the securities account.

Immediately after the registration of the Series F Shares in the KDPW investors who have not submitted instructions for the deposit of Series F Shares on a securities account will be able to receive, in the Client Service Points accepting subscriptions for Shares Offered, confirmation of the acquisition of Shares Offered containing in particular the code of these securities.

An investor who, when submitting a subscription for Shares Offered, submitted an instruction for the deposit of Shares Offered will be sent information about Shares Offered being entered in his securities account by the brokerage house that maintains his securities account within the term foreseen by the regulations of this brokerage house.

7 Publication of the results of the Offer

The detailed results of the Offer will be made public within two weeks of the date the Offer closes. Information about the success or failure of the issue will be made public in the form of a Current Report sent to the KPWiG, WSE and Polish Press Agency in accordance with the provisions of Article 56 of the Public Offering and Public Companies Act.

8 Exercise of pre-emption rights, transferability of rights to subscribe for securities and treatment of rights to subscribe for securities that are not exercised

The Offer does not entail the exercise of pre-emption rights, transferability of rights to subscribe for securities or treatment of rights to subscribe for securities that are not exercised.

9 Principles of distribution and allocation

9.1 Investors to whom Shares Offered are offered

The Shares Offered are being offered to:

- to “Individual Investors” in the Individual Investors Tranche. Investors entitled to acquire Shares Offered in the Individual Investors Tranche on the principles set out in the Prospectus, are natural persons. Foreign individual investors who intend to acquire Shares Offered should familiarise themselves with the appropriate regulations in their country of residence. Subscriptions for Shares Offered that are submitted by persons who are contracted to manage other people’s security portfolios separately for specific natural persons are for the purposes of this Prospectus the subscriptions of separate individual investors;
- to “Institutional Investors” in the Institutional Investors Tranche. Investors entitled to submit subscriptions for Shares Offered in the Institutional Investors Tranche are investors who received from one of the Joint Bookrunners an invitation to submit a subscription.

The Shares Offered are offered exclusively in the territory of the Republic of Poland.

9.2 Intentions known to the Issuers of significant shareholders or members of the management, supervisory or administrative bodies of the Issuer regarding participation in the Offer

The Company’s Management Board has the following information about the intentions of significant shareholders or members of the management, supervisory or administrative bodies of the Issuer regarding participation in the Offer, which is understood to mean the taking up of Shares Offered:

(a) Management Board – Grzegorz Kiełpsz, Janusz Zalewski, and Janusz Stolarczyk intend to participate in the Offer, while Jarosław Szanajca and Terry Roydon do not;

(b) Supervisory Board – Zygmunt Kostkiewicz and Stanisław Plakwicz intend to participate in the Offer, while Richard Lewis, Włodzimierz Bogucki, Markham Dumas and Michael Cronk do not;

(c) Dom Development B.V., a significant shareholder in the Company, is taking part in the Offer as the Seller.

9.3 Information published before the allocation

9.3.1 Allocation of the Offer to tranches

The Shares Offered will be offered in two tranches:

- in the Individual Investors Tranche; and
- in the Institutional Investors Tranche.

The Issuer and the Seller will decide upon the final number of Shares Offered before the beginning of the Offer. The Company’s Management Board decide on offering a number of Series F Shares which is different than the number stated in the resolution No. 02/09/06 of 5 September 2006, amended by resolution No. 03/09/06 of 6 September 2006 . In that case the Company’s Management Board will adopt a resolution amending the resolution No. 02/09/06 of 5 September 2006, amended by resolution No. 03/09/06 of 6 September 2006. At the same time the Seller will take a decision on the number of Shares Sold offered in the Sale Offer.

As a result of decision by the Issuer and the Seller information about the final number of Shares Offered in the Offer together with its division into particular tranches will be made public, at the latest on the first day of acceptance of subscriptions for the Shares Offered in accordance with Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of the investors to the provisions of pt. 2.5 *"The possibility of avoiding the legal consequences of a submitted subscription"*

9.3.2 When a change in the size of tranches may occur (claw-back)

The Issuer and the Seller reserve the right, in consultation with the Global Coordinator, to make transfers between the tranches after the end of receipt of subscriptions for the Shares Offered in those tranches, subject to the restriction that only Shares Offered that have not been subscribed for by investors in a tranche may be transferred and that they may be transferred only if in the second tranche demand declared by investors for the Shares Offered exceeds their supply.

9.3.3 Allocation of Shares Offered in the Individual Investors Tranche

If the number of shares subscribed for does not exceed the number of Shares Offered in the Individual Investors Tranche investors will be allocated the number of shares arising from the subscriptions they have submitted and paid for. If the number of shares subscribed for exceeds the number of Shares Offered in the Individual Investors Tranche taking into account the transfer of shares not subscribed for by investors from the Institutional Investors Tranche, the allocation of shares will be performed on the bases of proportional reduction. Fractions of shares will not be allocated. Shares not distributed as a result of rounding will be allocated in turn to the investors who subscribed for the largest number of Shares Offered in the Individual Investors Tranche and in the event of equal subscriptions the drawing of lots will determine the allocation.

Allocation will be made first of Series F Shares and then of the Shares Sold. In the event that an investor is allocated both the series F Shares and the Shares Sold, that allocation will be proportional, taking into account any rounding. An investor who is allocated series F Shares will have the Rights to Series F Shares registered in his securities account.

9.3.4 Preferential treatment of investors in the Institutional Investors Tranche

Only investors who receive from one of the Joint Bookrunners an invitation to submit a subscription for the Shares Offered will be entitled to submit a subscription for the Shares Offered. The Shares Offered will be allocated firstly to the Institutional Investors who took part in Bookbuilding for the Shares Offered and then to other institutional investors. An Institutional Investor who took part in the Bookbuilding will be allocated the number of shares indicated in the invitation provided that he submitted and paid for a subscription for that number of shares. Other Institutional Investors who submitted and paid for subscriptions for Shares Offered will be allocated shares at the discretion of the Issuer and the Seller in consultation with the offeror.

Allocation will be made first of Series F Shares and then of the Shares Sold. In the event that an investor is allocated both the series F Shares and the Shares Sold, that allocation will be proportional, taking into account any rounding. An investor who is allocated series F Shares will have the Rights to Series F Shares registered in his securities account.

9.4 Dependence on which entity or through the intermediation of which entity the allocation, subscription or receipt of declarations are made

In the allocation of the Shares Offered the entity through which the allocation is made or the entity which accepted the subscription or the declarations for the Shares Offered will be of no significance.

9.5 Minimum size of an individual allocation in the Individual Investors Tranche

We do not provide a minimum allocation in the Offer.

10 Condition for closing the Offer, earliest possible date of its closing

The Company's Management Board has not established any conditions on which the closing of the Offer would be dependent. Pursuant to the Management Board resolution, the date for closing the Offer is 20 October 2006. The Issuer will report on the closure of the Offer and its results at the latest on the first business day after the day on which the Offer is closed. This information will be made public in accordance with Article 56 of the Public Offering and Public Companies Act.

11 Permissibility of lodging multiple subscriptions

11.1 The Individual Investors Tranche

Each Individual Investor has the right to submit any number of subscriptions.

11.2 The Institutional Investors Tranche

A person entitled to submit a subscription in the Institutional Investors Tranche has the right to submit multiple subscriptions for Shares Offered but the subscription or subscriptions must be submitted only for the number of Shares Offered indicated in the invitation to submit a subscription received from one of the Joint Bookrunners.

12 Notification of the number of shares allocated and commencement of trading in the securities

At Customer Service Points accepting subscriptions for Shares Offered investors who have not submitted instructions for the deposit of Shares Offered on a securities account may obtain confirmation of acquisition of Rights to Series F Shares (prior to the date of registration of Series F Shares in the KDPW) or of Shares Sold containing in particular the code of these securities. On the basis of this declaration an investor may submit in the brokerage house that maintains his securities account an instruction for the deposit of Rights to Series F Shares or Shares Sold on the securities account.

Immediately after the registration of the Series F Shares in the KDPW investors who have not submitted instructions for the deposit of Series F Shares on a securities account will be able to receive, in the Client Service Points accepting subscriptions for Shares Offered, confirmation of the acquisition of Shares Offered containing in particular the code of these securities.

An investor who, when he submitted a subscription for Shares Offered, submitted an instruction for the deposit of Shares Offered will be sent information about Shares Offered being entered in his securities account by the brokerage house that maintains his securities account within the term foreseen by the regulations of this brokerage house.

We plan that the first quotation of the Shares Sold and of Rights to Series F Shares on the WSE will take place in October 2006. The first quotation of Series F Shares will take place immediately after the Company receives the final decision of the court on the registration of the increase in share capital through the issue of Series F Shares.

In the event that the issue of series F Shares proves ineffective after the Rights to the Series F Shares have been admitted to trading then at least three business days before the decision of the court to refuse to register the increase in the share capital through the issue of the series F Shares becomes final, the listing of those Rights on the WSE will end. In such a situation an investor holding the Rights on a securities account on the settlement dater for the last trading date of the Rights on the WSE shall be reimbursed the funds in an equivalent of the multiple of the number of Rights and the Issue Price. The Issuer hereby undertakes to announce the date on which the court's decision to refuse to register the increase in the share capital through the issue of the series F Shares in a Current Report.

13 Overallocation and option of additional "green shoe" allocation

The Offer does not provide for the possibility of overallocation or an additional "green shoe" allocation.

14 Price

14.1 Method of setting the Issue Price and Sale Price and the persons responsible for setting the price

The Issue Price will be set by the Management Board with the agreement of the Supervisory Board. The Sale Price will be set by the Seller in both cases this will be done in consultation with the Bookrunners on the basis of the results of Bookbuilding conducted among Institutional Investors. During Bookbuilding the Joint Bookrunners will study the level of interest of Institutional Investors and the price sensitivity of demand. The Issue Price and Sale Price will be established on the basis of the following criteria: (a) the level of interest in the Offer displayed by Institutional Investors during the course of Bookbuilding, (b) research into the price sensitivity of demand, (c) the current situation on financial markets, including the WSE.

The Issue Price and the Sale Price will be equal and the same for the two tranches. The decision on the Issue Price will be taken by the Management Board in the form of a resolution, upon the Supervisory Board's consent, while the decision on the Sale Price will be taken by the Seller in the form of a declaration.

The Issue Price and the Sale Price will be announced at the latest on the first day of the acceptance of subscriptions for the Shares Offered, in accordance with the provisions of art. 54 para. 3 of the Act concerning Public Offering and Public Companies. At the same time the Issuer and the Seller draw the attention of the investors to the provisions of pt. 2.5 *"The possibility of avoiding the legal consequences of a submitted subscription" in Section XXII "The terms and conditions of the Offer"*

14.2 Costs and taxes that must be borne by an investor subscribing for the Shares Offered

The lodging of a subscription for Shares Offered does not result in the levy of income tax. In the light of the provisions of the Personal Income Tax Act and the Corporate Income Tax Act, expenditure on the purchase of shares constitutes a cost of obtaining income, which will be recognised only on the sale of these shares (the principles concerning the taxation of income from the sale of shares are pointed to Section XXI pt. 2 "*Admission to trading and dealing arrangements*" .

In accordance with the provisions of Article 9 par. 9 of the Taxation of Civil-Law Transactions Act, the sale of securities to brokerage houses and banks engaged in broking activity and the sale of securities performed through the intermediation of brokerage houses or banks engaged in brokering activity is exempt from the tax on civil-law transactions, which means that the lodging of a subscription for the Shares Offered will not result in the levy of tax on civil-law transactions.

A brokerage house accepting subscriptions will not charge a fee on subscriptions submitted.

14.3 Principles of making public the Issue Price and Sale Price

The Issue Price and Sale Price will be made public at the latest on the first day of acceptance of subscriptions for the Shares Offered, in accordance with the provisions of Article 54 par. 3 of the Public Offering and Public Companies Act. At the same time the Issuer and the Seller draw the attention of the investors to the provisions of pt. 2.5 *"The possibility of avoiding the legal consequences of a submitted subscription" in Section XXII "The terms and conditions of the Offer"*

15 Pre-emptive right and justification of its cancellation

The provisions of points 3.2.8 - 3.2.13 of the Company's Statute authorise the Management Board to increase the Company's share capital in the framework of the authorised and unissued share capital. The new point 3.2.10 of the Company's Statute provides on this occasion that with the consent of the Supervisory Board, the Management Board may deprive the shareholders of all or part of their pre-emptive rights in relation to shares issued within the limits of the authorised and unissued share capital.

The provisions of points 3.2.8 - 3.2.13 of the Company's Statute are presented in Section XXI pt. 2 *"The legal regulations under which the Shares Offered and the Shares admitted to trading were created"*.

The pre-emption rights to which the Company's existing shareholders were entitled were excluded under Management Board resolution No. 02/09/06 of 5 September 2006 which was amended by Management Board resolution No. 03/09/06 of 6 September 2006. Its content can be found in Section XXI pt. 2 *"The legal regulations under which the Shares Offered and the Shares admitted to trading were created"*.

As required by Article 445 § 1 of the Commercial Companies Code, the relevant Shareholders Meeting's resolution concerning authorised and unissued the contained a justification and, furthermore, according to Article 447 in connection with Article 433 § 2 of the Commercial Companies Code, it was passed by a majority of 4/5 of votes.

16 Indication of public takeover bids by third parties in respect to the Issuer's equity which have occurred during the last financial year and the current financial year

The Company's Shares were not the subject of public takeover bids in the last financial year and the current financial year.

17 Placement and guaranteeing of the Offer

17.1 Name and address of the coordinator of the Offer

Centralny Dom Maklerski Pekao S.A., whose registered Office is at ul. Wołoska 18, 02-675 Warsaw, in the Offer fulfils the function of the Global Coordinator of the Offer and is responsible for the placement of the Offer.

The intention of the Issuer is to conclude an underwriting agreement covering all or part of the Series F Shares being issued by no later than the day on which the Issue Price is established with the Bookrunners and on condition that they and the Issuer receive all the required internal consents. Below, we present the basic terms on which we plan to conclude the above agreement:

- The underwriters undertake to subscribe for those Series F Shares which had initially been allocated to investors in the Institutional Investor Tranche and which had not been subscribed for by investors on the preliminary allocation list during the acceptance of subscriptions for the Shares Offered in the Institutional Investor Tranche;
- That, during the period between the publication of the Prospectus and the date on which the Underwriters should subscribe, no material negative events concerning the Issuer's financial or legal situation occur;
- The Series F Shares taken up by the Underwriters may be sold at any time, without any restrictions, on the terms specified in the relevant regulations, especially the provisions of the Act concerning Public Offering and Public Companies; The rights of the Underwriters referred to above also include the rights to the Series F Shares pursuant to art. 3 para. 1a of the Act concerning Trading in Financial Instruments;
- The Issuer undertakes to the Underwriters to take the following action:
    - Without delay following the closing of subscriptions for the series F Shares, the Issuer will take all the steps necessary to register the series F Shares with the registration court and the SEC and to have the series F Shares admitted to the WSE. In particular, he will carefully complete and file the relevant application concerning the change in the Issuer's status and the registration of the increase in the Issuer's share capital by the series F Shares.

    - Without delay following the registration of the increase in the share capital by the series F Shares, the Issuer's Management Board shall take all the necessary steps to have them admitted to listing on the WSE by submitting the appropriate application;
    - It will not conclude any other underwriting agreements concerning the issue of the series F Shares;
    - The Issuer will use the proceeds of the issue of the series F Shares in the Offer in accordance with the purposes specified in the Prospectus;
- The Underwriters and the Issuer are entitled to withdraw from the underwriting agreement within 7 (seven) days of circumstances arising caused directly by force majeure, after written notification by the Party withdrawing from the underwriting agreement. Force majeure shall be considered to be any event over which the Issuer, companies associated with him or the Underwriter have no control and which make it impossible for the Underwriter to meet his obligations or hampers them to such an extent that that it can be considered impossible, especially: war, riots, *coup d'etat*, public disturbances, earthquake, fire, hurricane, flood, strike or an act of terrorism. In particular, each of the parties will be entitled to withdraw from an underwriting agreement if an event described as force majeure causes such disturbance on the financial markets that the party withdrawing from the underwriting agreement believes that it is impossible for it to meet its obligations under that agreement.

If, in the opinion of the Issuer and the Bookrunners a change in the terms of the underwriting agreement or the date of its conclusion could materially affect the assessment of the Shares Offered, that information will be announced in the form of an annex to the Prospectus, in accordance with art. 51 of the Act concerning Public Offering and Public Companies, if the law so demands. In the event of a decision to withdraw from the intention to conclude the aforementioned agreements that information will be announced in the form of an annex to the Prospectus, in accordance with art. 51 of the Act concerning Public Offering and Public Companies.

XXIII. ADMISSION OF THE SHARES INTRODUCED, SERIES F SHARES AND RIGHTS TO SERIES F SHARES TO TRADING ON THE WSE

1 Admission of the Shares Introduced, Series F Shares and Rights to Series F Shares to trading on the WSE

The Shares Introduced, Series F Shares and Rights to Series F Shares will be the subject of an application by the Issuer for their admission to trading on the WSE (the main market). We will use our best efforts to secure the admission and introduction to WSE trading of the Shares Introduced and Rights to Series F Shares in the shortest time possible following the date of allocation. In our opinion admission of the Shares Introduced and Rights to Series F Shares can take place in October 2006. At the same time, we are aware that the admission to trading of shares on the WSE is to a significant degree conditional on the satisfaction by us of numerous conditions imposed by the regulations of the WSE.

In the event that the issue of Series F Shares proves ineffective after the Rights to the series F Shares have been admitted to trading then at least three business days before the decision of the court to refuse to register the increase in the share capital through the issue of the Series F Shares becomes final, the listing of those Rights on the WSE will end. In such a situation an investor holding the Rights on a securities account on the settlement dater for the last trading date of the Rights on the WSE shall be reimbursed the funds in an equivalent of the multiplication of the number of Rights and the Issue Price. The Issuer hereby undertakes to announce the date on which the court’s decision to refuse to register the increase in the share capital through the issue of the Series F Shares in a Current Report.

2 Markets on which shares of the same class as the Shares Offered are admitted to trading

The Company’s Shares are not at present the subject of trading on any regulated market.

3 Entities that have binding obligations to act as intermediaries in trading on the secondary market

No entity is obliged to act as an intermediary in secondary market trading, ensuring the liquidity of the Issuer’s shares by quoting bid and offer prices.

4 Actions to stabilise the price in connection with the Offer

No overallocation offer will be made as part of the Offer. Furthermore we will not undertake any actions to stabilise the Issue Price and will not entrust the taking of such actions to third parties.

XXIV. SELLING SHAREHOLDER

1 Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates

The sole shareholder selling the Company's Shares in the Offer is Dom Development B.V., with its registered office in Rotterdam at Max Euwelaan 61, 3062 MA Rotterdam, the Netherlands. Dom Development B.V. is the dominant entity over the Company.

Apart from the execution of its corporate rights as a majority shareholder in the Company and the relations described in Section XXXII *Related party transactions*, Dom Development B.V. has had no material relationship, within the past three years, with the Issuer or with any of its predecessors or affiliates.

2 The number and class of securities being offered by each of the selling security holders

In the Sale Offer, the number of shares being offered by Dom Development B.V. will be announced by not later than the first day of the acceptance of subscriptions for the Shares Offered, pursuant to art. 54 para. 3 of Public Offering and Public Companies Act.

3 Lock-up agreements, the parties involved, content and exceptions of the agreement, indication of the period of the lock up

On 13 September 2006 the Global Coordinator concluded an agreement with (i) Dom Development B.V., (ii) Jarosław Szanajca, (iii) Grzegorz Kiełpsz, (iv) Janusz Zalewski, (v) Terry Roydon and (vi) Janusz Stolarczyk, under which the aforementioned undertook not to sell the shares of the Company held by them, except for the Shares Sold, without the prior Global Coordinator's consent for a period of 12 months from the date of allocation of the Series F Shares offered under the Offer.

Pursuant to the "Shareholders Support and Subordination Agreement", dated 19 March 2003, entered into between EBRD and the Issuer, Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz, all of the aforementioned agreed not to sell, transfer, encumber or dispose, without the prior written consent of EBRD, more than 50% of their interest in the Company, for a period of 12 months from the date of the Offer. However, the sale or transfer of shares among Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz is exempt from this agreement.

XXV. EXPENSE OF THE OFFER

As the Sale Price, the Issue Price and the number of Shares Being Sold and Series F Shares being issued are not known at present, the gross proceeds from the Offer cannot be estimated. The Issuer expects the gross proceeds from the issue to amount to ca. PLN 230,000,000. Preliminary estimates of the costs of the Offer suggest that they will be ca, PLN 10,000,000.

The Issuer will publish information regarding the total amount of Shares Being Sold and revenues from the Series F Share subscriptions, as well as total expenses of the Offer as a Current Report immediately after the Offer is closed, in accordance with Article 56 of the Public Offering and Public Companies Act.

XXVI. DILUTION

The size and percentage value of the immediate dilution caused by the Offer

Before the Offer	Following the Offer
The present shareholders hold 21,344,490 Shares, representing 100% of the Company's share capital	Based on the Company's estimations, following the Offer, the present shareholders will hold Shares representing between 77% and 82% of the Company's share capital. Based on the Company's estimations, following the Offer, the new shareholders will hold Shares representing between 18% and 23% of the Company's share capital.

XXVII. MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

1 The members of the Issuer's managing body

The Issuer's managing body is the Management Board. The Management Board comprises:

- Jarosław Szanajca — President of the Management Board, CEO;
- Grzegorz Kiełpsz — Vice President of the Management Board, COO;
- Janusz Zalewski — Vice President of the Management Board, CFO;
- Terry Roydon — Member of the Management Board; and
- Janusz Stolarczyk — Member of the Management Board.

Jarosław Szanajca

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	President of the Management Board,

Detailed description of knowledge and experience of management:

Age:	45
Education:	Higher, Master of Law, Department of Law and Administration, Warsaw University
Career history:	
1996-present	Dom Development S.A. in Warsaw, President of the Management Board
1992-1996	Przedsiębiorstwo Budowlane GRES - Investi sp. z o.o. in Warsaw, President of the Management Board
1991-1992	Przedsiębiorstwo Handlowe Gres sp. z o.o., Director
1988-1991	Przedsiębiorstwo Wielobranżowe Gestor sp. z o.o. in Warsaw, Company Director
1987-1988	Społeczne Zjednoczenie Przemysłowe "LIBELLA" in Warsaw, Director of a Clothing Production Factory
1987	Społeczne Zjednoczenie Przemysłowe LIBELLA w Warszawie, Deputy-Director of a Clothing Production Factory
1985-1987	Społeczne Zjednoczenie Przemysłowe LIBELLA w Warszawie, Assistant to the General Director

Jarosław Szanajca hereby declares that:

- He is the Chairman of the management board of the Polish Association of Property Development Companies Employers Union, Vice-President of the European Union of Developers and House Builders, and a member of the management board of the Polish Confederation of Private Employers – Lewiatan; member of the Board of the Polonia 2011 Foundation (Foundation in the process of registration). Aside from the above he does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).

- During the past five years he has been: a management board member of Dom Development S.A. (currently); Dom Development Morskie Oko sp. z o. o (currently); Dom Development na Dolnej sp. z o.o. (currently); Chopin Projekt sp. z o.o. (in liquidation); Dom Development Capital sp. z o.o. (merged with Dom Development S.A.) Europa Distribution Center sp. z o.o. (currently) and GRES - Investi sp. z o.o. (currently) (dormant); Gres sp. z o.o. (currently); member of the supervisory board of Fort Mokotów sp. z o.o. (currently) a Vice-President of the supervisory board at the Biuro Studiów i Projektów Biprodrzew S.A.(currently) ; a shareholder in the following non-public companies: Gres sp. z o.o. (currently); Gres Investi sp. z o.o. (currently); Dom Land sp. z o.o. (currently) and Leśny Dom sp. z o.o. and is a shareholder in Dom Development S.A. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has performed the functions of a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in the following entities, that during his term of service were bankrupt or in liquidation or in administration: member of the management board of Chopin Projekt sp. z o.o. (the company was established for the purpose of property development, the project was suspended, the site sold and the company liquidated on 15 June 2005).
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Grzegorz Kiełpsz

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw Fort Mokotów sp. z o.o., ul. Puławska 15, 02-515 Warsaw
Function within the Issuer:	Vice President of the Management Board, COO

Detailed descritiption of knowledge and experience of management:

Age:	43
Education:	Secondary
Career History:	
2006-present	Dom Development S.A., Vice President of the Management Board, COO
2003-2006	Dom Development S.A., Member of the Management Board, General Director
1998-2003	Dom Development S.A., Member of the Management Board, Land Director
1996-2002	Self-employed — residential building consultant
1992-1997	Przedsiębiorstwo Budowlane GRES Investi sp. z o.o., Vice-President of the management board and General Director from 1996
1988-1991	Przedsiębiorstwo Handlowe GESTOR sp. z o.o., Sales Specialist and from 1990 Director responsible for supplying construction developments
1987-1988	Społeczne Zjednoczenie Przemysłowe Libella, Chief Specialist for property development, from 1988 Manager of the transport section
1985-1987	Municipal Sanitary Transport Section, Specialist

Grzegorz Kiełpsz hereby declares that:

- He is responsible for sales and marketing at Fort Mokotów sp. z o.o. Apart from these activities he does not conduct any activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been a: management board member of Europa Park sp. z o.o. (currently), Europa Land sp. z o.o. (currently), Europa Estates sp. z o.o. (currently) and Europa Cargo sp. z o.o. (currently), GRES sp. z o.o. (currently), GRES Investi sp. z o.o. (currently); Dom Development S.A. (currently), Dom Land sp. z o.o. (currently), Dom Development Grunty sp. z o.o. (currently), Dom Development Morskie Oko sp. z o.o. (currently), Fort Mokotów sp. z o.o. (currently), Dom Development na Dolnej sp. z o.o. (currently), Dom Development Zarządzanie Nieruchomościami sp. z o.o. (currently), Dom City sp. z o.o. (liquidated), Dom Development Capital sp. z o.o. (merger with Dom Development S.A.), Leśny Dom sp. z o.o., Dom Development Nieruchomości sp. z o.o., Europa Park sp. z o.o. (currently), Europa Land sp. z o.o. (currently), Europa Cargo sp. z o.o. (currently), Europa Estates sp. z o.o. (currently), Europa Industrial sp. z o.o. (being formed), Europa Development sp. z o.o. (being formed); a shareholder in the following non-public companies: Gres sp. z o.o. (currently), Gres Investi sp. z o.o. (currently) and, Grajcar sp. z o.o. and Dom Land sp. z o.o. (currently); as well as a shareholder in Dom Development S.A. (currently).
- Apart from companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in the following entities, which during his term of service were bankrupt or in liquidation or in administration: Dom City sp. z o.o. (the company's corporate purpose included the purchase and sale of property, after the sale of all property and closing liquidation acts, the company was liquidated on 12 January 2006).
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Janusz Zalewski

Business address:	Dom Development S.A., Plac Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Vice President of the Management Board — Finance Director, CFO

Detailed description of knowledge and experience of management:

Age:	50
Education:	Higher, economics, graduate of SGPiS (Main School of Planning and Statistics in Warsaw – now the Warsaw School of Economics) in Warsaw, Department of Production Economics, MBA University of Minnesota, USA
Career History:	
2006-present	Dom Development S.A., Vice President of the Management Board, CFO
2000-2006	Dom Development S.A., Member of the Management Board, CFO
1999-2000	Dom Development S.A., CFO
1995-1998	Metex Huber sp. z o.o. in Warsaw, Finance Director
1993-1999	Kauko Metex sp. z o.o. in Warsaw, Finance Director
1983-1993	Mostostal Warszawa S.A., senior economic inspector (1983-1985), Economic Department Deputy Director (1985-1986), Economic Department Director (1986-1988), Chief Specialist for Internal Settlements and Motivational Systems (1988-1989), Warsaw Branch Deputy Director for Economic and Financial Matters (1989-1990), Chief Specialist for Economic and Financial Matters on a construction project in Finland (1990-1993), an Independent Specialist at the Financial Director’s Office (1993)
1980-1983	Zakłady Stolarki Budowlanej “STOLBUD” in Warsaw, Organisation and Internal Control Specialist
1978-1980	Instytut Technologii Materiałów Elektronicznych in Warsaw, starting as an intern, then economist, and as an independent organisation and management officer

Janusz Zalewski hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been: a member of the supervisory board of Towarzystwo Ubezpieczeń Wzajemnych “Bezpieczny Dom” (currently), Fort Mokotów sp. z o.o. (currently); a member of the Management Boards of Europa Distribution Center sp. z o.o., Dom Development S.A. (currently), Dom Land sp. z o.o. (currently), Dom Development Grunty sp. z o.o. (currently), Dom Development Morskie Oko sp. z o.o. (currently), Dom Development na Dolnej sp. z o.o. (currently), Dom Development Zarządzanie Nieruchomościami sp. z o.o. (currently), Dom City sp. z o.o. (liquidated), Chopin Projekt sp. z o.o.(liquidated), Leśny Dom sp. z o.o., Dom Development Nieruchomości sp. z o.o.; a shareholder in several quoted public companies, in that his share of their capital did not exceed 1% of the votes in any such company, as well as a shareholder in Dom Development S.A. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.

- During the past five years he has been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in the following entities, which during his term of service were bankrupt or in liquidation or in administration: Dom City sp. z o.o. (the company's corporate purpose included the purchase and sale of property, after the sale of all property and closing liquidation acts, the company was liquidated on 12 January 2006), Chopin Projekt sp. z o.o. (the company was established for the purpose of property development, the project was suspended, the site sold and the company liquidated on 15 June 2005). He was a suspect in an investigation conducted by the Warsaw Ochota District Prosecutor's Office, for an offence under Article 79 sub-paragraph 3 of the Accounting Act (omitting to submit financial statements for publication). On 8 September 2005, the Prosecutor's Office discontinued the investigation as a result of not detecting such an offence. Save for the above, he has not been the subject of any official public accusations or sanctions on the part of any statutory or regulatory bodies (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Terry Roydon

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the issuer:	Member of the Management Board

Detailed description of knowledge and experience of management:

Age:	59
Education:	Higher, BSc (Estate Management) — London University 1967, MBA –University of Pittsburgh 1968
Career history:	
2006-present	Member of the Management Board of Dom Development S.A.
1998-2006	Member of the Supervisory Board of Dom Development S.A.
1998-present	Consultant/Member of the board of several British and other non-Polish companies engaged in residential development.
1971-1998	Chief Executive of Comben Group plc and Prowting plc, two residential development companies registered in the United Kingdom and listed on the London Stock Exchange

Terry Roydon hereby declares that:

- He is a director of Hansom Property Company Limited, a company providing consultancy services to Dom Development S.A. and a non-executive director of the Dutch registered Engel East Europe N.V. which is listed on the London Stock Exchange. Apart from this, he does not conduct activities which could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been a member of the administrative, management or supervisory bodies in the following companies: Hansom Property Company Limited (currently), Magnum Fine Wines plc (currently), PPS Group Limited (currently), St Helen's School (currently), Anglo-European Estates Limited, Country & Metropolitan plc, McCann Homes Limited (currently), Robust Details Limited (currently),

Engel East Europe N.V. (currently), Bravirocha-Sociedade de Apoio e Manutenção a Rocha Brava, Lda. (currently), Arte e Renovação-Sociedade Immobiliária, Lda. (currently), Lusitagus-Comércio Internacional, Lda. (currently), Banner Homes Group plc, Swallow Homes Limited, Foldhilt Limited, National House Building Council, House Builders Federation Limited, Maisons Pierre S.A., Gladedale Holdings plc (currently), a member of the management board of Dom Development S.A. (currently); a member of the supervisory board of Dom Development S.A.; During the past five years he has been a shareholder in a number of listed companies where his shareholding, with the exception of Hansom Property Company, Magnum Fine Wines and Prowting plc, has not exceeded 1% of the votes at the general meeting in any of them, and a shareholder in the following non-public companies: Leisure and Media Venture Capital Trust Plc, 21 Net Ltd, SI Sea Farms Ltd, Cyclops Ltd, Network Analytics Ltd, Intamac Ltd, Phasor Solutions Ltd, Site Confidence Ltd, Press Red Ltd, The Skills Market Ltd, CSF Medical Ltd, Future Route Ltd, CityCall Ltd, Katalyst Nominee Ltd, Screen Select Ltd, Baby Inovations S.A. (Portugal), Learn Logic Training Ltd, JHC Laundry Equipment Ltd, Obvious Solutions (Global) Ltd, Eclecticom Ltd, English Wine Group Plc, Lane Fine Art Ltd, RilaDev o.o.d. (Bulgaria), Foldhilt Ltd, Hansom Property Co. Ltd, Magnum Fine Wines Plc, PPS Group Ltd, Anglo-European Estates Ltd, Banner Homes Group Plc, Swallow Homes Ltd, Maisons Pierre S.A. (France); he is a shareholder in Dom Development S.A. (currently).

- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the last five years he has been a board member in Anglo-European Estates Limited, which was placed in members' voluntary liquidation in 2005.
- Apart from the above mentioned, during the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Janusz Michał Stolarczyk

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Member of the Management Board, Customer Service Director

Detailed description of knowledge and experience of management:

Age:	53
Education:	Higher, studied at the Department of Social and Economic Studies at the Warsaw School of Planning and Statistics; post-graduate studies in marketing management at the University of Łódź.
Career history:	
2002-present	Dom Development S.A., Member of the Management Board and Customer Service Director
1998-2002	Dom Development S.A. Commercial Proxy, Sales Director (Management Board member since 1999)
1996-1998	Dom Development sp. z o.o. Commercial Proxy, Organization and Development Director
1995-1996	Ostrana-Bis sp. z o.o., Sales Director for Eastern Markets
1992-1995	Multisystem sp. z o.o., Sales Director
1991-1992	Agro-System, first as a management board member - a director of the company and then President of the management board
1987-1990	Natolin Residential Cooperative — as the management board's Proxy for Organisational and Employee affairs, then Deputy President for Economic and Organisational affairs, and finally as President of the management board
1979-1987	Społeczne Zjednoczenie Przemysłowe Libella — as Manager of the Employee and Organisation Departament, Deputy Director for Publishing and Organisational Affairs; Deputy Director for Employee and Legal Affairs
1978-1979	The WSM Żoliborz Residential Cooperative — initially as an intern and then as an inspector

Janusz Stolarczyk hereby declares that:

- He does not conduct activities outside Dom Development S.A. which could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been a member of the management boards of Dom Development S.A. (currently); Dom Development Morskie Oko sp. z o.o. (currently); Dom Development na Dolnej sp. z o.o. (currently); Dom Development Zarządzanie Nieruchomościami sp. z o.o. (currently);a shareholder in a number of listed companies where his shareholding has not exceeded 1% of the votes at the general meeting in any of them, as well as a shareholder in Dom Development S.A. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.

- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

2 Members of the Issuer's Supervisory Body

The Issuer's supervisory body is the Supervisory Board. The following persons comprise the Supervisory Board:

- Zygmunt Kostkiewicz — Chairman of the Supervisory Board – independent member;
- Richard Lewis — Deputy Chairman of the Supervisory Board;
- Stanisław Plakwicz — Member of the Supervisory Board – independent member;
- Włodzimierz Bogucki — Member of the Supervisory Board – independent member;
- Markham Dumas — Member of the Supervisory Board; and
- Michael Cronk — Member of the Supervisory Board.

Zygmunt Kostkiewicz

Business address:	Commercial Union Polska Towarzystwo Ubezpieczeń na Życie S.A. ul. Prosta 70, 00-838 Warsaw
Function within the Issuer:	Chairman of the Supervisory Board, independent member

Knowledge and experience of management:

Age:	44
Education:	Higher, Faculty of History at Warsaw University; training organised by MACIF (Centre de Gestion in Lens, General Directory in Lille, Investment Department at the Head Office in Niort), Conservatoire National des Arts et Metiers diploma at Ecole Nationale d'Assurances in Paris
Career History:	
2004-present	First Vice President of Commercial Union Polska - Towarzystwo Ubezpieczeń na Życie S.A. and Vice President of Commercial Union Polska sp. z o.o.
March 2003-June 2004	Member of the management board of companies from the Generali insurance group (Generali Życie T.U. S.A., Zurich T.U. S.A., Generali Życie T.U. S.A., Generali T.U. S.A., Generali Finance sp. z o.o.)
April 2003-May 2004	Supervisory board member of Generali PTE S.A.
June 2002-January 2003	Eureko Group Director of Strategic Projects in Poland
April 2001-February 2002	President of the management board of PZU S.A.
1998-April 2001	President of the management board of Commercial Union Powszechne Towarzystwo Emerytalne BPH PBK S.A.
1995-1998	Vice President of the management board of Polisa-Życie S.A.

1992-1995	Vice President of the management board of Towarzystwo Ubezpieczeń Wzajemnych (TUW)
1991-1992	Deputy Director of TUW Organisation Group at Fundacja Akcji Demokratycznej
1989-1991	Director of a Consultancy Group associated with Fundacja Obywatelska in Warsaw
1987-1989	President of the management board of Metrum Gest sp. z o.o.

Zygmunt Kostkiewicz hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been a: supervisory board member of Dom Development S.A. (currently)Commercial Union Polska Towarzystwo Ubezpieczeń Ogólnych SA (currently), Insurance Guarantee Fund, Polskie Towarzystwo Reasekuracyjne S.A., Generali PTE S.A. and the following PZU group companies: PTE PZU S.A., PZU Asset Management sp. z o.o., NFI Kwiatkowski; Chairman of the supervisory board of Polska Agencja Prasowa in Warsaw; a shareholder in a number of listed companies where his shareholding has not exceeded 1% of the votes at the general meeting in any of them; a shareholder in Dom Development S.A. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Richard Lewis

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Deputy Chairman of the Supervisory Board

Detailed description of knowledge and experience of management:

Age:	57
Education:	Higher, London School of Economics, University of London
Career History:	
2006-present	Member/Deputy Chairman of the Supervisory Board, Dom Development S.A.
1996-2006	Member of the Management Board, Dom Development S.A.
1993-2004	Director of several companies in the United Kingdom and Poland involved in both commercial and residential property
1987-1993	Executive Director of several insurance businesses operating at Lloyds of London
1974-1987	Managing Director of Ronelle Holdings Limited. Founded and developed several UK based businesses for this family company, including businesses in property development, catering and entertainment
1970-1974	Chartered Accountant and auditor at KPMG, London

Richard Lewis hereby declares that:

- He is a director of Woodsford Consulting Limited, a company providing consultancy services to Dom Development S.A. and Europa Distribution Center sp. z o.o., and a director of Europa Distribution Center sp. z o.o. Apart from these activities he does not conduct any activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been: a management board member of Europa Distribution Center sp. z o.o. (currently), Woodsford Consulting Limited (currently), Chopin Projekt sp. z o.o. (liquidated), Ronelle Holdings Limited, Swallow Homes Limited, Anglo-European Estates Limited; a member of the supervisory board of Dom Development S.A. (currently); a shareholder in a number of listed companies where his shareholding has not exceeded 1% of the votes at the general meeting in any of them; a shareholder in the following non-public companies: Dom Land sp. z o.o. (currently), Dom City sp. z o.o., Leśny Dom sp. z o.o., Dom Development Nieruchomości sp. z o.o, Ronelle Holdings Limited, Woodsford Consulting Limited, Dom Development BV, ED Center BV, Chopin Projekt BV, Europa Land sp. z o.o., Europa Park Sp z o.o., Duneaton Enterprises Limited, Swallow Homes Limited (the shares were held in trust for the Ronelle Holdings Limited Pension Scheme), Anglo European Estates Limited (shares held by his wife), Dom Development Grunty sp. z o.o.; was also a shareholder in Dom Development S.A.
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the last five years he has been a management board member in Chopin Projekt sp. z o.o. (the company was established for the purpose of property development, the project was suspended, the site sold and the company liquidated on 15 June 2005). He has also been a management board member in Anglo-European Estates Limited, which was placed in members' voluntary liquidation in 2005.

- Apart from the above mentioned, during the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Stanisław Plakwicz

Business address:	Polskie Górnictwo Naftowe i Gazownictwo S.A, Kasprzaka 25, Warsaw
Function within the Issuer:	Member of the Supervisory Board – independent member

Detailed description of knowledge and experience of management:

Age:	58
Education:	Higher, Faculty of Law at Warsaw University
Career History:	
05.2006-present	Marketing Director at Polskie Górnictwo Naftowe i Gazownictwo S.A
2004-2005	Director at Hexus Poland -investment projects
2001-2003	Managing Director at PZU S.A. (responsible for marketing and communications)
1991-1999	General Director at Advertisement Agency Lowe GGK
1983-1989	Commercial Director at Selekta

Stanisław Plakwicz hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been: a supervisory board member of Geovita S.A (currently), Dom Development S.A. (currently), Dom Development Morskie Oko sp. z o.o. (currently), a management board member of OPCJA sp. z o.o. and a chairmen of Fundacja Gdańska (currently); a shareholder in a number of listed companies where his shareholding has not exceeded 1% of the votes at the general meeting in any of them; a shareholder in of the following non-public companies: STOCLASSIC sp. z o.o., STO FILMS sp. z o.o. (currently), OPCJA sp. z o.o., MENSA sp. z o.o.
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.

- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Włodzimierz Bogucki

Business address:	Vindigo Capital Partners, 10 Chem. des Tuilots, 1293 Bellevue, Switzerland
Function within the Issuer:	Member of the Supervisory Board – independent member

Detailed description of knowledge and experience of management:

Age:	48
Education:	Higher, completed a master's program in Economic Cybernetics and Information Technology at the University of Lodz; Major: Accounting and Data Processing. Additional qualifications in investment and management of funds procured in South Africa.
Career History:	
2006-present	Vindigo Capital Partners (asset management and strategic business development advice), Owner, Managing Partner
2003-2006	MCTrustco / MCT Wealth Management / MCT Asset Management, Wealth Manager, Fund Manager, Investment Fund Management. Responsible for the company's strategic development in Poland
2000-2003	Citigroup Private Bank (Switzerland), Vice President, Director
1998-2000	Henry Ansbacher SA (a FirstRand Group company), Chief Investment Officer, Managing Director
1994-1998	Standard Trust Limited (a Standard Bank Group company), Portfolio Manager, Chief Investment Manager
1992-1994	Standard Bank of South Africa, Manager, Risk Control & Securities Lending
1992	Progressive Systems College, South Africa, Investment Consultant
1991-1992	Old Mutual, South Africa, Representative
1990-1991	A.N. QuickStitch, South Africa, CFO
1988-1990	Vodex Agenturen, Syssleback (Sweden), owner
1987-1989	Cebes Plast AB, Sweden
1982-1985	Privately-held agricultural real property, owner
1982-1984	Private artisan shop, owner
1979-1982	Fabryka Maszyn Włókienniczych WIFAMA (textile machine manufacturer) in Łódź, Accountant, Financial Analyst

Włodzimierz Bogucki hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).

- During the last five years he has been: a member of the supervisory board of Dom Development S.A. (currently); a managing partner and a shareholder of a non-public company Vindigo Capital Partners.
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Markham Dumas

Business address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Member of the Supervisory Board

Detailed description of knowledge and experience of management:

Age:	55
Education:	Higher, Pangbourne College, Berks, England
Career History:	
1992-present	Work in the charitable sector, investor in property, insurance sales and risk management
1969-1992	Chairman and managing Director of a division of E D & F Man, also main board director

Markham Dumas hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been: a member of the supervisory board of Dom Development S.A. (currently) a director of PDS (Sales) Ltd.; trustee and a chairman of the board of Parkinson's Disease Society of the United Kingdom.
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.

- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Michael Cronk

Business Address:	Dom Development S.A., Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer	Member of the Supervisory Board

Detailed description of knowledge and experience of management:

Age:	56
Education:	The Kings School, Canterbury, England
Career History:	
1996-2006	Pacol (U.K.), Director
1971-1994	E D & F Man Ltd., Divisional Director

Michael Cronk hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been a member of the supervisory board of Dom Development S.A. (currently); a shareholder in a number of listed companies where his shareholding has not exceeded 1% of the votes at the general meeting in any of them.
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer

3 Senior management who are of significance to the claim that the Issuer has the requisite knowledge and experience to manage its operations

- Jacek Sadowski — Land Director;
- Jerzy Ślusarski — Investment Director; and
- Jerzy Bieniewski — Sales and Marketing Director.

Jacek Sadowski

Business address:	Dom Development S.A. — Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Commercial Proxy, Land Director

Detailed description of knowledge and experience of management:

Age:	54
Education:	Higher, Warsaw Agricultural University (SGGW) Msc (Eng.), Postgraduate studies in Foreign Trade (Warsaw School of Economics)
Career History:	
2000-present	Dom Development S.A., initially as an executive responsible for the purchase of residential development sites, then Deputy Land Director, currently Land Director
1988-2000	Thorkild Kristensen Polska (TDK), manager responsible for acquiring land for the development of hypermarkets, offices and warehouses and for the long-term letting of the developed space
1992-1998	PepsiCo Restaurants Poland sp. z o.o., the company's first employee in Poland, joint organiser of the company, responsible for the opening of the first 11 restaurants in Poland, then manager responsible for the purchasing or leasing of sites and premises for Pizza Hut, KFC and Taco Bell restaurants
1988-1992	Budimex S.A., initially as deputy contracts manager in Moscow, then contracts manager in Pskow, then head of the contracts team in Moscow and finally Chief Specialist in the Budimex operation in Moscow
1979-1985	Warszawskie Przedsiębiorstwo Robót Inżynieryjnych „INŻYNIERIA" — Specialist
1977-1979	Centrala Handlu Zagranicznego „PAGED" — Specialist

Jacek Sadowski hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been a member of the management board of Dom Land sp. z o.o. (currently), Dom Development Grunty sp. z o.o. (currently), Przedsiębiorstwo Techniczno-Inwestycyjne sp. z o.o. (currently), Dom City sp. z o.o. (liquidated), Leśny Dom sp. z o.o., Dom Development Nieruchomości sp. z o.o.; a shareholder in Dom Development S.A (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.

- During the past five years he has been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to section 14.1d of Schedule I to Regulation 809) in the following entities, which during his term of service were bankrupt or in liquidation or in administration: Dom City sp. z o.o. (the company's corporate purpose included the purchase and sale of property, after the sale of all property and closing liquidation acts, the company was liquidated on 12 January 2006).
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer nor has he been barred from managing or conducting the affairs of any issuer.

Jerzy Bieniewski

Business address:	Dom Development S.A. - Pl. Piłsudskiego 3, Warsaw
Function within the Issuer:	Sales and Marketing Director

Detailed description of knowledge and experience of management:

Age:	45
Education:	Higher, Sociology Institute at Warsaw University
Career History:	
2001-present	Dom Development S.A. Sales and Marketing Director
1997-2001	Teatr Syrena, Assistant Director
1994-1997	Wojciech Bogusławski State Theatre, Deputy Director
1991-1994	National Theatre Institute, Director of the Art Management Office
1986-1991	Teatr Rzeczpospolitej Polskiej, Director of the Art Management Office

Jerzy Bieniewski hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the past five years he has been Sales and Marketing Director at Dom Development S.A. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or a shareholder in any other companies.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to pt. 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

Jerzy Ślusarski

Business address:	Dom Development S.A. - Pl. Piłsudskiego 3, 00-078 Warsaw
Function within the Issuer:	Investment Director

Detailed description of knowledge and experience of management:

Age:	52
Education:	Higher, Faculty of Civil Engineering at Warsaw University of Technology
Career History:	
2002-present	Deputy Investment Director and Investment Director at Dom Development S.A.
2001-2002	Director of the Investment Preparation Department at J.W. Construction (within own business activity)
1993-2001	Production Manager and Production Director at Beton Stal S.A.
1993-1993	Own business activity
1992-1992	Investment Director at Euromex sp. z o.o.
1991-1992	Own business activity
1978-1991	Construction Engineer and Construction Manager at WPBE i P. Beton-Stal

Jerzy Ślusarski hereby declares that:

- He does not conduct activities outside Dom Development S.A. that could be of material significance to the Issuer.
- He has no family ties with other members of the administrative, management and supervisory bodies and senior management (who are referred to in section 14.1d of Schedule I to Regulation 809).
- During the last five years he has been: a management board member of WW Project sp. z o.o.; a supervisory board member and shareholder of Bestaco sp. z o.o.; a partner of JJ Budownictwo Fachowe s.c. (currently).
- Apart from the companies mentioned above, during the past five years he has not been a member of the administrative, management or supervisory bodies or shareholder in any other company.
- He has not been convicted of fraud.
- During the past five years he has not been a member of the administrative, management and supervisory bodies or a senior manager (pursuant to pt. 14.1d of Schedule I to Regulation 809) in a company that during his term of service was bankrupt or in liquidation or was in administration.
- He has not been the subject of public accusations by any statutory or regulatory authorities (including recognised professional bodies).
- During the past five years he has not been barred by the courts from being a member of the administrative, management or supervisory bodies of any issuer, nor has he been barred from managing or conducting the affairs of any issuer.

4 Conflicts of interest in the administrative, management and supervisory bodies and among the senior management

4.1 The Management Board

Pursuant to the declarations made, Jarosław Szanajca, Janusz Zalewski, Grzegorz Kiełpsz, and Janusz Michał Stolarczyk do not conduct private interests or fulfil other functions that would conflict with the Issuer's interests.

According to his declaration, Terry Roydon is a non-executive director of the Dutch registered and London Stock Exchange listed company Engel East Europe N.V., which operates as a developer in Central & Eastern Europe. Engel East Europe N.V. conducts approximately 10% of its business in Poland. In Terry Roydon's opinion there could be potential that the Issuer and Engel East Europe N.V. might compete with each other during the land buying process. However, Terry Roydon is not involved in land buying in Poland with Engel East Europe N.V., and so in his opinion, the potential for a conflict of interest to arise does not exist. Apart from the aforementioned, Terry Roydon does not conduct private interests and does not fulfil other functions which could conflict with the Issuer's interests.

4.2 The Supervisory Board

Pursuant to the declarations made, Zygmunt Kostkiewicz, Stanisław Plakwicz, Włodzimierz Bogucki, Richard Lewis, Markham Dumas and Michael Cronk do not conduct private interests or fulfil other functions which would conflict with the Issuer's interests.

4.3 Senior managers

Pursuant to the declarations made, Jacek Sadowski, Jerzy Ślusarski and Jerzy Bieniewski do not conduct private interests or fulfil other functions which would result in a conflict with their obligations to the Issuer.

5 Contracts and agreements with substantial shareholders, clients, suppliers or others under which the members of the administrative, management and supervisory bodies and senior management were appointed to their positions

Jarosław Szanajca was appointed President of the Management Board in accordance with the joint-venture agreement dated 27 March 1998 concluded between Dom Development B.V., Gres Investi sp. z o.o. and Jarosław Szanajca. The subject of the agreement is the joint development and subsequent sale of residential and commercial buildings in Poland. The agreement regulates the obligations of the parties regarding the future financial activities, management and activities of the company in order to promote the mutual interests of the parties. The joint-venture agreement was terminated on 10 August 2006 with effect as of the date of completion of the Offer.

6 The restrictions agreed by members of the management and supervisory bodies and senior management concerning the disposal of the Issuer's securities held by them within a given period of time

Pursuant to the "Shareholders Support and Subordination Agreement", dated 19 March 2003, entered into between the Issuer, EBRD and Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz, all of the aforementioned agreed not to sell, transfer, encumber or dispose, without the consent of EBRD, more than 50% of their interest in the Company, for a period of 12 months from the date of the Offer. However, the sale or transfer of shares among Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz is exempt from this agreement.

XXVIII. REMUNERATION AND BENEFITS

1 The Members of the Management Board

During 2005, the President of the Management Board, Jarosław Szanajca, received total remuneration of PLN 843,481 gross from the Issuer and PLN 198,599 gross from companies in the Group.

During 2005, the Vice President of the Management Board, Janusz Zalewski, received total remuneration of PLN 567,944 gross from the Issuer and PLN 198,599 gross from companies in the Group.

During 2005, the Vice President of the Management Board, Grzegorz Kiełpsz, received total remuneration of PLN 658,500 gross from the Issuer and PLN 84,000 gross from companies in the Group.

During 2005, Member of the Management Board, Janusz Stolarczyk, received total remuneration of PLN 581,569 gross from the Issuer and no remuneration from the companies in the Group.

In addition, each of above mentioned Members of the Management Board during 2005 was authorised to use a company car and mobile telephone.

Terry Roydon was first appointed to the Issuer's Management Board on 6 July 2006. He was then recalled on 1 August 2006 and reappointed on 10 August 2006, with effect as of 11 August 2006. He therefore received no remuneration in 2005 for performing the duties of Member of the Management Board, although he received remuneration as a Member of Supervisory Board in the amount of PLN 36,000. Terry Roydon is a Director of Hansom Property Company Ltd., a company which provides consulting services to the Company. A description of the transactions concluded between this company and the Issuer is included in Section XXXII *Related party transactions*.

Until 6 July 2006 Richard Lewis was a member of the Issuer's Management Board. During 2005 Richard Lewis received no remuneration for the performance of that function. Richard Lewis is employed by Woodsford Consulting Limited which provides the Issuer with consulting services. A description of the transactions concluded between this company and the Issuer is included in Section XXXII *Related party transactions*.

2 The Members of the Supervisory Board

During 2005, the Chairman of the Supervisory Board, Zygmunt Kostkiewicz, received total remuneration of PLN 60,000 gross from the Issuer and no remuneration from the companies in the Group.

During 2005, Member of the Supervisory Board, Stanisław Plakwicz, received total remuneration of PLN 36,000 gross from the Issuer and no remuneration from the companies in the Group.

Richard Lewis was appointed to the Issuer's Supervisory Board on 6 July 2006. He therefore received no remuneration in 2005 for performing the duties of a Member of the Supervisory Board. Richard Lewis is employed by Woodsford Consulting Limited that provides the Issuer with consultancy services. A description of the transactions concluded between that company and the Issuer is included in the "*Related party transactions*" section.

On 10 August 2006 Włodzimierz Bogucki, Markham Dumas and Michael Cronk were appointed to the Issuer's Supervisory Board, with effect as of 11 August 2006. Therefore in 2005 they did not receive remuneration for the performance of duties as members of the Issuer's Supervisory Board.

Terry Roydon was a member of the Supervisory Board until 6 July 2006. During 2005 Terry Roydon received remuneration in the sum of PLN 36,000 gross for the performance of that function from the Issuer, and he received no remuneration from companies in the Group.

Teresa Rogoźnicka was a member of the Supervisory Board until 6 July 2006. During 2005 Teresa Rogoźnicka received remuneration in the sum of PLN 36,000 gross for the performance of that function from the Issuer, and he received no remuneration from companies in the Group.

3 Senior managers

During 2005, Jacek Sadowski received total remuneration of PLN 352,028 gross from the Issuer and no remuneration from the companies in the Group.

During 2005, Jerzy Ślusarski received total remuneration of PLN 376,500 from the Issuer and no remuneration from the companies in the Group.

During 2005, Jerzy Bieniewski received total remuneration of PLN 336,800 gross from the Issuer and no remuneration from the companies in the Group.

In addition, each of the senior managers during 2005 were authorised to use a company car and mobile telephone.

4 Total sum set aside or accumulated by the Issuer or its subsidiaries for pensions or similar benefits

Neither the Issuer nor its subsidiaries have set aside or accumulated any funds allocated for the payment of pensions or similar benefits to the members of the management or supervisory bodies or senior managers who are of significance to the claim that the Issuer has sufficient knowledge and experience to manage its operations.

XXIX. PRACTICES OF THE MANAGEMENT AND SUPERVISORY BODIES

1 Date of expiration of the current term of office and the period during which the person has served in that office

1.1 The Management Board

Jarosław Szanajca, Janusz Zalewski, Grzegorz Kiełpsz and Janusz Stolarczyk and Terry Roydon were appointed as Members of the Management Board on 5 September 2006 for a joint three-year term of office which will expire on 5 September 2009, with the proviso that pursuant to pt. 11.2 of the Statute the mandates of the existing members of the Issuer’s corporate bodies will expire on the day of the first Shareholders Meeting following the registration by the court of the increase in the share capital through the Offer.

1.2 The Supervisory Board

Zygmunt Kostkiewicz, Stanisław Plakwicz, Richard Lewis, Michael Cronk, Markham Dumas and Włodzimierz Bogucki were appointed to the Supervisory Board on 5 September 2006 for a joint three-year term of office which will expire on 5 September 2009, with the proviso that pursuant to pt. 11.2 of the Statute the mandates of the existing members of the Issuer’s corporate bodies will expire on the day of the first Shareholders Meeting following the registration by the court of the increase in the share capital through the Offer.

2 Service agreements between members of the administrative management and supervisory bodies and the Issuer or its subsidiaries defining the benefits to be paid upon termination of their employment

Members of the Company’s Management Board: Jarosław Szanajca, Janusz Zalewski, Grzegorz Kiełpsz and Janusz Stolarczyk are employed by the Company on the basis of employment contracts.

In accordance with provisions of employment contracts with individual members of the Issuer’s Management Board, their employment shall cease on the following terms:

<table>
<tr><th rowspan="2">Unit</th><th></th><th rowspan="2">Executive Name</th><th colspan="2">Period of notice of termination contract (months)</th><th colspan="2">Note</th></tr>
<tr><th></th><th>Company to Employee</th><th>Employee to Company</th><th colspan="2"></th></tr>
<tr><td rowspan="4">The Board</td><td>1</td><td>Szanajca Jarosław</td><td colspan="2">8</td><td>First payment of 50% of 8-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>2</td><td>Kiełpsz Grzegorz</td><td>6</td><td>3</td><td>First payment of 50% of 6-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>3</td><td>Zalewski Janusz</td><td colspan="2">6</td><td colspan="2"></td></tr>
<tr><td>4</td><td>Stolarczyk Janusz</td><td>9</td><td>3</td><td>First payment of 50% of 9-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 8 equal monthly payments</td></tr>
</table>

Apart from the aforementioned payments to be made by the Company to four members of the Management Board in connection with a notice period in the event of the termination of their employment contracts, they are not entitled to any other payments from the Issuer or its subsidiaries upon the termination of their employment.

Janusz Zalewski is entitled to be granted options on 1.5% of the new shares to be issued in the IPO. These options will form part of "Incentive Plan II".

Terry Roydon, a member of the Management Board does not receive any remuneration for the performance of his functions. Zygmunt Kostkiewicz, Stanisław Plakwicz, Włodzimierz Bogucki, Richard Lewis, Markham Dumas, Michael Cronk, who are members of the Supervisory Board, receive their remuneration pursuant to the resolution of the Company's Shareholders Meeting dated 16 December 2004. The level of their remuneration was amended under resolution no. 10 of the Shareholders Meeting of 9 August 2006. This resolution enters into force on the date on which the District Court registers the amended Statute of Dom Development, performed on the basis of resolution no. 2 of the Dom Development Extraordinary Shareholders Meeting dated 9 August 2006, concerning amendment to the Statute of the Company.

3 The Issuer's Audit and Remuneration Committees

The Statute, pursuant to the Good Practices Principles of the WSE, provides for the existence of both an Audit and Remuneration Committees.

Pursuant to the Statute, the Audit Committee is composed of at least three members appointed by the Company's Supervisory Board from among the latter's members. At least two of the Audit Committee's members must be an Independent Member of the Supervisory Board as defined in Clause 7.7 of the Company's Statute. The tasks of the Audit Committee relate to the Company's financial matters.

Specific functions and the manner of the Audit Committee's operation are set out in the Audit Committee Regulations, which constitute an Appendix to the Supervisory Board Bylaws, available at the Company's website.

The following persons were appointed to the Audit Committee: Włodzimierz Bogucki (Chairman), Richard Lewis and Michael Cronk.

The Remuneration Committee is composed of at least two members appointed by the Company's Supervisory Board from among the latter's members. At least one of the Remuneration Committee's members must be an Independent Member of the Supervisory Board as defined in Clause 7.7 of the Company's Statute. The tasks of the Remuneration Committee specifically relate to determining the remuneration of the Management Board members of the Company and introducing stock-option incentive plans.

Specific functions and the manner of the Remuneration Committee's operation are set out in the Remuneration Committee Regulations, which constitute an Appendix to the Supervisory Board bylaws, available at the Company's website.

The Remuneration Committee comprises the following persons: Stanisław Plakwicz (Chairman), Richard Lewis and Markham Dumas.

4 Corporate governance procedures

Under resolution No. 01/08/06 dated 9 August 2006 the Issuer's Management Board resolved to observe the principles of corporate governance as referred to in resolution No. 44/1062/2004 of the Board of the WSE dated 15 December 2004 and resolution No. 445/1063/2004 dated 15 December 2004 of the Board of the WSE concerning acceptance of the principles of corporate governance for joint-stock companies that are issuers of shares, convertible bonds or bonds with attached priority rights, admitted to stock exchange trading on an official market.

Resolution no. 7 dated 9 August 2006 of the Shareholders Meeting of the Issuer confirmed the intention of the Issuer to observe all corporate governance principles.

XXX. EMPLOYEES

5 The Issuer's total employment

As at	Number of employees
31 December 2003	136
31 December 2004	156
31 December 2005	149
approval of the Prospectus	151

Source: The Issuer.

6 Employment according to the legal form of employment by the Issuer

	Financial year ended 31 December (as at 31 December)			
	2003	2004	2005	At Prospectus approval date
Employment contract	136	156	149	151
Service contract	23	20	32	20
Agreement for a specific task	4	4	2	0
Total	**163**	**180**	**183**	**171**

Source: The Issuer.

7 Employment according to the function performed at the Issuer (average number of people)

	Financial year ended 31 December (as at 31 December)			
	2003	2004	2005	At Prospectus approval date
Management Board	4	4	4	4
Senior management	12	13	15	15
Administration	30	31	31	28
Other employees	90	108	99	104
Total	**136**	**156**	**149**	**151**

Source: The Issuer.

8 Shares held by members of the Issuer's management and supervisory bodies

Member of the management or supervisory body	Number of shares	Nominal Value (PLN)	Total nominal value of the shares (PLN)	Series of shares
Jarosław Szanajca	157,500	1.00	157,500.00	A[(1)]

Member of the management or supervisory body	Number of shares	Nominal Value (PLN)	Total nominal value of the shares (PLN)	Series of shares
	1,601,550		1,601,550.00	B(1)
Grzegorz Kiełpsz	652,500	1.00	652,500.00	A(1)
	648,450		648,450.00	B(1)
	109,800		109,800.00	F(1)
Janusz Stolarczyk	72,000	1.00	72,000.00	E(2)
	34,200		34,200.00	F(1)
Janusz Zalewski	81,000	1.00	81,000.00	F(1)
	92,700		92,700.00	G(2)
	77,700		77,700.00	E(2)
Zygmunt Kostkiewicz	90,000	1.00	90,000.00	A(1)
Terry Roydon (3)	36,000	1.00	36,000.00	F(1)
	22,500		22,500.00	E(2)

(1) As at the day on which the Prospectus was approved, these are New Series A Shares.

(2) Series E Shares and Series G Shares indicated in this table were redeemed upon registration of the Company's share capital decrease, as described in Section XXI *Information concerning the shares to be offered and admitted to trading*. For the purpose of substituting the redeemed shares Janusz Stolarczyk and Terry Roydon under an agreement dated 10 August 2006 will subscribe Series H Shares, Janusz Zalewski under the agreements dated 10 August 2006 will subscribe Series H, I and L Shares, and the depositary which was appointed by the Company's Management Board (i.e. Centralny Dom Maklerski Pekao S.A.) for the purpose of administering the purchase of the Shares by authorised persons under one of the incentive programmes described in Section XXX *Employees*, will subscribe Series J Shares that will be issued upon a resolution of the Shareholders Meeting of Shareholders dated 2 August 2006.

(3) Terry Roydon also holds 2,005 shares constituting approx. 0.9% of the outstanding share capital of Dom Development B.V.

Richard Lewis, Member of the Supervisory Board, holds no shares of the Issuer. However, he holds 6,068 shares in Dom Development B.V., representing approximately 2.7% of the outstanding shares in Dom Development B.V.

Markham Dumas, Member of the Supervisory Board, does not hold shares in the Issuer. However he does hold 5,509 shares in Dom Development B.V. (2,205 shares directly and 3,304 shares indirectly through Trustees of the Margaux Settlement).

Michael Cronk, Member of the Supervisory Board, does not hold shares in the Issuer. His wife, however, holds 3,445 shares in Dom Development B.V.

9 Decisions concerning employee participation in the Issuer's share capital

9.1 Incentive Programme II

On 10 August 2006 the Shareholders Meeting of Dom Development S.A. adopted a resolution which authorises the Supervisory Board to approve the terms and conditions of Management Option Incentive Programme II ("Programme II") in respect of 726,000 shares in Dom Development S.A. with the proviso that in each subsequent 12-month period of the Programme's duration, the grant of options cannot cover more than 242,000 shares, and additionally authorised the Management Board and Supervisory Board to its finalisation. On 5 September 2006 the Supervisory Board adopted resolution No. 5 concerning acceptance of the provisions of Programme II. Pursuant to the provisions of Programme II one or several share issues, with a nominal value of PLN 1.00 each, are planned (the "Tranches"). The granting of options is performed by the Supervisory Board by way of a resolution. The date of a resolution granting options by the

Supervisory Board is the date of the granting of the options (the "Grant Date"). The Supervisory Board resolution will specify the persons authorised to take part in Programme II along with the number and issue price for each of these persons. The issue price cannot be lower than 90% of the market price on the Grant Date, and if the Company is listed on an exchange, the price cannot be lower than 90% of the arithmetical average of closing prices for the last 30 days of trading in the Company's shares on a regulated market preceding the Grant Date. For persons who accept participation in Programme II the Company will confirm the grant of the option to subscribe a specified number of shares for a defined price on defined dates (the "Option"). The Supervisory Board may specify additional conditions required for the exercise of an Option. An option cannot be exercised before the lapse of three years from the date of its granting and later than seven years from its granting. For the purpose of the performance of Programme II, the Shareholders Meeting on 10 August 2006 authorised the Management Board to increase the share capital of the Company within the limits of the authorised and unissued capital and to issue subscription warrants for exercising rights to subscribe for shares in the Company within a period of three years from the date of registration of the amendments to the statute. Programme II provides, insofar as this will be necessary, after the Grant Date for a given Tranche, for the Management Board to propose to the Shareholders Meeting the adoption of a resolution concerning amendment to the statute and the renewal of the Management Board's authorisation for a period of three years from the date of registration of the amendments to the statute, to increase the share capital by a maximum of 726,000 shares less the shares already issued under Programme II and covered by the authorised and unissued capital, the exclusion of the pre-emptive rights of existing shareholders upon the Supervisory Board's consent and the issue of subscription warrants. As of this date, the Board has not granted Options under Programme II.

9.2 Incentive Programme I B

On 22 March 2006 Dom Development's Supervisory Board accepted the provisions of Management Option Incentive Programme 1 A in respect of 96,750 series E shares in Dom Development ("Programme I A"). On 22 March 2006 the Supervisory Board adopted a resolution determining the persons authorised to subscribe options under Programme I A, and the purchase price of series E shares in the exercise of the option. On 10 April 2006, the Supervisory Board in reference to the resolution dated 22 March 2006 adopted a resolution concerning specifying the date for the exercise of the option. The Company granted the option to purchase series E shares and subsequently, pursuant to the provisions of Programme I A concluded with those persons preliminary agreements (details concerning the terms and conditions of the options for particular persons are contained in the table below). On 2 August 2006 the Company's Shareholders Meeting adopted resolution No. 1 on redeeming the above series E shares, and subsequently a resolution on increasing the share capital, and *inter alia*, the issue of 96,750 series J shares, and on 5 September 2006 the Supervisory Board by way of resolution No. 4 adopted the provisions of Management Option Incentive Programme IB concerning 96,750 series J shares in Dom Development S.A ("Programme I B"). The Company's intention is a continuation of Programme I A as Programme I B. For this purpose, the Company took a decision on offering series J shares to the depositary, Centralny Dom Maklerski Pekao S.A. (the "Depositary"). The Depositary on the basis of a separate agreement will dispose of these shares to the programme participants. Pursuant to the provisions of Programme I B, the Supervisory Board will adopt a resolution in which it will specify the persons authorised to participate in Programme I B, and the number and price of the shares for each of these persons, as well as the date for the exercise of their options for the purchase of the Company's shares ("Option Period") on the assumption that these persons will participate in Programme I A and they will be granted options for the purchase of the Company's shares on the same terms and conditions as the options under Programme 1 A as signed by them, with the proviso of the provisions of Programme I B. Persons who accept participation in Programme 1 B will be granted options as a result of which these persons will be obliged to sign with the Depositary a preliminary agreement for the sale of the shares on the same terms and conditions as the pre-sale agreements concluded by them under Programme I A, with the proviso of the provisions of Programme I B. During the Option Period authorised persons will be authorised to conclude share sale agreements with the Depositary.

Terms and Conditions granted to authorised persons under Programme I B

Purchaser	Date of Conclusion of the Agreement	Number of series E Shares	Option Period	Purchase price per share (PLN)
Jacek Sadowski........................	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6,10
Jerzy Ślusarski.........................	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6,10
Jerzy Bieniewski......................	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6.10
Krzysztof Krzywicki................	11.05.2006	8,000	from 22.03.2009 to 22.03.2013	6.10
Dariusz Gołębiewski................	11.05.2006	5,500	from 22.03.2009 to 22.03.2013	6.10
Marek Dalba	11.05.2006	5,500	from 22.03.2009 to 22.03.2013	6.10
Wojciech Kłopocki	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Ewa Dudkiewicz-Kopytko.......	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Waldemar Sobczyk..................	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Stanisław Szczygielski.............	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Tomasz Wielogórski................	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Roman Korniak........................	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Jacek Orkisz.............................	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10

9.3 Incentive Programme I

On 29 January 2001 the Supervisory Board of Dom Development S.A approved the provisions of Programme 1 for Management Options concerning series E Shares in Dom Development S.A., and on 26 September 2002 the Supervisory Board of Dom Development S.A approved the provisions of Programme 1 for Management Options concerning series G Shares in Dom Development S.A. (together "Programme 1). Pursuant to the provisions of Programme 1, the qualifying persons to whom Programme 1 was directed and who concluded preliminary share sale agreements (a schedule of the qualifying persons together with the terms of those agreements is contained in the table below) are entitled to demand that the Issuer concludes a share sale agreement with the given qualifying person during the option period – i.e. on the date specified by that qualifying person which, however, may not fall earlier than 30 April 2003 nor later than 30 April 2007 – on the terms specified in the agreement with that person and in the Programme. Under Programme 1 10 300 series G Shares and 35 600 series E shares in the Issuer were allocated (the number of shares stated is prior to the 1 for 9 split which took place on 18 February 2003). 10 750 series E Shares (prior to the split and 96 750 series E Shares after the split) were used in the realisation of Programme 1A. As all the shares are allocated, the Programme is closed for the grant of further options.

Preliminary share purchase agreements:

The Buyer	Date of the conclusion of the agreement	No. of shares*	Series of shares	Option period	Price per share in USD t the price on the date of payment[(1)]
Janusz Zalewski	25.04.2001	25,100 (225,900)	E	between 30.04.2003 and 30.04.2007	7.71(0.86)
Janusz Zalewski	25.11.2002	10,300 (92,700)	G	between 30.04.2003 and 30.04.2007	6.43(0.71)
Terry Roydon	24.04.2001	2 500 (22,500)	E	between 30.04.2003 and 30.04.2007	7.71(0.86)
Janusz Stolarczyk	25.04.2001	8,000 (72,000)	E	between 30.04.2003 and 30.04.2007	7.71(0.86)

(1) As at 18.02.2003 the Issuer carried out a split of the shares following which 9 shares with a nominal value of PLN 1 were issued for each share with a nominal value of PLN 9. Consequently the number of shares allocated to the qualifying persons and the purchase price specified in the preliminary agreements were amended. The table incorporates the information from the preliminary agreements on the date on which they were concluded - i.e. prior to the share split and the brackets specify the number of shares and the purchase price following the share split.

Share purchase agreements[(2)]

Purchaser	Date of conclusion of the agreement	Number of Shares	Series of Shares	Aggregate price (PLN)
Janusz Zalewski	15.03.2006	77,700	E	219,637.23
Janusz Stolarczyk	20.01.2006	72,000	E	200,311.97
Janusz Zalewski	05.08.2005	46,350	G	111,413.74
Janusz Zalewski	27.12.2005	46,350	G	108,996.38
Terry Roydon...	28.06.2006	22,500	E	61,505.91

(2) The share purchase agreements were concluded after the buyers – who are members of the Issuer's management and supervisory bodies – exercised their options to buy the shares allocated to them under Programme 1 for Management Options Concerning Shares in Dom Development S.A.

XXXI. MAJOR SHAREHOLDERS

1 The names of those, other than the members of the management and supervisory bodies who directly or indirectly hold shares or voting rights in the Issuer, must be disclosed (to the extent that the Issuer is aware) under the laws of the Issuer's country, as well as the number of shares held by such persons. In the event that there are no such persons, then a declaration confirming that fact should be provided.

Dom Development B.V. holds 17,728,290 shares and votes at the Shareholders Meeting, which constitutes 83.06% of the Company's share capital and of the total votes at the Shareholders Meeting. Dom Development B.V. does not have any other voting rights other than those attached to the aforementioned shares; however from the date of the first Shareholders Meeting after registration of the increase in the share capital through the Offer, it will hold specified personal authorisation in respect of appointing the Company's corporate bodies. Dom Development B.V. is controlled by Scop Poland S.A. with its registered office in Luxembourg, which holds a 59.28% share in its capital and votes at the shareholders meeting of Dom Development B.V. Scop Poland S.A. is a wholly-owned subsidiary of Scop Poland Holdings S.A., which is itself wholly owned by the Scop 2003 Trust, one of Yves Bonavero's family trusts.

2 To the extent that the Issuer is aware, it should state whether the Issuer directly or indirectly belongs to another entity or person or is controlled by such an entity or person and should specify that entity or person and should describe the nature of such control and the mechanism which exist to prevent the abuse of such control.

As far as the Issuer is aware it is directly controlled by Dom Development B.V. which holds 17,728,290 shares and votes at the Shareholders Meeting, which constitutes 83.06% of the Company's share capital and of the total votes at the Shareholders Meeting. Dom Development B.V. does not have any other voting rights other than those attached to the aforementioned shares.

Dom Development B.V.'s control over the Issuer is primarily through its holding the majority of votes at the Issuer's Shareholders Meeting. Furthermore, pursuant to the Issuer's Statute, Dom Development B.V., as an entity holding 50.1% or more of shares in the Company, will have from the date of the first Shareholders Meeting after registration of the increase of the share capital through the offer, in particular the following personal rights with regard to the composition of the Company's governing bodies:

- appointment and dismissal of half of the Management Board members, including the President of the Management Board and the Vice-President of the Management Board responsible for the Company's finances, pursuant to the Management Board bylaws;
- appointment and dismissal of half of the members of the Supervisory Board, including the Deputy Chairman; in the event of an odd number of Supervisory Board members the shareholder holding at least 50.1 % of the Company's shares will be authorised to appoint and dismiss, accordingly: three members (where the Supervisory Board consists of five persons), four members (where the Supervisory Board consists of seven persons), and five members (where the Supervisory Board consists of nine persons). The above entitlement is exercised by way of service to the Company of a written declaration on appointment or dismissal of a given Supervisory Board member;
- designation of the Chairman of the Supervisory Board if the Supervisory Board is elected in group voting pursuant to Article 385 of the Commercial Companies Code.

Dom Development B.V. is controlled by Scop Poland S.A., which holds a 59.28% share of its capital and votes at the shareholders meeting of Dom Development B.V. Scop Poland S.A.'s control over Dom Development B.V. is of a capital nature. Scop Poland S.A. is a wholly-owned subsidiary of Scop Poland Holdings S.A., which is itself wholly owned by the Scop 2003 Trust, one of Yves Bonavero's family trusts.

The Issuer's Statute includes the following provisions preventing abuse of control.

At least two Supervisory Board members appointed by the Shareholders Meeting must be independent Board members. The criteria of independence are described in clause 7.7 of the Issuer's Statute. The Chairman of the Supervisory Board is appointed and dismissed by the Shareholders Meeting, from amongst independent Board members.

The Supervisory Board shall oversee the operations of the Company on an on-going basis in all its fields of activity. Aside from the matters specified in the provisions of the Commercial Companies Code and other provisions of the Statute, the Supervisory Board's competencies encompass:

- performances of any kind by the Company and any entities affiliated with the Company in favour of Management Board members (point 7.12.1 of the Company's Statute);
- consent to the execution by the Company or a subsidiary of a key agreement with an entity affiliated with the Company, a member of the Supervisory Board or Management Board, or with their affiliated entities (point 7.12.2 of the Company's Statute);
- appointment of an auditor to audit the Company's financial statements (point 7.12.3 of the Company's Statute).

Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast. The adoption of resolutions in matters referred to in points 7.12.1-7.12.3 of the Issuer's Statute, mentioned above, requires a vote in favour of such resolutions by the majority of the independent Supervisory Board members.

In addition, the Supervisory Board appoints an Audit Committee which shall be responsible for overseeing the Company's financial affairs. The Audit Committee consists of at least three members, with at least two of them being independent members of the Supervisory Board. The Chairman of the Audit Committee is appointed by the Supervisory Board from amongst the independent Supervisory Board members.

The Supervisory Board appoints, from amongst its members, a Remuneration Committee. The Remuneration Committee consists of at least two members, including the Chairman appointed from amongst the independent Board members.

3 Description of any agreements of which the Issuer is aware and whose realisation may lead to changes in the way control is exercised over the Issuer in the future

On 27 March 1998 a joint venture agreement was concluded between Dom Development B.V., Gres Investi sp. z o.o. and Jarosław Szanajca concerning the transformation of Dom Development sp. z o.o. into Dom Development S.A. and the subsequent joint construction and sale of residential and commercial property in Poland by the transformed company. In respect of the transfer of shares the Agreement provides, amongst others, a first refusal right concerning the acquisition by the existing shareholders of Shares belonging to a shareholder intending to dispose of his shares. In light of this, any possible change of control over the Issuer as referred to in this point, may take place by way of acquiring a controlling shareholding in the Company by Gres Investi sp. z o.o. or by Jarosław Szanajca from Dom Development B.V. The above agreement was terminated upon an understanding among the parties on 10 August 2006, with effect upon the completion of the Offer, in connection with which a change of control over the Issuer will not be possible after completion of the Offer under the above-mentioned agreement.

XXXII. RELATED PARTY TRANSACTIONS

In the period covered by the audited historical financial information and in the period from 1 January 2006 to at the day on which the Prospectus was approved, the Issuer was a party to transactions with related parties, as defined in regulation No. 1606/2002 and IAS 24. In the light of the definitions arising out of IAS 24, the following entities should be considered related to Dom Development:

- Dom Development Morskie Oko sp. z o. o. – Dom Development holds 100% of this company's shares and the same number of votes at a general meeting.
- Dom Development Na Dolnej sp. z o. o. - Dom Development holds 100% of this company's shares and the same number of votes at a general meeting.
- Dom Development Zarządzanie Nieruchomościami sp. z o. o. - Dom Development holds 100% of this company's shares and the same number of votes at a general meeting.
- Fort Mokotów sp. z o .o. – the entity is treated as a joint-venture in which the company is a party. Dom Development holds 49% of the company’s shares and the same number of votes at a general meeting.
- Dom Development Grunty sp. z o.o. - Dom Development holds 46% of this company’s shares and the same number of votes at a general meeting.
- Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" – Dom Development holds 52.45% of this company’s shares (50% directly and 2.45% indirectly) and the same number of votes at a general meeting.
- Key and management personnel of the Company and persons related to them
- Entities affiliated with key and management personnel of the Company and persons related to them (Hansom Property Company Limited, Woodsford Consulting Limited).
- Direct shareholders (Dom Development B.V.) and indirect shareholders (e.g. shareholders of Dom Development B.V.).
- PTI sp. z o.o. - Dom Development holds 53.52 % of this company’s shares (48% directly and 5.52% indirectly) and the same number of votes at a general meeting.

In the period covered by the audited historical financial information and in the period from 1 January 2003 to the day on which the Prospectus was approved, the Issuer was a party to the transactions with affiliated entities presented below. Unless otherwise indicated in this section of the Prospectus, the value of transactions and settlements between parties has been presented in thousands of Polish zlotys. Transaction descriptions have been presented in the tables below. In particular circumstances, descriptions of individual agreements or explanations have been described separately. Due to the size of the Company’s turnover it was decided that if transactions with an affiliated entity in the periods shown did not exceed PLN 100,000, then all the transactions related to this party were omitted.

Dom Development as the recipient of benefit (buyer) [(1)]

Counterparty	Transaction description	To the Prospectus approval date	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000	1,122	1,299	1,396	1,272
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	104	252	239	289
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom	insurance against risk of financial losses	365	386	0	0

(1) All figures shown are on an accrual basis

Dom Development buying land as part of a mandate agreement

Counterparty	Transaction description	To the approval date of the Prospectus	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Dom Development Grunty sp. z o.o.	Amounts transferred to Dom Development Grunty sp. z o.o. for the purchase of land as part of specified work contracts	714	17,464	13,852	11,627
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	23,191	16,578	11,371	11,551
Dom Development Grunty sp. z o.o.	Additional transfers for VAT payments to invoices transferring the ownership of land to Dom Development S.A.	3,984	701	1,380	94
Dom City sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	0	0	0	1,694

Dom Development selling property

Counterparty	Transaction description	To the Prospectus approval date	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Dom Development Morskie Oko sp. z o.o.	Sale of land	0	0	0	8,658
Dom Development Morskie Oko sp. z o.o.	Sale of residential property	0	0	8,093	0

Dom Development providing services (seller)

Counterparty	Transaction description	To the Prospectus approval date	01.01- -31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Fort Mokotów sp. z o.o.	General Project Realization agreement dated 15 April 2002	2,657	5,640	2,620	375
Fort Mokotów sp. z o.o.	Sale agreement and agreement for the provision of advertising and marketing services dated 15 April 2002	5,012	6,863	3,893	1,544
Fort Mokotów sp. z o.o.	Other	9	93	100	15
Dom Development Morskie Oko sp. z o.o.	Investor Substitution agreement dated 4 November 2002	0	0	80	1,520
Dom Development Morskie Oko sp. z o.o.	Sale agreement and agreement for the provision of advertising and marketing services dated 4 November 2002	0	30	300	1,100
Dom Development Morskie Oko sp. z o.o.	Agreement for the provision of all financial, accounting and administrative services	0	0	360	360
Dom Development Morskie Oko sp. z o.o.	Other	63	30	16	172

Dom Development as the payer of share capital or additional capital

Counterparty	Transaction description	To the Prospectus approval date	01.01- -31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom	Purchase of shares	0	800	0	0
Dom Development Morskie Oko sp. z o.o.	Additional payments to capital	0	0	0	19,000
Fort Mokotów sp. z o.o.	Additional payments to capital	0	0	294	28,616
Dom Development Zarządzanie Nieruchomościami sp. z o.o.	Payment of Share Capital	0	0	100	0

Dom Development as recipient of a dividend

Counterparty	Transaction description	To the Prospectus approval date	01.01- -31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Fort Mokotów sp. z o.o.	Dividend (gross)	14,246	0	0	0

Dom Development as recipient of a refund of an additional payment to capital

Counterparty	Description	To the Prospectus approval date	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Dom Development Morskie Oko sp. z o.o.	Refund of additional payment to capital	14,000	0	0	0
Fort Mokotów sp. z o.o.	Refund of additional payment to capital	14,455	0	0	0

Loan agreements from significant shareholders

The Issuer, as a borrower, has concluded the following loan agreements with related parties:

Loan agreement of 6 January 2000, amended by an annex dated 22 December 2004, between the Company as the borrower and Dom Development B.V. as the lender, for USD4,702,000. The amount outstanding as at 30 June 2006 amounted to USD2,351,000. Interest: 12-month LIBOR plus a 5.50% margin annually. Repayable in three instalments: (i) one-third of the loan on 31 October 2006, (ii) one-third of the loan on 31 October 2007, and (iii) one-third of the loan on 31 October 2008.

Loan agreement of 10 December 2001, amended by an annex dated 22 December 2004, between the Company as the borrower and Dom Development B.V. as the lender, for USD1,031,554. Interest: 12-month LIBOR plus a 5.5% margin annually. Repayment in three instalments: (i) one-third of the loan on 31 October 2006, (ii) one-third of the loan on 31 October 2007, and (iii) one-third of the loan on 31 October 2008.

Loan agreement of 28 October 2002 between the Company as the borrower and Dom Development B.V. as the lender, for USD2,053,725. Interest: 12-month LIBOR plus 5.25% annually, payable annually by 30 November of each year. Repayment was made on 23 November 2004.

The table below shows the value of settlements from loans contracted by the Issuer from Dom Development B.V. (in thousands of Polish zlotys).

Dom Development as payer of interest on loans

Counterparty	Description	To the Prospectus approval date	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Dom Development B.V.	Interest costs under shareholder loan agreements	585	988	1,157	1,485
Dom Development B.V.	Principal paid on loan agreement dated 28 October 2002	0	0	6,732	0

The balances of the above loans are included in the table below.

Balances with related parties in the year 2003-2006

	Receivables from related partie				Liabilities to related parties			
Entity	**To the Prospectus approval date**	**31.12. 2005**	**31.12. 2004**	**31.12. 2003**	**To the Prospectus approval date**	**31.12. 2005**	**31.12. 2004**	**31.12. 2003**
Total balance	21,600	72,475	63,538	80,133	11,373	11,222	11,125	20,571
Balances less than PLN 100,000	48	76	0	0	90	1	36	0
Balances greater than PLN 100,000	21,552	72,399	63,538	80,133	11,283	11,221	11,089	20,571
Subsidiary companies	3,688	17,659	32,257	32,727	—	—	—	—
Dom City sp. z o.o.	—	—	142	508	—	—	—	—
Dom Development Morskie Oko spółka z o.o.	41	—	12,615	12,170	—	—	—	—
Dom Development Morskie Oko spółka z o.o. dopłaty do kapitału	3,647	17,659	19,500	19,500	—	—	—	—
Chopin Projekt spółka z o.o.	—	—	—	549	—	—	—	—
Affiliated companies	1,459	24,559	1,661	18,115	—	—	800	—
Dom Development Grunty spółka z o.o.	965	24.559	1.661	18.115	—	—	—	—
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom	494	—	—	—	—	—	800	—
joint-venture companies	16,405	30,181	29,620	29,291	90		—	—
Fort Mokotów spółka z o.o.	1,950	1,271	710	675	90	—	—	—
Fort Mokotów spółka z o.o. additional payments to the share capital	14,455	28,910	28,910	28,616	—	—	—	—
Other entities	—	—	—	—	11,283	11,221	10,289	20,571
Woodsford Consulting Ltd	—	—	—	—	250	109	103	117
Dom Development B.V.	—	—	—	—	11,033	11,112	10,186	20,454

Shareholders support and subordination agreement

The “Shareholders support and subordination agreement” was concluded on 19 March 2003 between the Issuer, Dom Development B.V., Jarosław Szanajca, Grzegorz Kiełpsz and EBRD in relation to conclusion of the Loan Agremment dated 19 March 2003 between the Company and EBRD, a description of which is presented in Section XXXV *Material contracts* which includes descriptions of the Issuer’s significant agreements. The agreement provides that all liabilities to the Issuer's above mentioned shareholders are subordinated to the Issuer's liabilities to EBRD. The Agreement also contains a series of undertakings on the part of the aforementioned shareholders regarding the management of the Issuer. In particular, the Agreement obliges the shareholders to use their best efforts to ensure that the Company performs certain functions and does not perform others within the scope of its business. Furthermore, the Agreement stipulates that the shareholders cannot take specified steps against the Company without EBRD’s prior consent. Under the Agreement dated 7 August 2006 (described in detail in Section XXXV *“Material contracts”*) between EBRD, Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz, in connection with the Offer EBRD agreed to temporarily delete from, or waive under, the “Shareholders Support and Subordination Agreement” certain provisions corresponding to the suspended or repealed provisions of the Loan Agreement concluded between the Issuer and EBRD on 19 March 2003.

Acquisition of shares in PTI sp. z o.o.

On 28 July 2006 Dom Development acquired from Dom Development Grunty sp. z o.o. 24 shares in PTI sp. z o.o. with its registered seat in Warsaw, representing 48% of this company's shares. Total value of the transaction was PLN 24,000.

Dom Development as the buyer/seller of its own shares

On 31 January 2005 the Issuer concluded an agreement to buy from Marek Rawdanowicz 36,000 Series F shares for an aggregate sum of PLN 149,760.

On 23 February 2006, the Issuer concluded an agreement to sell to Terry Roydon 36,000 Series F shares for an aggregate sum of PLN 149,760.

On 2 August 2006 the Issuer concluded agreements on the purchase of its own shares on the following terms and conditions:

- from Janusz Stolarczyk 72,000 registered series E shares for a total of PLN 201,600;
- from Terry Roydon 22,500 registered series E shares for a total of PLN 63,000;
- from Janusz Zalewski 77,700 registered series E shares for a total of PLN 217,560;
- from Janusz Zalewski 92,700 registered series G shares for a total of PLN 220,626.

All of the shares held by the Issuer will be redeemed in accordance with a resolution of the Shareholders Meeting, described in Section XXI *Information concerning the shares offered and their admission to trading*.

Promissory agreements for the sale of residential premises/land concluded between the Issuer and management personnel or their relatives

Affiliated entity	Date	Description	Value	Payments made as at the Prospectus approval date
			(PLN)	
Jarosław Szanajca and Iwona Jackowska--Szanajca	29.03.2006	Promissory sale agreement concerning residential premises with an area of 89.1 sq. m, together with two auxiliary spaces and two parking spaces	557,743.75	278,871.12
Janusz Zalewski	12.04.2006	Promissory sale agreement concerning residential premises with an area of 242.4 sq. m, together with two auxiliary spaces and two parking spaces	2,945,200	235,616
Janusz Stolarczyk	31.05.2004	Promissory sale agreement concerning residential premises with an area of 54.4 sq. m, together with auxiliary space, additional technical space and a parking space	224,162	224,162
Stanisław Plakwicz and Małgorzata Domagalik--Plakwicz	17.03.2005	Agreement on cancellation of collective and re-registration of residential premises with an area of 45.3 sq. m, together with auxiliary space, in execution of preliminary contract entered into before 01.01.2003 value: PLN 152,443.70	n/a	n/a
Jerzy Bieniewski	29.12.2004	Agreement concerning the establishment of separate ownership and sale of residential premises with an area of 51.3 sq. m, together with auxiliary space and a parking space	221,375	221,375
Jacek Sadowski and Jolanta Sadowska	21.12.2004	Agreement concerning the establishment of separate ownership and sale of residential premises with an area of 38.5 sq. m, together with auxiliary space and a parking space	179,130.28	179,130.28

Affiliated entity	Date	Description	Value	Payments made as at the Prospectus approval date
Jerzy Bieniewski	04.08.2004	Promissory sale agreement concerning residential premises with an area of 64.4 sq. m, together with auxiliary space and a parking space	346,005.63	343,374.86
Anne Germaine Marie-Louise Bonavero and Yves Jean Marc Bonavero	17.06.2004	Promissory sale agreement concerning residential premises with an area of 169.5 sq. m, together with auxiliary space and a parking space	2,279,741	2,279,741
Jarosław Szanajca	17.09.2004	Agreement on cancellation of colletive ownership and re-registration of residential premises with an area of 46.4 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 163,149 On 13.03.2003 conclusion of a promised sale agreement in respect of a parking space with a value of PLN 9,760	n/a	n/a
Grzegorz Kiełpsz	17.09.2004	Agreement on cancellation of colletive ownership and re-registration of residential premises with an area of 35.3 sq. m, in execution of preliminary contract entered into before 01.01.2003 On 09.12.2003 conclusion of a promised sale agreement in respect of a parking space with a value of PLN 9,760 Total value PLN 146,371	n/a	n/a
Zygmunt Kostkiewicz and Katarzyna Morawska--Kostkiewicz	17.09.2004	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 51.7 sq. m, together with auxiliary space, in execution of preliminary contract entered into before 01.01.2003 value: PLN 184,167	n/a	n/a
Grzegorz Kiełpsz and Halina Wielgosz	22.04.2004	Sale agreement, preliminary agreement concerning cancellation of common ownership of land	421,063	421,063
Janusz Zalewski	29.10.2003	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 35.8 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 136,220.93	n/a	n/a
Stanisław Plakwicz and Małgorzata Domagalik--Plakwicz	29.10.2003	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 47 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 200,303.84	n/a	n/a
Stanisław Plakwicz and Małgorzata Domalik--Plakwicz	28.02.2003	Agreement on establishing separate ownership of residential premises with an area of 45.5 sq. m, in execution of preliminary contract entered into before 01.01.2003; value of PLN 127,239.34	n/a	n/a

Promissory agreements for the sale of residential apartments/houses concluded by companies from the Issuer's Group, with management personnel and their close relatives.

Affiliated entity	Date	Description	Value	Payments made as at the Prospectus approval date
			(PLN)	
Stanisław Plakwicz	30.12.2003	Promissory agreement for the sale of an apartment with an area of 116 sq. m. along with two parking spaces	1,161,510.00	Assignment of rights under the agreement to a third party
Danuta Stolarczyk and Janusz Stolarczyk	28.02.2006	Promissory agreement for the sale of an apartment with an area of 122.93 sq. m. along with two parking spaces	779.433,50	779.433,50
Jerzy Bieniewski	18.07.2006	Preliminary sale agreement for a residential building in a semi-detached construction, with an ares of 211.77 sq. m.	1,436,832.21	15,000.00

Incentive plan

The Company introduced a share option scheme for the Company's management. Details of the programme have been included in Section XXX *Employees* under point 5.

XXXIII FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, LIABILITIES, PROFITS AND LOSSES AND ITS FINANCIAL CONDITION

Historical financial statements

The Issuer's financial statements prepared in accordance with International Financial Reporting Standards

Presented in this chapter is the Issuer's historical financial data: the financial statements for the period from 1 January 2005 to 31 December 2005, as well as the comparative financial data prepared for the periods from 1 January 2004 to 31 December 2004, and 1 January 2003 to 31 December 2003, all of which have been audited in accordance with The International Standards on Auditing issued by the International Federation of Accountants (IFAC) and The Professional Standards issued by the National Chamber of Statutory Auditors.

The financial statements presented in this chapter were prepared in accordance with International Financial Reporting Standards, approved by the European Union.

The comparative financial data presented in this chapter contains information and explanations which were based on financial statements prepared in accordance with Polish accounting regulations.

Furthermore, this comparative financial data was restated to IFRS and audited by a certified auditor (detailed information about the authorized auditor is included in the chapter 'Company's Statutory Auditors').

All of the financial statements have been prepared in Polish zloty (PLN).

I. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the holding company

The holding company of the Dom Development S.A. Capital Group (the 'Group') is the joint-stock company Dom Development S.A. ('the Company' / 'the holding company') with its registered office in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3) entered into the National Court Register as number 0000031483, Regional Court for the capital city of Warsaw, 19th Business Department of the National Court Register, listing its main area of activities as construction and real estate developments, classified in the Polish Classification of Activities (PKD) as 7011Z. The Group conducts activities in Warsaw and its area.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 December 2005 Dom Development B.V. controlled 81.12% of the Company's shares. The Company's minority shareholders with more than 5% of shares are Jarosław Szanajca with 8.05% and Grzegorz Kiełpsz with 6.46%. The other shares mainly belong to the key employees and the remaining Management Board members.

2. General information about the Group

The following table presents the Group's structure and the holding company's stake in the entities comprising the Group as at 31 December 2005.

Entity name	Country of registration	% of share capital held by holding company	% of votes held by holding company	Consolidation method
Subsidiaries:				
Dom Development Na Dolnej sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Morskie Oko sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development – Zarządzanie Nieruchomościami sp. z o.o.	Poland	100%	100%	full consolidation
Dom City sp. z o.o.	Poland	90%	90%	full consolidation
Joint-venture (according to IAS 31):				
Fort Mokotów sp. z o.o.	Poland	49%	49%	proportionate consolidation

The main area of activity of the companies comprising the Group is the construction and sale of residential real estate.

The main areas of activity of Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom", the associated company, are financial risk insurances.

Fort Mokotów sp. z o.o. was formed for the duration of the construction of the Marina Mokotów project, but for no longer than until 31 December 2011 (as per the company's articles of association).

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

In the year 2005 the Group did not discontinue any of its operations.

3. Basis for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared based on historical acquisition cost, purchase price or production cost except for derivative financial instruments, which in accordance with International Financial Reporting Standards ('IFRS') were stated at fair values. The value of assets and liabilities which are usually carried at cost, will be adjusted to reflect the profit or loss attributable to a hedge which has been taken out in relation to these assets and liabilities, and capitalised as such, in accordance with permitted IFRS standards.

The standalone financial statements constituting the basis for the preparation of the consolidated financial statements were drafted on a going concern basis assuming the subsidiaries comprising the Dom Development S.A. Capital Group would continue their business activities in the foreseeable future, with no threats to the continuation of these activities.

The methods used to value assets and liabilities and determine the financial result are applied consistently.

All statements are stated in Polish zloty ('PLN'). Financial data included in the consolidated financial statements are expressed in Polish zloty or in thousand Polish zloty, as clearly specified. Data presented in thousands of Polish zloty are rounded off to 1 thousand Polish zloty.

The consolidated financial statements present the Group's financial data for the reporting period from 1 January 2005 to 31 December 2005, as well as comparative financial data for the periods from 1 January 2004 to 31 December 2004 and from 1 January 2003 to 31 December 2003.

The assets, equity and liabilities valuation principles and financial result calculation methods presented in the notes to the consolidated financial statements are consistent with the accounting principles adopted by the holding company.

Statement of unreserved conformity with the International Financial Reporting Standards

The consolidated financial statements of the Dom Development S.A. Capital Group covering the holding company Dom Development S.A. and its subsidiaries and joint-venture were prepared in accordance with International Financial Reporting Standards approved by the European Union.

Basis of consolidation

The consolidated financial statements were prepared on the basis of the financial statements of the entities comprising the Group and presented as if the Group constituted a single entity. The consolidated financial statements comprise the financial statements of the holding company (Dom Development S.A.) and the financial statements of the subsidiaries and joint-venture entity, all of which were prepared for the periods ended 31 December 2005, 31 December 2004 and 31 December 2003.

Revenues, expenses and settlements resulting from transactions between the Group entities were adjusted in the consolidated financial statements.

The consolidated cash flow statements for the years 2005, 2004 and 2003 contains the cash flow statements of the holding company, the subsidiaries and the joint-venture, and includes proper consolidation adjustments resulting from mutual transactions.

Fort Mokotów sp. z o.o., a joint-venture entity, is consolidated using the proportionate consolidation method.

4. Summary of significant accounting policies

Interest in joint-venture

The Group has an interest in a joint-venture which is a jointly controlled entity. A joint-venture is a contractual arrangement whereby two or more parties undertake an economic activity that is a subject to joint control, and a jointly controlled entity is a joint-venture that involves the establishment of a separate entity in which each partner has an interest. The Group recognises its interest in the joint-venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint-venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint-venture are prepared for the same reporting year as the holding company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint-venture.

Under the equity method, the investment in the associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associates.

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation, less accumulated impairment in value. Land is an exception to this in so far as it is not depreciated. Replacement of existing parts of a fixed asset can be capitalised, if material. Depreciation is calculated on straight-line basis over the useful life of the asset.

Buildings and constructions are depreciated at the rates from between 2.5% to 4.5% and plant and equipment from between 10% to 30%. Low-value tangible fixed assets are fully expensed in the month they are taken over for use.

Inventory

Finished goods

Finished goods represents mainly housing units and parking spaces. They are stated at the lower of cost and net realizable value. Net realizable value represent the estimated selling price evaluated by Management based on advice from the Company's Sales Department.

Work in progress

Work in progress is valued in accordance with principles described in the section 'Long-term contract disclosure principles'.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of related real estate.

Borrowing costs

Borrowing costs (interest) that are directly attributable to work in progress (primarily financing of land and construction) are capitalised as a part of the cost of work in progress.

The remaining borrowing costs are recognised as an expense in the period in which they are incurred.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

A provision is made when there is objective evidence that the Group may not be able to collect the receivable.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Treasury shares

The Company's shares which are reacquired from another party (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own treasury shares.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods (housing units)

Revenue from the sale of housing units is recognised by reference to the stage of completion. Detailed explanation on the measurement of this is provided in the section 'long-term contract disclosure principles'.

Sale of services

Revenues from services, including housing real estate administration fees income, are measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of VAT.

Foreign currency translation

The consolidated financial statements are presented in Polish zloty, which is the Company's and Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the balance sheet date, with any differences posted to income statement under 'financial revenues/costs'.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are binding at the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax liability is created in the amount of income tax that will be payable in future due to positive temporary differences, i.e. differences that will increase the taxable base in future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Long-term contract disclosure principles

a. 'Work in progress' is valued in accordance with IAS 11 'Construction contracts'. Based on Management's experience it was found that the method of income and cost recognition described in this standard is the most suitable for the Company's business. Construction of a single project exceeds twelve months and the sale of apartments in residential developments consists of having to conclude numerous single contracts for the construction of apartments.

b. Work in progress is initially valued at expenses incurred. Every month the value of 'Work in progress' is adjusted in compliance with the 'percentage of completion method' described below.

c. Since the percentage of completion method is used to determine the result on the sale of apartments at housing developments during the construction period, invoiced prepayments do not constitute 'Sales revenues' but increase 'Deferred income' until the development obtains an occupation permit.

d. Apartments are formally transferred to customers after construction is completed and the occupation permit is obtained, whilst invoices for the sale of apartments are issued in accordance with a payment schedule agreed in advance with the customer.

e. The percentage of completion method consists of recognizing revenue based on the result of the formula referred to as 'statistical revenue'.

   Statistical revenue = cost indicator * revenue indicator * planned revenues

f. The percentage of completion method consists of recognizing costs based on the result of the formula referred to as 'statistical cost'

$$\text{statistical cost} = \text{statistical revenue} * \frac{\text{planned costs}}{\text{planned revenue}}$$

g. The cost indicator is a proportion of actual costs incurred (invoiced and accrued less expenditures on land) to planned costs (for the entire development less cost of land).

$$\text{cost indicator} = \frac{\text{actual costs incurred}}{\text{planned costs}}$$

h. The revenue indicator is a proportion of contract revenues (the total value of the contracts signed by customers) to planned revenues (total expected revenues for the entire development when fully sold).

$$\text{revenue indicator} = \frac{\text{contract revenue}}{\text{planned revenue}}$$

i. By calculating the 'statistical revenue' formula, a proportion of revenue can be recognised on the income statement, relating to the combination of progress in construction and sales as calculated by the product of the cost indicator and revenue indicator.

j. By calculating the 'statistical cost' formula, a proportion of cost can be recognised on the income statement to the same extent that revenues are recognised (in proportion to the recognition of sales).

k. On the issue of an occupancy permit the percentage of completion method is substituted. Actual sales invoices issued and actual costs incurred (invoiced and accrued) are posted to the income statement.

   Unsold apartments and parking spaces are transferred from work in progress to finished goods until they are sold at which time they are posted to the income statement as a cost.

l. Invoiced sales and the un-invoiced portion of contractual sales and corresponding costs are posted as follows:

   Debit: Deferred income
   Credit: Sales revenues

   Debit: Cost of products sold
   Credit: Work in progress

m. If 'Deferred income' is negative (which might occur if the amount of invoiced sales revenues is relatively low compared to the value of concluded contracts and work advancement) 'Deferred income' is 'zeroed out' and 'Deferred assets (part of 'other current assets')' are increased respectively.

   Debit: Deferred assets (part of 'other current assets')
   Credit: Deferred income

II CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Note	31.12.2005	31.12.2004	31.12.2003
ASSETS				
Fixed assets				
Intangible fixed assets	1	394,040.02	138,266.82	111,483.88
Tangible fixed assets	2	7,265,349.21	8,169,344.49	8,032,187.35
Investments in associates	6	559,044.00	949,000.00	17,207.70
Deferred income tax asset	20	8,217,709.93	8,087,342.77	3,096,473.10
Long-term receivables	7	927,730.36	-	-
Other long-term deferred costs		-	8,857.16	521,880.00
Total fixed assets		**17,363,873.52**	**17,352,811.24**	**11,779,232.03**
Current assets				
Inventory	8	372,091,159.86	252,269,007.16	210,794,903.34
Investments held for trading	9	-	9,999,972.80	93,390.00
Trade and other receivables	10	56,934,316.66	29,984,456.38	29,917,747.82
Other current assets	13	53,457,712.47	31,498,066.57	13,189,534.28
Cash and cash equivalents	11	73,837,309.98	78,684,842.77	56,775,234.70
Total current assets		**556,320,498.97**	**402,436,345.68**	**310,770,810.14**
Total assets		**573,684,372.49**	**419,789,156.92**	**322,550,042.17**

EQUITY AND LIABILITIES	Note	31.12.2005	31.12.2004	31.12.2003
Shareholders' equity				
Share capital	14	21,854,340.00	21,854,340.00	21,854,340.00
Share premium less treasury shares	15	10,819,818.87	10,749,168.71	10,749,168.71
Revaluation reserve		-	-	3,566.70
Other reserves (supplementary capital)	16	53,403,253.44	44,366,689.49	32,323,007.34
Hedge capital	17	-	(4,664,586.00)	-
Accumulated unappropriated profit (loss)		47,333,300.40	4,219,748.70	5,701,326.01
Total shareholders' equity		**133,410,712.71**	**76,525,360.90**	**70,631,408.76**
Long-term liabilities				
Long-term loans and borrowings	19	78,332,948.91	104,302,755.75	99,504,336.84
Reserve for deferred income tax	20	22,275,290.19	8,886,974.58	4,898,097.52
Bonds	21	51,553,445.40	52,106,945.91	-
Other	23	3,567,210.05	2,288,875.11	307,647.96
Total long-term liabilities		**155,728,894.55**	**167,585,551.35**	**104,710,082.32**
Short-term liabilities				
Trade payables and other liabilities	24	134,885,296.23	78,661,133.41	60,810,729.77
Short-term loans and borrowings	19	107,035,211.89	58,934,312.95	60,668,826.09
Short-term tax obligations	25	1,884,426.38	1,396,608.33	5,694,820.80
Short -term provisions	26	4,377,880.98	782,199.44	1,079,201.99
Accrued liabilities and deferred income	27	36,361,949.75	35,903,990.54	18,954,972.44
Total short-term liabilities		**284,544,765.23**	**175,678,244.67**	**147,208,551.09**
Total liabilities		**440,273,659.78**	**343,263,796.02**	**251,918,633.41**
Total equity and liabilities		**573,684,372.49**	**419,789,156.92**	**322,550,042.17**

CONSOLIDATED INCOME STATEMENT

	Note	2005	2004	2003
Sales revenue	34	537,165,772.66	371,206,792.27	306,889,980.07
Cost of sales	35	407,673,964.64	298,046,939.08	252,541,409.62
Gross profit on sales		**129,491,808.02**	**73,159,853.19**	**54,348,570.45**
Selling costs	35	21,570,600.20	17,943,926.47	15,061,454.33
Administrative expenses	35	31,904,331.11	30,470,807.27	22,423,247.40
Other operating income	37	3,780,142.99	4,700,634.15	4,472,971.07
Other operating expenses	38	8,289,384.52	5,795,865.78	3,573,668.45
Operating profit		**71,507,635.18**	**23,649,887.82**	**17,763,171.34**
Financial income	39, 41	3,801,320.14	3,454,690.68	1,578,190.40
Financial costs	40,41	10,646,880.22	14,221,403.27	7,886,991.85
Profit before tax		**64,662,075.10**	**12,883,175.23**	**11,454,369.89**
Income tax expense	31	12,511,959.45	2,321,070.39	4,487,781.12
Profit after tax		**52,150,115.65**	**10,562,104.84**	**6,966,588.77**
Earnings per share:				
Basic	30	2.39	0.48	0.32
Diluted	30	2.39	0.48	0.32

CONSOLIDATED CASH FLOW STATEMENT

	2005	2004	2003
Cash flow from operating activities			
Profit before taxation	**64,662,075.10**	**12,883,175.23**	**11,454,369.89**
Adjustments:			
Depreciation	1,751,443.40	1,481,637.70	1,277,593.41
Income on foreign exchange differences	(1,205,466.12)	(12,963,506.20)	3,945,788.56
Loss on investments	1,160,089.52	42,544.66	11,352.03
Interest paid and accrued	13,338,066.82	8,722,944.92	3,313,949.94
Changes in working capital			
Changes in provisions	3,595,681.54	(298,563.55)	(3,817,279.22)
Changes in inventory	(119,822,152.70)	(41,474,103.82)	(72,394,295.90)
Changes in receivables	(27,877,590.64)	(66,708.56)	(3,851,861.03)
Changes in short term liabilities excluding loans and borrowings	65,609,840.74	26,821,833.07	(12,360.19)
Changes in provisions and prepayments	(20,399,577.74)	(18,896,669.74)	(36,635,424.10)
Other	975,711.27	1,107,303.00	6,050.01
Cash flow generated from operating activities	(18,211,878.81)	(22,640,113.29)	(96,702,116.60)
Interest paid	(14,093,325.88)	(6,784,906.13)	(3,224,546.71)
Income tax paid	(3,066,647.00)	(3,134,265.00)	(6,876,401.00)
Net cash flow from operating activities	**(35,371,851.69)**	**(32,559,284.42)**	**(106,803,064.31)**
Cash flow from investing activities			
Proceeds from sale of financial assets	9,999,972.80	500.00	2,480.00
Proceeds from the sale of intangible assets and tangible fixed assets	97,662.80	1,671,061.32	66,000.00
Acquisition of intangible and tangible fixed assets	(2,189,677.19)	(3,359,183.76)	(4,170,153.68)
Acquisition of financial assets	(870,500.00)	(10,099,972.80)	(19,650.00)
Net cash flow from investing activities	**7,037,458.41**	**(11,787,595.24)**	**(4,121,323.68)**
Cash flows from financing activities			
Proceeds from contracted loans and credits	127,622,795.32	56,956,876.14	133,913,760.25
Proceeds from issued bonds	-	50,000,000.00	-
Repayment of loans and borrowings	(104,088,320.74)	(40,672,359.70)	(22,086,507.00)
Financial lease liabilities payments	(47,614.09)	(28,028.71)	-
Net cash flow from financing activities	**23,486,860.49**	**66,256,487.73**	**111,827,253.25**
Increase (decrease) in net cash and cash equivalents	**(4,847,532.79)**	**21,909,608.07**	**902,865.26**
Cash and cash equivalents – opening balance	**78,684,842.77**	**56,775,234.70**	**55,872,369.44**
Cash and cash equivalents – closing balance	**73,837,309.98**	**78,684,842.77**	**56,775,234.70**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Revaluation reserve	Hedge capital	Accumulated unappropriated profit (loss)	Total equity
Balance as at 31.12.2002	21,854,340.00	10,749,168.71	7,027,822.61	4,220.78	-	24,735,420.10	**64,370,972.20**
Changes in accounting policy	-	-	-	-	-	(705,498.13)	**(705,498.13)**
Adjusted balance as at 31.12.2002	21,854,340.00	10,749,168.71	7,027,822.61	4,220.78	-	24,029,921.97	**63,665,474.07**
Changes in equity in 2003							
Revaluation gains (loss) posted as equity	-	-	-	(654.08)	-	-	**(654.08)**
Transfer of retained profit to supplementary capital	-	-	25,295,184.73	-	-	(25,295,184.73)	**-**
Profit for the year	-	-	-	-	-	6,966,588.77	**6,966,588.77**
Balance as at 31.12.2003	**21,854,340.00**	**10,749,168.71**	**32,323,007.34**	**3,566.70**	**-**	**5,701,326.01**	**70,631,408.76**
Changes in equity in 2004							
Cash flow hedging loss recognised directly in equity	-	-	-	-	(5,758,748.00)	-	**(5,758,748.00)**
Deferred tax recognised on the cash flow hedging loss charged directly to equity	-	-	-	-	1,094,162.00	-	**1,094,162.00**
Other changes in revaluation reserve	-	-	-	(3,566.70)	-	-	**(3,566.70)**
Transfer of retained profit to supplementary capital	-	-	12,043.682.15	-	-	(12,043,682.15)	**0.00**
Profit for the year	-	-	-	-	-	10,562,104.84	**10,562,104.84**
Balance as at 31.12.2004	**21,854,340.00**	**10,749,168.71**	**44,366,689.49**	**-**	**(4,664,586.00)**	**4,219,748.70**	**76,525,360.90**
Changes in equity in 2005							
Repurchase and sale of treasury shares	-	70,650.16	-	-	-	-	**70,650.16**

	Share capital	**Share premium less treasury shares**	**Other capital (supplementary capital)**	**Revaluation reserve**	**Hedge capital**	**Accumulated unappropriated profit (loss)**	**Total equity**
Cash flow hedging loss transferred to initial value of the hedged asset	-	-	-	-	5,758,748.00	-	**5,758,748.00**
Deferred tax recognised on the cash flow hedging loss transferred to initial value of the hedged asset	-	-	-	-	(1,094,162.00)	-	**(1,094,162.00)**
Transfer of retained profit to supplementary capital	-	-	9,036,563.95	-	-	(9,036,563.95)	**-**
Profit for the year	-	-	-	-	-	52,150,115.65	**52,150,115.65**
Balance as at 31.12.2005	**21,854,340.00**	**10,819,818.87**	**53,403,253.44**	**-**	**-**	**47,333,300.40**	**133,410,712.71**

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Intangible fixed assets

	Other intangible fixed assets	**Computer software**	**Total**
GROSS VALUE			
Balance as at 1 January 2003	84,315.87	910,011.14	994,327.01
Additions	-	158,404.17	158,404.17
(Disposals)	-	(7,221.23)	(7,221.23)
Balance as at 31 December 2003	84,315.87	1,061,194.08	1,145,509.95
Additions	44,400.00	121,483.23	165,883.23
(Disposals)	-	-	-
Balance as at 31 December 2004	128,715.87	1,182,677.31	1,311,393.18
Additions	404,898.00	54,984.08	459,882.08
(Disposals)	-	-	-
Balance as at 31 December 2005	**533,613.87**	**1,237,661.39**	**1,771,275.26**
AMORTIZATION			
Balance as at 1 January 2003	13,634.90	844,433.35	858,068.25
Amortization for the period	42,158.04	133,799.78	175,957.82
Balance as at 31 December 2003	55,792.94	978,233.13	1,034,026.07
Amortization for the period	49,981.19	89,119.10	139,100.29
Balance as at 31 December 2004	105,774.13	1,067,352.23	1,173,126.36
Amortization for the period	106,258.71	97,850.17	204,108.88
Balance as at 31 December 2005	**212,032.84**	**1,165,202.40**	**1,377,235.24**
NET BOOK VALUE			
as at 31 December 2003	28,522.93	82,960.95	111,483.88
as at 31 December 2004	22,941.74	115,325.08	138,266.82
as at 31 December 2005	321,581.03	72,458.99	394,040.02

Intangible fixed assets are amortised throughout their estimated economic useful lives, which for computer software is 2 years on average. There are no intangible fixed assets with undefined useful lives.

No circumstances occurred at the Group making it necessary to write down its intangible fixed assets as at 31 December 2005, 31 December 2004 or 31 December 2003. All intangible fixed assets were purchased and are owned by the Group. There were no intangible fixed assets produced by the Group.

The costs of amortizing intangible fixed assets were charged in full to administrative expenses.

The gross value of intangible fixed assets fully amortised, but still used by the holding company as at 31 December 2005 was PLN 1,218,734.61.

In 2005 the Company signed a contract for the development of a customised Information Technology (IT) system supporting financial and operating activities. The total cost of this investment will approximately be PLN 1 million. The project is financed from the Company's own resources.

No pledges have been established on intangible fixed assets.

Note 2. Tangible Fixed Assets

TANGIBLE FIXED ASSETS	31.12.2005	31.12.2004	31.12.2003
a) tangible fixed assets, including	**7,265,349.21**	**8,169,344.49**	**8,032,187.35**
- land (including perpetual usufruct)	1,660,391.02	1,660,391.02	2,432,437.16
- buildings and constructions	2,022,606.92	2,350,802.44	2,495,202.21
- plant and equipment	667,580.67	706,535.65	532,282.91
- vehicles	1,829,730.86	1,614,601.14	1,185,395.41
- other tangible fixed assets	1,085,039.74	1,837,014.24	1,386,869.66
Total tangible fixed assets	**7,265,349.21**	**8,169,344.49**	**8,032,187.35**

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2003	2,948,391.23	1,737,543.06	2,120,824.95	6,806,759.24
Additions	2,122,926.28	633,623.71	1,423,003.86	4,179,553.85
(Disposals)	(38,665.00)	(422,036.51)	-	(460,701.51)
Balance as at 31 December 2003	5,032,652.51	1,949,130.26	3,543,828.81	10,525,611.58
Additions	774,937.22	945,334.42	1,468,458.21	3,188,729.85
(Disposals)	(1,605,244.26)	(245,107.04)	(71,715.80)	(1,922,067.10)
Balance as at 31 December 2004	4,202,345.47	2,649,357.64	4,940,571.22	11,792,274.33
Additions	-	777,677.43	1,001,767.14	1,779,444.57
(Disposals)	(246,334.32)	(201,287.31)	(2,145,775.49)	(2,593,397.12)
Balance as at 31 December 2005	**3,956,011.15**	**3,225,747.76**	**3,796,562.87**	**10,978,321.78**
Including:				
Stated at purchase cost	*3,956,011.15*	*3,225,747.76*	*3,796,562.87*	*10,978,321.78*
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2003	41,876.46	597,755.97	974,922.57	1,614,555.00
Depreciation for the period	63,136.68	385,755.25	649,753.67	1,098,645.60
(Disposals)	-	(219,776.37)	-	(219,776.37)
Balance as at 31 December 2003	105,013.14	763,734.85	1,624,676.24	2,493,424.23
Depreciation for the period	91,549.92	415,377.91	859,170.08	1,366,097.91
(Disposals)	(5,411.05)	(144.356.26)	(86,824.99)	(236,592.30)
Balance as at 31 December 2004	191,152.01	1,034,756.50	2,397,021.33	3,622,929.84
Depreciation for the period	94,160.74	550,564.92	902,608.87	1,547,334.53
(Disposals)	(12,299.54)	(189,304.52)	(1,255,687.74)	(1,457,291.80)
Balance as at 31 December 2005	**273,013.21**	**1,396,016.90**	**2,043,942.46**	**3,712,972.57**
BALANCE SHEET VALUE				
Balance as at 31.12.2003	**4,927,639.37**	**1,185,395.41**	**1,919,152.57**	**8,032,187.35**
Balance as at 31.12.2004	**4,011,193.46**	**1,614,601.14**	**2,543,549.89**	**8,169,344.49**
Balance as at 31.12.2005	**3,682,997.94**	**1,829,730.86**	**1,752,620.41**	**7,265,349.21**

No circumstances occurred at the Group making it necessary to write down its tangible fixed assets as at 31 December 2005, 31 December 2004 or 31 December 2003.

Additions to tangible fixed assets are the result of tangible fixed asset purchases or tangible fixed assets produced by the Group.

Presented in the table below are the net values of tangible fixed assets produced by the Group.

	31.12.2005	31.12.2004	31.12.2003
Buildings (individual commercial space)	654,346.87	909,962.95	1,121,353.28
Constructions	1,368,260.05	1,440,839.49	1,373,848.93

The cost of depreciating tangible fixed assets were charged in full to administrative expenses.

The gross value of tangible fixed assets fully depreciated, but still used by the holding company as at 31 December 2005 was PLN 1,296,067.11.

As at 31 December 2005 the Group did not have substantial liabilities relating to tangible fixed asset purchases. The Group had no commitments to purchase tangible fixed assets.

No pledges have been established on tangible fixed assets.

BALANCE SHEET TANGIBLE FIXED ASSETS (OWNERSHIP STRUCTURE)	**31.12.2005**	**31.12.2004**	**31.12.2003**
a) owned	5,601,067.83	6,828,006.22	7,383,802.44
b) used on the basis of rent, tenancy or similar agreements, including lease agreements, of which:	1,664,281.38	1,341,338.27	648,384.91
- leasing	1,664,281.38	1,341,338.27	648,384.91
Total balance sheet fixed assets	**7,265,349.21**	**8,169,344.49**	**8,032,187.35**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	**31.12.2005**	**31.12.2004**	**31.12.2003**
used on the basis of rent, tenancy or similar agreements, including lease agreements, of which:	607,442.62	143,442.62	143,442.62
- value of assets under operating lease	607,442.62	143,442.62	143,442.62
Total off-balance sheet fixed assets	**607,442.62**	**143,442.62**	**143,442.62**

The Company keeps no detailed accounting records of its office equipment, which had a net value of PLN 1,136 thousand as at 31 December 2005. This amount represents mostly new furniture purchased for the Company's new office and is recognised in the balance sheet under deferred costs. It is therefore not shown in the above table. This cost will be deferred over 5 years, starting from December 2005.

Note 3. Assets available for sale

	31.12.2005	31.12.2004	31.12.2003
Assets available for sale	1,660,391.02	1,660,391.02	2,432,437.16

Plots of land for sale are recorded under tangible fixed assets.

Note 4. Leasing

The Group is a party (as a lessee) to lease agreements relating to fixed assets that are recorded in the books of account as finance leases. Lease agreements are as a rule concluded for a period of 3 years and as such all liabilities are also due within 3 years. The subjects of the leases are cars. The agreements contain a clause about the possibility of purchasing the fixed assets after the expiration of the lease agreement.

LEASING	**31.12.2005**	**31.12.2004**	**31.12.2003**
Gross fixed assets	2,395,897.81	1,686,270.97	747,368.36
Depreciation	731,616.43	344,932.70	98,983.44
Balance sheet value of leased tangible fixed assets	**1,664,281.38**	**1,341,338.27**	**648,384.91**
Leased assets as a % of total fixed assets	22.91%	16.42%	8.07%
Leasing liabilities	**1,009,448.22**	**1,002,241.34**	**512,857.31**
Depreciation of leased assets recognised as operating costs	406,939.22	245,949.25	137,133.55
Interest on lease agreements recognised as financial costs	88,736.70	71,957.55	39,663.65

The fair value of the Group's leasing liabilities corresponds to their book value.

The Group's leasing liabilities are secured on the fixed assets that are the subject of the lease agreements.

The minimum value of lease payments and their current value do not differ significantly from the value of the lease liabilities listed under long and short term liabilities on the balance sheet.

Note 5. Investment properties

The Group has no real estate properties classified as investment properties.

Note 6. Investments in associated entities and joint-ventures

The Group holds 90% of the share capital and has a 90% participation in the management of the limited liability company Dom City sp. z o.o., whose activities consisted of buying and selling land. The company stopped operating in 2005 and was removed from the register in January 2006. Due to accounting losses, the company's shares, which were originally valued at PLN 12,080.00, were revalued to PLN 0 as at 31 December 2004 and 31 December 2005.

The Group holds 46% of the share capital and has a 50% participation in the management of the limited liability company Dom Development Grunty sp. z o.o., whose activities consist of buying and selling land. The company's shares were valued at PLN 12,080.00 as at 31 December 2004 and PLN 23,580.00 as at 31 December 2005. Due to accounting losses in both 2004 and 2005, these shares were revalued to PLN 0 as at 31 December 2004 and 2005.

The Group holds 42.45% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom". The company was registered on 28 December 2004 and as at 31 December 2004 had not yet commenced operations. The nominal value of the shares of the company owned by the Group was PLN 849,000.00. Due to losses incurred by the company, the shares were revalued to PLN 559,044.00 at the end of 2005.

Information about associated entities

ASSOCIATED ENTITIES			
Dom Development Grunty sp. z o. o. (a)			
Balance sheet date	**31.12.2005**	**31.12.2004**	**31.12.2003**
Financial data:			
Current assets	25,130,470.10	1,752,152.17	18,237,992.09
Fixed assets	-	-	-
Equity	(116,976.13)	(35,952.86)	15,147.16
Short-term liabilities	25,247,446.23	1,788,105.03	18,222,844.93
Long-term liabilities	-	-	-
Operating revenues	3,188,615.04	23,013,816.95	16,561,266.78
Net profit/(loss)	(106,023.27)	(72,100.02)	(6,691.06)
Value of shares recorded at the holding company at purchase prices	23,580.00	12,080.00	12,080.00
Revaluation	(23,580.00)	(12,080.00)	5,127.70
Net balance sheet value of shares	-	-	17,207.70
% stake	46%	46%	46%
Loss in excess of the value of the holding company's shares at purchase prices	(25,190.70)	(21,086.01)	N/A
(a) Valuation using equity accounting – accumulated profit as at 31 December 2003 of Dom Development Grunty sp. z o.o. is PLN 11,147.16			
Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" (b)			
Balance sheet date	**31.12.2005**		
Financial data:			
Total assets	2,055,218.52	-	-
Equity	1,316,947.00	-	-
Net profit (loss)	(683,053.00)	-	-
Investment in shares at purchase price (including shares owned indirectly through the Company's equity holding in Fort Mokotów)	849,000.00	-	-
Revaluation	(289,956.00)	-	-
Loss corresponding to other shareholders	(393,097.00)	-	-
% stake	42.45%	-	-
(b) the first financial statements prepared by TUW "Bezpieczny Dom" were prepared as at 31 December 2005, the holding company's stake was calculated in consideration of the value of shares owned by Fort Mokotów sp. z o.o.			
Dom City sp. z o. o. (c)			
Balance sheet date	**24.11.2005**	**31.12.2004**	**31.12.2003**
Financial data:			
Current assets	580.81	45,800.52	416,097.04
Fixed assets	-	-	-
Equity	580.81	(95,957.25)	(115,016.73)
Short-term liabilities	-	141,757.77	531,113.77
Long-term liabilities	-	-	-
Operating revenues	9,714.00	-	1,694,169.96
Net profit/(loss)	(9,658.78)	(1,940.52)	(25,341.04)
Value of shares recorded at the holding Company at purchase prices	-	12,080.00	12,080.00
Revaluation	-	(12,080.00)	(12,080.00)
Net balance sheet value of shares	-	-	-
% stake	90%	46%	46%
Loss in excess of the value of the holding company's shares at purchase prices	N/A	N/A	N/A
(c) Dom City sp. z o.o. was liquidated in 2005. It was formally removed from the court register in January 2006. The value of shares listed in the financial statements for 2005 is PLN 0 .			

Information about joint-venture			
JOINT-VENTURE ENTITY			
Fort Mokotów sp. z o. o. (d, e)			
Balance sheet date	**31.12.2005**	**31.12.2004**	**31.12.2003**
Financial data:			
Current assets	232,726,910.42	171,227,468.55	154,893,511.91
Fixed assets	358,720.83	260,333.09	198,780.07
Equity	114,875,183.55	63,547,426.18	54,394,912.47
Short-term liabilities	73,478,458.74	87,485,526.49	59,489,530.42
Long-term liabilities	7,280,020.50	4,671,173.69	31,786,935.30
Operating revenues	368,100,917.86	121,082,464.20	5,044,345.51
Operating costs	306,273,738.56	113,275,021.10	11,920,496,89
Net profit/(loss)	51,327,757.37	8,552,513.71	(6,675,268.84)
% stake	49%	49%	49%
(d) For the purposes of the financial statements prepared in accordance with IFRS/IAS, the company Fort Mokotów sp. z o.o. is consolidated using the proportional consolidation method and treated as a joint-venture.			
(e) The balance sheet and the income statement were restated in accordance with the holding company's accounting policies.			

Presented below is the effect of the revaluation of the shares of associated entities in the consolidated financial statements on the income statement.

	2005	**2004**	**2003**
Revaluation of the shares of associated entities	(296,570.00)	(16,707.70)	(10,704.08)

The Group values shares in the associated entities using equity method in the consolidated income statement in 'other operating revenues' and 'other operating costs'. Due to the fact that the value of the associated entities is immaterial for the consolidated income statement, they are not presented separately.

Note 7. Long-term receivables

As at 31 December 2005 the Group lists long-term receivables relating to security deposits in the amount of PLN 927,730.36.

All of these receivables which are denominated in Polish zlotys, were created in the course of 2005. There were no long-term receivables in the years 2003 or 2004.

There is no need to write down the value of long-term receivables.

Note 8. Inventory

INVENTORY	**31.12.2005**	**31.12.2004**	**31.12.2003**
Advances on deliveries	14,953,354.95	18,922,195.94	1,427,536.57
of which at purchase prices/production costs	15,288,368.09	18,922,195.94	1,427,536.57
of which revaluation write down	(335,013.14)	-	-
Semi-finished goods and work in progress	327,894,732.71	207,255,928.45	180,166,170.82
of which at purchase prices/production costs	329,251,026.39	208,612,222.13	180,166,170.82
of which revaluation write-down	(1,356,293.68)	(1,356,293.68)	-
Finished goods:	29,243,072.20	26,090,882.77	29,201,195.95
of which at purchase prices/production costs	30,888,214.62	28,080,477.21	30,431,221.16
of which revaluation write-down	(1,645,142.42)	(1,989,594.44)	(1,230,025.21)
Total	**372,091,159.86**	**252,269,007.16**	**210,794,903.34**

INVENTORY WRITE DOWNS	
Balance as at 1 January 2003	**1,229,688.45**
Additions	336.76
Use	-
Releases	-
Balance as at 31 December 2003	**1,230,025.21**
Additions	2,126,867.12
Use	-
Releases	11,004.21
Balance as at 31 December 2004	**3,345,888.12**
Additions	829,687.14
Use	-
Releases	839,126.02
Balance as at 31 December 2005	**3,336,449.24**

The release of write-downs is the result of the sale of the inventory which has previously been revalued (consisting primarily of previously unsold parking spaces located in completed developments). The costs and revenues of creating and releasing write-downs are posted to other operating activities.

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

SECURITY ON INVENTORY - MORTGAGE	31.12.2005	31.12.2004	31.12.2003
Balance sheet value of inventory used to secure liabilities (a)	157,851,455.19	93,795,137.92	28,345,116.87
Amount of security - credits (a)	194,951,347.10	97,616,007.00	44,225,350.00
Amount of security - bonds (a)	100,000,000.00	100,000,000.00	-
Balance sheet value of inventory used to secure liabilities (b)	120,034,460.60	117,488,484.32	114,414,160.32
Amount of security - credits (b)	32,092,798.89	47,895,665.59	83,135,225.00

(a) relates to the Company

(b) relates to Fort Mokotów sp. z o. o. This is the total value of inventory and security, irrespective of the fact that Dom Development S.A. owns 49% of the shares of Fort Mokotów sp. z o. o.

Preparatory work

If there is no certainty as to the ability to purchase land for a potential project, the costs of preparatory work associated with the project are expensed to the consolidated income statement of the Group during the year in which they occur. Remaining preparatory work is capitalised under work in progress.

Presented in the table below is preparatory work recognised in the income statement.

	2005	2004	2003
Preparatory work	490,119.01	448,932.80	142,902.68

Construction contracts

Revenues, costs and the resulting work in progress are accounted for using the percentage of completion method, described in the section entitled 'Introduction to the consolidated financial statements'.

SETTLEMENT OF WORK IN PROGRESS			
	31.12.2005	**31.12.2004**	**31.12.2003**
Planned revenues relating to current contracts	1,107,066,490.00	525,811,630.00	393,869,270.00
Planned costs related to current contracts	800,736,438.04	411,981,970.05	308,958,067.97
Planned margin related to current contracts	306,330,051.96	113,829,659.95	84,911,202.03
Cumulative revenues recognised in income statement	456,413,526.04	114,598,396.07	121,826,001.37
Cumulative costs recognised in income statement	355,526,824.99	89,486,310.99	100,511,440.28
Cumulative margin recognised to date in income statement	100,886,701.05	25,112,085.08	21,314,561.09
Remaining margin to be recognised in future periods	205,443,350.91	88,717,574.87	63,596,640.94
Percentage of remaining margin to be recognised in future periods	67.07%	77.94%	74.90%

Work in progress is calculated using the percentage of completion method as described in the section entitled 'Introduction to the consolidated financial statements'.

Presented below is the value of liabilities on construction contracts and security deposits retained in accordance with construction contracts.

	31.12.2005	**31.12.2004**	**31.12.2003**
Construction contract payables	75,252,686.57	46,037,857.35	38,469,073.73
Security deposits retained from general contractor	18,024,117.55	15,565,727.29	12,567,536.40

Note 9. Investments held for trading

As at 31 December 2004 the holding company had treasury bonds classified as investments held for trading valued at PLN 9,999,972.80 . The Group had no material investments held for trading at the end of the years 2003 and 2005.

Note 10. Trade and other receivables

As at the balance sheet date trade receivables and other receivables amounted to PLN 56,934,316.66 (PLN 29,984,456.38 in 2004, PLN 29,917,747.82 in 2003).

The Group creates provisions for doubtful debts and posts them to 'other operating costs'.

The provisions were created based on the Group's best knowledge and experience.

Ageing of overdue trade receivables	**31.12.2005**	**31.12.2004**	**31.12.2003**
up to 3 months	13,322,800.48	13,429,247.68	3,696,367.97
from 3 to 6 months	2,500.55	1,004,677.56	814,377.95
from 6 months to 1 year	736,335.55	901,279.55	806,660.65
Above 1 year	2,678,566.68	1,869,652.56	1,417,161.29
Gross overdue trade receivables	**16,740,203.26**	**17,204,857.35**	**6,734,567.86**
Provisions for doubtful debts	(1,705,188.76)	(1,092,243.21)	(721,206.68)
Net overdue trade receivables	**15,035,014.50**	**16,112,614.14**	**6,013,361.18**
Net not overdue trade receivables and other receivables	**41,899,302.16**	**13,871,842,24**	**23,904,386.64**

Change in value of provisions for doubtful short-term receivables	**31.12.2005**	**31.12.2004**	**31.12.2003**
Opening balance	1,092,243.21	721,206.68	-
a) Additions	1,609,387.25	873,210.86	721,206.68
b) Decreases	996,441.70	502,174.33	-
Closing balance	**1,705,188.76**	**1,092,243.21**	**721,206.68**

Net short-term receivables (currency structure)	**31.12.2005**	**31.12.2004**	**31.12.2003**
a) in Polish zloty (PLN)	56,934,316.66	29,984,456.38	29,917,747.82
b) in foreign currencies	-	-	-
Total short-term receivables	**56,934,316.66**	**29,984,456.38**	**29,917,747.82**

The costs and revenues associated with creating or reversing provisions are recognised under other operating activities.

Note 11. Cash and cash equivalents

Cash at bank and cash on hand consist of cash held by the Group 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	**31.12.2005**	**31.12.2004**	**31.12.2003**
Cash on hand and at bank	46,370,088.56	5,479,789.77	10,034,868.84
Short-term deposits	27,224,290.73	72,980,759.52	46,538,613.27
Other	242,930.69	224,293.48	201,752.59
Total	**73,837,309.98**	**78,684,842.77**	**56,775,234.70**

Note 12. Financial assets and liabilities

The balance sheet value of trade, other receivables, cash and financial liabilities corresponds to their fair value.

Credit risk

Cash at bank, cash on hand, trade receivables, other receivables and investments are the Group's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Group's credit risk is mostly related to trade receivables. The amounts presented in the balance sheet are net amounts and include provisions for doubtful debts valued by the Group's Management on the basis of previous experiences and analysis of the current economic environment.

Credit risk relating to liquid funds and derivative financial instruments is limited since the transactions were concluded with reputable banks, which have been awarded with good credit ratings by international agencies.

The Group has no significant concentration of credit risk. The risk is spread over a large number of partners and customers.

Note 13. Other current assets

	31.12.2005	**31.12.2004**	**31.12.2003**
OTHER CURRENT ASSETS	**53,457,712.47**	**31,498,066.57**	**13,189,534.28**
Including:			
Future receivables from completed developments	50,528,075.54	29,745,859.95	11,142,375.06
Deferred costs	2,929,636.93	1,752,206.62	2,047,159.22

All uninvoiced amounts related to sold units on developments with occupation permits (completed developments) are posted to the balance sheet as 'other current assets'.

Note 14. Share capital

SHARE CAPITAL (STRUCTURE) as at 31 December 2005, 31 December 2004 and 31 December 2003								
Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue	Capital covered with	Registration date	Right to dividend (date from)
A	inscribed	-	-	1,800,000	1,800,000	cash	09.07.1999	09.07.1999
B	inscribed	-	-	2,250,000	2,250,000	cash	20.07.2000	20.07.2000
C	inscribed	-	-	8,550,000	8,550,000	cash	20.07.2000	20.07.2000
D	inscribed	-	-	2,468,961	2,468,961	cash	20.07.2000	20.07.2000
E	inscribed	-	-	417,150	417,150	cash	09.11.2000	09.11.2000
F	inscribed	-	-	6,194,529	6,194,529	cash	26.11.2001	26.11.2001
G	inscribed	-	-	173,700	173,700	cash	09.07.2002	09.07.2002
Total number of shares				**21,854,340**				
Total share capital					**21,854,340**			
Nominal value per share = PLN 1								

The Company's share capital structure remained unchanged in the years 2003-2005.

In a resolution passed on 5 December 2000 the Extraordinary General Shareholders Meeting increased the nominal value of the existing shares from PLN 1 to PLN 9 per share.

In its Resolution No. 1 dated 18 February 2003 the Extraordinary General Shareholders Meeting decreased the nominal value per share from PLN 9 to PLN 1 by increasing the number of existing shares from 2,428,260 to 21,854,340.

Note 15. Share premium less treasury shares

SHARE PREMIUM LESS TREASURY SHARES	31.12.2005	31.12.2004	31.12.2003
Share premium	12,620,074.84	12,663,004.43	12,663,004.43
Treasury shares	(1,800,255.97)	(1,913,835.72)	(1,913,835.72)
Total share premium less treasury shares	**10,819,818.87**	**10,749,168.71**	**10,749,168.71**

In 2005 the share premium decreased by PLN 42,929.63 as a result of selling a portion of the company's treasury shares to a Management Board member.

MOVEMENTS IN TREASURY SHARES in the period 1 January 2005 to 31 December 2005					
	Series	**Number of shares**	**Nominal value**	**Balance sheet value**	**Method and purpose of acquisition**
as at 01.01.2005	E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Managerial Options Program* (Incentive Plan I).
	G	92,700	92,700.00	263,339.75	
	Total	**509,850**	**509,850.00**	**1,913,835.72**	
additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
disposals	G	(46,350)	(46,350.00)	(131,669.88)	Sold to Management Board member (exercised options)
	G	(46,350)	(46,350.00)	(131,669.87)	
as at 31.12.2005	**Total**	**453,150**	**453,150.00**	**1,800,255.97**	

TREASURY SHARES as at 31 December 2004 and 31 December 2003				
Series	**Number of shares**	**Nominal value**	**Balance sheet value**	**Method and purpose of acquisition**
E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take-over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Managerial Options Program* (Incentive Plan I).
G	92,700	92,700.00	263,339.75	
Total	**509,850**	**509,850.00**	**1,913,835.72**	

*Managerial Options Program is described in note 44.

The Company’s treasury shares structure remained unchanged in the years 2003-2004.

Note 16. Other reserves (supplementary capital)

OTHER RESERVES (SUPPLEMENTARY CAPITAL)	31.12.2005	31.12.2004	31.12.2003
Created in accordance with company statute/articles of association in excess of statutory (minimal) value from distribution of profits for the years	53,403,253.44	44,366,689.49	32,323,007.34
Total other reserves (supplementary capital)	**53,403,253.44**	**44,366,689.49**	**32,323,007.34**

Note 17. Hedge capital

HEDGE CAPITAL	31.12.2005	31.12.2004	31.12.2003
Hedge capital	-	(4,664,586.00)	-

In 2004 the holding Company concluded a forward contract to hedge the USD exchange rate in order to buy land for development. The foreign exchange differences resulting from the revaluation of the hedging contract amounted to PLN 5,758,748 on 31 December 2004. This amount, reduced by deferred tax in the amount of PLN 1,094,162, was recorded as hedge capital. Thus the total effect of this transaction on the Group's equity in the year 2004 amounted to PLN 4,664,586.

In 2005, the forward contract was closed and the amount of PLN 5,758,748 was transferred to the opening value of the hedged assets. The corresponding deferred tax was reversed accordingly.

Note 18. Additional equity information

As at 31 December 2005, 31 December 2004 and 31 December 2003, the Company's shares were not owned by any of its subsidiaries. In the year 2003 the holding company acquired treasury shares as a result of taking over Dom Development Capital sp. z o.o.

Of subsidiaries which are consolidated in full, there are no minority interests in the subsidiaries as the Company owns 100% of their share capital.

The Group made no advanced distributions of net profits in the course of the financial year.

Note 19. Loans and borrowings[1]

LOANS AND BORROWINGS	31.12.2005	31.12.2004	31.12.2003
including: long-term	78,332,948.91	104,302,755.75	99,504,336.84
short-term	107,035,211.89	58,934,312.95	60,668,826.09
Total	**185,368,160.80**	**163,237,068.70**	**160,173,162.93**

LOANS DUE WITHIN:	31.12.2005	31.12.2004	31.12.2003
1 year	103,277,957.77	58,934,312.95	52,941,802.91
More than 1 year less than 2 years	67,450,600.00	32,292,272.67	-
More than 2 years less than 5 years	3,528,000.00	61,824,043.34	-
More than 5 years	-	-	86,777,670.32
Total loans	**174,256,557.77**	**153,050,628.96**	**139,719,473.23**
Including: long-term	70,978,600.00	94,116,316.01	86,777,670.32
short-term	103,277,957.77	58,934,312.95	52,941,802.91

BORROWINGS DUE WITHIN:	31.12.2005	31.12.2004	31.12.2003
1 year	3,757,254.12	-	7,727,023.18
More than 1 year less than 2 years	3,677,174.45	3,442,980.09	-
More than 2 years less than 5 years	3,677,174.46	6,743,459.65	12,726,666.52
More than 5 years	-	-	-
Total borrowings	**11,111,603.03**	**10,186,439.74**	**20,453,689.70**
Including: long-term	7,354,348.91	10,186,439.74	12,726,666.52
short-term	3,757,254.12	-	7,727,023.18

1 Borrowings are shareholders' loans.

CURRENCY STRUCTURE OF LOANS AND BORROWINGS AS PER RELEVANT AGREEMENTS						
	31.12.2005		31.12.2004		31.12.2003	
Currency	Bank loans / as per agreement	Borrowing / as per agreement	Bank loans / as per agreement	Borrowing / as per agreement	Bank loans / as per agreement	Borrowing / as per agreement
PLN	289,964,900.00	-	245,680,000.00	-	198,500,000.00	-
EUR	30,000,000.00	-	30,000,000.00	-	30,000,000.00	-
USD	-	5,733,554.00	-	5,733,554.00	-	7,787,279.00

The amounts shown in the above table are based on the relevant credit and loan agreements and do not show the outstanding liabilities related to these contracts. The PLN denominated facilities in the table above relate to facilities available in the amount of PLN 151.464.900,00 to the dominant Company and PLN 138.500.000,00 to joint venture Fort Mokotów sp. z o.o.

Bank loans

A bank loan totalling EUR 8,000,000 had been taken out at a fixed interest rate, exposing the Group to a fair value interest rate risk. This loan was repaid in May 2006. Other loans have been taken out at variable interest rates, exposing the Group to a cash flow risk.

The Group's Management Board estimates that the fair value of the credits and loans taken out by the Group is approximately equal to their net book value.

BANK LOANS as at 31.12.2005							
Bank	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		thousand	currency	thousand	currency		
BOŚ SA	Warsaw	23,350	PLN	23,238	PLN	WIBOR 1M +Bank's margin**	31.12.2006
BOŚ S.A. and PKO BP *)	Warsaw	138,500	PLN	32,093	PLN	WIBOR 1M + Bank's margin**	31.05.2006
PKO BP	Warsaw	33,830	PLN	22,356	PLN	WIBOR 1M + Bank's margin**	01.09.2006
PKO BP	Warsaw	10,080	PLN	9,576	PLN	WIBOR 1M + Bank's margin**	01.07.2007
PKO BP	Warsaw	11,380	PLN	11,380	PLN	WIBOR 1M + Bank's margin**	01.10.2007
BOŚ	Warsaw	35,000	PLN	22,846	PLN	WIBOR 1M + Bank's margin**	31.12.2007
PKO BP	Warsaw	18,950	PLN	18,950	PLN	WIBOR 1M + Bank's margin**	01.12.2007
PeKao SA	Warsaw	18,875	PLN	18,875	PLN	WIBOR 1M + Bank's margin**	30.11.2007
EBRD	London	30,000	EUR	8,000	EUR	**	19.03.2010

*) Credit amount as per agreement and outstanding loan amount relates to Fort Mokotów sp. z o.o. and the amount represents 100% of the loan. The consolidated financial statements include 49% of this loan, which relates to the Group.

**) Not disclosed due to commercial reasons

Borrowings

BORROWINGS AS AT 31.12.2005							
Lender	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		thousand	currency	thousand	currency		
Dom Development B.V.	Holland	4,702	USD	2,351	USD	LIBOR 12M + 5.5%	31.10.2008
Dom Development B.V.	Holland	1,032	USD	1,032	USD	LIBOR 12M + 5.5%	31.10.2008

The most important information regarding the borrowings taken out by the Group:

The Company utilises 2 borrowings:

- a borrowing totalling USD 2,351,000 as at 31 December 2005, was taken out on 6 January 2000. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured on the Group's assets.
- a borrowing from 10 December 2001, totalling USD 1,031,554 as at 31 December 2005. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured on the Group's assets.

Note 20. Deferred tax

DEFERRED TAX – effect on consolidated balance sheet			
	31.12.2005	**31.12.2004**	**31.12.2003**
Deferred income tax liability			
Foreign Exchange differences and SWAP contract valuation	560,718.00	1,465,852.00	389,677.10
Interest	84,216.06	53,235.00	72,019.00
Profit on the settlement of contracts and Fort Mokotów estates calculated using the percentage of completion method	17,606,749.13	4,640,001.58	2,508,891.00
Provision for sales revenues	3,666,576.00	2,586,647.00	1,887,691.42
Other	357,031.00	141,239.00	39,819.00
Deferred income tax liability	**22,275,290.19**	**8,886,974.58**	**4,898,097.52**
Included in the financial result	22,275,290.19	8,886,974.58	4,896,535.52
Included in equity	-	-	1,562.00
Deferred income tax assets			
Accrued housing estate costs	1,312,199.00	3,750,852.00	1,115,538.00
Accrued costs of finished goods	322.163.00	-	-
Inventory revaluation	570,273.00	635,717.00	233,703.00
Provisions for bad debts	642,032.00	342,095.00	264,505.00
Provisions for employee benefits	486,953.00	280,758.00	181,723.00
Accrued costs	563,041.00	118,917.00	117,304.60
Reconciliation of tax loss of Fort Mokotów for the years 2002-2004	3,090,066.18	1,658,450.55	-
Provisions for disputed cases	430,663.00	-	-
Other provisions (Fort Mokotów)	143,554.75	40,731.22	-

DEFERRED TAX – effect on consolidated balance sheet			
	31.12.2005	**31.12.2004**	**31.12.2003**
Consolidation adjustments	494,940.00	-	-
Foreign Exchange differences and forward contract Valuation	-	1,094,162.00	1,040,635.00
Other	161,825.00	165,660.00	143,064.50
Deferred income tax assets	**8,217,709.93**	**8,087,342.77**	**3,096,473.10**
Included in the financial result	8,217,709.93	6,993,180.77	3,096,473.10
Included in equity	-	1,094,162.00	-

DEFERRED TAX – effect on consolidated income statement			
	2005	**2004**	**2003**
Deferred income tax liability			
Foreign Exchange differences and SWAP contract valuation	(905,134.00)	1,076,174.90	5,426.10
Interest	30,981.06	(18,784.00)	(43,250.00)
Profit on the settlement of contracts and Fort Mokotów estates calculated using the percentage of completion method	12,966,747.55	2,131,110.58	(2,284,629.00)
Provisions for sales revenues	1,079,929.00	698,955.58	1,887,690.52
Other	215,792.00	102,982.00	(16,947.10)
Reserves for deferred income tax	**13,388,315.61**	**3,990,439.06**	**(451,709.48)**
Deferred income tax assets			
Accrued housing estate costs	(2,438,653.00)	2,635,314.00	(1,421,275.00)
Accrued costs of finished goods	322,163.00	-	-
Inventory revaluation	(65,444.00)	402,014.00	(98,312.00)
Bad debts provision	299,937.00	77,591.00	(1,170,541.00)
Provisions for employee benefits	206,195.00	99,035.00	(122,367.00)
Accrued costs	444,124.00	1,612.40	24,166.60
Reconciliation of tax loss for the years 2002-2004 of Fort Mokotów	1,431,615.63	1,658,450.55	-
Provisions for disputed cases	430,663.00	-	-
Other provisions (Fort Mokotów)	102,823.53	40,731.22	-
Consolidation adjustment	494,940.00	-	-
Foreign Exchange differences and forward contract valuation	-	(1,040,635.00)	664,082.00
Other	(3,835.00)	22,595.50	(130,431.50)
Deferred income tax assets	**1,224,529.16**	**3,896,708.67**	**(2,254,677.90)**
Net deferred income tax assets/liability – effect on consolidated income statement	**12,163,786.45**	**93,730.39**	**1,802,968.42**

Note 21. Bonds

BONDS	31.12.2005	31.12.2004
Nominal value of issued bonds	50,000,000.00	50,000,000.00
Accumulated interest charged	6,189,890.40	2,106,945.91
Accumulated interest paid	4,636,445.00	-
Liability as at the end of the year	**51,553,445.40**	**52,106,945.91**

On 21 July 2004 the Company issued A-series bonds with a nominal value of PLN 50,000,000.The redemption date of these bonds is 21 July 2008 and an interest rate of WIBOR 6M + Bank's margin is payable on a semi-annual basis until the final settlement date. The interest payments are due in January and July for the duration of the agreement. Net revenues from the issue of bonds were used for the Group's statutory activities.

Bonds are secured with a joint capped mortgage on the Group's real estate up to the amount of PLN 100,000,000.

As per agreement with banks, which was binding as at 31 December 2004 and 31 December 2005, in semi-annual periods ending each 30th June and 31st December, the Company, undertakes to maintain the standalone financial statements ratios within the following ranges:

Year	interest bearing debt /equity	EBITDA / cost of debt	Actual ratios		
			Date	interest debt/equity	EBITDA / cost of debt
2004	<=1.8	>=2.2	31.12.2004	1.43	1.64
2005	<=1.2	>=2.0	30.06.2005	1.67	2.48
			31.12.2005	1.57	2.01
2006	<=1.2	>=1.5			
2007	<=1.2	>=1.5			

In 2004 the banks exempted the Company from having to maintain the EBITDA/cost of debt ratio at the required level, and in 2005 from having to maintain the debt/equity ratio at the required level.

The ratios applicable for the years 2006 and 2007 (as shown in the table above) were changed by an annex of 4 August 2006 (see note 47 entitled 'Material post-balance sheet events').

Note 22. Employee benefits

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS	2005	2004	2003
Opening balance	10,301.15	17,564.78	-
Additions	-	10,301.15	17,564.78
Release	10,301.15	17,564.78	-
Closing balance	-	10,301.15	17,564.78

Between 2003 and 2005 no long-term provisions for retirement benefits were created.

In 2005 it was not necessary for the Company to create a short term provision for retirement benefits because its value was not material.

Note 23. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	31.12.2005	31.12.2004	31.12.2003
Liabilities relating to retained security deposits	3,567,210.05	2,288,875.11	307,647.96

Note 24. Trade payables and other liabilities

TRADE PAYABLES AND OTHER LIABILITIES	31.12.2005	31.12.2004	31.12.2003
Trade payables	132,302,970.63	72,628,201.96	60,778,314.40
Other liabilities	2,582,325.60	6,032,931.45	32,415.37
Total	**134,885,296.23**	**78,661,133.41**	**60,810,729.77**

Note 25. Short-term tax obligations

Short-term tax obligations include mainly social insurance, corporate income tax and personal income tax obligations.

Note 26. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2005	31.12.2004	31.12.2003
Opening balance	**782,199.44**	**1,079,201.99**	**4,896,481.21**
Provisions created in the financial year	3,957,880.98	675,474.17	359,290.05
Use of provisions in the financial year	362,199.44	972,476.72	4,176,569.27
Closing balance, of which:	**4,377,880.98**	**782,199.44**	**1,079,201.99**
Provisions for disputed claims	372,449.78	288,256.29	106,725.27
Provisions for settlements with clients	450,000.00	420,000.00	235,000.00
Provision for receivables from tax office	943,000.00	63,642.00	-
Provision SBM Kabaty	2,266,648.35	-	-
Provision PBK SA	-	-	719,911.94
Other	345,782.85	10,301.15	17,564.78

Note 27. Accrued liabilities and deferred income

	31.12.2005	31.12.2004	31.12.2003
1. Accrued liabilities , of which:	**36,361,949.75**	**29,523,471.57**	**11,941,065.61**
Accrual related to un-invoiced costs of work in progress	17,746,311.64	3,322,335.00	1,253,642.00
Accrual related to costs of housing estates given over for use	8,191,237.03	23,133,883.43	8,745,308.64
Accrual related to employee benefits	2,883,785.47	1,467,387.12	956,439.80
Accrual related to the costs of property management	2,321,246.00	411,104.56	-
Accrual related to the costs of interest on credits and loans	595,888.26	224,895.77	-
Accrual related to foreign exchange difference on the valuation of derivatives	2,933,181.00	-	-
Accrual related to settlements and arrangements with clients	434,679.00	-	-
Accrual related to operating costs	881,018.39	565,880.38	617,417.61
Other accruals	374,602.96	397,985.31	368,257.56
2. Deferred income, of which:	**-**	**6,380,518.97**	**7,013,906.83**
Deferred income	-	6,380,518.97	6,539,010.02
Other	-	-	474,896.81
Total	**36,361,949.75**	**35,903,990.54**	**18,954,972.44**

Note 28. Financial instruments

The Group uses foreign currency derivative instruments such as forward and SWAP contracts to hedge material future foreign currency transactions.

The Polish zloty equivalent of foreign currency forward contracts as at the various balance sheet dates are shown it the table below:

	31.12.2005	31.12. 2004	31.12.2003
in USD	-	21,320,112.96	-
in EUR	-	1,230,570.00	2,000,130.00

As at 31 December 2005 the Group had no foreign exchange forward contracts.

As at 31 December 2004 the Group had two foreign exchange forward contracts hedging future purchase transactions and liability payments, which were made in February 2005. Pursuant to these agreements, on 14 February 2005, the Group purchased USD 5,161,880.00 at the exchange rate of 4.1303 PLN/USD, and on 15 February 2005 it purchased EUR 300,000.00 at the exchange rate of 4.1019 PLN/EUR. The terms of the foreign exchange contracts were structured to correspond with the terms of the probable liabilities. As at 31 December 2004 an unrealized loss of PLN 5,758,748.00 resulting from the USD contract was posted to equity (less deferred income tax amounting to PLN 1,094,162.00).

As at 31 December 2003 the Group had two forward contracts hedging payment of liabilities. Valuation of the forward contracts was performed on the basis of an opinion issued by an independent bank expert specializing in this type of transaction. Gains from revaluation of the aforementioned contracts totalling PLN 93,390.00 were posted in the income statement for the year 2003 (less deferred income tax amounting to PLN 17,744.10).

The Polish zloty equivalent of foreign currency SWAP contracts at the various balance sheet dates is shown in the table below:

	31.12.2005	31.12.2004	31.12.2003
in USD	10,425,350.00	9,819,225.00	16,858,500.50
in EUR	54,789,000.00	53,602,600.00	61,301,500.00

As at 31 December 2005 the Group had three SWAP contracts hedging future liabilities resulting from contracted loans and borrowings. Pursuant to these agreements, on 31 March 2006 the Group purchased USD 3,250,000.00 at the exchange rate of 3.2078 PLN/USD, EUR 6,000,000.00 at the exchange rate of 4.2147 PLN/EUR and EUR 7,000,000.00 at the exchange rate of 4.2144 PLN/EUR. The terms of the foreign exchange contracts were structured to correspond to the terms of the probable liabilities. As at 31 December 2005 the Group had liabilities resulting from loans received from the shareholder Dom Development B.V. with the principal amounting to USD 3,382,554.00 and liabilities resulting from an EBRD loan amounting to EUR 8,000,000.00. An early repayment of a significant part of the EBRD loan was made during the year explaining the difference between the amount hedged and the loan liability at the year end.

As at 31 December 2004 the Group had three SWAP contracts hedging future liabilities resulting from contracted loans and borrowings. Pursuant to these agreements, on 31 March 2005 the Group purchased USD 3,250,000.00 at the exchange rate of 3.0213 PLN/USD, EUR 6,000,000.00 at the exchange rate of 4.1236 PLN/EUR and EUR 7,000,000.00 at the exchange rate of 4.1230 PLN/EUR. The terms of the foreign exchange contracts were structured to correspond to the terms of the probable liabilities. As at 31 December 2004 the Group had liabilities resulting from loans received from the shareholder Dom Development B.V. with the principal amounting to USD 3,382,554.00 and liabilities resulting from an EBRD loan amounting to EUR 15,000,000.00. The difference between the value of the hedges and the liabilities results from the fact that the Group had cash denominated in the relevant foreign currencies, which eliminated the need to fully hedge the transactions with SWAP contracts.

As at 31 December 2003 the Group had two SWAP contracts hedging the repayment of liabilities. According to the Group's accounting principle at that time, SWAP transactions were not subject to valuation.

Note 29. Benefits after employment

As the Group does not have an employee benefits program, no benefits are paid after employment is ended.

Note 30. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	31.12.2005	31.12.2004	31.12.2003
Earnings			
(A) Earnings of the Group resulting from consolidated financial statements	52,150,115.65	10,562,104.84	6,966,588.77
Number of shares			
(B) Number of ordinary shares for the purpose of earnings per share calculation	21,854,340	21,854,340	21,854,340
(C) Less treasury shares not held for the purpose of the share option scheme	36,000	-	-
(D) = (B) - (C) Number of ordinary shares of the Company for the purpose of diluted earnings per share calculation	21,818,340	21,854,340	21,854,340
Basic earnings per share = $\frac{(A)}{(B)}$	2.39	0.48	0.32
Diluted earnings per share = $\frac{(A)}{(D)}$	2.39	0.48	0.32

In 2005 the Group's treasury shares decreased by 56,700 which is presented in note 15. Diluted net book value per share is calculated based on the number of shares at the year end.

As the Company has no discontinued operations, the profits per share of continued operations is equal to the profits per share calculated above.

Note 31. Income tax

INCOME TAX	31.12.2005	31.12.2004	31.12.2003
Current income tax	348,173.00	2,227,340.00	2,684,812.70
Deferred income tax	12,163,786.45	93,730.39	1,802,968.42
Total	**12,511,959.45**	**2,321,070.39**	**4,487,781.12**

The table below shows the difference between taxation at the statutory tax rate (accounting profit multiplied by the statutory tax rate) and the actual income tax expense of the Group, as charged to the income statement.

RECONCILIATION	2005	2004	2003
Accounting profit before taxation	64,662,075.10	12,883,175.23	11,454,369.89
Taxation at the statutory rate of 19% (2003 - 27%)	12,285,794.27	2,447,803.00	3,092,680.00
Permanent differences not affecting the current and deferred tax balance in the consolidated financial statements	226,165.18	(126,732.61)	1,701,711.12
Impact of tax rate change on the deferred income tax provision and assets	-	-	(306,610.00)
Income tax expense for the year	**12,511,959.45**	**2,321,070.39**	**4,487,781.12**
Effective tax rate	**20%**	**18%**	**40%**

In 2003 the tax rate was 27%. Since 2004, following changes in legal regulations, it has been reduced to 19%.

Because of frequent changes in the tax system, legal regulations relating to VAT, corporate income tax, personal income tax and social insurance premiums are subject to regular modifications. Binding regulations are unclear, resulting in differences of interpretation between the various tax authorities, as well as between the tax authorities and tax payers.

Tax and other settlements (such as customs duty or transactions with foreign entities) may be the subject of inspections by the tax authorities or other authorities authorised to assess significant fines. All tax arrears uncovered in the course of inspections are subject to high interest charges. Tax settlements may be inspected at any time within 5 years of filing. Under these conditions the tax risk in Poland is considerably higher than in other countries with stable tax systems.

Note 32. Key assumptions and estimate bases

Calculation of sales of goods and cost of goods sold (see the section 'long-term contract disclosure principles'), is based on detailed budgets of individual development projects prepared based on the Company's best knowledge and experience. During construction, each development project budget is updated at least once every three months.

Note 33. Segment reporting

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

Note 34. Operating income

SALES REVENUE BY TYPE	2005	2004	2003
Sales of finished goods	512,958,854.81	346,632,220.77	289,754,257.60
Sales of services	24,206,917.85	20,779,918.20	16,151,798.65
Sales of goods for resale (land)	-	3,794,653.30	983,923.82
Total	**537,165,772.66**	**371,206,792.27**	**306,889,980.07**

Note 35. Operating costs

OPERATING COSTS	2005	2004	2003
Cost of sales			
Cost of finished goods sold	391,462,809.93	282,400,240.81	240,660,245.84
Cost of services sold	16,211,154.71	14,411,760.07	11,134,726.45
Cost of land sold	-	1,234,938.20	746,437.33
Total cost of sales	**407,673,964.64**	**298,046,939.08**	**252,541,409.62**
Selling and administrative expenses			
Selling costs	21,570,600.20	17,943,926.47	15,061,454.33
Administrative expenses	31,904,331.11	30,470,807.27	22,423,247.40
Total selling and administrative expenses	**53,474,931.31**	**48,414,733.74**	**37,484,701.73**
Selling and administrative expenses by kind			
Depreciation and amortisation	1,751,443.40	1,481,637.70	1,277,593.41
Cost of materials and energy	4,145,830.79	2,685,636.39	2,336,440.87
External services	15,489,785.67	17,174,120.03	14,469,616.91
Taxes and charge	412,129.03	714,363.96	766,903.82
Wages and salaries	23,986,103.87	21,051,694.67	16,657,870.12
Social security and other benefits	2,792,273.11	2,434,601.06	1,948,117.36
Other costs by kind	4,897,365.45	2,872,679.93	28,159.24
Total selling and administrative expenses by kind	**53,474,931.31**	**48,414,733.74**	**37,484,701.73**

Note 36. Payrolls

AVERAGE MONTHLY EMPLOYMENT (including managerial staff)	**2005**	**2004**	**2003**
Individual personnel categories (number of staff):			
Office workers	159	152	124
Manual labour	-	-	-
General remuneration elements (PLN):			
Wages and salaries	23,986,103.87	21,051,694.67	16,657,870.12
Social security and other benefits	2,792,273.11	2,434,601.06	1,948,117.36

Note 37. Other operating income

OTHER OPERATING INCOME	**2005**	**2004**	**2003**
Revenues from contractual penalties and compensations	2,611,437.17	1,671,450.76	-
Reversal of provisions for costs	587,635.32	1,588,227.87	2,359,831.91
Reversal of provisions for contractual penalties	88,360.07	519,911.94	1,283,000.00
Reversal of doubtful debts provisions	-	502,174.33	470,757.34
Other	492,710.43	418,869.25	359,381.82
Total	**3,780,142.99**	**4,700,634.15**	**4,472,971.07**

Note 38. Other operating expenses

OTHER OPERATING EXPENSES	**2005**	**2004**	**2003**
Clients' claims paid and provisions	702,610.09	420,000.00	235,000.00
Donations	216,130.00	93,300.00	127,000.00
Receivables written off	1,130,398.93	942,037.06	1,201,352.04
Provision for remuneration	885,280.90	597,936.47	956,439.80
Provision for disputes	3,846,896.87	384,057.80	106,725.27
Inventory write down	416,253.01	2,126,867.12	336.76
Cost of discontinued research	-	542,804.22	-
Other	1,091,814.72	688,863.11	946,814.58
Total	**8,289,384.52**	**5,795,865.78**	**3,573,668.45**

Note 39. Financial income

FINANCIAL INCOME	**2005**	**2004**	**2003**
Interest received	3,583,195.56	3,348,016.21	1,179,348.65
Other	218,124.58	106,674.47	398,841.75
Total	**3,801,320.14**	**3,454,690.68**	**1,578,190.40**

Note 40. Financial costs

FINANCIAL COSTS	2005	2004	2003
Interest on loans and overdrafts	4,016,807.21	4,146,819.23	1,829,502.81
Interest to related parties	1,013,548.71	1,156,952.27	1,484,447.10
Other interest	31,877.07	193,069.03	95,958.93
Foreign exchange	3,514,114.78	4,483,870.74	497,232.16
Mortgage loans insurance	1,348,366.26	3,488,537.75	3,435,791.75
Other	722,166.19	752,154.25	544,059.10
Total	**10,646,880.22**	**14,221,403.27**	**7,886,991.85**

Note 41. Financial revenue and costs relating to interest

	2005	2004	2003
Financial costs (interest) capitalised under work in progress (a)	22,149,920.91	8,989,454.55	7,192,814.65
Costs of credit interest recognised in the income statement	5,062,232.99	5,496,840.53	4,718,297.68
Revenue relating to interest on bank deposits recognised in the income statement	3,583,195.55	3,348,016.21	1,179,348.65

(a) The financial costs incurred as a result of the financing of development projects are generally capitalised in line with work in progress and relate to the costs of interest on bonds and loans taken out for the realisation of development projects.

Note 42. Transactions with related parties

In the period covered by the audited historical financial information the Company was a party to transactions with related parties, as defined in decree No. 1606/2002 and IAS 24. In the light of the definitions arising out of IAS 24, the following entities should be considered related to Dom Development S.A.:

- Dom Development Morskie Oko sp. z o. o. – Dom Development S.A. holds 100% of the company's shares and the same number of votes at a general meeting.
- Dom Development Na Dolnej sp. z o. o. - Dom Development S.A holds 100% of the company's shares and the same number of votes at a general meeting.
- Dom Development Zarządzanie Nieruchomościami sp. z o. o. - Dom Development S.A. holds 100% of the company's shares and the same number of votes at a general meeting.
- Fort Mokotów sp. z o .o. – the entity is a joint-venture in which the company is a party. Dom Development S. A. holds 49% of the company’s shares and the same number of votes at a general meeting, because of presence in the supervisory board and management it is treated as a joint-venture.
- Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom" – Dom Development S.A. holds 42.45% (40% directly and 2.45% indirectly) of its shares and the same number of votes at a general meeting.
- Dom Development Grunty sp. z o.o. – the Group holds 46% of its shares and the same number of votes at a general meeting.
- Dom City sp. z o.o. – Dom Development S.A. held 90% of its shares and the same number of votes at a general meeting. Dom City sp. z o.o. was liquidated in 2005.
- Members of the Company's governing bodies and their close relatives.
- Entities related to persons mentioned in the bullet point above (Hansom Property Company Limited, Woodsford Consulting Limited).
- Direct shareholders (Dom Development B.V.) and indirect shareholders.

In the period from 1 January 2003 to 31 December 2005 the Company was a party to a number of transactions with related parties. Unless otherwise specified, the value of the transactions or settlements between the parties is presented in thousands of PLN. Transaction descriptions are presented in the tables below. In special cases the descriptions of the various agreements, or explanations, have also been presented. Due to the size of the Company's turnover it was decided that if the transactions with any one party in each and every of the three periods shown was below PLN 100,000, then all the transactions related to this party were omitted.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES

Counterparty	Transaction description	01.01- -31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000	1,299	1,396	1,272
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	252	239	289
Towarzystwo Ubezpieczeń Wzajemnych 'Bezpieczny Dom'	Insurance of financial losses risk	386	-	-

DOM DEVELOPMENT S.A. BUYING LAND AS PART OF A MANDATE AGREEMENT

Counterparty	Transaction description	01.01- - 31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Dom Development Grunty sp. z o.o.	Amounts transferred to Dom Development Grunty sp. z o.o. for the purchase of land as part of specified work contracts	17,464	13,852	11,627
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	16,578	11,371	11,551
Dom Development Grunty sp. z o.o.	Additional transfer for VAT payments to invoices transferring the ownership of land to Dom Development S.A.	701	1,380	94
Dom City sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	-	-	1,694

DOM DEVELOPMENT S.A. SELLING PROPERTY

Counterparty	Transaction description	01.01- -31.12.2005	01.01- -31.12.2004	01.01- -31.12.2003
Dom Development Morskie Oko sp. z o.o.	Sale of land	-	-	8,658
Dom Development Morskie Oko sp. z o.o.	Sale of residential property	-	8,093	-

DOM DEVELOPMENT S.A. PROVIDING SERVICES (SELLER)

Counterparty	Transaction description	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Fort Mokotów sp. z o.o.	General Project Realization agreement dated 15 April 2002	5,640	2,620	375
Fort Mokotów sp. z o.o.	Sale agreement and agreement for the provision of advertising and marketing services dated 15 April 2002	6,863	3,893	1,544
Fort Mokotów sp. z o.o.	Other	93	100	15
Dom Development Morskie Oko sp. z o.o.	Investor Substitution agreement dated 4 November 2002	-	80	1,520
Dom Development Morskie Oko sp. z o.o.	Sale agreement and agreement for the provision of advertising and marketing services dated 4 November 2002	30	300	1,100
Dom Development Morskie Oko sp. z o.o.	Agreement for the provision of all financial, accounting and administrative services	-	360	360
Dom Development Morskie Oko sp. z o.o.	Other	30	16	172

DOM DEVELOPMENT S.A. AS PAYER OF SHARE CAPITAL OR ADDITIONAL CAPITAL

Counterparty	Transaction description	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	purchase of shares	800	-	-
Dom Development Morskie Oko sp. z o.o.	additional payments to capital	-	-	19,000
Fort Mokotów sp. z o.o.	additional payments to capital	-	294	28,616
Dom Development Zarządzanie Nieruchomościami sp. z o.o.	payment of share capital	-	100	-

LOAN AGREEMENTS

The information on shareholder's loan agreements is presented in note 19 entitled ‘Loans and borrowings’.

DOM DEVELOPMENT S.A. AS PAYER OF INTEREST ON SHAREHOLDERS' LOANS

Counterparty	Transaction description	01.01--31.12.2005	01.01--31.12.2004	01.01--31.12.2003
Dom Development B.V.	Cost of interest on shareholder's loans	988	1,157	1,485
Dom Development B.V.	Principal repaid on loan agreement dated 28 October 2002	-	6,732	-

The balances of the above loans are included in the table below.

BALANCES WITH RELATED PARTIES IN THE YEARS 2003-2005

Balance as in books of holding entity

Entity	Receivables from related parties			Liabilities to related parties		
	31.12.2005	31.12.2004	31.12.2003	31.12.2005	31.12.2004	31.12.2003
Total balance	**72,475**	**63,538**	**80,133**	**11,222**	**11,125**	**20,571**
Balances less than PLN 100,000	**76**	**-**	**-**	**1**	**36**	**-**
Balances greater than PLN 100,000	**72,399**	**63,538**	**80,133**	**11,221**	**11,089**	**20,571**
Subsidiary companies	**17,659**	**32,257**	**32,727**	**-**	**-**	**-**
Dom City spółka z o.o.	-	142	508	-	-	-
Dom Development Morskie Oko sp. z o.o.	-	12,615	12,170	-	-	-
Dom Development Morskie Oko sp. z o.o. additional payments to capital	17,659	19,500	19,500	-	-	-
Chopin Projekt sp. z o.o.	-	-	549	-	-	-
Associated companies	**24,559**	**1,661**	**18,115**	**-**	**800**	**-**
Dom Development Grunty sp. z o.o.	24,559	1,661	18,115	-	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	-	-	-	-	800	-
Joint-ventures	**30,181**	**29,620**	**29,291**		**-**	**-**
Fort Mokotów sp. z o.o.	1,271	710	675		-	-
Fort Mokotów sp..z o.o. additional payments to capital	28,910	28,910	28,616	-	-	-
Other entities	**-**	**-**	**-**	**11,221**	**10,289**	**20,571**
Woodsford Consulting Limited	-	-	-	109	103	117
Dom Development B.V.	-	-	-	11,112	10,186	20,454

Shareholders' support and subordination agreement

The 'Shareholders' support and subordination agreement' dated 19 March 2003 was concluded between the Company, Dom Development B.V., Jarosław Szanajca, Grzegorz Kiełpsz and EBRD. The agreement was concluded further to a credit agreement dated 19 March 2003 between the Company and EBRD. The agreement provides that all liabilities to the Company's above mentioned shareholders are subordinated to the Company's liabilities to EBRD. The agreement also gives EBRD certain powers such as granting the Bank veto and approval rights with respect to several types of decisions relating to the Company's activities and corporate matters.

Dom Development S.A. as buyer/seller of treasury shares

On 31 January 2005 the Company concluded an agreement with Marek Rawdanowicz for the purchase by the Company of 36,000 F-series shares from Marek Rawdanowicz for PLN 149,760.00.

On 5 August 2005 the Company concluded an agreement with Janusz Zalewski for the purchase by Janusz Zalewski of 46,350 G-series shares from the Company for PLN 111,413.74.

On 27 December 2005 the Company concluded an agreement with Janusz Zalewski for the purchase by Janusz Zalewski of 46,350 G-series shares from the Company for PLN 108,996.38.

Service agreements between members of the management and supervisory bodies and the Company or its subsidiaries defining the benefits to be paid upon termination of their employment

Members of the Company's Management Board: Jarosław Szanajca, Janusz Zalewski, Grzegorz Kiełpsz and Janusz Stolarczyk are employed by the Company on the basis of employment contracts.

In accordance with provisions of employment contracts with individual members of the Company's Management Board, their employment shall cease on the following terms:

<table>
<tr><th rowspan="2">Unit</th><th rowspan="2"></th><th rowspan="2">Executive Name</th><th colspan="2">Period of notice of termination contract (months)</th><th rowspan="2" colspan="2">Note</th></tr>
<tr><th>Company to Employee</th><th>Employee to Company</th></tr>
<tr><td rowspan="4">The Management Board</td><td>1</td><td>Szanajca Jarosław</td><td colspan="2">8</td><td>First payment of 50% of 8-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>2</td><td>Kiełpsz Grzegorz</td><td>6</td><td>3</td><td>First payment of 50% of 6-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>3</td><td>Zalewski Janusz</td><td colspan="2">6</td><td colspan="2"></td></tr>
<tr><td>4</td><td>Stolarczyk Janusz</td><td>9</td><td>3</td><td>First payment of 50% of 9-times monthly remuneration to be paid after giving the notice</td><td>The balance of 50% to be paid in 8 equal monthly payments</td></tr>
</table>

Apart from the aforementioned payments to be made by the Company to four members of the Management Board in connection with a notice period in the event of the termination of their employment contracts, they are not entitled to any other payments from the Company or its subsidiaries upon the termination of their employment.

Zygmunt Kostkiewicz, Stanisław Plakwicz, Włodzimierz Bogucki, Richard Lewis, Markham Dumas, Michael Cronk, who are members of the Supervisory Board, receive their remuneration pursuant to the resolution of the Company's Shareholders Meeting.

Terry Roydon, former Supervisory Board member, received remuneration for the performance of his functions.

Incentive plan

The Company has adopted Managerial Options Programme, for the benefit of Management and selected staff.

Incentive Plan I

On 29 January 2001 the Supervisory Board of Dom Development S.A. approved the provisions of Programme I for Management Options concerning series E shares in Dom Development S.A., and on 26 September 2002 the Supervisory Board of Dom Development S.A. approved the provisions of Programme I for Management Options concerning series G shares in Dom Development S.A. (together 'Programme I'). Pursuant to the provisions of Programme I, the qualifying persons to whom Programme I was directed and who concluded preliminary share sale agreements (all the qualifying persons concluded the appropriate agreements and a schedule of the qualifying persons together with the terms of those agreements is contained in the table below) are entitled to demand that the Company concludes a share sale agreement with the given qualifying person during the option period – i.e. on the date specified by that qualifying person which, however, may not fall earlier than 30 April 2003 nor later than 30 April 2007 – on the terms specified in the agreement with that person and in the Programme. Under Programme I 10 300 series G shares and 35 600 series E shares in the Company were allocated (the number of shares stated is prior to the 1 for 9 split which took place on 18 February 2003). As all Incentive Plan I options were granted before 7 November 2002, IFRS 2 exempts them from valuation at fair value.

Preliminary share sale agreements:

The Buyer	Date of the conclusion of the agreement	No. of shares*	Series of shares	Option period	Price per share in USD at the price on the date of payment*
Janusz Zalewski	25.04.2001	25 100 (225,900)	E	between 30.04.2003 and 30.04.2007	7.71 (0.86)
Janusz Zalewski	25.11.2002	10 300 (92,700)	G	between 30.04.2003 and 30.04.2007	6.43 (0.71)
Terry Roydon	24.04.2001	2 500 (22,500)	E	between 30.04.2003 and 30.04.2007	7.71 (0.86)
Janusz Stolarczyk	25.04.2001	8 000 (72,000)	E	between 30.04.2003 and 30.04.2007	7.71 (0.86)

* As at 18.02.2003 the Company carried out a split of the shares following which 9 shares with a nominal value of PLN 1 were issued for each share with a nominal value of PLN 9. Consequently the number of shares allocated to the qualifying persons and the purchase price specified in the preliminary agreements were amended. The table incorporates the information from the preliminary agreements on the date on which they were concluded - i.e. prior to the share split and the brackets specify the number of shares and the purchase price following the share split.

Share sale agreements concluded before 31 December 2005*:

The Buyer	Date of the conclusion of the agreement	No. of shares	Series of shares	Total price in PLN
Janusz Zalewski	05.08.2005	46,350	G	111,413.76
Janusz Zalewski	27.12.2005	46,350	G	108,996.38

* The share sale agreements can be concluded after the buyers – who are members of the Company's management and supervisory bodies – exercise their options to buy the shares allocated to them under Programme I for Management Options concerning shares in Dom Development S.A.

Promissory agreements/sale agreements relating to the sale of apartments by the Company to management personnel or their relatives

Description of promised sale/sale agreements concerning residential premises

Affiliated entity	Date	Description	Value in PLN	Cumulative payments made as at 31.12.2005
Janusz Stolarczyk	31.05.2004	Promissory sale agreement concerning residential premises with an area of 54.4 sq. m, together with technical space and auxiliary space and a parking space	224,162.00	224,162.00
Stanisław Plakwicz and Małgorzata Domalik-Plakwicz	17.03.2005	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 45.3 sq. m, together with auxiliary space, in execution of preliminary contract entered into before 01.01.2003 value: PLN 152,443.70	n/a	n/a
Jerzy Bieniewski	29.12.2004	Agreement concerning the establishment of separate ownership and sale of residential premises with an area of 51.3 sq. m, together with auxiliary space and a parking space	221,375.00	221,375.00
Jacek Sadowski and Jolanta Sadowska	21.12.2004	Agreement concerning the establishment of separate ownership and sale of residential premises with an area of 38.5 sq. m, together with auxiliary space and a parking space	179,130.28	179,130.28
Jerzy Bieniewski	04.08.2004	Promissory sale agreement concerning residential premises with an area of 64.4 sq. m, together with auxiliary space and a parking place	346,005.63	307,315.10
Anne Germaine Marie-Louise Bonavero and Yves Jean Marc Bonavero	17.06.2004	Promissory sale agreement concerning residential premises with an area of 169.5 sq. m, together with auxiliary space and a parking place	2,279,741.00	2,051,766.90.00
Jarosław Szanajca	17.09.2004	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 46.4 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 163,149. On 13 March 2003 an agreement for sale of a parking space was signed. Value PLN 9,760.	n/a	n/a
Grzegorz Kiełpsz	17.09.2004	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 35.3 sq. m, in execution of preliminary contract entered into before 01.01.2003. On 9 December 2003 an agreement for sale of a parking space was signed for PLN 9,760. Total value: PLN 146,371.	n/a	n/a
Zygmunt Kostkiewicz and Katarzyna Markowska-Kostkiewicz	17.09.2004	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 51.7 sq. m, together with auxiliary space, in execution of preliminary contract entered into before 01.01.2003 value: PLN 184,167	n/a	n/a
Grzegorz Kiełpsz and Halina Wielgosz	22.04.2004	Sale agreement, preliminary agreement on cancellation of collective ownership of a real estate	421,063.00	421,063.00
Stanisław Plakwicz	30.12.2003	Promissory sale agreement concerning residential premises with an area of 116 sq. m together with two parking spaces	1,161,510.00	Assignment of the agreement to another person
Janusz Zalewski	29.10.2003	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 35.8 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 136,220.93	n/a	n/a
Stanisław Plakwicz and Małgorzata Domalik-Plakwicz	29.10.2003	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 47 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 200,303.84	n/a	n/a
Stanisław Plakwicz Małgorzata Domalik-Plakwicz	28.02.2003	Agreement on cancellation of collective ownership and re-registration of residential premises with an area of 45.5 sq. m, in execution of preliminary contract entered into before 01.01.2003 value: PLN 127,239.34	n/a	n/a

Note 43. REMUNERATION OF MEMBERS OF THE COMPANY'S GOVERNING BODIES

Janusz Zalewski is entitled to be granted options on 1.5% of the Company shares calculated as a percentage of shares to be issued in a public offer.

Remuneration	2005	2004	2003
1. The Management Bard:			
Remuneration from profit	**-**	**-**	**-**
Jarosław Szanajca	-	-	-
Grzegorz Kiełpsz	-	-	-
Janusz Zalewski	-	-	-
Janusz Stolarczyk	-	-	-
Terry Roydon	-	-	-
Richard Lewis	-	-	-
Other	-	-	-
Remuneration			
Jarosław Szanajca	1,042,080	978,393	1,028,219
Grzegorz Kiełpsz	742,500	721,225	696,284
Janusz Zalewski	766,543	669,213	752,911
Janusz Stolarczyk	581,569	603,820	573,203
Terry Roydon	-	-	-
Richard Lewis	-	-	-
Other	-	-	-
2. The Supervisory Board:			
Zygmunt Kostkiewicz	60,000	30,800	16,800
Stanisław Plakwicz	36,000	16,800	16,800
Teresa Rogoźnicka	36,000	16,800	16,800
Terry Roydon	36,000	16,800	16,800

Note 44. OPTIONS

As at 31 December 2005 the Company had Share Option Programme for senior managers called Incentive Plan I. Information about options granted under Incentive Plan I is included in note 42 ‘Transactions with related parties‘. Information about Incentive Plan IA and Incentive Plan II is included in note 47 ‘Material post balance sheet events’.

The following table presents information about the number of the share options (Incentive Plan I) at particular balance sheet dates and movements in the presented periods.

SHARE OPTIONS		2005	2004	2003
Options possible to exercise at the beginning of the year	Amount	413,100	413,100	-
	Total exercise price	1,011,224.69	1,264,876.26	-
Options exercised in the period	Amount	92,700	-	-
	Total exercise price	220.410.12	-	-
Options possible to exercise at the end of the year	Amount	320,400	413,100	413,100
	Total exercise price	888,182.44	1,011,224.69	1,264,876.26
Exercised options	Amount	92,700		
	Weighted average exercised price per share	2.38		

Note 45. Approval of financial statements

The Group prepared its statutory financial statements for particular accounting years in accordance with Polish Accounting Standards (PAS) and those financial statements were approved by the General Shareholders Meeting. In addition for the purpose of reporting to its shareholder Dom Development B.V., the Group prepared financial statements according to IAS/IFRS. These financial statements were not approved by the General Shareholders Meeting.

The Group's financial statements for the year 2005 were approved in Resolution No. 3 of the Ordinary General Shareholders Meeting of 19 April 2006. The financial statements for the year 2005 have not yet been published.

The Group's financial statements for the year 2004 were approved in Resolution No. 3 passed by the Ordinary General Shareholders Meeting on 28 June 2005. They were published in Polish Monitor B No. 1641 dated 21 October 2005.

The Group's financial statements for the year 2003 were approved in Resolution No. 3 passed by the Ordinary General Shareholders Meeting on 23 June 2004. They were published in Polish Monitor B No. 150 dated 24 January 2005.

The consolidated financial statements for the year ended 31 December 2005 are the first financial statements prepared according to IFRS (as per the requirements of IFRS 1) and contain comparative data for the years 2004 and 2003, presented as based on previously prepared financial statements prepared in accordance with IAS/IFRS (as mentioned in the first paragraph of note 45), which however did not fully comply with some requirements of IFRS 1. The comparative data for the years 2004 and 2003 were enhanced by supplementary information and explanations in order to include them into the consolidated financial statements for the year ended 31 December 2005.

Note 46. Material court cases as at 31 December 2005 (including update until the date of signing of these financial statements)

With regard to proceedings before public administration bodies, as well as court and arbitration proceedings in progress during the preceding 12 months, to which the Company is a party, it should be indicated that:

The most significant contentious proceedings relate to Marina Mokotów, a project of Fort Mokotów Sp. z o.o. in which the Company holds a 49% economic interest. The cases involve the Zoning Decision and further decision No. 2/Mo/A/2002 dated 30 October 2002 regarding acceptance of a land-use plan, and decision 77/Mok/A/04 dated 16 June 2004 regarding a construction permit for stages II, III and IV of the development. The above decisions were challenged by the Association of the Environmental Protection League (Polish: Stowarzyszenie Ligi Ochrony Przyrody), the Friendly City Association (Polish: Stowarzyszenie Przyjazne Miasto), the Green Mokotów Association (Polish: Stowarzyszenie Zielony Mokotów), by Spółdzielnia Budowlano-Mieszkaniowa 'Politechnika' and by four natural persons.

On 4 July 2001 Fort Mokotów sp. z o.o received the Zoning Decision issued by the Mayor of the Borough of central Warsaw, defining development conditions of the entire Marina Mokotów site. Following an appeal, against the Zoning Decision, the Local Authority Appeals Board in Warsaw issued a final and binding decision on 16 November 2001, upholding the Zoning Decision. A further appeal against this and the Zoning Decision was filed with the Province Administration Court which on 1 June 2005 quashed both those decisions, stating that these decisions had been issued in contravention of the law, and ordering that the enforcement of the Zoning Decision be withheld. This verdict was appealed against by Fort Mokotów sp. z o.o to the Supreme Administration Court, which on 7 July 2006 rendered a final verdict upholding the Province Administration Court's verdict of 1 June 2005. As a result the Zoning Decision was annulled. Currently, this case is being transferred back to the Mayor of the Borough of central Warsaw's office which shall undertake new proceedings with respect to the development conditions of the Marina Mokotów site.

The Supreme Administration Court decision poses a risk to the completion of one building (with total planned cost of construction, estimated by the Company, amounting to PLN 39,832 thousand) for the following reasons. The parties who challenged the Zoning Decision have announced their intention to resume legal proceedings regarding the building permits issued on the basis of the Zoning Decision. If those proceedings are resumed this may have an impact on development of the aforementioned building for which the occupancy permit has not yet been issued. Namely, if the building permit for the said building is annulled, construction may be suspended until the legal proceedings are resolved.

According to the Management Board, this risk currently involves only one residential building, however, for a limited period of time, as the occupancy permit for it should be issued by November 2006. Thus, if the occupancy permit for this building is issued before the annulment of the building permit (which also assumes Fort Mokotów loses the legal case), the risk that the occupancy permit could be successfully challenged will be limited. Therefore, annulment of the building permit once the occupancy permit was issued and become final should not have an impact on such occupancy permit and the use of the building.

With regard to the completed buildings of Marina Mokotów, for which final occupancy permits have already been issued, the impact of the annulment of the Zoning Decision is remote.

Finally, it should be noted that according to the general rules of Polish administrative procedure, in cases where the annulment of an administrative decision causes damage to a party (e.g. investor) to the proceedings within which such decision was issued, such a party may bring a claim for compensation against the authority that declared such an annulment.

The Group is a party of other cases in court. According to Management Board these cases are not material for the Group.

Note 47. Material post-balance sheet events

1. On 30 January 2006 the Tax Chamber repealed a decision issued by the Chief of the First Mazowiecki Tax Office in Warsaw relating to a dispute as to a VAT liability for the month of July 2004. The decision was sent for reconsideration by the local Tax Office. The dispute with the Tax Office ended with the Tax Office's withdrawal of all major charges (PLN 4.1 million plus penalty and interest) and the return of the majority of the collected amounts (PLN 5.8 million). The Company has released the provision created for the risk associated with this dispute (PLN 0.9 million).
2. The dispute with SBM Kabaty for the amount of PLN 2.0 million ended with a legally binding court ruling of 26 January 2006, ordering the return of the amount with interest to SBM Kabaty. The costs of the lost court case were recognised in the income statement through the creation of a provision in the financial statements for the year 2005.
3. As at 31 December 2005 the Group listed under short-term liabilities a loan taken out from EBRD, with a due date of 19 March 2010. As at 31 December 2005 the value of the loan was EUR 8 million. The liability arising out of this loan was repaid early in May 2006. The purpose of the early repayment was to change the structure of debt and lower financial costs.
4. On 28 March 2006 the Ordinary Shareholders Meeting of joint venture Fort Mokotów sp. z o.o. designated PLN 29,073,422.35, which was part of its net profit for the year 2005, for the payment of a dividend to the company's shareholders, i.e. PKO Inwestycje sp. z o.o. and Dom Development S.A., with the funds distributed proportionately to the number of shares held, i.e. 51% and 49% respectively. The Company was credited with PLN 14,246 thousand.
5. In mid-2006 the Company decided to adjust its tax returns as regards corporate income tax (CIT). The taxable income which had been recognised at the moment of receiving the occupancy permit was replaced with the taxable income recognised at signing the transfer of ownership final agreement. As a result CIT returns for the years 2000-2005 will be adjusted. The decision was taken based on the information received by the Group regarding the Ministry of Finance interpretation of relevant tax regulations.
6. On 4 August 2006 there was signed an annex to the bond issue agreement described in note 21 'Bonds'. The annex changes the interest bearing debt/equity ratio and EBITDA/cost of debt ratio to the following:

Year	interest bearing debt / equity	EBITDA / cost of debt
2006	<=2.0	>=1.8
2007	<=2.0	>=5.0

7. Transactions with related parties which took place in years 2003-2005 are described in the note 42 ‘Transactions with related parties‘. However in 2006 a number of further transactions with related parties took place. The most important transactions are described below.

Dom Development S.A. as buyer/seller of treasury shares

On 20 January 2006 the Company concluded an agreement with Janusz Stolarczyk for the purchase by Janusz Stolarczyk of 72,000 E-series shares from the Company for PLN 200,311.97 (exercising of options from Incentive Plan I as described in note 42 ‘Transactions with related parties’).

On 23 February 2006 the Company concluded an agreement with Terry Roydon for the purchase by Terry Roydon of 36,000 F-series shares from the Company for PLN 149,760.00.

On 15 March 2006 the Company concluded an agreement with Janusz Zalewski for the purchase by Janusz Zalewski of 77,700 E-series shares from the Company for PLN 219,637.23 (exercising of options from Incentive Plan I as described in note 42 ‘Transactions with related parties’).

On 28 June 2006 the Company concluded an agreement with Terry Roydon for the purchase by Terry Roydon of 22,500 E-series shares from the Company for PLN 61,505.91 (exercising of options from Incentive Plan I as described in note 42 ’Transactions with related parties’).

Dom Development as recipient of a refund of an additional payment to capital

In the first 6 months of 2006 the Company received a refund of an additional payment to capital of PLN 14,000 thousand from Dom Development Morskie Oko sp. z o.o..

<u>Incentive Plans</u>

Incentive Plan IA

On 22 March 2006 the Supervisory Board of Dom Development S.A. approved the provisions of Programme IA for Management Options concerning series E shares in Dom Development S.A. (‘Programme IA‘). Pursuant to the provisions of Programme IA, the qualifying persons to whom Programme IA was directed and who concluded preliminary share sale agreements (all of the qualifying persons concluded the appropriate agreements and a schedule of the qualifying persons together with the terms of those agreements are contained in the table below) are entitled to demand that the Company concludes a share sale agreement with the given qualifying person during the option period – i.e. on the date specified by that qualifying person which, may not however fall earlier than 22 March 2009, nor later than 22 March 2013 – on the terms specified in the agreement with that person and in Programme IA. The Programme involves 96,750 of the Company’s shares which are currently owned by the Company. All of those shares were offered to qualifying persons – the table below shows the number of shares allocated to the various qualifying persons. When all the shares are allocated, the Programme will be closed for the grant of further options.

Preliminary share sale agreements (Incentive Plan IA):

Purchaser	Date of the conclusion of the agreement	No. of E series shares	Option period	Purchase price per share (PLN)
Jacek Sadowski	11.05.2006	16 000	between 22.03.2009 and 22.03.2013	6.10
Jerzy Ślusarski	11.05.2006	16 000	between 22.03.2009 and 22.03.2013	6.10
Jerzy Bieniewski	11.05.2006	16 000	between 22.03.2009 and 22.03.2013	6.10
Krzysztof Krzywicki	11.05.2006	8 000	between 22.03.2009 and 22.03.2013	6.10
Dariusz Gołębiewski	11.05.2006	5 500	between 22.03.2009 and 22.03.2013	6.10
Marek Dalba	11.05.2006	5 500	between 22.03.2009 and 22.03.2013	6.10
Wojciech Kłopocki	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Ewa Dudkiewicz-Kopytko	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Waldemar Sobczyk	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Stanisław Szczygielski	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Tomasz Wielogórski	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Roman Korniak	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10
Jacek Orkisz	11.05.2006	4 250	between 22.03.2009 and 22.03.2013	6.10

Incentive Plan II

On 20 April 2006 the Extraordinary Shareholders Meeting of Dom Development S.A. approved Programme II for Management Options ('Programme II') concerning 120,150 shares in Dom Development S.A. and authorised the Management Board and the Supervisory Board to implement the Programme II. In accordance with the provisions of the Programme II, one or several issues are planned of up to 120,150 shares, each with a nominal value of PLN 1.00 for the purpose of the realisation of Programme II within the scope of the authorised and unissued capital regulated under Article 444 and subsequent articles of the Commercial Companies Code. In accordance with Programme II, the Supervisory Board may designate persons qualifying to participate in Programme II, together with the number of shares and issue price for each person. The issue price cannot be lower than 90 per cent of the market value. The Company may grant an option to subscribe for a specific number of shares at a specific price and on specific dates to persons who have agreed to participate in the Programme II (the 'Option'). The Supervisory Board may stipulate additional terms and conditions required for the exercise of the Option. The Option may be exercised not earlier than 3 years from the date of its granting and no later than 7 years following its granting. In order to realise Programme II, addressees of the program will receive subscription warrants that will be delivered to them immediately following granting of options. The resolution of the Shareholders Meeting of the Company regarding the introduction of the authorised and unissued capital should be adopted no later than 3 years from the date on which the option was granted to qualifying persons. As at the date of signing these financial statements the Supervisory Board has not yet implemented this plan and so no options have yet been granted under this plan.

As this programme has not been implemented yet no valuation of share options at fair value has been performed.

Promissory agreements relating to the sale of apartments by the Company to management personnel or their relatives

Description of promised sale/sale agreements concerning residential premises

Affiliated entity	Date	Description	Value in PLN	Payments made as at 30/06/2006
Jarosław Szanajca and Iwona Jackowska--Szanajca	29.03.2006	Promissory sale agreement concerning residential premises with an area of 89.10 sq. m, together with two auxiliary spaces and two parking spaces	557,743.75	195,209.56
Janusz Zalewski	12.04.2006	Promissory sale agreement concerning residential premises with an area of 242.40 sq. m, together with two auxiliary spaces and two garages	2,945,200.00	176,712.00
Danuta Stolarczyk i Janusz Stolarczyk	28.02.2006	Promissory sale agreement concerning residential premises with an area of 122.93 sq. m, together with two garages	779,433.50	38,971.65
Jerzy Bieniewski	18.07.2006	Preliminary agreement on sale of the semi-detached house of 211,77 sq. m	1.436.832,21	0,00

Shareholders' support and subordination agreement

On 7 August 2006 EBRD consented to temporarily waive or permanently waive some requirements of this agreement described in note 42 entitled 'Transaction with related party'.

8. On 24 March 2006 the Company's Shareholders Meeting adopted resolution No. 1 on carrying out a bond issue programme consisting of the issuance of bonds with an aggregate nominal value of no more than PLN 30,000,000 pursuant to Article 9 of the Bond Act. Funds raised as a result of the issue were to be designated for financing and refinancing the Company's development activities associated with buying land as well as for covering costs associated with the execution of residential developments.
9. In July 2006 Dom Development S.A. acquired shares in capital of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom". As the result of this transaction Dom Development S.A. increased its direct shareholding from 40% to 50%.
10. On 28 July 2006 Dom Development acquired (directly) 48% shares of PTI sp. z o.o. Total value of the shares were PLN 24,000.
11. On 2 August 2006 the Company's Shareholders Meeting passed resolution upon redemption of 417,150 current Series E Shares and 92,700 current Series G Shares and the related decrease of the Company's share capital by PLN 509,850 to PLN 21,344,490. On the same date the Issuer's Shareholders Meeting passed resolution No. 5 on the increase of the Company's share capital by PLN 509,850 to PLN 21,344,490 by issuance of:
    - Series H Shares constituting 172,200 bearer shares with a nominal value of PLN 1.00 (one zloty) each;
    - Series I Shares constituting 92,700 bearer shares with a nominal value of PLN 1.00 (one zloty) each;

- Series J Shares constituting 96,750 bearer shares with a nominal value of PLN 1.00 (one zloty) each;
- Series L Shares constituting 148,200 bearer shares with a nominal value of PLN 1.00 (one zloty) each.

Upon resolution No. 7 of the above-mentioned Shareholders Meeting, 77,700 Series H Shares and 148,200 Series L Shares were offered for subscription to Mr. Janusz Zalewski, 72,000 Series H Shares were offered for subscription to Mr. Janusz Stolarczyk, 22,500 Series H Shares were offered for subscription to Mr. Terry Roydon and 96,750 Series J Shares were offered for subscription to a depositary which will be appointed by the Management Board. As at the date of this financial statements, all the above-mentioned Shares, with the exception of the 96,750 Series J Shares which will be offered to the depositary, were subscribed for but they were not registered by the relevant Registry Court.

Note 48. Going concern uncertainty

There is no uncertainty as to the ability to continue as a going concern.

Note 49. Contingent liabilities

CONTINGENT LIABILITIES	31.12.2005	31.12.2004	31.12.2003
Bills of exchange, of which:	139,301,698.00	114,180,000.00	70,500,000.00
- bills of exchange issued to Hochtief Polska S.A. and securing contractor claims relating to work performed for the Group	2,711,698.00	5,000,000.00	8,500,000.00
- bills of exchange constituting additional collateral of BOŚ bank on claims arising out of the granted loan	37,000,000.00	50,000,000.00	50,000,000.00
- bills of exchange constituting additional collateral of PKO BP on claims arising out of the granted loan	74,240,000.00	33,830,000.00	10,000,000.00
- bills of exchange constituting additional collateral of BOŚ bank on claims arising out of the trilateral insurance agreement guaranteeing loans taken out by the Group's clients	25,350,000.00	25,350,000.00	2,000,000.00
Guarantees	26,875.00	-	-
Warranties	3,593,208.00	11,525,716.00	12,679,477.49
Total	**142,921,781.00**	**125,705,716.00**	**83,179,477.49**

Note 50. Explanations relating to the restatement of the consolidated financial statements of the Dom Development S.A. Capital Group prepared for the year ended 31 December 2003 and 31 December 2004 in accordance with the Accounting Act to International Financial Reporting Standards.

The tables below present restatement of equities and balance sheets, income statements and cash flow statements for 2004 and 2003 (including the opening balance as at 1 January 2003) which was performed due to transition from Polish Accounting Standards (PAS) to International Financial Reporting Standards (as per the requirements of IFRS 1).

As the earliest period for which the comparative data is presented is 2003, due to requirements of IFRS 1, the date of transition to IFRS is 1 January 2003

Reconciliation of equities as at 1.01.2003 (date of change to IFRS), 31 December 2003, 31 December 2004

	1.01.2003	31.12.2003	31.12.2004
Total equity in accordance with Polish Accounting Standards	63,847,925.07	73,107,030.26	76,525,360.92
Adjustments in accordance with IFRS	(182,451.00)	(2,475,621.50)	(0.02)
Total equity in accordance with IFRS	63,665,474.07	70,631,408.76	76,525,360.90

Reconciliation of balance sheet items as at 1 January 2003 (date of transition to IFRS)

ASSETS	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Fixed assets			
Intangible fixed assets	136,258.76	-	136,258.76
Tangible fixed assets	5,192,204.24	-	5,192,204.24
Investments in associates	1,316,650.62	(1,308,388.84)	8,261.78
Deferred income tax asset	5,533,602.00	(182,451.00)	5,351,151.00
Long-term receivables	-	-	-
Other long-term deferred costs	-	-	-
Total fixed assets	**12,178,715.62**	**(1,490,839.84)**	**10,687,875.78**
Current assets			
Inventory	137,352,585.64	1,048,021.80	138,400,607.44
Investments held for trading	-	-	-
Trade and other receivables	25,750,504.91	315,381.88	26,065,886.79
Other current assets	3,661,910.95	-	3,661,910.95
Cash and cash equivalents	55,704,547.92	167,821.52	55,872,369.44
Total current assets	**222,469,549.42**	**1,531,225.20**	**224,000,774.62**
Total assets	**234,648,265.04**	**40,385.36**	**234,688,650.40**

EQUITY AND LIABILITIES	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Equity			
Share capital	21,854,340.00	-	21,854,340.00
Share premium less treasury shares	-	10,749,168.71	10,749,168.71
Revaluation reserve	4,220.78	-	4,220.78
Other reserves (supplementary capital)	17,776,991.32	(10,749,168.71)	7,027,822.61
Hedge capital	-	-	-
Accumulated unappropriated profit (loss)	-	24,029,921.97	24,029,921.97
Net profit from previous years	5,431,630.13	(5,431,630.13)	-
Net profit/loss for the year	18,780,742.84	(18,780,742.84)	-
Total equity	**63,847,925.07**	**(182,451.00)**	**63,665,474.07**
Long-term liabilities			
Long-term loans and borrowings	21,600,751.89	-	21,600,751.89
Reserve for deferred income tax	5,349,807.00	-	5,349,807.00
Bonds	-	-	-
Other	-	-	-
Total long-term liabilities	**26,950,558.89**	**-**	**26,950,558.89**
Short-term liabilities			
Trade payables and other liabilities	64,781,986.79	211,351.90	64,993,338.69
Short-term loans and borrowings	21,910,000.00	-	21,910,000.00
Short-term tax obligations	6,117,772.81	11,484.46	6,129,257.27
Short –term provisions	16,638,707.88	-	16,638,707.88
Accrued liabilities and deferred income	34,401,313.60	-	34,401,313.60
Total short-term liabilities	**143,849,781.08**	**222,836.36**	**144,072,617.44**
Total liabilities	**170,800,339.97**	**222,836.36**	**171,023,176.33**
Total Equity and Liabilities	**234,648,265.04**	**40,385.36**	**234,688,650.40**

Reconciliation of balance sheet items as at 31 December 2003

ASSETS	**Consolidated PAS**	**Effect of change to IFRS**	**Consolidated IFRS**
Fixed assets			
Intangible fixed assets	105,937.23	5,546.65	111,483.88
Tangible fixed assets	7,940,331.77	91,855.58	8,032,187.35
Investments in associates	17,207.70	-	17,207.70
Deferred income tax asset	3,468,873.10	(372,400.00)	3,096,473.10
Long-term receivables	-	-	-
Other long-term deferred costs	521,880.00	-	521,880.00
Total fixed assets	**12,054,229.80**	**(274,997.77)**	**11,779,232.03**
Current assets			
Inventory	147,631,482.96	63,163,420.38	210,794,903.34
Investments held for trading	93,390.00	-	93,390.00
Trade and other receivables	57,475,354.50	(27,557,606.68)	29,917,747.82
Other current assets	13,409,774.25	(220,239.97)	13,189,534.28
Cash and cash equivalents	45,618,641.71	11,156,592.99	56,775,234.70
Total current assets	**264,228,643.42**	**46,542,166.72**	**310,770,810.14**
Total assets	**276,282,873.22**	**46,267,168.95**	**322,550,042.17**

EQUITY AND LIABILITIES	**Consolidated PAS**	**Effect of change to IFRS**	**Consolidated IFRS**
Equity			
Share capital	21,854,340.00	-	21,854,340.00
Treasury shares	(1,913,835.72)	1,913,835.72	-
Share premium less treasury shares	-	10,749,168.71	10,749,168.71
Revaluation reserve	3,566.70	-	3,566.70
Other reserves (supplementary capital)	44,986,011.77	(12,663,004.43)	32,323,007.34
Hedge capital	-	-	-
Accumulated unappropriated profit (loss)	-	5,701,326.01	5,701,326.01
Net profit from previous years	(1,082,811.76)	1,082,811.76	-
Net profit in the current year	9,259,759.27	(9,259,759.27)	-
Total equity	**73,107,030.26**	**(2,475,621.50)**	**70,631,408.76**
Long-term liabilities			
Long-term loans and borrowings	84,236,386.50	15,267,950.34	99,504,336.84
Reserve for deferred income tax	4,940,873.00	(42,775.48)	4,898,097.52
Bonds	-	-	-
Other	-	307,647.96	307,647.96
Total long-term liabilities	**89,177,259.50**	**15,532,822.82**	**104,710,082.32**
Short-term liabilities			
Trade payables and other liabilities	65,211,190.79	(4,400,461.02)	60,810,729.77
Short-term loans and borrowings	27,473,493.00	33,195,333.09	60,668,826.09
Short-term tax obligations	5,670,446.93	24,373.87	5,694,820.80
Short –term provisions	13,020,267.60	(11,941,065.61)	1,079,201.99
Accrued liabilities and deferred income	2,623,185.14	16,331,787.30	18,954,972.44
Total short-term liabilities	**113,998,583.46**	**33,209,967.63**	**147,208,551.09**
Total liabilities	**203,175,842.96**	**48,742,790.45**	**251,918,633.41**
Total Equity and Liabilities	**276,282,873.22**	**46,267,168.95**	**322,550,042.17**

The balance sheet statement prepared for the period ended 31 December 2003 was restated in accordance with International Financial Reporting Standards using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Reconciliation of the income statement for the year 2003

	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Sales revenue	305,366,079.13	1,523,900.94	306,889,980.07
Cost of sales	240,255,547.62	12,285,862.00	252,541,409.62
Gross profit on sales	**65,110,531.51**	(10,761,961.06)	**54,348,570.45**
Selling costs	15,534,044.52	(472,590.19)	15,061,454.33
Administrative expenses	29,159,800.01	(6,736,552.61)	22,423,247.40
Other operating income	4,440,477.73	32,493.34	4,472,971.07
Other operating expenses	3,556,518.40	17,150.05	3,573,668.45
Operating profit	**21,300,646.31**	(3,537,474.97)	**17,763,171.34**
Financial income	1,463,947.35	114,243.05	1,578,190.40
Financial costs	9,193,984.95	(1,306,993.10)	7,886,991.85
Profit on economic activities	**13,570,608.71**	(2,116,238.82)	**11,454,369.89**
Extraordinary gains/losses	29,758.16	(29,758.16)	
Profit before tax	**13,600,366.87**	(2,145,996.98)	**11,454,369.89**
Income tax expense	4,340,607.60	147,173.52	4,487,781.12
Result from shares in associated entities valued in compliance with equity method	-	-	-
Profit after tax	**9,259,759.27**	(2,293,170.50)	**6,966,588.77**

The income statement prepared for the period ended 31 December 2003 was restated in accordance with International Financial Reporting Standards using different classification of certain costs and using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Effect of change from Polish Accounting Standards to International Financial Reporting Standards on cash flows for the year ended 31 December 2003

Year 2003	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Cash flow from operating activities	(73,955,995.22)	(32,847,069.09)	(106,803,064.31)
Cash flow from investing activities	(3,996,357.28)	(124,966.40)	(4,121,323.68)
Cash flows from financing activities	67,866,446.29	43,960,806.96	111,827,253.25
Increase (decrease) in net cash and cash equivalents	(10,085,906.21)	10,988,771.47	902,865.26
Cash and cash equivalents – opening balance	55,704,547.92	167,821.52	55,872,369.44
Cash and cash equivalents – closing balance	45,618,641.71	11,156,592.99	56,775,234.70

The cash flow statement prepared for the period ended 31 December 2003 was restated in accordance with International Financial Reporting Standards using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Reconciliation of balance sheet items as at 31 December 2004

ASSETS	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Fixed assets			
Intangible fixed assets	133,176.84	5,089.98	138,266.82
Tangible fixed assets	8,106,267.80	63,076.69	8,169,344.49
Investments in associates	1,644,731.20	(695,731.20)	949,000.00
Deferred income tax asset	6,388,161.00	1,699,181.77	8,087,342.77
Long-term receivables	28,910,000.00	(28,910,000.00)	-
Other long-term deferred costs	-	8,857.16	8,857.16
Total fixed assets	**45,182,336.84**	**(27,829,525.60)**	**17,352,811.24**
Current assets			
Inventory	181,869,397.54	70,399,609.62	252,269,007.16
Investments held for trading	9,999,972.80	-	9,999,972.80
Trade and other receivables	29,226,630.36	757,826.02	29,984,456.38
Other current assets	31,946,270.36	(448,203.79)	31,498,066.57
Cash and cash equivalents	67,833,245.53	10,851,597.24	78,684,842.77
Total current assets	**320,875,516.59**	**81,560,829.09**	**402,436,345.68**
Total assets	**366,057,853.43**	**53,731,303.49**	**419,789,156.92**

EQUITY AND LIABILITIES	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Equity			
Share capital	21,854,340.00	-	21,854,340.00
Treasury shares	(1,913,835.72)	1,913,835.72	-
Share premium less treasury shares	-	10,749,168.71	10,749,168.71
Revaluation reserve	-	-	-
Other reserves (supplementary capital)	57,029,693.92	(12,663,004.43)	44,366,689.49
Hedge capital	(4,664,586.00)	-	(4,664,586.00)
Accumulated unappropriated profit (loss)	-	4,219,748.70	4,219,748.70
Net profit from previous years	(3,866,734.64)	3,866,734.64	-
Net profit in the current year	8,086,483.36	(8,086,483.36)	-
Total equity	**76,525,360.92**	**(0.02)**	**76,525,360.90**
Long-term liabilities			
Long-term loans and borrowings	104,302,755.75	-	104,302,755.75
Reserve for deferred income tax	6,916,396.00	1,970,578.58	8,886,974.58
Bonds	52,106,945.91	-	52,106,945.91
Other	-	2,288,875.11	2,288,875.11
Total long-term liabilities	**163,326,097.66**	**4,259,453.69**	**167,585,551.35**

EQUITY AND LIABILITIES	**Consolidated PAS**	**Effect of change to IFRS**	**Consolidated IFRS**
Short-term liabilities			
Trade payables and other liabilities	59,634,426.64	19,026,706.77	78,661,133.41
Short-term loans and borrowings	35,465,436.80	23,468,876.15	58,934,312.95
Short-term tax obligations	1,372,252.96	24,355.37	1,396,608.33
Short –term provisions	782,199.44	-	782,199.44
Accrued liabilities and deferred income	28,952,079.01	6,951,911.53	35,903,990.54
Total short-term liabilities	**126,206,394.85**	**49,471,849.82**	175,678,244.67
Total liabilities	**289,532,492.51**	**53,731,303.51**	343,263,796.02
Total Equity and Liabilities	**366,057,853.43**	**53,731,303.49**	419,789,156.92

The balance sheet statement prepared for the period ended 31 December 2004 was restated in accordance with International Financial Reporting Standards using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Reconciliation of the income statement for the year 2004

	Consolidated PAS	**Effect of change to IFRS**	**Consolidated IFRS**
Sales revenue	315,115,980.69	56,090,811.58	371,206,792.27
Cost of sales	235,095,179.09	62,951,759.99	298,046,939.08
Gross profit on sales	**80,020,801.60**	(6,860,948.41)	**73,159,853.19**
Selling costs	15,534,044.52	2,409,881.95	17,943,926.47
Administrative expenses	42,267,281.20	(11,796,473.93)	30,470,807.27
Other operating income	4,628,211.10	72,423.05	4,700,634.15
Other operating expenses	5,595,245.21	200,620.57	5,795,865.78
Operating profit	**21,252,441.77**	2,397,446.05	**23,649,887.82**
Financial income	4,632,303.97	(1,177,613.29)	3,454,690.68
Financial costs	14,205,013.75	16,389.52	14,221,403.27
Profit on economic activities	**11,679,731.99**	1,203,443.24	**12,883,175.23**
Extraordinary gains/losses	**13,398.27**	**(13,398.27)**	**-**
Profit before tax	**11,693,130.26**	1,190,044.97	**12,883,175.23**
Income tax expense	2,379,298.10	(58,227.71)	2,321,070.39
Result from shares in associated entities valued in compliance with equity method	(1,227,348.80)	1,227,348.80	-
Profit after tax	**8,086,483.36**	2,475,621.48	**10,562,104.84**

The income statement prepared for the period ended 31 December 2004 was restated in accordance with International Financial Reporting Standards using different classification of certain costs and using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Effect of change from Polish Accounting Standards to International Financial Reporting Standards on cash flows for the year ended 31 December 2004

Year 2004	Consolidated PAS	Effect of change to IFRS	Consolidated IFRS
Cash flow from operating activities	(42,782,430.31)	10,223,145.89	(32,559,284.42)
Cash flow from investing activities	(11,774,242.74)	(13,352.50)	(11,787,595.24)
Cash flows from financing activities	76,771,276.87	(10,514,789.14)	66,256,487.73
Increase (decrease) in net cash and cash equivalents	22,214,603.82	(304,995.75)	21,909,608.07
Cash and cash equivalents – opening balance	45,618,641.71	11,156,592.99	56,775,234.70
Cash and cash equivalents – closing balance	67,833,245.53	10,851,597.24	78,684,842.77

The cash flow statement prepared for the period ended 31 December 2004 was restated in accordance with International Financial Reporting Standards using a different method to consolidate the entity Fort Mokotów sp. z o.o. Under the provisions of the Accounting Act it was consolidated using the equity accounting method, whereas in accordance with International Financial Reporting Standards it is defined as a joint-venture and is consolidated using the proportional consolidation method.

Auditor's opinions

The following have been included in the Prospectus:

- Audit opinions on the consolidated financial statements for the years 2003-2005 constituting the basis for the historical financial data included in the Prospectus.
- Additional audit opinion on the consolidated financial statements for the period from 1 January 2005 to 31 December 2005 and the comparative financial data prepared for the periods: 1 January 2004 – 31 December 2004, 1 January 2003 – 31 December 2003.

Owing to the fact that the consolidated financial statements of Dom Development S.A. Capital Group for the year ended 31 December 2005 included in the Prospectus were prepared in accordance with IFRS (as per the requirements of IFRS 1), the auditor's opinion for the year ended 31 December 2005, which is presented below, relates to truth and fairness of the consolidated financial statements prepared in accordance with these standards. As the aforementioned consolidated financial statements include comparative data for 2004 and 2003, which are based on previously prepared financial statements compliant with IAS/IFRS (as mentioned in the note 45 of the consolidated financial statements presented in the Prospectus, entitled 'Approval of financial statements'), the auditor's opinions for 2004 and 2003, presented below, relate to financial statements prepared in accordance with IAS/IFRS for these years.

AUDITOR'S OPINIONS ON THE TRUTH AND FAIRNESS OF THE FINANCIAL STATEMENTS

Certified Auditor's Opinion for the Shareholders and Supervisory Board of Dom Development S.A. for the period ended 31 December 2005.

We have audited the accompanying consolidated financial statements of the Dom Development S.A. Capital Group, where the holding company is Dom Development S.A. with its registered office in Warsaw. Pl. Piłsudskiego 3, prepared in accordance with International Financial Reporting Standards (as per the requirements of IFRS 1), consisting of:

- introduction to the consolidated financial statements;
- the consolidated balance sheet prepared as at 31 December 2005 showing total assets and liabilities of PLN **573,684,372.49**;
- the consolidated income statement for the period from 1 January 2005 to 31 December 2005 showing a net profit of PLN **52,150,115.65**;
- statement of changes in consolidated equity showing an increase in equity of PLN **56,885,351.81**;
- the consolidated cash flow statement for the period from 1 January 2005 to 31 December 2005 showing a net cash decrease of **PLN 4,847,532.79**;
- notes to the consolidated financial statements.

The Company's Management Board of the holding company is responsible for the preparation of the consolidated financial statements.

Our responsibility was to audit the consolidated financial statements and to issue an opinion about the true and fair character, correctness and clarity of the consolidated financial statements.

We conducted our audit in accordance with:

1) International Auditing Standards
2) professional auditing standards issued by the Polish National Chamber of Certified Auditors.

We planned and conducted the audit of the consolidated financial statements in such a manner as to obtain a reasonable assurance allowing us to express the opinion on the consolidated financial statements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used by the related parties and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The basis of the preparation of the financial statements for the period between 1.01.2005 to 31.12.2005 in accordance with International Financial Reporting Standards (as per the requirements of IFRS 1) were the individual financial statements of the members of the Dom Development S.A. Capital Group prepared as at 31.12.2005 in accordance with Accounting Act. Stand-alone financial statements of the entities comprising Dom Development S.A. Capital Group prepared as at 31.12.2005 in accordance with Accounting Act are not materially different from the financial statements that would be prepared in accordance with International Financial Reporting Standards To prepare consolidated financial statements for the year 2005 in accordance with International Financial Reporting Standards the holding company adjusted stand-alone financial statements of a joint venture company Fort Mokotów sp. z o. o. as at 31.12.2005 for compliance with accounting policy of holding company.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements consisting of financial data and explanations:

- give a true and fair view of the Dom Development S.A. Capital Group's financial position as at 31.12.2005, as well as its financial result for the period from 1.01.2005 to 31.12.2005.

- were prepared in all material respects based on the International Financial Reporting Standards (as per the requirements of IFRS 1) and based on the correctly prepared books of accounts.
- are consistent with the laws and regulations concerning Dom Development S.A. Capital Group, to the extent to which such regulations affect the content of the consolidated financial statements.

Warsaw, 7 August 2006

BDO Polska sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 523

Marcin Jagodziński
Certified Auditor
Reg. No. 90042/7384

Hanna Sztuczyńska
Certified Auditor
Reg. No. 9269/6955
Member of Management Board
BDO Polska sp. z o.o.

Certified Auditor's Opinion for the Shareholders and Supervisory Board of Dom Development S.A. for the period ended 31 December 2004.

We have audited the consolidated financial statements of the Capital Group Dom Development S.A. prepared in accordance with International Accounting Standards with Dom Development SA with the seat in Warsaw at 2 Stawki St. as it parent company, composed of:

- introduction to the consolidated financial statements;
- the consolidated balance sheet prepared as at 31 December 2004 showing total assets and liabilities of PLN **419,789,156.92**;
- the consolidated profit and loss account for the period from 1 January 2004 to 31 December 2004 showing a net profit of PLN **10,562,104.84**;
- statement of changes in consolidated shareholders' equity showing an increase in shareholders' equity of PLN **5,893,952.14**;
- the consolidated cash flow statement for the period from 1 January 2004 to 31 December 2004 showing a net cash increase of PLN **21,909,608.07**;
- notes to the consolidated financial statements.

The Company's Management Board of the Parent Company is responsible for the preparation of the consolidated financial statements.

Our responsibility was to audit the consolidated financial statements and to express an opinion whether the consolidated financial statements are free of material misstatements.

We conducted our audit in accordance with:

1) International Auditing Standards
2) professional auditing standards issued by the Polish National Chamber of Certified Auditors.

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The basis of the preparation of the financial statements for the period 1 January 2004 to 31 December 2004 in accordance with International Accounting Standards were the individual financial statements of the members of the Capital Group prepared as at 31.12.2004 in accordance with Polish Accounting Regulations. Stand-alone financial statements of the entities comprising Dom Development S.A. Capital Group prepared as at 31.12.2004 in accordance with Polish Accounting Regulations are not materially different from the financial statements that would be prepared in accordance with International Accounting Standards. To prepare consolidated financial statements for 2004 in accordance with International Accounting Standards the parent company adjusted stand-alone financial statements of a co-subsidiary Fort Mokotów sp. z o. o. as at 31.12.2004 to be prepared in compliance with accounting policy of parent company. After this adjustment the net profit of the Capital Group for the year 2004 increased by PLN 106 281.38.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements consisting of financial data and explanations:

- give a true and fair view of the Capital Group's financial position as at 31.12.2004, as well as its financial result for the period from 1.01.2004 to 31.12.2004.
- were prepared in all material respects based on the International Accounting Standards and based on the correctly prepared books of accounts.

- are consistent with the laws and regulations binding in Poland and with the Capital Group's Articles of Association, to the extent to which such regulations affect the content of the financial statements.

Warsaw, 11 March, 2005

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Hanna Sztuczyńska
Certified Auditor
Reg. No. 9269/6955
Member of Management Board BDO Polska sp. z o.o

Certified Auditor's Opinion for the Shareholders and Supervisory Board of Dom Development S.A. for the period ended 31 December 2003[2].

We have audited the attached consolidated financial statements of the Capital Group Dom Development prepared in accordance with International Accounting Standards, with Dom Development S.A. with the seat in Warsaw at 2 Stawki St. as its parent company. These financial statements are composed of:

- introduction to the consolidated financial statements;
- consolidated balance sheet prepared as at 31.12.2003 with total assets and liabilities of PLN **402,710** thousand**;**
- consolidated profit and loss account for the period between 01.01.2003 and 31.12.2003 disclosing a net profit of PLN **6,967** thousand ;
- the schedule of the changes in the balance of consolidated equity disclosing the decrease in the balance of equity by PLN **6,966** thousand ;
- the consolidated cash flow statement disclosing the decrease in the balance of net cash during the period between 01.01.2003 and 31.12.2003 by the amount of PLN **903** thousand **;**
- notes to the consolidated financial statements.

The Company's Management Board of the Parent Company is responsible for the preparation of the consolidated financial statements.

Our responsibility was to audit the consolidated financial statements and to express an opinion whether the consolidated financial statements are free of material misstatements.

The audit was performed in accordance with:

1) International Accounting Standards,
2) Certified auditor's professional standards issued by the National Chamber of Certified Auditors.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The basis of the preparation of the financial statements for the period between 1.01.2003 to 31.12.2003 in accordance with International Accounting Standards were the individual financial statements of the members of the Capital Group prepared as at 31.12.2003 in accordance with Polish Accounting Regulations. Stand-alone financial statements of the entities comprising Dom Development S.A. Capital Group prepared as at 31.12.2003 in accordance with Polish Accounting Regulations are not materially different from the financial statements that would be prepared in accordance with International Accounting Standards. To prepare consolidated financial statements for the year 2003 in accordance with International Accounting Standards the parent company adjusted stand-alone financial statements of a co-subsidiary Fort Mokotów sp. z o.o. as at 31.12.2003 prepared in accordance with Polish Accounting Regulations. After this adjustment the net profit of the Capital Group for the year 2003 increased by PLN 644 thousand .

In our opinion the audited consolidated financial statements prepared in accordance with International Accounting Standards including the data and explanations:

[2] In the financial statements for the year ended 31 December 2004, the Company adjusted the opening balance. Owing to this fact the adjusted opening balance sheet total was PLN 322,550 thousand and differed to the balance sheet total of PLN 402,710 thousand presented in the audit opinion for the year ended 31 December 2003 by PLN 80,160 thousand.

- present in a true and fair manner all information material for the evaluation of the economic and financial position of the audited Capital Group as of 31.12.2003, as well as its financial result for the financial year between 1.01.2003 and 31.12.2003,
- were prepared in all material respects based on the International Accounting Standards and based on the correctly prepared books of accounts,
- comply with the laws in force binding for the Capital Group and provisions of the Capital Group members’ articles of association influencing the contents of the financial statements.

Warsaw, 23 April, 2004

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Marcin Jagodziński
Certified Auditor
Reg. No. 90042/7384

Hanna Sztuczyńska
Certified Auditor
Reg. No. 9269/6955
Member of Management Board BDO Polska Sp. z o.o

Additional audit opinion on the consolidated financial statements of the Dom Development S.A. Capital Group prepared for the period from 1 January 2005 to 31 December 2005 and the comparative financial data for the periods: 1 January 2004 – 31 December 2004, 1 January 2003 – 31 December 2003.

For the Shareholders, Supervisory Board and Management of Dom Development S.A.

The consolidated financial statements of the Dom Development S.A. Capital Group for the period from 1 January 2005 to 31 December 2005, as well as for the financial years ended 31 December 2004 and 31 December 2003, approved by the Management Board and previously audited by certified auditors in accordance with binding regulations and professional standards, constituting the basis for the preparation of comparative financial data, have been re-audited with respect to the additional information and explanations presented in the Prospectus, which are subject to the provisions of International Financial Reporting Standards, and in order to meet the requirements of the Commission's Regulation No. 809/2004 dated 29 April 2004 implementing Directive 2003/71/WE of the European Parliament and Council on information contained in issue prospectuses, as well as the form, inclusion by reference and publication of such issue prospectuses and dissemination of advertising.

The Company's Management Board is responsible for the preparation of the consolidated financial statements and comparative financial data, as well as for their restatement and adaptation to comparability.

Our responsibility was to express an opinion on the truth and fairness of the historical financial data presented in this Prospectus.

The form and scope of the consolidated financial statements for the period from 1 January 2005 to 31 December 2005 and of the comparative financial data for the financial years from 1 January 2004 to 31 December 2004 and from 1 January 2003 to 31 December 2003, as well as the scope of the data presented therein, have been extended compared to previously audited financial statements in order to present a more detailed information to the future investors.

The consolidated financial statements for the period from 1 January 2005 to 31 December 2005, and the comparative financial data for the financial years from 1 January 2004 to 31 December 2004 and from 1 January 2003 to 31 December 2003 included in the Prospectus have been prepared based on International Financial Reporting Standards (as per the requirements of IFRS 1).

The financial statements have been audited in accordance with:

- International Auditing Standards,
- professional auditing standards issued by the Polish National Chamber of Certified Auditors.

The presentation and scope of the historical financial data included in the Prospectus are consistent with the requirements of International Financial Reporting Standards (as per the requirements of IFRS 1).

The consolidated financial statements of the Dom Development S.A. Capital Group for the period from 1 January 2005 to 31 December 2005 and the comparative financial data for the financial years from 1 January 2004 to 31 December 2004 and from 1 January 2003 to 31 December 2003, included in the Prospectus, give a true and fair view of the Group's financial position as at the dates ending the said financial years, i.e. as at 31 December 2005, 31 December 2004 and 31 December 2003.

Warsaw, 7 August 2006

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Reg. No. 523

Auditor in charge:

Marcin Jagodziński
Certified Auditor
Reg. No. 90042/7384

On behalf of BDO Polska sp. z o.o.:

Hanna Sztuczyńska
Certified Auditor

Reg. No. 9269/6955
Member of Management Board
BDO Polska sp. z o.o.

Pro forma information

Due to the absence of significant events that meet the criteria specified in the Commission's Regulation No. 809/2004 implementing Directive 2003/71/WE of the European Parliament and Council on information contained in issue prospectuses, as well as the form, inclusion by reference and publication of such issue prospectuses and dissemination of advertising, there is no need to present pro forma information.

Interim financial information

The Company presents interim consolidated financial data for the six months ended on 30 June 2006 together with the comparable financial data. This information was not audited, what was properly indicated.

The Issuer's policies with regard to the payment of dividends, any limitations in this area and the value of dividend paid in the period covered by the historical financial information

The entities comprising the Dom Development S.A. Capital Group paid no dividend in the years 2003-2005. In 2006 the shareholders of Fort Mokotów sp. z o.o. designated PLN 29,073,422.35 for the payment of a dividend.for the result generated in the year 2005. Dom Development S.A. did not pay a dividend for the year 2005. Since 2007 the Company plans to pay the dividend in the amount of 15% of consolidated net profit. No limitations exist as far as payments of dividends are concerned except for those required by law. Limitations concerning the issue of dividend payments imposed in the credit agreement with EBRD dated 19 March 2003 was lifted on 07 August 2006 by EBRD.

Significant changes in the Issuer's financial and business position

On 10 August 2006 the General Meeting of Dom Development S.A. adopted a resolution which authorises the Supervisory Board to approve the terms and conditions of Management Option Incentive Programme II (“Programme II”) in respect of 726,000 shares in Dom Development S.A. with the proviso that in each subsequent 12-month period of the Programme’s duration, the grant of options cannot cover more than 242,000 shares, and additionally authorised the Management Board and Supervisory Board to its realisation. Pursuant to the provisions of Programme II one or several share issues, with a nominal value of PLN 1.00 each, are planned (the “Tranches”). The granting of options is performed by the Supervisory Board by way of a resolution. The date of a resolution granting options by the Supervisory Board is the date of the granting of the options (the “Grant Date”). The Supervisory Board resolution will specify the persons authorised to take part in Programme II along with the number and issue price for each of these persons. The issue price cannot be lower than 90% of the market price on the Grant Date, and if the Company is listed on an exchange, the price cannot be lower than 90% of the arithmetic average of closing prices for the last 30 days of trading in the Company’s shares on a regulated market preceding the Grant Date. For persons who accept participation in Programme II the Company will confirm the grant of the option to subscribe a specified number of shares for a defined price on defined dates (the “Option”). The Supervisory Board may specify additional conditions required for the exercise of an Option. An option cannot be exercised before the lapse of three years from the date of its granting and later than after seven years from its granting. For the purpose of the performance of Programme II, the General Meeting on 10 August 2006 authorised the Management Board to increase the share capital of the Company within the limits of the authorised and unissued capital and to issue subscription warrants for exercising rights to subscribe for shares in the Company within a period of three years from the date of registration of the amendments to the statute. Programme II provides, insofar as this will be necessary, after the Grant Date for a given Tranche, for the Management Board to propose to the General Meeting the adoption of a resolution concerning amendment to the statute and the renewal of the Management Board’s authorisation for a period of three years from the date of registration of the amendments to the statute, to increase the share capital by a maximum of 726,000 shares less the shares already issued under Programme II and covered by the authorised and unissued capital, the exclusion of the pre-emptive rights of existing shareholders upon the Supervisory Board’s consent and the issue of subscription warrants. As of this date, the Board has not granted Options under Programme II.

On 9 August 2006 the Company’s Shareholders Meeting adopted a resolution concerning authorizing the Company’s Supervisory Board to amend and accept the amended provisions of Programme I A, concerning 96,750 Series E Shares in Dom Development, and authorising the Management and Supervisory Boards of the Company to realise the discussed programme. The only changes to occur concern the introduction of an intermediary. Company’s intention is continuing Programme 1A as Programme 1B of management options concerning 96.750 J series shares of Dom Development S.A.

Except for the above all the material changes in the Issuer’s financial and business position, which took place after the balance sheet date (31 December 2005) were included note 47 entitled “Material post-balance sheet events” of the consolidated financial statements prepared on 7 August 2006. Since the date of preparation of these financial statements no other material issues took place.

Legal and arbitration proceedings

With regard to proceedings before public administration bodies, as well as court and arbitration proceedings in progress during the preceding 12 months, to which the Issuer is a party, it should be recognised that the most significant contentious proceedings relate to Marina Mokotów which is being realised by Fort Mokotów sp. z o.o., in which the Issuer holds 49% of the shares. The cases involve the Zoning Decision and further decision No. 2/Mo/A/2002 dated 30 October 2002 regarding acceptance of a land-use plan, and decision 77/Mok/A/04 dated 16 June 2004 regarding a construction permit for stages II, III and IV of the development. The above decisions were challenged by the Association of the Environmental Protection League (Polish: *Stowarzyszenie Ligi Ochrony Przyrody*), the Friendly City Association (Polish: *Stowarzyszenie Przyjazne Miasto*), the Green Mokotów Association (Polish: *Stowarzyszenie Zielony Mokotów*), Spółdzielnia Budowlano-Mieszkaniowa "Politechnika" and by four natural persons.

On 4 July 2001 Fort Mokotów sp. z o.o. received the Zoning Decision issued by the Mayor of the Borough of central Warsaw, defining development conditions of the entire Marina Mokotów site. Following an appeal, against the Zoning Decision, the Local Authority Appeals Board in Warsaw issued a final and binding decision on 16 November 2001, upholding the Zoning Decision. A further appeal against this and the Zoning Decision was filed with the Province Administration Court which on 1 June 2005 quashed both those decisions, stating that these decisions had been issued in contravention of the law, and ordering that the enforcement of the Zoning Decision be withheld. This verdict was appealed against by Fort Mokotów sp. z o.o. to the Supreme Administration Court, which on 7 July 2006 rendered a final verdict upholding the Province Administration Court's verdict of 1 June 2005. As a result the Zoning Decision was annulled. Currently, this case is being transferred back to the Mayor of the Borough of central Warsaw's office which shall undertake new proceedings with respect to the development conditions of the Marina Mokotów site.

The Supreme Administration Court's decision poses a risk to the completion of one building (representing approximately 9.6% of the Marina Mokotów project) for the following reasons. The parties who challenged the Zoning Decision have announced their intention to resume legal proceedings regarding the building permits issued on the basis of the Zoning Decision. If those proceedings are resumed this may have an impact on development of the aforementioned building for which the occupancy permit has not yet been issued. If the building permit for the said building is annulled, construction may be suspended until the legal proceedings are resolved.

According to the Management Board, this risk currently involves only one residential building, for a limited period of time, as the occupancy permit for it should be issued by November 2006. Thus, if the occupancy permit for this building is issued before the annulment of the building permit (which also assumes Fort Mokotów loses the legal case), the risk that the occupancy permit could be successfully challenged will be limited. Therefore, annulment of the building permit once the occupancy permit has been issued and has become final should not have an impact on such occupancy permit and the use of the building.

With regard to the completed buildings of Marina Mokotów, for which final occupancy permits have already been issued, the impact of the annulment of the Zoning Decision is remote.

Finally, it should be noted that according to the general rules of Polish administrative procedure, in cases where the annulment of an administrative decision causes damage to a party (e.g. investor i.e. Fort Mokotów) to the proceedings within which such decision was issued, such a party may bring a claim for compensation against the authority that declared such an annulment.

XXXIV. ADDITIONAL INFORMATION

1 Share capital as at the day on which the Prospectus was approved

1.1 Issued share capital

The Issuer's share capital amounts to PLN 21,344,490 and is divided into 21,344,490 New Series A Shares, which came into existence as a result of the merger of hitherto series A-D, F and 81,000 series G shares, under resolution No. 1 of the Issuer's Extraordinary Shareholders Meeting dated 9 August 2006. Furthermore, on this date the Shareholders Meeting adopted a resolution on changing all registered shares in the Company to bearer shares.

All the above-mentioned Shares have been fully paid up.

On 2 August 2006 the Issuer's Shareholders Meeting passed resolution upon redemption of 417,150 series E Shares and 92,700 series G Shares and the related decrease of the Company's share capital by PLN 509,850 to PLN 21,344,490. On the same date the Issuer's Shareholders Meeting passed resolution No. 5 (as amended on 9 August 2006) on the increase of the Company's share capital by PLN 509,850 to PLN 21,854,340 by issuance of:

- 172,200 series H bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 92,700 series I bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 96,750 series J bearer Shares with a nominal value of PLN 1.00 (one zloty) each;
- 148,200 series L bearer Shares with a nominal value of PLN 1.00 (one zloty) each.

Upon resolution No. 7 of the above-mentioned Shareholders Meeting, 77,700 series H Shares, 92,700 series I Shares and 148.200 series L Shares were offered for private subscription to Janusz Zalewski, 72,000 series H Shares were offered for private subscription to Janusz Stolarczyk, 22,500 series H Shares were offered for private subscription to Terry Roydon and 96,750 series J Shares were offered for private subscription to a depositary which was appointed by the Company's Management Board (i.e. Centralny Dom Maklerski Pekao S.A.) for the purpose of administering the acquisition of Shares by authorised persons under one of the incentive programmes described in Section XXX *Employees*. As at the day on which the Prospectus was approved, all the above-mentioned shares, with the exception of the 96,750 series J Shares and 74,100 Series L shares, were subscribed for but they were not registered by the relevant court.

In connection with the merger of the shares referred to above into New Series A Shares, the Management Board plans to propose to the Shareholders Meeting amendment in the naming of series H, I, J, and L Shares after their registration, to series B, C, D and E shares respectively.

The Issuer's Statute provides also for reserve fund and allows formation of earmarked funds (including capital earmarked to cover the Company's losses).

1.2 Shares which are not part of the share capital

No shares exist other than those which constitute the Issuer's share capital.

1.3 Shares held by the Issuer, others on behalf of the Issuer or the Issuer's subsidiaries

The Issuer or its subsidiaries do not, as at the day on which the Prospectus was approved, hold any of the Issuer's Shares.

1.4 Convertible securities or securities with warrants attached

The Issuer has no convertible securities or securities with warrants attached in issue.

1.5 Any rights to purchase or obligations regarding authorised and unissued capital or obligations to increase the share capital

Points 3.2.8 – 3.2.13 of the Statute, authorising the Management Board to increase the Company's share capital within the limits of the authorised share capital. The issuance of shares within the limits of the authorised share capital requires obtaining a positive opinion of the Supervisory Board. The exclusion of pre-emptive rights vested in the Company's existing shareholders during the issue of shares under the authorised capital requires the consent of the Supervisory Board. Provisions of the Statute in this respect read as follows:

"3.2.8 The Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 5,626,000 (in words: five million six hundred and twenty six thousand) by way of one or several share capital increases within the limits specified above (authorised and unissued capital). The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN 3,900,000 shall expire 1 year after the changes to the Statute made under resolution No. 1 dated 10 August 2006 are entered in the register of business entities. The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN 1,726,000 shall expire 3 years from the date of entry to the register of business entities of the amendment to the Statute performed under resolution No. 1 dated 10 August 2006.

3.2.9 A condition of the Management Board performing a share capital increase within the limits of the authorised and unissued capital is obtaining a positive opinion of the Supervisory Board in this respect.

3.2.10 With the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or part of its pre-emptive rights in relation to shares issued within the limits of the authorised and unissued capital.

3.2.11 Subject to clause 3.2.9 above and 3.2.12 below, and provided that the provisions of the Commercial Companies Code do not stipulate otherwise, the Management Board may decide on all matters relating to increases in the share capital within the limits of the authorised and unissued capital.

3.2.12 Management Board resolutions concerning determination of the issue price of shares under the authorised and unissued capital or issuing shares in exchange for contributions in-kind require the consent of the Supervisory Board. Furthermore, the following acts require the consent of the Supervisory Board:

(i) conclusion of underwriting and sub-underwriting agreements or other agreements that would ensure the success of an issue, as well as to conclude agreements under which depository receipts would be issued outside the Republic of Poland;

(ii) undertaking acts concerning the dematerialisation of shares and conclusion of agreements with the Krajowy Depozyt Papierów Wartościowych S.A. [The Polish National Securities Depository] in respect of the registration of the shares;

(ii) undertaking acts in respect of the issue of shares by way of a public offering or to the seeking of a listing of the shares on a regulated market.

3.2.13 Authorisation to increase the share capital referred to in clause 3.2.8 includes the issuing of subscription warrants with subscription rights expiring after the periods referred to in clause 3.2.8."

1.6 Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate

No share capital of any member of the Group is the subject of an option nor has it has been agreed that conditionally or unconditionally any member will become the subject of an option, with the exception of the stock option plans related to the capital of Dom Development, described in Section XXVIII *Remuneration and benefits*.

1.7 A history of share capital, highlighting information about any changes, for the period covered by the historical financial information

During the period covered by the historic financial information the Issuer's share capital did not change.

Pursuant to resolution No. 1 adopted by the Issuer's Extraordinary Shareholders Meeting of 18 February 2003, the nominal value of the shares was reduced from PLN 9.00 (nine) to PLN 1.00 (one).

2 Consolidated financial information for the six-month period ended and as at 30 June 2006

2.1 Consolidated balance sheet

ASSETS	**30.06.2006**	**31.12.2005**
	(unaudited)	*(audited)*
Fixed assets		
Intangible fixed assets	334,749.54	394,040.02
Tangible fixed assets	7,607,499.57	7,265,349.21
Investments in associates	512,349.00	559,044.00
Deferred income tax assets	11,462,980.93	8,217,709.93
Long-term receivables	927,730.36	927,730.36
Total fixed assets	20,845,309.40	17,363,873.52
Current assets		
Inventory	389,419,379.71	372,091,159.86
Trade and other receivables	30,606,323.04	56,934,316.66
Other current assets	46,194,752.16	53,457,712.47
Cash and cash equivalents	148,302,197.35	73,837,309.98
Total current assets	614,522,652.26	556,320,498.97
Total assets	635,367,961.66	573,684,372.49

EQUITY AND LIABILITIES	**30.06.2006**	**31.12.2005**
	(unaudited)	*(audited)*
Shareholder's equity		
Share capital	21,854,340.00	21,854,340.00
Share premium less treasury shares	11,451,033.98	10,819,818.87
Reserve capital on fair valuation of share options	415,567.16	-
Other capital (supplementary capital)	79,301,372.14	53,403,253.44
Accumulated unappropriated profit (loss)	78,920,800.01	47,333,300.40
Total shareholder's equity	191,943,113.29	133,410,712.71
Long-term liabilities		
Long-term loans and borrowings	111,786,221.27	78,332,948.91
Reserves for deferred income tax	38,758,223.63	22,275,290.19
Bonds	81,533,972.09	51,553,445.40
Other	1,108,438.70	3,567,210.05
Total long-term liabilities	233,186,855.69	155,728,894.55
Short-term liabilities		
Trade payables and other liabilities	135,979,023.34	134,885,296.23
Short-term loans and borrowings	46,022,543.70	107,035,211.89
Short-term tax obligations	1,749,494.28	1,884,426.38
Short-term provisions	3,004,752.24	4,377,880.98
Accrued liabilities and deferred income	23,482,179.12	36,361,949.75
Total short-term liabilities	210,237,992.68	284,544,765.23
Total liabilities	443,424,848.37	440,273,659.78
Total equity and liabilities	635,367,961.66	573,684,372.49

2.2 Consolidated income statement

	For the six-month period ended 30 June	
	2006	**2005**
	(unaudited)	*(unaudited)*
Sales revenue	349,075,362.04	192,024,809.50
Cost of sales	244,885,200.95	149,250,551.44
Gross profit on sales	104,190,161.09	42,774,258.06
Selling costs	10,441,476.35	9,575,465.68
Administrative expenses	17,462,643.80	17,750,410.17
Other operating income	2,293,168.76	1,680,709.11
Other operating expenses	5,546,191.29	1,063,706.90
Operating profit	73,033,018.42	16,065,384.42
Financial income	1,622,167.68	2,291,746.32
Financial costs	3,150,570.36	4,712,642.87
Profit before tax	71,504,615.74	13,644,487.87
Income tax expense	13,528,997.43	2,045,243.18
Profit after tax	57,975,618.31	11,599,244.69
Earnings per ordinary share:		
Basic	2.65	0.53
Diluted	2.65	0.53

2.3 Consolidated cash flow statement

	For the six-month period ended 30 June	
	2006	**2005**
	(unaudited)	*(unaudited)*
Cash flow from operating activities		
Profit before taxation	71,504,615.74	13,644,487.87
Adjustments:		
Depreciation	796,708.87	863,224.35
Gains/(losses) on foreign exchange differences	(515,989.55)	619,674.46
Gains/(losses) on investments	(133,804.91)	(47,520.52)
Interest paid and accrued	3,689,659.88	6,996,637.82
Changes in working capital		
Change in provisions	(1,373,128.57)	(28,665,832.70)
Change in inventory	(17,328,219.85)	(39,170,770.62)
Change in receivables	26,327,993.62	(2,018,586.49)
Change in short-term liabilities excluding loans and borrowings	(607,049.87)	(13,639,706.82)
Change in prepayments and provisions	(5,616,810.49)	33,727,231.60
Other adjustments	603,477.27	(1,143,921.97)
Cash flow generated from operating activities	77,347,452.13	(28,889,083.01)
Interest paid	(2,713,675.20)	(6,361,669.42)
Income tax paid	(1,184,261.46)	(793,928.32)
Net cash flow from operating activities	73,449,515.48	(36,044,680.75)
Cash flow from investing activities		
Proceeds from the sale of financial assets	—	9,999,972.80
Proceeds from the sale of intangible assets and tangible fixed assets	427,005.75	54,721.30
Acquisition of intangible and tangible fixed assets	(1,372,769.58)	(1,210,153.35)
Acquisition of financial assets		
Net cash flow from investing activities	(945,763.83)	8,844,540.75
Cash flow from financing activities		
Proceeds from contracted loans and credits	37,220,310.00	51,572,195.32
Proceeds from issued bonds	30,000,000.00	—
Repayment of loans and borrowings	(65,210,938.96)	(28,798,100.00)
Payment of finance lease liabilities	(48,235.32)	(48,574.98)
Net cash flow from financing activities	1,961,135.72	22,725,520.34
Net increase/(decrease) in cash and cash equivalents	74,464,887.37	(4,474,619.66)
Cash and cash equivalents - opening balance	73,837,309.98	78,684,842.77
Cash and cash equivalents - closing balance	148,302,197.35	74,210,223.11

3 Statute

3.1 The Issuer's corporate purpose

In accordance with Section 2 of the Statute, the Company's corporate purpose consists of:

- construction and investments related to real estate;
- construction of residential facilities and the sale of such facilities to legal and natural persons;
- purchase, sale and production of raw materials, finished goods and semi-finished industrial goods, in particular those related to construction;
- export and import of all products, in particular those related to construction;
- advertising and consulting ;
- conducting other activities and provision of other services related to the activities listed above;
- accounting; and
- management of real estate on a fee or contract basis.

3.2 A summary of all the provisions of the Issuer's Statute and its bylaws as they affect the members of the management and supervisory bodies

3.2.1 Management Board

The Management Board consists of four to eight members, including the President, appointed for a joint three-year term of office. The Supervisory Board determines the number of Management Board members. Up to the first Shareholders Meeting after registration of the share capital increase through the Offer, the Management Board is appointed pursuant to the provisions of the CCC. From the date of the first Shareholders Meeting after registration of the share capital increase through the Offer, a Shareholder holding 50.1% or more of the Company's shares will be personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board, as well as the Vice-President of the Management Board who according to the Management Board bylaws is responsible for the Company's finances. In the event of an odd number of Management Board members, a shareholder holding 50.1% or more of the Company's shares will be authorised to appoint and dismiss three Management Board members where the Management Board consists of five persons and four members where the Management Board consists of seven persons. The above authorisation will be exercised by a shareholder by serving a written statement to the Company regarding the appointment or dismissal of a given Management Board member. The remaining members of the Management Board will be appointed and dismissed by the Supervisory Board. The Management Board is the Company's executive body, managing its current activities and representing it externally. The Management Board makes decisions in all Company matters that are not otherwise reserved for the Shareholders Meeting or the Supervisory Board by law, by Statute or by a resolution of the Shareholders Meeting.

The Management Board represents the Company in and out of court. The joint action of two members of the Management Board or of one member of the Management Board and a commercial proxy (*prokurent*) is required for the submission of declarations and for signing on the Company's behalf.

The Management Board is additionally governed by bylaws approved by the Supervisory Board.

The Management Board bylaws, which are subordinated to the Statute and the Commercial Companies Code and cannot override any Statute or Commercial Companies Code provisions, contain technical provisions which regulate in detail the composition of the Management Board, performance of management duties, specific obligations of the Management Board members, liability, the granting of powers of attorney, the procedure for calling and conducting Management Board meetings, minutes and archives, the Management Board members participation in the Shareholders Meeting, as well as the remuneration of the Management Board members.

The Management Board bylaws are published on the Company's website.

3.2.2 *Supervisory Board*

The Supervisory Board consists of five to nine members, including the Chairman and Deputy Chairman, appointed for the joint three-years term of office. Up to the first Shareholders Meeting after registration of the share capital increase through the Offer, the Supervisory Board is appointed pursuant to the provisions of the CCC. The Chairman of the Supervisory Board is appointed and dismissed by the Shareholders Meeting, from among independent board members within the meaning of point 7.7 of the Company’s Statute. The exact number of Supervisory Board members is to be determined by the Shareholders Meeting. In the event that the Supervisory Board is elected in group voting it must comprise nine members. From the date of the first Shareholders Meeting after registration of the share capital increase through the Offer, a shareholder holding at least 50.1% of the shares in the Company will be vested with the personal right to appoint and dismiss half of the members of the Supervisory Board, including its Deputy Chairman. In the event of an odd number of Supervisory Board members, a shareholder holding at least 50.1% shares in the Company will be authorised to appoint and dismiss three members where the Supervisory Board consists of five persons, four members where the Supervisory Board consists of seven persons, and five members where the Supervisory Board consists of nine persons. In the case of appointment of the Supervisory Board by was of group voting under Article 385 of the CCC, the Supervisory Board Chairman will be appointed by a shareholder holding at least 50.1% of the Company’s shares. The above authorisation will be exercised by a shareholder by way of serving a written statement to the Company regarding the appointment or dismissal of a given Supervisory Board member.

The Supervisory Board oversees the Company’s operations in all its fields of activity on an on-going basis. Aside from the matters specified in the provisions of the Commercial Companies Code and other provisions of the Statute, the Supervisory Board’s competencies encompass:

(i) granting consent for performances of any kind by the Company and any entities affiliated with the Company in favour of Management Board members;

(ii) granting consent to the Company or a subsidiary executing key agreements with entities affiliated with the Company, a member of the Supervisory Board or Management Board, or with their affiliated entities;

(iii) appointment of an auditor to audit the Company's financial statements;

(iv) granting consent for the Company concluding underwriting agreements.

The Supervisory Board performs its duties collectively but it may appoint certain committees from among its members to prepare certain matters for review at a Supervisory Board meeting. The Supervisory Board may further delegate particular members to perform particular supervisory duties. In the event that the Supervisory Board is elected in group voting, each group has the right to delegate one of the Supervisory Board members appointed by it to individually perform supervisory duties on a permanent basis.

The Supervisory Board is additionally governed by bylaws adopted by the Supervisory Board.

The Supervisory Board bylaws, which are subordinated to the Statute and Commercial Companies Code and cannot override any Statute or Commercial Companies Code provisions, contain rules which regulate in detail the composition of the Supervisory Board, its collective nature and committees, the scope and authority of the Supervisory Board, confidentiality which must be maintained by the members, the procedure for convening and conducting Supervisory Board meetings, the minutes of meetings, the specific obligations of the Supervisory Board members, the participation of Supervisory Board members in the Shareholders Meeting, and the remuneration of the Supervisory Board members.

The Supervisory Board bylaws are published on the Company's website.

3.3 The rights, privileges and restrictions associated with the Issuer’s shares

The Company’s Statute does not provide any rights, privileges or restrictions associated with the Issuer’s shares.

Dom Development B.V. as a shareholder holding at least 50.1% of the Company’s shares holds or will hold under the Statute, inter alia, personal authorisation to appoint a defined number of the members of the Company’s corporate bodies.

3.4 Action that needs to be taken to change the rights of the shareholders, specifying those conditions which go beyond those required by law.

Many of the rights attached to the Shares cannot be freely restricted or cancelled (e.g. the right to demand the convening of a Shareholders Meeting, the right to demand election of the Supervisory Board members in group voting, challenging resolutions and the right to information at a Shareholders Meeting). Provisions of the Commercial Companies Code on the basis of which these rights were vested in the shareholders, are mandatorily binding or semi-mandatory (which means that the Statute can grant the shareholders rights which are more far reaching, and cannot exclude or limit rights vested under the Commercial Companies Code).

It is not, however, the case that the Commercial Companies Code excludes the possibility of changing or depriving shareholders of their rights. In accordance with Article 433 §2 of the Commercial Companies Code, in the interests of the Company the Shareholders Meeting may deprive shareholders of pre-emption rights in whole or in part. The Shareholders Meeting resolution requires a majority of at least 4/5 of votes cast. Deprivation of shareholders of their pre-emption rights may occur if it is included in the agenda of the Shareholders Meeting. In such case the Management Board is obliged to present the Shareholders Meeting with a written opinion that justifies the proposal for deprivation of pre-emption rights and proposes the issue price of shares or a manner for its establishment. Furthermore in connection with authorising the Management Board to increase the share capital within the limits of the authorised capital, the pre-emptive right may be excluded by the Management Board upon the Supervisory Board’s consent where the share capital is increased upon this authorisation.

Certain general rights of the Company’s shareholders may be changed or limited by means of amendments to the Statute, for which a resolution adopted by the majority of ¾ of the votes cast is required. Pursuant to Article 415 § 3 of the Commercial Companies Code, a resolution concerning an amendment to the Statute aimed at increasing or reducing rights vested personally in any shareholder requires the consent of all shareholders affected. In the case of the Company, specific personal rights will be vested in the shareholder holding at least 50.1% of the Company’s shares, i.e. on the date of the first Shareholders Meeting of Dom Development B.V. after registration of the share capital increase through the Offer.

The Statute provides for the possibility of redemption of shares. A redemption of shares requires a resolution of the Shareholders Meeting and the consent of the shareholder whose shares are to be redeemed (subject to the provisions of Article 363 § 5 of the Commercial Companies Code). The purchase by the Company of its own shares does not require the consent of the Shareholders Meeting, with the proviso of the situation stipulated in Article 393 point 6 of the Commercial Companies Code, but only the consent of the Supervisory Board. In other situations provisions of the Commercial Companies Code apply.

The Public Offering and Public Companies Act also provides for a compulsory purchase of Shares, where the detailed manner of its carrying out is set out accordingly in the relevant Finance Minister Regulation.

3.5 The principles for convening Annual Shareholders Meetings and Extraordinary Shareholders Meetings, together with the terms form taking part in them

Shareholders Meetings must take place in Warsaw.

An Annual Shareholders Meeting must take place within six months of the end of each financial year. The Management Board convenes Shareholder Meetings. The Supervisory Board or a shareholder holding 50.1% or more of the Company's shares has the right to convene an Annual Shareholders Meeting if the Management Board does not convene one within the deadline specified above, and an Extraordinary Shareholders Meeting if it considers one to be appropriate and the Management Board does not convene such a Meeting within two weeks of the Supervisory Board or majority shareholder holding at least 50.1% of the votes demanding one. A Shareholders Meeting is convened by way of an announcement in Monitor Sądowy i Gospodarczy (*The Court and Economic Monitor,* Poland's official court bulletin) at least three weeks before the date of the Meeting. The notification should include the date, time, place and the detailed agenda of the Shareholders Meeting. In the event of an intention to amend the Company's statute the prevailing provisions should be cited, together with the proposed amendments. If justified by the extent of the intended amendments, the announcement may contain a draft of the new uniform text of the statute, together with quotations of the new or amended provisions of the statute. The Management Board must designate the Chairman of the Shareholders Meeting in writing. Should the Management Board not designate the Chairman by the planned beginning of the Meeting, the provisions of Article 409 paragraph 1 of the Commercial Companies Code apply.

A Shareholders Meeting is valid and may adopt resolutions only when shareholders representing at least 50.1% of all votes are represented. Resolutions are adopted by an absolute majority of the votes cast, unless the provisions of the Commercial Companies Code or the Statute stipulate otherwise. Pledgees and users of shares are not authorised to exercise any voting rights. Resolutions concerning the deletion of matters from the Shareholders' Meeting agenda or the waiving of their consideration upon a shareholders' motion require, for their validity, a majority of 3/4 of the votes cast, after the prior consent of all shareholders who submitted the said motion.

The detailed principles and manner of convening and carrying out the agenda by the Shareholders Meeting are set out in the Shareholders Meeting bylaws as accepted on the basis of a resolution of the Company's Shareholders Meeting dated 9 August 2006, which came into force on 5 September 2006.

Pursuant to the WSE Principles of Best Practices, the Shareholders Meeting bylaws provide that the cancellation or change to the date of a Shareholders Meeting is possible only in justified, extraordinary circumstances and where the meeting itself is irrelevant. The cancellation or change to the date of a Shareholders Meeting takes place in the manner provided for convening Shareholders Meetings, whilst ensuring minimum negative consequences for the shareholders.

The Shareholders Meeting bylaws also specify in detail the principles of managing intervals and reconvening an agenda.

The Shareholders Meeting bylaws are accessible on the Company's website.

3.6 The provisions of the Issuer's Statute or bylaws which could result in a delay or postponement in control over the Issuer, or make it impossible

The ability to gain control of the Issuer is significantly limited in the light of rights vested in the Company's majority shareholder - Dom Development B.V. - that will hold not less than 50.1% of the shares in the Company. Dom Development B.V. from the date of the first Shareholders Meeting after registration by the court of the share capital increase through the Offer will hold personal rights relating to the appointment of a defined number of the Supervisory and Management Board of the Company (described in Section 3.2. *A summary of all the provisions of the Issuer's Statute and its bylaws as they affect the members of the management and supervisory bodies* sub-section above).

Furthermore, the ability to gain control of the Issuer is significantly limited by the requirement of the Company's Statute, according to which resolutions of the Shareholders Meeting can only be validly adopted when shareholders representing 50.1% of all votes are present at the meeting. This means the requirement of the presence of Dom Development B.V.'s representatives at any Shareholders Meeting of the Company in order to pass any valid resolution.

Additionally, the ability to gain control of the Issuer is significantly limited by the regulations concerning the decision-making process in the Company's Supervisory Board, which may only adopt valid resolutions, if, amongst others, half of the Supervisory Board members appointed by Dom Development B.V. is present at the given meeting. This provision will be effective from the date of the first Shareholders Meeting after registration by the court of the share capital increase through the Offer, and appointment of Supervisory Board members by Dom Development B.V.

3.7 The provisions of the Issuer's Statute or bylaws, if such exist, which regulate the threshold above which a shareholder would have to disclose his holding

Neither the Company's Statute nor bylaws include provisions that would regulate the threshold above which a shareholder would have to disclose his holding. These obligations arise, however, from the Public Offering and Public Companies Act.

3.8 The terms imposed by the Issuer's Statute or bylaws for any changes in the share capital, if those terms are more rigorous than those required under the prevailing law

Subject to the requirement of the attendance of shareholders holding at least 50.1% of all votes at each Shareholders Meeting, neither the Company's Statute nor bylaws impose terms for any changes in the share capital that would be more rigorous than those required under the Commercial Companies Code.

XXXV. MATERIAL CONTRACTS

The following is a summary of all significant agreements to which the Issuer or companies from the Group are party, other than agreements signed in the course of normal business activities.

1 Loan agreements signed by the Issuer

1.1 Loan agreement signed with EBRD and associated agreements

1.1.1 Loan agreement signed with EBRD dated 19 March 2003

Pursuant to the loan agreement, EBRD has granted the Issuer a loan in two separate tranches amounting to no more than EUR30,000,000 or its equivalent in USD: (i) Tranche A is a revolving credit facility amounting to EUR15,000,000 or its equivalent in USD; (ii) Tranche B is a revolving credit facility amounting to EUR15,000,000 or its equivalent in USD. This facility is designated for financing the procurement of land and execution of large residential development projects.

The loan is drawn periodically during the availability period in one or more payments in amounts no smaller than EUR1,000,000 or its equivalent in USD. The availability period for Tranche A commences on the signing date of the agreement, i.e., 19 March 2003 and ends on the day prior to the lapse of 24 months from the signing date of the agreement. The availability period for the Tranche B facility commences on the date the Issuer secures new funding in the form of net revenues from the sale of a new share issue by the Issuer amounting to at least EUR15,000,000 and secured by means of a public offer of shares and their listing on the WSE or by means of a private placement and ends on the date falling after the lapse of seven years from the date the agreement was signed. As at the day on which the Prospectus was approved, there is no indebtedness under this agreement. Starting on the first day of the second financial year following the securing of financing, the Issuer must pay to the bank an additional amount based on the Issuer's AROC (annualised return on capital) rate at the end of each quarter of the financial year, computed according to the following table:

AROC %	Percentage increase for AROC
Less than 10%	0
10%-27%	30% x AROC
Above 27%	28% x AROC

The Issuer must periodically pay interest on the principal amount, with interest on the amount drawn being calculated each time according to a variable annual rate. If either or both tranche(s) of the facility are repaid, not paid out or annulled prior to the lapse of three years from the date of the signing of the agreement, the Issuer must pay additional interest constituting the difference between the aggregate amount of interest actually paid on each tranche of facility within the three years preceding the signing of the agreement and the equivalent of 13% p.a. of such paid out capital. If repayment is not effected in a timely manner, interest amounting to the interest defined in the agreement for the given period plus 2% annually shall be due. The Issuer must repay each revolving facility of each tranche at the next interest payment date falling immediately after such payment and in the currency in which the payment was denominated.

The agreement contains provisions requiring the Issuer to maintain, and to cause affiliated entities to maintain, insurance against loss, damage and liability. The Issuer must maintain an aggregate debt to equity ratio of no more than 3:1. The value of equity and shareholder loans must be at least

EUR15,000,000. At any time after the agreement is concluded, the Issuer must maintain its equity, including shareholder loans and mezzanine liabilities, at the level of at least 40% of senior debt.

Among others, the agreement contains undertakings by the Issuer not to determine or pay out dividends and not to designate or divide equity or any profits, purchase, redeem or acquire in any other manner any shares in the Issuer's capital, not to perform any options relating to such capital without the bank's prior approval, as well as not to encumber and not to permit any encumbrance of any of the Issuer's present or future assets in excess of EUR500,000. The above obligations also relate to executing entities. Additionally, the Issuer has undertaken not to enter into or promise to enter into, or to approve any agreements with the following: Dom Development B.V., Woodsford Consulting Limited or its affiliated entities, shareholders; Jarosław Szanajca, Grzegorz Kiełpsz. It has also undertaken to ensure that executing entities do not enter into, promise to enter into, or approve any agreements with their shareholders. The following actions, among others, shall require the prior approval of EBRD: encumbering the Issuer's assets, securing financing from another financial institution by the Issuer, changing the organisation of the Issuer's Management Board, changing or redeeming the Issuer's capital, and changing the Issuer's statute.

1.1.2 Agreement on the Subordination of a Privileged Creditor signed by EBRD with Bank Ochrony Środowiska S.A. with its registered office in Warsaw on 19 March 2003

Pursuant to the agreement, the Issuer and EBRD warranted to Bank Ochrony Środowiska S.A. that the rights, shares and claims of EBRD associated with the Issuer's financial liabilities towards the bank and arising from the Loan Agreement dated 19 March 2003 will always be subordinate to the Issuer's liabilities towards Bank Ochrony Środowiska S.A. and arising from loan agreements signed with the bank ("privileged liabilities"). Bank Ochrony Środowiska S.A. agreed not to subordinate any privileged liabilities to any of the Issuer's other liabilities prior to the expiration of the privileged liabilities. EBRD may, pursuant to prior approval from Bank Ochrony Środowiska S.A., transfer its rights under the said agreement. The agreement is governed by English law.

1.1.3 Agreement signed between Dom Development B.V., Jarosław Szanajca, Grzegorz Kiełpsz and EBRD regarding subordination and support from shareholders dated 19 March 2003

Pursuant to the agreement, all of the Issuer's liabilities towards shareholders who are party to the agreement will always be subordinate to liabilities towards EBRD and those arising from the Loan Agreement signed 19 March 2003. The liabilities will be subordinated until all liabilities towards EBRD have been paid off. The following actions, among others, shall require the prior approval of EBRD — undertaking a new residential construction project, imposing a liability on the Issuer's assets, securing financing from another financial institution, issuance of securities, signing any agreements associated with entrusting third parties with the management of the Issuer's affairs, changing the Issuer's management structure (procedures for the appointment of Management Board members, the number of Management Board members), changing the Issuer's capital structure, signing any agreements between the Issuer and shareholders who are party to the agreement. A transfer of rights under the agreement requires the approval of the other party. The agreement is governed by English law.

1.1.4 Letter agreement dated 7 August 2006 between EBRD, Dom Development S.A., Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz

In accordance with this agreement EBRD gave to the Issuer consent to issue new shares in its share capital through the Offer, and waived the appropriate sections of the Loan Agreement with EBRD dated 19 March 2003, which related to increase in the Issuer's share capital and changes of the Statute. In addition EBRD waived, with effect from the date on which the Offer commenced, all breaches of and all events of default and potential events of default (each as defined in the loan agreement) under, the loan agreement that occur as result of the Offer on condition that: (A) on the date of such waiver no amount is outstanding under the loan agreement; and (B) with effect from the date of such waiver the Issuer may not make any request for a disbursement (as defined in the Loan Agreement) until the appropriate amendments have been made to the Loan Agreement, in order to reflect the post-Offer status of the Issuer.

Under this agreement EBRD also permanently waived, with effect from the completion of the Offer, the requirements of certain sections of the loan agreement concerning: (i) the obligation to obtain EBRD's prior written approval before declaring or paying any dividend by the Issuer; and (ii) the obligation to obtain EBRD's prior written approval to remove the Issuer's auditors.

In addition, EBRD waived, with effect from the date on which the Offer commenced, the requirements of certain sections of the loan agreement concerning: (i) the obligation to obtain EBRD's prior written approval to create or permit to exist any lien on any property, revenues or other present or future assets of the Issuer in excess of EUR500,000, (ii) the furnishing of specific information to EBRD by the Issuer, (iii) the obligation to prepare a 24-month cash flow forecast 30 days prior to the fifth anniversary date of the signing of the Loan Agreement, (iv) the obligation to obtain EBRD's prior written approval of the Issuer's annual budget and (v) the obligation to obtain EBRD's prior written approval to pledge, borrow against, any of their assets in excess of EUR7,000,000 in aggregate, or its equivalent in any other currency. This waiver is subject to the same conditions as mentioned in (A) above and (B) with effect from the date of such waiver the Issuer may not make any request for a disbursement, until in relation to each such covenant, either the appropriate amendments are made or the Issuer or the shareholders (i.e. Dom Development B.V., Jaroslaw Szanajca and Grzegorz Kielpsz) confirm in writing that it or they no longer require such waiver and therefore that each such covenant is in full force and effect.

Under this agreement EBRD also consented to the termination of the joint venture agreement between Dom Development B.V., Gres Investi sp. z o.o. and Jaroslaw Szanajca dated 27 March 1998, with effect from the completion of the Offer.

In addition to the above, in accordance with the agreement the EBRD has also agreed to waive or cancel the Company's shareholders' (i.e. Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz) liabilities resulting from certain resolutions (relating to the Company's waived or cancelled liabilities under the Loan Agreement) included in the "Shareholders Support and Subordination Agreement" concluded on 19 March 2003 between Dom Development B.V., Jarosław Sznajca, Grzegorz Kiełpsz and the EBRD.

The agreement is governed by English law.

1.2 Loan agreements signed with Bank Ochrony Środowiska S.A.

1.2.1 Agreement on an investment loan denominated in Polish zlotys No. 14/2004/I/287 and dated 6 September 2004 signed with Bank Ochrony Środowiska S.A. with its registered office in Warsaw

Pursuant to the agreement, Bank Ochrony Środowiska S.A. granted the Issuer an investment loan of PLN 23,350,000. The loan is designated for financing or refinancing the purchase of land, of up to 80% of its purchase price, for developments associated with residential construction undertaken by the Issuer or for subsequent resale.

The loan facility was granted for the period between 6 September 2004 and 31 December 2006. The loan was to be used by the Issuer no later than on 30 June 2005. The Issuer was to repay the entire loan no later than on 31 December 2006. The loan was to be repaid in six equal monthly instalments (the last instalment being a balancing payment). Interest in the loan period is fixed and is equal to the WIBOR 1M base rate for the given period plus a market rate margin. If repayment is not effected timely, interest amounting to the interest for overdue liabilities in the given period will be due on the overdue liabilities. For earlier repayment of the loan, a compensation fee of 0.2% of the early repayment is to be collected if the bank is notified in writing of the early repayment. In the event of early repayment without notifying the bank, a compensation fee equal to double this amount, i.e., 0.4% of the early repayment, is to be collected.

Security for the loan repayment consists of: (i) an own blank promissory note together with a promissory note declaration dated 6 September 2004; (ii) a power of attorney to access the Issuer's PLN current account maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iii) a power of attorney to access the Issuer's USDcurrent account maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iv) an entry into the land and mortgage register of each piece of land purchased; (v) a declaration regarding submission to enforcement proceedings for up to PLN 35,025,000.

The release of the first loan tranche was conditional on the presentation, pursuant to the Agreement on the Subordination of a Privileged Creditor dated 19 March 2003, of written consent from EBRD for the drawing of the above loan in order for liabilities to Bank Ochrony Środowiska S.A. to be privileged to the loan granted by EBRD.

1.2.2 Agreement No. 7/2005/I/287 on an investment loan denominated in Polish zlotys, dated 8 August 2005, signed with Bank Ochrony Środowiska S.A. with its registered office in Warsaw

Pursuant to the agreement, Bank Ochrony Środowiska S.A. granted the Issuer an investment loan of PLN 35,000,000. The loan is designated for financing or refinancing the purchase of land, up to 80% of its purchase price, for developments associated with residential construction undertaken by the Issuer or for subsequent resale.

The loan facility was granted for the period between 8 August 2005 and 31 December 2007. The Issuer is to draw the entire loan no later than 31 December 2006. The Issuer must repay the entire loan no later than 31 December 2007. The loan is to be repaid in 12 equal monthly instalments (the last instalment being a balancing payment). Interest in the loan period is fixed and is equal to the WIBOR 1M base rate for the given period plus the bank's market rate margin. If repayment is not effected in a timely manner, interest amounting to the interest for overdue liabilities in the given period will be due on the overdue liabilities. For earlier repayment of the loan, a compensation fee of 0.2% of the early repayment is to be collected if the bank is notified in writing of the early repayment. In the event of early repayment without notifying the bank, a compensation fee equal to double this amount, i.e., 0.4% of the early repayment, is to be collected.

Security for loan repayment are: (i) an own blank promissory note together with a promissory note declaration dated 8 August 2005; (ii) a power of attorney to access the Issuer's PLN current account maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iii) a power of attorney to access the Issuer's USDcurrent account maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iv) an entry into the land and mortgage register of each piece of land purchased; (v) a declaration regarding submission to enforcement proceedings for up to PLN 52,500,000.

The release of the first loan tranche was conditional on the presentation, pursuant to the Agreement on the Subordination of a Privileged Creditor dated 19 March 2003, of written consent from EBRD for the drawing of the above loan in order for liabilities to Bank Ochrony Środowiska S.A. to be privileged to the loan granted by EBRD.

1.2.3 Agreement No. 1/2006/O/287 on a non-revolving working capital loan denominated in Polish zlotys, dated 18 May 2006, signed with Bank Ochrony Środowiska S.A. with its registered office in Warsaw

Pursuant to the agreement Bank Ochrony Środowiska S.A. granted the Issuer a non-revolving working capital loan of PLN 40,000,000. The loan is designated for financing or refinancing the purchase of land, up to 80% of its purchase price, for developments associated with residential construction undertaken by the Issuer or for subsequent resale.

The loan facility was granted for the period between 18 May 2006 and 30 September 2008. The Issuer must repay the entire loan no later than 30 September 2008. The loan is to be repaid in 12 equal monthly instalments (the last instalment being a balancing payment). Interest in the loan period is fixed and is equal to the WIBOR 1M base rate for the given period plus the bank's market rate margin. If repayment is not effected timely, interest amounting to the interest for overdue liabilities in the given period will be due on the overdue liabilities. For earlier repayment of the loan, a compensation fee of 0.2% of the early repayment is to be collected if the bank is notified in writing of the early repayment. In the event of early repayment without notifying the bank, a compensation fee equal to double this amount, i.e. 0.4% of the early repayment, is to be collected.

Security for the loan repayment consists of: (i) an own blank promissory note together with a promissory note declaration dated 24 May 2006; (ii) a power of attorney to access the Issuer's PLN current account which is maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iii) a power of attorney to access the Issuer's USDcurrent account which is maintained by BOŚ S.A., Branch No. 3 in Warsaw; (iv) the entry of an ordinary mortgage and a capped mortgage securing an existing or future claim into the land and mortgage register of each piece of land purchased; (v) a declaration regarding submission to enforcement proceedings for up to PLN 60,000,000.

The release of the first loan tranche was conditional on the presentation, pursuant to the Agreement on the Subordination of a Privileged Creditor dated 19 March 2003, of written consent from EBRD for the drawing of the above loan in order for liabilities to Bank Ochrony Środowiska S.A. to be privileged to the loan granted by EBRD.

1.3 Loan agreements signed with Powszechna Kasa Oszczędności Bank Polski S.A.

1.3.1 Agreement No. 270-1/2/RB/2006 on an overdraft facility denominated in Polish zlotys, dated 16 March 2006, signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw.

Pursuant to the agreement, Powszechna Kasa Osczędności Bank Polski S.A. granted the Issuer an overdraft facility of up to PLN 40,000,000. The facility is designated for financing the Issuer's current liabilities associated with its business activities.

The loan facility was granted for the period between 16 March 2006 and 15 March 2007. The availability and repayment period for the loan will end on the expiration date of the loan, i.e., 15 March 2007. Annual interest on the drawn amount is variable and is equal to the WIBOR 1M reference rate plus the bank's market rate margin. Interest on the drawn amount for each settlement period is collected from available funds held on the current account. Repayment takes place, without need for separate orders from the Issuer, from the first inflow to the Issuer's account and up to the level of funds found on said account and, in case of a lack of available funds, from the first inflow to the said account. Overdue payments are charged interest according to a variable rate defined in a resolution by the management board of Powszechna Kasa Oszczędności Bank Polski S.A. for overdue housing and commercial loans and loans deemed immediately payable following a notice period.

Security for the loan repayments consist of:

(i) a contractual joint capped mortgage for up to PLN 50,000,000 imposed on: (a) title to real estate located in Warsaw at ul. Pileckiego in the region of ul. Płaskowiecka, ul. Rolna and future ul. Gandhi and for which the District Court for Warsaw-Mokotów, 7th Land and Mortgage Register Division maintains land registers No. WA2M/00223054/3, WA2M/00222507/7, WA2M/00222497/3, WA2M/00222510/1, WA2M/00222500/8, WA2M/00223684/8, WA2M/00175293/8, WA2M/00222355/6, WA2M/00222354/9, 353456, (b) on shares in the title to real estate located in Warsaw at ul Pileckiego in the region of ul.

Płaskowiecka, ul. Rolna and the future ul. Gandhi and for which the District Court for Warsaw-Mokotów, 7th Land and Mortgage Register Division maintains land registers No. 353457, 353458, WA2M/00353321/6, WA2M/00353322/3, WA2M/00353323/0, WA2M/00353324/7, WA2M/00353325/4, 353328, WA2M/00353313/7, 353329, WA2M/00353326/1, (c) on perpetual usufruct rights to real estate located in Warsaw at ul. Księcia Bolesława for which the District Court for Warsaw-Mokotów, 6th Land and Mortgage Register Division maintains land and mortgage register No. WA1M/00438750/5, (d) on perpetual usufruct rights to real estate located in Warsaw at ulica Księcia Bolesława for which the District Court for Warsaw-Mokotów, 6th Land and Mortgage Register Division maintains land and mortgage registers No. WA1M/00390822/2, WA1M/00435196/2, WA1M/00435194/8, WA1M/00390823/9, WA1M/00390821/5;

(ii) an own blank promissory note together with a promissory note declaration dated 16 March 2006;

(iii) authorisation to collect receivables from the Issuer's current account held with PKO BP S.A.'s 9th Branch Office in Warsaw; and

(iv) authorisation to collect receivables from the Issuer's current account held with PKO BP S.A. 1st Branch Office in Warsaw.

Powszechna Kasa Oszczędności Bank Polski S.A. may transfer all receivables as well as rights and obligations arising from the agreement herein to a third party.

In the Issuer's opinion, as at the date of the Prospectus' approval it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.3.2 Agreement No. 203-12228112/5/2004 on a NOWY DOM investment loan denominated in Polish zlotys, dated 20 October 2004, signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw and amended by Annex No. 1 dated 30 June 2004

Pursuant to the agreement, Powszechna Kasa Osczędności Bank Polski S.A. granted the Issuer a loan of PLN 33,830,000. The loan was designated for partial refinancing of costs associated with the purchase of perpetual usufruct rights to the undeveloped real estate located in Warsaw at ul. Kruczkowskiego (plots number 26/1, 26/2, 26/3, 26/4, 26/5 within precinct 5-06-02) with a total surface area of 15,232 square metres.

Payment is to be effected in a lump sum on the date indicated by the Issuer and in the form of bank transfer to an account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. The Issuer is to repay the debt under the loan by 1 September 2006 in 14 monthly instalments, which are to be equal with the exception of the first two. Powszechna Kasa Oszczędności Bank Polski S.A. was to calculate interest on the loan pursuant to a variable annual rate based on the WIBOR 1M reference rate plus the bank's market rate margin. The loan principal and interest is to be repaid by way of Powszechna Kasa Oszczędności Bank Polski S.A. withdrawing its receivables from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. In case of a lack of funds on the said account, the receivables are to be collected from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw, as well as that held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw. Overdue payments are charged interest according to a variable rate defined in a resolution by the management board of Powszechna Kasa Oszczędności Bank Polski S.A. for overdue housing and commercial loans and loans deemed immediately payable following a notice period that are not subject to arrangement proceedings. The Issuer may repay the loan early.

Security for the loan repayment consists of: (i) an ordinary mortgage (for securing the loan principal) for PLN 33,830,000 imposed on real estate included in land and mortgage register KW 103621 held by the District Court of Warsaw-Mokotów, 10th Land And Mortgage Register Division, and consisting of plots number 26/1, 26/2, 26/3, 26/4 and 26/5 within precinct 5-06-02 and with an aggregate surface area of 15,232 square metres; (ii) a capped mortgage for up to PLN 8,795,800 (for securing the interest and other costs) and imposed on real estate described in item (i) above; (iii) an own blank promissory note together with a promissory note declaration dated 20 October 2004; (iv) authorisation granting rights to withdraw funds from the Issuer's current account to be opened with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (v) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (vi) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (vii) a power of attorney to the Issuer's current account held with Bank Ochrony Środowiska S.A. in Warsaw, 3rd Branch Office, including the right to withdraw funds; (viii) a power of attorney to the Issuer's current account held with Bank Millennium S.A. Branch Office in Warsaw, including the right to withdraw funds; (ix) a power of attorney to the Issuer's current account held with Deutsche Bank 24 S.A. Branch Office in Warsaw, including the right to withdraw funds.

If the real estate developed with a multi-family residential unit, on which a mortgage securing loan repayment has been imposed, is divided by transferring the title to parts of the property to the buyers of individual flats and commercial premises, the parties are to divide the mortgages described in item (i) and (ii) above between the real estate to date and the separated premises and land. This division refers to mortgages in an amount equal to the outstanding amount of the loan. The said mortgage is to be divided taking into account the share of the individual premises in the overall real estate. The aggregate value of the separated mortgages is to be equal to the value of the mortgage that has been divided.

Powszechna Kasa Oszczędności Bank Polski S.A. may transfer any receivables, rights and obligations under this agreement to a third party.

In the Issuer's opinion, as at the date of the Prospectus' approval it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.3.3 Agreement No. 203-12228112/1/2005 on a NOWY DOM investment loan denominated in Polish zlotys, dated 10 January 2005, signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw.

Pursuant to the agreement, Powszechna Kasa Oszczędności Bank Polski S.A. granted the Issuer a loan of PLN 10,080,000. The loan was designated for partial refinancing of costs associated with the purchase of perpetual usufruct rights to undeveloped real estate located in Warsaw at ul. Słomińskiego (plot number 9/5 within precinct 5-01-03) with an aggregate surface area of 5,521 square metres.

Payment was to be effected in a lump sum on the date indicated by the Issuer and in the form of bank transfer to an account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. The Issuer is to repay the debt under the loan by 1 July 2007 in 20 equal monthly instalments. The first instalment will be a compensatory instalment. Powszechna Kasa Oszczędności Bank Polski S.A. was to calculate interest on the loan pursuant to a variable annual rate based on the

WIBOR 1M reference rate plus the bank's market rate margin. The loan principal and interest is to be repaid by way of Powszechna Kasa Oszczędności Bank Polski S.A. withdrawing its receivables from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. In case of a lack of funds on the said account, the receivables are to be collected from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw, as well as that held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw. Overdue payments are charged interest according to a variable rate defined in a resolution by the management board of Powszechna Kasa Oszczędności Bank Polski S.A. for overdue housing and commercial loans and loans deemed immediately payable following a notice period that are not subject to arrangement proceedings. The Issuer may repay the loan early.

Security for the loan repayment consists of: i) an ordinary mortgage (for securing the loan principal) for PLN 10,080,000 imposed on undeveloped real estate located in Warsaw at ul. Zygmunta Słomińskiego, plot number 11 within precinct 5-01-03 with an aggregate surface area of 5,521 square metres, disclosed in land and mortgage register number KW WA4M/00211656/0 held by the District Court of Warsaw-Mokotów, 10th Land and Mortgage Register Division; (ii) a capped mortgage for up to PLN 2,620,800 imposed on real estate described in item (i) above; (iii) an own blank promissory note together with a promissory note declaration dated 10 January 2005; (iv) authorisation granting rights to withdraw funds from the Issuer's current account to be opened with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (v) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (vi) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw as well as to withdraw and set-off receivables from this account in case the Issuer fails to pay its liabilities; (vii) a power of attorney to the Issuer's current account held with Bank Ochrony Środowiska S.A. in Warsaw, 3rd Branch Office, including the right to withdraw funds; (viii) a power of attorney to the Issuer's current account held with Bank Millennium S.A. Branch Office in Warsaw, including the right to withdraw funds; (ix) a power of attorney to the Issuer's current account held with Deutsche Bank PBC S.A. Branch Office in Warsaw, including the right to withdraw funds. (x) a power of attorney to the Issuer's current account held with ING Bank Śląski S.A. including the right to withdraw funds.

If the real estate developed with a multi-family residential unit, on which a mortgage securing loan repayment has been imposed, is divided by transferring the title to parts of the property to the buyers of individual flats and commercial premises, the parties are to divide the mortgages described in item (i) and (ii) above between the real estate to date and the separated premises and land. This division refers to mortgages in an amount equal to the outstanding amount of the loan. The said mortgage is to be divided taking into account the share of the individual premises in the overall real estate. The aggregate value of the separated mortgages is to be equal to the value of the mortgage that has been divided.

Powszechna Kasa Oszczędności Bank Polski S.A. may transfer any receivables, rights and obligations under this agreement to a third party.

In the Issuer's opinion, as at the date of the Prospectus' approval it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.3.4 Agreement No. 203-12228112/8/2005 on a NOWY DOM investment loan agreement denominated in Polish zlotys, dated 28 July 2005, signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw

Pursuant to the agreement, Powszechna Kasa Osczędności Bank Polski S.A. granted the Issuer a loan of PLN 11,380,000. The loan was designated for partial refinancing of costs associated with the purchase of perpetual usufruct rights to undeveloped real estate located in Warsaw at the corner of ul. Olbrachta and ul. Sowińskiego (plot number 11 within precinct 6-07-07) with an aggregate surface area of 19,547 square metres.

Payment shall be effected in a lump sum on the date indicated by the Issuer and in the form of bank transfer to an account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. The Issuer is to repay the debt under the loan by 1 October 2007 in seven equal monthly instalments. The first instalment will be a compensatory instalment. Powszechna Kasa Oszczędności Bank Polski S.A. was to calculate interest on the loan pursuant to a variable annual rate based on the WIBOR 1M reference rate plus the bank's market rate margin. The loan principal and interest is to be repaid by way of Powszechna Kasa Oszczędności Bank Polski S.A. withdrawing its receivables from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. In case of a lack of funds on the said account, the receivables are to be collected from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw, as well as that held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw. Overdue payments are charged interest according to a variable rate defined in a resolution by the management board of Powszechna Kasa Oszczędności Bank Polski S.A. for overdue housing and commercial loans and loans deemed immediately payable following a notice period that are not subject to arrangement proceedings. The Issuer may repay the loan early.

Security for the loan repayment consists of: i) an ordinary mortgage (for securing the loan principal) for PLN 11,380,000 imposed on undeveloped real estate located in Warsaw at the corner of ul. Olbrachta and ul. Sowińskiego, plot number 9/5 within precinct 6-07-07 with an aggregate surface area of 19,547 square metres and disclosed in land and mortgage register number KW WA4M/00204446/3 held by the District Court of Warsaw-Mokotów, 10th Land and Mortgage Register Division; (ii) a capped mortgage for up to PLN 2,958,800 (for securing the interest and other costs) and imposed on real estate described in item (i) above; (iii) an own blank promissory note together with a promissory declaration dated 28 July 2005; (iv) authorisation granting rights to withdraw funds from the Issuer's current account to be opened with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw; (v) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw; (vi) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw.

If the real estate developed with a multi-family residential unit, on which a mortgage securing loan repayment has been imposed, is divided by transferring the title to parts of the property to the buyers of individual flats and commercial premises, the parties are to divide the mortgages described in item (i) and (ii) above between the real estate to date and the separated premises and land. This division refers to mortgages in an amount equal to the outstanding amount of the loan. The said mortgage is to be divided taking into account the share of the individual premises in the overall real estate. The aggregate value of the separated mortgages is to be equal to the value of the mortgage that has been divided.

Powszechna Kasa Oszczędności Bank Polski S.A. may transfer any receivables, rights and obligations under this agreement to a third party.

In the Issuer's opinion, as at the day on which the Prospectus was approved, it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.3.5 Agreement No. 203-12228112/9/2005 on a NOWY DOM investment loan denominated in Polish zlotys, dated 3 October 2005, signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw

Pursuant to the agreement, Powszechna Kasa Osczędności Bank Polski S.A. granted the Issuer a loan of PLN 18,950,000. The loan was designated for partial refinancing of costs associated with the purchase of perpetual usufruct rights to undeveloped real estate located in Warsaw at the intersection of ul. Płaskowicka, ul. Rolna and the future ul. Gandhi (plots number 49/21-49/23, 49/29-49/31, 49/38-49/40, 49/48-49/50, 49/55-49/57, 48/5-48/7, 55/3, 55/4, 55/7, 58/10, 58/12, 58/16 precinct 1-10-79, with an aggregate surface area of 21,754 square metres, shares in plots 49/13-49/15, 55/6, 58/11, 58/15 with an aggregate surface area of 1,728 square metres, as well as shares in road and recreational plots 49/12, 49/20, 49/28, 49/37, 49/47, 49/10, 47/4, 55/8, 55/5 with an aggregate surface area of 6,559 square metres).

Payment was to be effected in a lump sum on the date indicated by the Issuer and in the form of bank transfer to an account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. The Issuer is to repay the debt under the loan by 1 December 2007 in nine equal monthly instalments. Powszechna Kasa Oszczędności Bank Polski S.A. was to calculate interest on the loan pursuant to a variable annual rate based on the WIBOR 1M reference rate plus the bank's market rate margin. The loan principal and interest is to be repaid by way of Powszechna Kasa Oszczędności Bank Polski S.A. withdrawing its receivables from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw. In case of a lack of funds on the said account, the receivables are to be collected from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw, as well as that held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw. Overdue payments are charged interest according to a variable rate defined in a resolution by the management board of Powszechna Kasa Oszczędności Bank Polski S.A. for overdue housing and commercial loans and loans deemed immediately payable following a notice period that are not subject to arrangement proceedings. The Issuer may repay the loan early.

Security for the loan repayment consists of: (i) an ordinary contractual collective mortgage (for securing the loan principal) for PLN 18,950,000 imposed on real estate disclosed in land and mortgage register numbers KW 223054, 22507, 222497, 222510, 222500, 223684, 175293, 222355, 222354, 353321, 353322, 353323, 353324, 353325, 353328, 353313, 353326, 353329, 353457, 353458, 353456 held by the District Court of Warsaw-Mokotów, 7th Land and Mortgage Register Division; (ii) a capped contractual collective mortgage for up to PLN 4,927,000 (for securing of interest and other costs) imposed on the real estate described in item (i) above; (iii) an own blank promissory note together with a promissory note declaration dated 27 October 2005; (iv) authorisation granting rights to withdraw funds from the Issuer's current account to be opened with Powszechna Kasa Oszczędności Bank Polski S.A. 9th Branch Office in Warsaw; (v) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 15th Branch Office in Warsaw; (vi) authorisation to withdraw funds from the Issuer's current account held with Powszechna Kasa Oszczędności Bank Polski S.A. 1st Branch Office in Warsaw; (vii) during the transition period, i.e., until the mortgage described in items (i) and (ii) above is imposed, additional security will be provided by an ordinary mortgage for PLN 15,160,000 imposed on real estate located in Warsaw at ul. Kruczkowskiego and disclosed in land and mortgage register number KW 103621 held by the District Court of Warsaw-Mokotów, 10th Land and Mortgage Register Division.

If the real estate developed with a multi-family residential unit, on which a mortgage securing loan repayment has been imposed, is divided by transferring the title to parts of the property to the buyers of individual flats and commercial premises, the parties are to divide the mortgages described in item (i) and (ii) above between the real estate to date and the separated premises and land. This division refers to mortgages in an amount equal to the outstanding amount of the loan. The said mortgage is to be divided taking into account the share of the individual premises in the overall real estate. The aggregate value of the separated mortgages is to be equal to the value of the mortgage that has been divided.

Powszechna Kasa Oszczędności Bank Polski S.A. may transfer any receivables, rights and obligations under this agreement to a third party.

In the Issuer's opinion, as at the day on which the Prospectus was approved, it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.4 Loan agreements signed with Bank Polska Kasa Opieki S.A.

1.4.1 Agreement on a term loan denominated in Polish zlotys dated 30 November 2005 signed with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw

Pursuant to the agreement Bank Polska Kasa Opieki S.A. granted the Issuer a non-revolving term loan with an aggregate value of PLN 18,874,900. The loan is designated for the partial refinancing of a part of the purchase of undeveloped land located in Warsaw at ul. Juliana Bruna (plot number 14/3 precinct 1-01-05 with a surface area of 10,950 square metres), land and mortgage register number KW WA2M/00137924/3 held by the District Court of Warsaw-Mokotów, 7th Land and Mortgage Register Division.

Payment is to be effected in a lump sum on the payment date in the form of a bank transfer to the Issuer's bank account at Bank Polska Kasa Opieki S.A. The Issuer is to repay the loan principal in ten variable monthly instalments by 30 November 2007. Bank Polska Kasa Opieki S.A. will collect interest, according to a variable annual interest rate based on the WIBOR 1M reference rate plus the bank's market rate margin, on the last day of each interest period. In case of late repayment, interest will be charged on overdue liabilities according to a variable interest rate based on the WIBOR reference rate.

The Issuer may, upon prior notification, repay the loan early, in whole or in part (in a sum of no less than PLN 5,000,000) on the last day of the interest period. If the Issuer finances such early repayment with funds borrowed from another bank or financial institution, the Issuer is to pay an early repayment fee of 1.0% of the amount repaid early.

In selling the real estate described above or any part thereof in a transaction not associated with the execution of the residential development project, the advance payment from the sale of the real estate is to be designated for repaying the loan.

Among other conditions, the Issuer is to maintain the following financial ratios during the entire loan period: (i) a debt to equity ratio of no more than 3:1; (ii) a debt service ratio of at least 1.2. If it was necessary for the Issuer to secure other sources of financing for the residential construction project than those available on the date of signing the agreement, it must give first call to the proposal put forth by Bank Polska Kasa Opieki S.A. if the terms and conditions of the proposal put forth by Bank Polska Kasa Opieki S.A. are not less beneficial than those put forth by other bidders. The Issuer undertook to execute the residential construction project on the said real estate between June 2006 and December 2007. During the entire loan period the Issuer is to maintain "all risks" insurance on its business and estate. Events of default in the agreement include the take-over of control over the Issuer without the written approval of Bank Polska Kasa Opieki S.A., the withdrawal of any permits required for the execution of the residential construction project, the abandonment of works associated with the performance of the project for a period exceeding 45 days, and failure to remedy such an event within 60 business days of receiving notification regarding the event of default.

Security for the loan repayment consists of: (i) an ordinary mortgage (for securing the loan principal) of PLN 18,874,900 imposed on the real estate described above; (ii) a capped mortgage for up to PLN 1,300,000.00 (for securing interest and other costs) and imposed on the real estate described in item (i) above; (iii) the Issuer's declaration on submission to enforcement proceedings for up to PLN 23,600,000; (iv) a power of attorney to the Issuer's bank accounts held with Powszechna Kasa Oszczędności Bank Polski S.A.; (v) a financial lien on cash held on the Issuer's bank accounts at Bank Polska Kasa Opieki S.A for up to PLN 20,000,000.

The Issuer shall not dispose of or establish any security on assets constituting security of loan repayment within six months of the payment date. The transfer of Bank Polska Kasa Opieki S.A.'s rights and obligations under the agreement require the prior approval of the other party. The Issuer's liabilities arising from the loan agreement signed with the EBRD and described in the "*Loan agreement signed with EBRD and associated agreements*" sub-section will be subordinated to those arising from this agreement.

In the Issuer's opinion, as at the day on which the Prospectus was approved, it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer's fault.

1.4.2 Agreement on a term loan denominated in Polish zlotys dated 16 February 2006 signed with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw

Pursuant to the agreement Bank Polska Kasa Opieki S.A. granted the Issuer a non-revolving term loan with an aggregate value of PLN 18,955,700. The loan is designated for the partial refinancing of costs, but no more than 80%, of the purchase of land located in Warsaw at ul. Zawiszy 10 and 12 and consisting of plots numbered 32/3, 32/4 within precinct 6-03-07 with a surface area of 774 square metres as well as plots numbered 32/5, 32/6 within precinct 6-03-07 with an aggregate surface area of 13,629 square metres and disclosed in land and mortgage register number KW WA4M/00152273/9 held by the District Court of Warsaw-Mokotów, 10th Land and Mortgage Register Division, designated for the execution of a residential development project consisting of the construction and sale of residential and retail premises, and parking places.

Payment is to be effected in a lump sum on the payment date in the form of a bank transfer to the Issuer's bank account at Bank Polska Kasa Opieki S.A. The Issuer is to repay the loan by 28 February 2008 in ten variable monthly instalments. Bank Polska Kasa Opieki S.A. will collect interest on the loan according to a variable annual interest rate based on the WIBOR 1M reference rate plus the bank's market rate margin on the last day of each interest period. In case of late repayment, interest will be charged on overdue liabilities according to a variable interest rate based on the WIBOR rate plus 1.5%.

The Issuer may, upon prior notification, repay the loan early, in whole or in part (in a sum of no less than PLN 5,000,000) on the last day of the interest period. If the Issuer finances such early repayment with funds borrowed from another bank or financial institution, the Issuer is to pay an early repayment fee of 1.0% of the amount repaid early.

In selling the real estate described above or any part thereof in a transaction not associated with the execution of the residential development project, the advance payment from the sale of the real estate is to be designated for repaying the loan.

Among other conditions, the Issuer is to maintain the following financial ratios during the entire loan period: (i) a debt to equity ratio of no more than 3:1; (ii) a debt service ratio of at least 1.2. If it was necessary for the Issuer to secure other sources of financing for the residential construction project than those available on the date of signing the agreement, it must give first call to the proposal put forth by Bank Polska Kasa Opieki S.A. if the terms and conditions of the proposal put forth by Bank Polska Kasa Opieki S.A. are not less beneficial than those put forth by other bidders. The Issuer undertook to execute the residential construction project on the said real estate from October 2006 until December 2008. During the entire loan period the Issuer is to maintain “all risks” insurance on its business and estate. Events of default on the agreement include the take-over of control over the Issuer without the written approval of Bank Polska Kasa Opieki S.A., the withdrawal of any permits required for the execution of the residential construction project, the abandonment of works associated with the performance of the project for a period exceeding 45 days, and failure to remedy such an event within 60 business days of receiving notification regarding the event of default.

Security for the loan repayment consists of: (i) an ordinary mortgage (for securing the loan principal) for PLN 18,955,700 imposed on the real estate described above; (ii) a capped mortgage for up to PLN 2,300,000 (for securing interest and other costs) and imposed on real estate described in item (i) above; (iii) the Issuer’s declaration on submission to enforcement proceedings for up to PLN 23,700,000; (iv) a financial lien on cash held on the Issuer’s bank accounts at Bank Polska Kasa Opieki S.A. together with powers of attorney to all of the Issuer’s bank accounts held with Bank Polska Kasa Opieki S.A. for security of up to PLN 21,000,000.

The Issuer shall not impose or order the imposition of any type of suretyships on the assets constituting security of loan repayment within six months of the date of payment. The transfer of Polska Kasa Opieki Bank Polski S.A.’s rights and obligations under the agreement require the prior approval of the other party.

In the Issuer’s opinion, as at the day on which the Prospectus was approved, it currently discharges its obligations arising from the agreement on an on-going basis, and as such there is no risk of this agreement being terminated due to the Issuer’s fault.

2 Agreements associated with bond issues

2.1 Agreement regarding the underwriting and servicing of a bond issue dated 22 June 2004 signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw and Bank Ochrony Środowiska S.A. with its registered office in Warsaw

On 7 November 2003 the Issuer’s Shareholders Meeting adopted Resolution No. 1 on carrying out a bond issue programme consisting of the issuance of bonds with an aggregate nominal value of PLN 50,000,000 in several series. Bonds were to be issued pursuant to Article 9 paragraph 3 of the Bond Act. Funds raised as a result of the issue were to be designated for financing the Issuer’s development activities associated with buying land as well as for covering costs associated with the execution of residential developments.

On 2 June 2004 the Issuer’s Management Board adopted a resolution granting approval for the start of the programme as well as the issue of Series A bonds, and determined that the first day of the programme’s bond issue was to be no later than 31 August 2004 and that the redemption date of the last series of bonds would take place no later than 31 August 2008. At the same time, the Issuer’s Management Board consented to the servicing and underwriting of the bond issue.

Pursuant to the above, the Issuer signed an agreement on underwriting and servicing the bond issue with Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Ochrony Środowiska S.A. Pursuant to the agreement, the issue of Series A and Series B bonds was to take place first, with subsequent series of bond issues taking place next — in an amount equal to the value of Series A bonds in respect to which bondholders had executed a buy option. Series A bonds are secured bonds, with Series B and subsequent issues not being secured. Series A and B bonds were to have the same issue date. Pursuant to the agreement, the Issuer ordered the banks to carry out a bond issue as part of the programme, including in particular placing and selling the bonds, managing bond records, and acting as agents. The Issuer appointed Powszechna Kasa Oszczędności Bank Polski S.A. as the payment agent. The banks have underwritten the purchase of Series A bonds. The banks carry out their obligations arising from the underwriting guarantee in respect to Series A bonds by taking over and purchasing an amount of Series A bonds equal to the number of Series B bonds that have not been purchased by investors as a result of the non-placement of subscriptions for Series B bonds or the non-payment for Series B bonds designated to them. However, Powszechna Kasa Oszczędności Bank Polski S.A. cannot take up more than 150 Series A bonds, whereas Bank Ochrony Środowiska S.A. cannot take up more than 100 Series A bonds. Series A bonds taken up by the banks as underwriters are to meet the following parameters: (i) redemption date — four years from the date of issue; (ii) currency of issue — Polish zlotys; (iii) interest period — six months; (iv) base rate — 6M WIBOR plus a market rate margin; (v) security — joint capped mortgage on the real estate defined in the agreements, disclosed in Land and Mortgage Registers No. KW WA3M/00404217/4, KW WA2M/00388739/3 and KW WA4M/00103621/6 for up to PLN 100,000,000. On 29 May 2006 Powszechna Kasa Oszczędności Bank Polski S.A., and on 31 May 2006 Bank Ochrony Środowiska S.A., consented to the deletion of the entry of the joint capped mortgage from land and mortgage registers KW no. WA3M/00404217/4 and KW no. WA2M/00388739/3. Simultaneously both banks granted their consent for making a change in the content of the entry of the joint capped mortgage in KW no. WA4M/00103621/6, consisting of the deletion from the list of real properties encumbered with the joint capped mortgage, the property covered by land and mortgage registers KW no. WA3M/00404217/4 and KW no. WA2M/00388739/3. The Issuer is entitled to perform a call option in respect to all Series A bonds or to Series A bonds with an aggregate nominal value of no less than PLN 5,000,000. However, bondholders holding Series A bonds are entitled to perform a put option solely on an amount of Series A bonds with an aggregate sale price which does not exceed 50% of the Issuer's income from the bond issue performed pursuant to Article 9 item 1 of the Bond Act.

The Issuer undertook to maintain the following indicators for the preceding 12 months, at half-year periods ending each 30 June and 31 December, until the complete redemption of the bonds.

Year	Interest debt/own equity	EBITDA/debt servicing
2004	<= 1.8	>= 2.2
2005	<= 1.2	>= 2.0
2006	<= 1.2	>= 1.5
2007	<= 1.2	>= 1.5

In periods ending 31 December 2004, 30 June 2005 and 31 December 2005 the Issuer did not maintain the indicators at levels stipulated by the agreement, for which it each time received consent from the banks, however, it maintained the indicators at levels required by the agreement as of 30 June 2006.

On 4 August 2006, upon the request of the Company, the agreement was amended by changing the indicators described above. The new indicators are as follows:

Year	Interest debt/own equity	EBITDA/debt servicing
2004	<= 1.8	>= 2.2
2005	<= 1.2	>= 2.0
2006	<= 2.0	>= 1.8
2007	<= 2.0	>= 5.0

A failure to perform or the inadequate performance of any of the material undertakings under the agreement constitutes an event of default, resulting in the possibility of the agreement being terminated with immediate effect.

The agreement contains the Issuer's representation that 70% of the Issuer's turnover associated with developer activities will be carried out on accounts held by the Issuer with Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Ochrony Środowiska S.A. and, in conjunction with this, on 22 June 2004 the Issuer signed an agreement regarding turnover with the banks. Moreover, the agreement contains the Issuer's undertaking not to contract any other financial liabilities of a credit or guarantee nature without the banks' consent, with the exception of guarantees or credit granted as part of the Issuer's normal business operations in relation to insignificant current matters normally attended to by companies. Without the banks' consent, until Series A bonds are redeemed, the Issuer must not establish any security on its asset components. Series A bond liabilities are privileged in accordance with principles established in the subordination agreement concluded between the banks, the Issuer and EBRD.

As of the day on which the Prospectus was approved, 250 Series A bonds, with a nominal value of PLN 200,000 each and aggregate value of PLN 50,000,000, had been issued, 150 Series A bonds subscribed by Powszechna Kasa Oszczędności Bank Polski S.A., 100 Series A bonds were subscribed by Bank Ochrony Środowiska S.A. Issue date — 21 July 2004. Redemption date — 21 July 2008.

2.2 Agreement regarding the underwriting and servicing of a bond issue dated 24 March 2006 signed with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw

On 24 March 2006 the Issuer's Shareholders Meeting adopted resolution No. 1 on carrying out a bond issue programme consisting of the issuance of bonds with an aggregate nominal value of no more than PLN 30,000,000 pursuant to Article 9 of the Bond Act. Funds raised as a result of the issue were to be designated for financing and refinancing the Issuer's development activities associated with buying land as well as for covering costs associated with the execution of residential developments.

On 23 March 2006, the Issuer's Management Board adopted a resolution consenting to the opening of the programme and determined that the first day of the bond issue within the programme would fall no later than six months from the day the Issuer concluded an agreement for servicing and underwriting the bond issue with Powszechna Kasa Oszczędności Bank Polski S.A., and the day on which the last bond series would be redeemed would fall no later than five years from the day on which the first series of bonds was issued. The offer of Series A bonds is to be addressed exclusively to Powszechna Kasa Oszczędności Bank Polski S.A. At the same time, the Issuer's Management Board consented to the conclusion of the agreement for servicing and underwriting the bond issue.

Pursuant to the above, the Issuer signed an agreement on underwriting and servicing the bond issue with Powszechna Kasa Oszczędności Bank Polski S.A. Pursuant to the agreement, the issue of Series A and Series B bonds was to take place first, with subsequent series of bond issues taking place next — in an amount equal to the value of Series A bonds in respect to which bondholders had executed a buy option. Series A bonds are secured bonds, with Series B and subsequent issues not being secured. Series A and B bonds are to have the same issue date. Pursuant to the agreement, the Issuer ordered the bank to carry out a bond issue as part of the programme, including in particular offering and selling the bonds, managing bond records, and acting as the payment agent. The bank has underwritten the purchase of Series A bonds. The Bank carries out its obligations arising from the underwriting guarantee in respect to Series A bonds by taking over and purchasing an amount of Series A bonds equal to the number of Series B bonds that have not been purchased by investors as a result of the non-placement of subscriptions for Series B bonds or the non-payment for Series B bonds designated to them. However, the bank may not take up more than 300 Series A bonds. Series A bonds taken up by the bank as underwriter must meet the following parameters: (i) redemption date — five years from the date of issue; (ii) currency of issue — Polish zloty; (iii) interest period — six months; (iv) base rate — 6M WIBOR plus a market rate margin; (v) security — joint capped mortgage for up to PLN 60,000,000 imposed on the real estate defined in the agreements and disclosed in Land and Mortgage Registers No. KW WA1M/00338374/4 oraz KW WA4M/00211656/0.

The effective allocation of bonds to investors, in case of the issue of subsequent bond series, will result in the bank being entitled to redeem Series A bonds from the Issuer in an amount equal to the number of bonds allocated to investors.

The Issuer is entitled to perform a call option in respect to all Series A bonds or to Series A bonds with an aggregate nominal value of no less than PLN 5,000,000. However, bondholders holding Series A bonds are entitled to perform a put option solely on an amount of Series A bonds whose aggregate sale price does not exceed 50% of the Issuer's income from the bond issue performed pursuant to Article 9 item 1 of the Bond Act.

The issuer undertook to maintain the following indicators for the preceding 12 months, at half-year periods ending each 30 June and 31 December, until the complete redemption of the bonds.

Year	**Interest debt/own equity**	**EBITDA/debt servicing**
2006	<= 2.0	>= 1.8
2007	<= 2.0	>= 5.0
2008	<= 2.0	>= 5.0
2009	<= 2.0	>= 5.0
2010	<= 1.8	>= 5.0
2011	<= 1.5	>= 5.0

Among others, the agreement contains the following undertakings by the Issuer: during the life of the agreement, the Issuer will not conclude other agreements regarding bond issue programmes or other debt securities or publicly announce information about actions aimed at issuing bonds or other debt securities without the agent's prior written consent. Without the agent's consent, the Issuer will not contract any other financial liabilities of a credit or guarantee nature, with the exception of financial liabilities stipulated in the agreement. Without the agent's consent, until the day Series A bonds are redeemed, the Issuer will not establish security on its assets by way of civil law operations. This prohibition does not apply to establishing security on the Issuer's assets for payment of potential and reported claims by tax authorities and claims related to preliminary agreements concluded by the Issuer with buyers of premises on implemented investment projects.

A failure to perform or the inadequate performance of any of the material undertakings under the agreement constitutes an event of default, resulting in the possibility of the agreement being terminated with immediate effect.

As of the day on which the Prospectus was approved, 300 Series A bonds, each with a nominal value of PLN 100,000 and an aggregate nominal value of PLN 30,000,000, had been issued. Issue date — 19 June 2006. Redemption date — 19 June 2011.

XXXVI. OTHER ADDITIONAL INFORMATION

1 Advisor in relation to realisation of the Offer and the scope of its services

The Company's Advisor during the Offer and its scope of services is Centralny Dom Maklerski Pekao S.A. A description of the activity of Centralny Dom Maklerski Pekao S.A under the Offer is presented in Section XXII point 9 *Principles of distribution and allocation*.

2 Other information that has been examined or reviewed by independent certified auditors or on the basis of which they have prepared a report.

BDO Polska sp. z o.o. carried out an examination and issued an opinion on the consolidated financial statements for the period from 1 January 2003 to 31 December 2003 r., the period from 1 January 2004 to 31 December 2004 and the period from 1 January 2005 to 31 December 2005, constituting the basis for the information contained in Section XXXIII *Financial information concerning the Issuer's assets and liabilities of the Issuer, financial position and profits and losses*.

The auditor's opinion is contained in the above-mentioned section of the Prospectus.

3 Third-party information, declarations by experts and a declaration about shares

There have been no declarations by experts or declarations about shares.

Third party information was used in preparing this Prospectus, and this information was repeated exactly. To the degree that the Issuer is aware and to the degree to which it is able to evaluate this based on information published by third parties, no facts were omitted that would cause the repeated information to become inaccurate or misleading.

Sources of information not available to the public:

- Warsaw Residential Market – 2005/2006 Report by REAS Konsulting,

Information included in the Prospectus for which no source was identified is based on the knowledge and experience of the Management Board.

XXXVII. DOCUMENTS PROVIDED FOR REVIEW

We hereby warrant that during the period of validity of the Prospectus the following information (or copies thereof) may be reviewed at our headquarters:

(a) Company's Statute;

(b) Company's Management Board, Supervisory Board and Shareholders Meeting Bylaws, as well as the Company's Audit Committee and the Remuneration Committee Regulations;

(c) Historical financial data regarding the issuer and its subsidiaries for the last two financial years prior to the publication of the registration document.

(d) *Warszawski Rynek Mieszkaniowy 2005/2006* (*Warsaw Residential Market 2005/2006*), a Report prepared by REAS Konsulting

(e) Quarterly Macroeconomic Forecasts No. 50, publ. IBnGR

XXXVIII. INFORMATION ON HOLDINGS

Information regarding companies in which the Issuer holds shares that may have a significant impact on the evaluation of the Issuer's assets and liabilities, financial condition, or profits and losses.

Other than companies constituting the Group indicated in Section XIII *Organisational structure* section of the Prospectus, the Issuer holds no shares in other companies in an amount that could have a significant impact on the Issuer's own assets and liabilities, financial condition, or the Issuer's profits and losses.

XXXIX. APPENDICES

1. COMPANY'S STATUTE
2. UP-TO-DATE EXCERPT FROM THE COMMERCIAL REGISTER OF THE COMPANY

THIS ENGLISH LANGUAGE VERSION OF THE STATUTE IS PREPARED AND PROVIDED FOR INFORMATION PURPOSES ONLY TO INVESTORS. IT IS NOT, AND DOES NOT CONSTITUTE OR FORM PART OF, THE STATUTE AND SHOULD NOT BE TREATED AS SUCH. THE COMPANY TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THIS ENGLISH LANGUAGE VERSION OF THE STATUTE AND THE CONTENTS HEREOF. THE ONLY BINDING VERSION IS THE POLISH ONE APPROVED BY THE RELEVANT BODY OF THE COMPANY.

STATUTE

DOM DEVELOPMENT SPÓŁKA AKCYJNA

1 GENERAL PROVISIONS

1.1 The Company shall do business as: Dom Development Spółka Akcyjna. The Company may use the abbreviation Dom Development S.A.

1.2 The Company's registered office is the capital city of Warsaw.

1.3 The Company shall conduct its activity in the Republic of Poland and abroad.

1.4 The Company may create divisions, plants, representative offices and other organizational units within the area of its activity.

1.5 The Company may be a shareholder in other companies in Poland and abroad, and may participate in all organizational and legal undertakings permitted by law.

2 CORPORATE PURPOSE

2.1 The Company's corporate purpose covers:

2.1.1 construction and investments related to real estate;

2.1.2 construction of residential facilities and the sale of such facilities to legal and natural persons;

2.1.3 purchase, sale and production of raw materials, finished goods and semi-finished industrial goods, in particular those related to construction;

2.1.4 export and import of all products, articles and technologies, in particular those related to construction;

2.1.5 provision of services in the scope of advertising and consulting;

2.1.6 conducting other activity and provision of other services intended for the activity enumerated above or related thereto;

2.1.7 accounting activity;

2.1.8 commissioned administration of real estate.

3 CAPITAL AND SHARES

3.1 Capital and funds

3.1.1 The company shall establish the following capital and funds:

(i) share capital,

(ii) reserve capital.

3.1.2 Pursuant to a Shareholders Meeting resolution the Company may establish earmarked funds.

3.1.3 Reserve capital is established pursuant to article 396 paragraph 1 of the Commercial Companies Code from allocations from net annual profit. Allocations for this purpose may not be less than 8% of the profit for distribution. Allocations for reserve capital may be discontinued if this capital reaches a level of at least one third of the share capital.

3.1.4 Independent of reserve capital, the Company may establish, from annual profit reserves, capital earmarked to cover Company losses or for other purposes. The reserve capital shall be established pursuant to a Shareholders Meeting resolution.

3.2 Share Capital

3.2.1 The share capital amounts to PLN 21,344,490 (twenty one million three hundred and forty four thousand four hundred and ninety) and is divided into 21,344,490 (twenty one million three hundred and forty four thousand four hundred and ninety) ordinary bearer shares of Series A, from numbers 1 to 21,344,490 with a nominal value of PLN 1.00 each.

3.2.2 The Company's share capital may be increased through the issuance of new shares pursuant to a resolution of the Shareholders Meeting. An increase of the share capital may also take place through the transfer to the share capital of amounts from supplementary capital and through increasing the nominal value of existing shares.

3.2.3 The Company may issue both registered and bearer shares.

3.2.4 Bearer shares cannot be changed into registered shares.

3.2.5 The Company's shares may be redeemed. The redemption of shares requires the adoption of a resolution by the Shareholders Meeting (subject to the provisions of article 363 paragraph 5 of the Commercial Companies Code) and the consent of the shareholder whose shares are to be cancelled.

3.2.6 The purchase by the Company of its own shares for redemption does not require the consent of the Shareholders Meeting (subject to the provisions of article 393 paragraph 6 of the Commercial Companies Code), but only the consent of the Supervisory Board.

3.2.7 The Company may issue convertible bonds and bonds with attached pre-emptive rights. The Company may issue subscription warrants.

3.2.8 The Management Board is authorised to increase the Company's share capital by the issue of new shares with an aggregate nominal value of no more than PLN 5,626,000 (in words: five million six hundred and twenty six thousand) by way of one or several share capital increases within the limits specified above (authorised and unissued capital). The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN 3,900,000 shall expire 1 year after the changes to the Statute made under resolution No. 1 dated 10 August 2006 are entered in the register of business entities. The Management Board's authorisation to increase the share capital and to issue new shares within the limits of the authorised and unissued capital to PLN [1,726,000] shall expire 3 years from the date of entry to the register of business entities of the amendment to the Statute performed under resolution No. 1 dated 10 August 2006.

3.2.9 A condition of the Management Board performing a share capital increase within the limits of the authorised and unissued capital is obtaining a positive opinion of the Supervisory Board in this respect.

3.2.10 With the consent of the Supervisory Board, the Management Board may deprive a shareholder of all or part of its pre-emptive rights in relation to shares issued within the limits of the authorised and unissued capital.

3.2.11 Subject to clause 3.2.9 above and 3.2.12 below, and provided that the provisions of the Commercial Companies Code do not stipulate otherwise, the Management Board may decide on all matters relating to increases in the share capital within the limits of the authorised and unissued capital.

3.2.12 Management Board resolutions concerning determination of the issue price of shares under the authorised and unissued capital or issuing shares in exchange for contributions in-kind require the consent of the Supervisory Board. Furthermore, the following acts require the consent of the Supervisory Board:

(i) conclusion of underwriting and sub-underwriting agreements or other agreements that would ensure the success of an issue, as well as to conclude agreements under which depository receipts would be issued outside the Republic of Poland;

(ii) undertaking acts concerning the dematerialisation of shares and conclusion of agreements with the Krajowy Depozyt Papierów Wartościowych S.A. [*The Polish National Securities Depository*] in respect of the registration of the shares;

(iii) undertaking acts in respect of the issue of shares by way of a public offering or to the seeking of a listing of the shares on a regulated market.

3.2.13 Authorisation to increase the share capital referred to in clause 3.2.8 includes the issuing of subscription warrants with subscription rights expiring after the periods referred to in clause 3.2.8.

4 COMPANY FOUNDERS

4.1 The Company founders are:

4.1.1 Dom Development B.V. with a registered office in Rotterdam (the Netherlands),

4.1.2 Gres-Investi Spółka z o.o. with a registered office in Warsaw,

4.1.3 Teresa Rogoźnicka residing in Warsaw.

5 CORPORATE BODIES

5.1 The Company bodies are:

5.1.1 Management Board,

5.1.2 Supervisory Board,

5.1.3 Shareholders Meeting.

6 MANAGEMENT BOARD

6.1 Authority of the Management Board

6.1.1 The Management Board is the Company's executive body, managing its current activities and representing it externally.

6.1.2 The Management Board takes decisions in all Company matters that are not otherwise reserved by law for the Shareholders Meeting and Supervisory Board, this Statute or by a resolution of the Shareholders Meeting.

6.2 Composition of the Management Board

6.2.1 The Management Board shall comprise between four and eight members, including the President. The Supervisory Board shall determine the number of members of the Management Board.

6.2.2 A Shareholder holding at least 50.1% of the Company's shares is personally vested with the right to appoint and dismiss half of the members of the Management Board, including the President of the Management Board and the Vice-President of the Management Board who is responsible, pursuant to the Management Board bylaws for the Company's finances. In the event of an odd number of Management Board members, a shareholder holding at least 50.1% shares in the Company is authorised to appoint, accordingly: three (where the Management Board is comprised of five persons) and four (where the Management Board comprised of seven persons) Management Board members. The above authorisation is exercised by way of serving a written statement to the Company on appointment or dismissal of a given Management Board member. The remaining members of the Management Board shall be appointed and dismissed by the Supervisory Board.

6.2.3 The members of the Management Board shall be appointed for a joint three-year term of office.

6.3 Company Representation

6.3.1 The Management Board represents the Company in and out of court.

6.3.2 The joint action of two members of the Management Board or of one member of the Management Board and an authorised agent is required for the submission of declarations and for signing on the Company's behalf.

6.4 Management Board Meetings

6.4.1 Management Board meetings shall be convened at any time that the Company's interests so demand but not less frequently than once a month.

6.4.2 Resolutions shall be adopted by the Management Board by way of an absolute majority of votes. In the event of a tie, the President of the Management Board shall cast the deciding vote.

6.5 The Management Board shall be governed by the bylaws adopted by the Supervisory Board.

6.6 In agreements and disputes between the Company and members of the Management Board, the Company shall be represented by the Supervisory Board. Agreement concerning the rights and obligations of the Management Board members will be signed by the Chairman of the Supervisory Board, and in the case of its absence, by another member authorised by the Supervisory Board, after prior approval of such agreements by way of Supervisory Board resolutions. Other legal acts between the Company and Management Board members will be performed in accordance with the same procedure.

6.7 Remuneration of the Members of the Management Board is determined by the Supervisory Board after obtaining an opinion thereon from the Remuneration Committee.

7 THE SUPERVISORY BOARD

7.1 The Supervisory Board shall comprise between five and nine members, including the Chairman and Deputy Chairman. The Chairman of the Supervisory Board is appointed and dismissed by the Shareholders Meeting, from amongst Independent Board Members. In the case of appointing the Supervisory Board by separate groups pursuant to article 385 paragraph 5 or paragraph 6 of the Commercial Companies Code, the Chairman of the Supervisory Board is designated by a shareholder holding at least 50.1% of the shares in the Company.

7.2 A Shareholders Meeting shall determine the number of members of the Supervisory Board. In the event that the Supervisory Board is appointed by separate groups it shall comprise nine members.

7.3 Subject to clause 7.4 below, the Shareholders Meeting shall appoint and dismiss members of the Supervisory Board.

7.4 A shareholder holding at least 50.1 % of the shares in the Company is vested with the personal right to appoint and dismiss half of the members of the Supervisory Board, including the Deputy Chairman thereof. In the event of an odd number of Supervisory Board members, a shareholder holding at least 50.1% shares in the Company is authorised to appoint, accordingly: three (where the Supervisory Board is comprised of five persons) and four (where the Supervisory Board is comprised of seven persons) Supervisory Board members and five (where the Supervisory Board is comprised of nine persons). The above authorisation is exercised by way of serving a written statement to the Company on appointment or dismissal of a given Supervisory Board member.

7.5 The Board shall be governed under bylaws adopted by the Board which shall define its organisation and the method by which it conducts its activities.

7.6 A Supervisory Board which comprises less than the number of members specified by the Shareholders Meeting – because the terms of office of certain members have expired (for reasons other than dismissal) – but which does not have fewer than five members will be capable of adopting resolutions until its membership is completed. Where the mandate discussed above in respect of a Supervisory Board member appointed by the Shareholders Meeting expires, the Management Board will include in the agenda of the first Shareholders Meeting following the expiry of such mandate, an item on supplementing the Supervisory Board's composition.

7.7 At least two Supervisory Board Members (and their close family members, specifically spouses, ascendants and descendants) appointed by the Shareholders Meeting ("Independent Board Members") should satisfy the following criteria:

7.7.1 they are not and have not been employees of the Company, affiliated or parent companies in relation to the Company during the course of the last five years,

7.7.2 they are not and have not been employed by the Company, in affiliated or parent companies in management board members positions or other management positions during the course of the last five years,

7.7.3 they do not receive any additional remuneration (save for that due in respect of Supervisory Board membership) or other material performance from the Company, affiliated or parent companies,

7.7.4 are not shareholders holding directly or indirectly shares exceeding 10% of all votes at the Shareholders Meeting, or representatives, management board members, supervisory board members or employees performing management functions for such a shareholder,

7.7.5 is not, or have not been within the last three years, a partner or employee of the present or former external auditor of the Company or an affiliated entity,

7.7.6 do not have and have not had family connections with the Company's Management Board members, Company's employees who are managers, Company attorneys or the dominant shareholder during the course of the last three years,

7.7.7 they do not have, or have had within the last year, a significant business relationship with the Company or an affiliated entity, either directly or indirectly as a partner, shareholder, director or senior employee of a body having such a relationship. Business relationship shall include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Company or its group,

7.7.8 were not members of the Company's Supervisory Board for more than 12 years counted from the date of first appointment,

7.7.9 are not management board members in another company in which a Management Board member of the Company is a supervisory board member in that other company.

7.8 Non-satisfaction of the criteria cited in 7.7 above by any Supervisory Board members or the absence of an Independent Board Member on the Supervisory Board does not have a bearing on the possibility of taking and on the validity of actions performed by the Supervisory Board, including in particular the adopted resolutions.

7.9 The Supervisory Board's joint term of office shall be three years.

7.10 The Supervisory Board shall appoint an Audit Committee which shall be responsible for overseeing the Company's financial affairs. The Audit Committee shall consist of at least three members, including a Chairman, appointed by the Supervisory Board, at least two of whom shall be Independent Board Members and at least one member with qualifications and experience in the fields of finance and accountancy. The Chairman of the Audit Committee shall be appointed by the Supervisory Board from amongst the Independent Board Members. The specific tasks and modus operandi of the Audit Committee shall be defined by the Audit Committee Regulations which constitute a Schedule to the Supervisory Board's bylaws.

7.11 The Supervisory Board shall appoint a Remuneration Committee from among its members which shall be responsible in particular for recommending the remuneration of the members of the Company's Management Board and recommending incentive programmes entitling those members to subscribe for shares in the Company. The Remuneration Committee shall consist of at least two members, including the Chairman appointed from amongst the Independent Board Members. The Supervisory Board shall determine the number of members of the Remuneration Committee.

7.12 The Supervisory Board shall oversee the operations of the company on an on-going basis in all its fields of activity. Aside from the matters specified in the provisions of the Commercial Companies Code and other provisions of the Statute, the Supervisory Board's competencies encompass:

7.12.1 granting consent to performances of any kind by the Company and any entities affiliated with the Company in favour of Management Board members;

7.12.2 granting consent to the execution by the Company or a subsidiary of a key agreement with an entity affiliated with the Company, a member of the Supervisory Board or Management Board, or with their affiliated entities;

7.12.3 appointment of an auditor to audit the Company's financial statements;

7.12.4 granting consent for the conclusion of an underwriting agreement by the Company.

7.13 In its execution of the aforementioned functions the Supervisory Board may review all documents, demand reports and explanations from the Company's Management Board and employees and carry out reviews of the Company's assets.

7.14 The Supervisory Board may adopt resolutions, provided that all of the members were invited at least 7 business days prior to the planned meeting and there are present at a meeting: (i) at least half of Board members and (ii) at least half of the members appointed by the shareholder holding at least 50.1% of the shares in the Company in accordance with p. 7.4 above. Point (ii) of this Clause 7.14 shall not apply where the Board was appointed in group voting.

7.15 Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast. In the event of a tie, the Chairman of the Supervisory Board shall cast the deciding vote. The adoption of resolutions in matters referred to in clauses 7.12.1-3 require a vote in favour of such resolution by the majority of the Independent Board Members.

7.16 The members of the Supervisory Board may participate in the adoption of a Board resolution by voting in writing through the agency of another member of the Supervisory Board. A written vote may not relate to matters introduced onto the agenda during a meeting of the Supervisory Board.

7.17 Supervisory Board resolutions may be adopted by correspondence or through the use of telecommunications. The Chairman or the Deputy Chairman of the Supervisory Board may request a vote by correspondence on their own initiative or at the request of a member of the Supervisory Board or of the Management Board. The provisions of clause 7.16 above apply accordingly to the adoption of resolutions in the manner set out in this clause. A detailed manner of adopting resolutions in writing is set out in the Supervisory Board bylaws.

7.18 A Shareholders Meeting shall determine the remuneration of the members of the Supervisory Board.

8 SHAREHOLDERS MEETING

8.1 The responsibilities of the Shareholders Meeting

8.1.1 The Shareholders Meeting shall have the competencies stipulated in this Statute, the Commercial Companies Code and other laws.

8.1.2 The purchase or sale of real estate, rights of perpetual usufruct or a share in real estate does not require a resolution of the Shareholders Meeting.

8.1.3 The conclusion of an underwriting agreement does not require a resolution of the Shareholders Meeting.

8.2 Convening a Shareholders Meeting

8.2.1 An Ordinary Shareholders Meeting shall take place within six months of the end of each financial year.

8.2.2 Shareholders Meetings shall take place in Warsaw.

8.2.3 The Management Board shall convene Shareholder Meetings.

8.2.4 The Supervisory Board or shareholder holding at least 50.1% of the shares have the right to convene an Ordinary Shareholders Meeting if the Management Board does not convene one within the time specified herein, and an Extraordinary Shareholders Meeting if it considers one to be appropriate and the Management Board does not convene such a Meeting within two weeks of the Supervisory Board or majority shareholder holding at least 50.1% of the votes, demanding one.

8.2.5 A Shareholders Meeting shall be convened through an announcement in Monitor Sądowy i Gospodarczy [*The Court and Economic Monitor*] at least three weeks before the date of the Meeting.

8.2.6 The notification should contain the date, time, place and the detailed agenda of the Shareholders Meeting. In the event of the intention to amend the Company's Statute the prevailing provisions should be cited, together with the proposed amendments. If justified by the extent of the intended amendments, the announcement may contain a draft of the new uniform text of the Statute, together with quotations of the new or amended provisions of the Statute.

8.2.7 The Management Board shall designate the Chairman of the Shareholders Meeting in writing. Should the Management Board not designate the Chairman by the time set for the beginning of the Meeting, the provisions of article 409 paragraph 1 of the Commercial Companies Code shall apply.

8.3 The adoption of resolutions by a Shareholders Meeting

8.3.1 A Shareholders Meeting is valid and can adopt resolutions exclusively when shareholders representing at least 50.1 % of all votes are represented.

8.3.2 Resolutions shall be adopted by an absolute majority of the votes cast, unless the provisions of the Commercial Companies Code or this Statute stipulate otherwise.

8.3.3 Pledgees and users[1] of shares are not authorised to exercise any voting rights.

8.3.4 Resolutions concerning deletion or waiving of consideration of matters on a Shareholders Meeting agenda, upon a shareholders' motion require, for their validity, a majority of 3/4 of the votes cast, after prior consent expressed by all shareholders who submitted such motion.

8.4 The Shareholders Meeting may adopt its bylaws setting out the detailed manner of organising and conducting agendas.

9 ACCOUNTANCY

9.1 The Company's financial year is the calendar year.

9.2 The annual balance sheet, profit and loss account, the annual report and other reports as required by law should be prepared by the Management Board within three months of the end of each financial year.

9.3 The Management Board shall be entitled to pay the Shareholders an advance on the year-end dividend provided the Company has sufficient funds for such a payment. The payment of such an advance requires the consent of the Supervisory Board.

9.4 The Supervisory Board shall select an auditor for the Company's accounts by the end of a given financial year.

10 LIQUIDATION OF THE COMPANY

10.1 The dissolution of the Company shall take place on the basis of a resolution of the Shareholders Meeting or in other instances as provided by law.

10.2 The dissolution of the Company shall take place by way of liquidation.

10.3 The liquidation shall be conducted using the name of the Company, with the suffix "in liquidation".

10.4 The Company's liquidators shall be appointed and recalled by the Supervisory Board. The Supervisory Board shall determine the number of liquidators.

10.5 The Shareholders Meeting and the Supervisory Board retain their competencies until the liquidation has been completed.

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[1] i.e. holders of *usufructus* right to shares

11 FINAL PROVISIONS

11.1 The Company shall publish the announcements required by law in the *Monitor Sądowy i Gospodarczy*.

11.2 Clause 6.2.2 and 7.3 and 7.4 of the Statute enter into force on the date of the first Shareholders Meeting after entry in the commercial register of the increase of the share capital under the IPO, whilst on the date of the Shareholders Meeting the mandates of current members of the corporate bodies will expire. Up to the date of such Shareholders Meeting, provisions of clauses 6.2.2 and 7.3 and 7.4 do not apply and the corporate bodies are appointed pursuant to the provisions of the Commercial Companies Code. The Management Board will include in the agenda of the first Shareholders Meeting following the entry to the commercial register of the increase of the share capital under the IPO, an item on changing the composition of the Supervisory Board. From the date of such Shareholders Meeting, the shareholder holding at least 50.1% of the shares of the Company may exercise its personal right under clause 6.2.2 and 7.4.

11.3 Should any personal rights expire or be waived the provisions of the Statute regarding the expired or waived personal rights shall be replaced by the relevant provisions of the Commercial Companies Code. A one-off waiver on execution of a personal right shall not be deemed to cause permanent expiration of any personal rights.

11.4 For the purposes of this Statute:

11.4.1 the "Commercial Companies Code" means the act dated 15 September 2000 Commercial Companies Code (Journal of Laws no. 94, item 1037, as amended) in the wording on the date of registration of the resolution on amending the Statute dated 10 August 2006;

11.4.2 "Affiliated entity" – means in relation to a given entity or unit, an entity which is affiliated in accordance with Commission Regulation (EC) No 2238/2004 of 29 December 2004 in the wording on the date of registration of the resolution on amending the Statute dated 10 August 2006;

11.4.3 The expressions "parent entity" and "subsidiary" should be interpreted pursuant to provisions of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Journal of Laws no. 184, item 1539, as amended) in the wording on the date of registration of the resolution on amending the Statute dated 10 August 2006;

11.4.4 The expressions "parent company" and "subsidiary" should be interpreted in accordance with the provisions of the Commercial Companies Code.

ODDZIAŁ CENTRALNEJ INFORMACJI
KRAJOWEGO REJESTRU SĄDOWEGO
ul. Barska 28/30
Warszawa

KRAJOWY REJESTR SĄDOWY

Stan na dzień 12.09.2006 godz. 15:27:31

Numer KRS: **0000031483**

ODPIS AKTUALNY

Z REJESTRU PRZEDSIĘBIORCÓW

CENTRALNA INFORMACJA KRAJOWEGO REJESTRU SĄDOWEGO
69

Data rejestracji w Krajowym Rejestrze Sądowym		08.08.2001			
Ostatni wpis	Numer wpisu	20	Data dokonania wpisu	12.09.2006	
	Sygnatura akt	WA.XII NS-REJ.KRS/27783/06/7			
	Oznaczenie sądu	SĄD REJONOWY DLA M. ST. WARSZAWY W WARSZAWIE, XII WYDZIAŁ GOSPODARCZY KRAJOWEGO REJESTRU SĄDOWEGO			

Dział 1

Rubryka 1 - Dane podmiotu	
1.Oznaczenie formy prawnej	SPÓŁKA AKCYJNA
2.Numer REGON	012212483
3.Firma, pod którą spółka działa	"DOM DEVELOPMENT" SPÓŁKA AKCYJNA
4.Dane o wcześniejszej rejestracji	RHB 57462 SĄD REJONOWY DLA M.ST.WARSZAWY, XVI WYDZIAŁ GOSPODARCZY-REJESTROWY
5.Czy przedsiębiorca prowadzi działalność gospodarczą z innymi podmiotami na podstawie umowy spółki cywilnej?	NIE
6.Czy podmiot posiada status organizacji pożytku publicznego?	---

Rubryka 2 - Siedziba i adres podmiotu	
1.Siedziba	kraj POLSKA, woj. MAZOWIECKIE, powiat M.ST. WARSZAWA, gmina M.ST. WARSZAWA, miejsc. WARSZAWA
2.Adres	ul. PLAC PIŁSUDSKIEGO, nr 3, lok. ---, kod 00-078, poczta WARSZAWA

Rubryka 3 - Oddziały
Brak wpisów

Rubryka 4 - Informacje o statucie		
1.Informacja o sporządzeniu lub zmianie	1	AKT NOTARIALNY Z DNIA 25.02.1999 R., KANCELARIA NOTARIALNA DANUTA KOSIM-

statutu		KRUSZEWSKA PRZED ASESOREM MAGDALENĄ TURCZYŃSKĄ, REP. A-2534/99. AKT NOTARIALNY Z DNIA 29.06.2001 R., KANCELARIA NOTARIALNA IWONA BOGUSŁAWSKA I RENATA CHOROMAŃSKA S.C. PRZED NOTARIUSZEM RENATĄ CHOROMAŃSKĄ, REP. A-2132/2001 ZMIANA STATUTU: WYKREŚLA SIĘ USTĘP 9.1.2.3 W PKT.9 UST.1.2; DODAJE SIĘ PKT.9.1.3 DO PKT.9
	2	UCHWAŁA Z DNIA 30.10.2001 R.-ZMIANA PARAGRAFU 3.2 STATUTU
	3	23.05.2002R. REP. A NR 2341/2002, IWONA BOGUSŁAWSKA. NOTARIUSZ W WARSZAWIE, PROWADZĄCĄ KANCELARIĘ NOTARIALNĄ PRZY UL. GÓRSKIEGO 1 LOKAL NR 46. ZMIANA PUNKTU 3.2.1
	4	18.02.2003 R., REPERTORIUM A-1127/2003, IWONA BOGUSŁAWSKA NOTARIUSZ W WARSZAWIE PROWADZĄCA KANCELARIĘ NOTARIALNĄ W WARSZAWIE; ZMIANA: PKT 3.2.1. PKT 3.2.3. PKT 4.1. PKT 4.2.
	5	23.06.2004R., REP. A NR 7523/2004, IWONA BOGUSŁAWSKA, NOTARIUSZ W WARSZAWIE, ZMIENIONO PODPUNKTY: 3.1.3, 3.2.4, 7.3.2, 9.1.3, 9.6.2, ZMIENIONO PUNKTY: 8.2, 9.5, DO PUNKTU 2.1 DODANO PODPUNKTY: 2.1.7 W CAŁYM TEKŚCIE STATUTU SPÓŁKI ZMIENIONO SŁOWA "KODEKS HANDLOWY" NA SŁOWA "KODEKS SPÓŁEK HANDLOWYCH" ORAZ "KAPITAŁ AKCYJNY" NA "KAPITAŁ ZAKŁADOWY" PRZYJĘTO TEKST JEDNOLITY STATUTU SPÓŁKI
	6	19.04.2006, REP.A NR 4086/2006, ROBERT GILER NOTARIUSZ W WARSZAWIE, KANCELARIA NOTARIALNA PL.PIŁSUDSKIEGO 3 DO PUNKTU 2.1. DODANO PODPUNKT: 2.1.8. PRZYJĘTO TEKST JEDNOLITY STATUTU SPÓŁKI
	7	- 2.08.2006 R., REP. A NR 9111/2006, IWONA BOGUSŁAWSKA NOTARIUSZ W WARSZAWIE. - 09.08.2006, REP A 9398/2006, RENATA CHOROMAŃSKA NOTARIUSZ W WARSZAWIE, - 10.08.2006, REP A 9453/2006, RENATA CHOROMAŃSKA NOTARIUSZ W WARSZAWIE, ZMIANA PUNKTÓW: 2, 2.1, 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.5, 2.1.6, 2.1.7, 2.1.8, 3, 3.1.1, 3.1.2, 3.1.4, 3.2, 3.2.1, 3.2.2, 3.2.4., 3.2.5, 3.2.6., 3.2.7, 4, 4.1, 5, 5.1, 5.1.1, 5.1.2, 5.1.3, 6, 6.1, 6.1.1, 6.1.2, 7, 7.1, 7.2, 7.3, 7.4, 8, 8.1, 8.2, 8.3, 8.4, 9, 9.1. 9.2, 9.3, 9.4,1O, 10.1, 10.2, 10.3, 11, 11.1, 11.2, 11.3, 11.4, DODANO PUNKTY: 3.2.8, 3.2.9, 3.2.10, 3.2.11, 3.2.12, 3.2.13, 4.1.1, 4.1.2, 4.1.3, 6.2, 6.2.1, 6.2.2, 6.2.3, 6.3, 6.3.1, 6.3.2. 6.4, 6.4.1, 6.4.2, 6.5, 6.6, 6.7, 7.5, 7.6, 7.7, 7.7.1, 7.7.2, 7.7.3, 7.7.4, 7.7.5, 7.7.6, 7.7.7, 7.7.8, 7.7.9, 7.8, 7.9, 7.10, 7.11, 7.12, 7.12.1. 7.12.2, 7.12.3, 7.12.4, 7.13, 7.14, 7.15, 7.16, 7.17, 7.18, 8.1.1, 8.1.2, 8.1.3, 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.5. 8.2.6, 8.2.7, 8.3.1, 8.3.2, 8.3.3, 8.3.4, 10.4, 10.5, 11.4.1, 11.4.2, 11.4.3, 11.4.4, USUNIĘTO PUNKTY: 3.1.1.1, 3.1.1.2, 4.2, 4.3, 4.4, 4.4.1, 4.4.2, 4.5, 4.5.1, 4.5.2, 4.5.3, 4.6, 4.7, 4.7.1, 4.7.1.1, 4.7.1.2, 4.7.1.3, 4.7.2, 4.7.3, 4.8, 4.9, 4.10, 4.11., 6.1.3, 7.1.1., 7.1.2, 7.2.1, 7.2.2, 7.3.1, 7.3.2, 7.3.3, 7.4.1, 7.4.2, 7.4.3, 7.4.4,7.4.5, 7.4.5.1, 7.4.5.2, 7.4.5.3, 7.4.5.4, 7.4.5.5, 7.4.5.6, 7.4.5.7, 7.4.5.8, 7.4.5.9, 7.4.5.10, 7.4.5.11, 7.4.5.12, 7.4.5.13, 7.4.5.14, 7.4.5.15, 7.45.16, 7.4.5.17, 7.4.5.18, 7.4.5.19, 7.4.5.20, 8.4.1, 8.4.2, 8.4.3, 8.4.4, 8.4.5, 8.5, 8.6, 8.6.1, 8.6.2, 8.6.3, 8.6.4, 8.6.5, 8.6.6, 8.7, 8.8, 8.9, 9.1.1, 9.1.2, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.3, 9.2.1, 9.2.2, 9.2.3, 9.5, 9.6, 9.6.1, 9.6.2, 11.5, 12, 13;

Rubryka 5	
1.Czas, na jaki została utworzona spółka	NIEOZNACZONY
2.Oznaczenie pisma innego niż Monitor Sądowy i Gospodarczy, przeznaczonego do ogłoszeń spółki	------
4.Czy statut przyznaje uprawnienia osobiste określonym akcjonariuszom lub tytuły uczestnictwa w dochodach lub	NIE

majątku spółki nie wynikających z akcji?	
5.Czy obligatoriusze mają prawo do udziału w zysku?	NIE

Rubryka 6 - Sposób powstania spółki		
1.Określenie okoliczności powstania		PRZEKSZTAŁCENIE
2.Opis sposobu powstania spółki oraz informacja o uchwale		PRZEKSZTAŁCENIE "DOM DEVELOPMENT" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ W "DOM DEVELOPMENT" SPÓŁKA AKCYJNA, UCHWAŁA ZGROMADZENIA WSPÓLNIKÓW 25.02.1999 R., AKT NOTARIALNY - ASESOR MAGDALENA TURCZYŃSKA Z KANCELARII NOTARIALNEJ DANUTA KOSIM-KRUSZEWSKA, REP. A-2534/99.
3.Numer i data decyzji Prezesa Urzędu Ochrony Konkurencji i Konsumentów o zgodzie na dokonanie koncentracji		------
Podrubryka 1 Podmioty, z których powstała spółka		
1	1.Nazwa lub firma	"DOM DEVELOPMENT" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ
	2.Nazwa rejestru, w którym podmiot był zarejestrowany	RHB
	3.Numer w rejestrze	RHB 4523
	4.Nazwa sądu prowadzącego rejestr	SĄD REJONOWY DLA M.ST.WARSZAWY
	5.Numer REGON	012212483

Rubryka 7 - Dane jedynego akcjonariusza
Brak wpisów

Rubryka 8 - Kapitał spółki	
1.Wysokość kapitału zakładowego	21 344 490,00 ZŁ
2.Wysokość kapitału docelowego	5 626 000,00 ZŁ
3.Liczba akcji wszystkich emisji	21344490
4.Wartość nominalna akcji	1,00 ZŁ
5.Kwotowe określenie części kapitału wpłaconego	21 854 340,00 ZŁ
6.Wartość nominalna warunkowego podwyższenia kapitału zakładowego	------
Podrubryka 1 Informacja o wniesieniu aportu	
Brak wpisów	

Rubryka 9 - Emisja akcji		
1	1.Nazwa serii akcji	A
	2.Liczba akcji w danej serii	21344490

3.Rodzaj uprzywilejowania i liczba akcji uprzywilejowanych lub informacja, że akcje nie są uprzywilejowane	------

Rubryka 10 - Wzmianka o podjęciu uchwały o emisjach obligacji zamiennych
Brak wpisów

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Rubryka 11	
1.Czy zarząd lub rada administrująca są upoważnieni do emisji warrantów subskrypcyjnych?	---

Dział 2

Rubryka 1 - Organ uprawniony do reprezentacji podmiotu		
1.Nazwa organu uprawnionego do reprezentowania podmiotu		ZARZĄD
2.Sposób reprezentacji podmiotu		DWÓCH CZŁONKÓW ZARZĄDU ŁĄCZNIE.
Podrubryka 1 Dane osób wchodzących w skład organu		
1	1.Nazwisko / Nazwa lub firma	SZANAJCA
	2.Imiona	JAROSŁAW TOMASZ
	3.Numer PESEL/REGON	61041901718
	4.Numer KRS	****
	5.Funkcja w organie reprezentującym	PREZES ZARZĄDU
	6.Czy osoba wchodząca w skład zarządu została zawieszona w czynnościach?	NIE
	7.Data do jakiej została zawieszona	------
2	1.Nazwisko / Nazwa lub firma	ZALEWSKI
	2.Imiona	JANUSZ WŁODZIMIERZ
	3.Numer PESEL/REGON	55111704495
	4.Numer KRS	****
	5.Funkcja w organie reprezentującym	WICEPREZES ZARZĄDU
	6.Czy osoba wchodząca w skład zarządu została zawieszona w czynnościach?	NIE
	7.Data do jakiej została zawieszona	------
3	1.Nazwisko / Nazwa lub firma	KIEŁPSZ
	2.Imiona	GRZEGORZ
	3.Numer PESEL/REGON	63012207531
	4.Numer KRS	****
	5.Funkcja w organie reprezentującym	WICEPREZES ZARZĄDU

	6.Czy osoba wchodząca w skład zarządu została zawieszona w czynnościach?	NIE
	7.Data do jakiej została zawieszona	------
4	1.Nazwisko / Nazwa lub firma	STOLARCZYK
	2.Imiona	JANUSZ MICHAŁ
	3.Numer PESEL/REGON	52102903594
	4.Numer KRS	****
	5.Funkcja w organie reprezentującym	CZŁONEK ZARZĄDU
	6.Czy osoba wchodząca w skład zarządu została zawieszona w czynnościach?	NIE
	7.Data do jakiej została zawieszona	------
5	1.Nazwisko / Nazwa lub firma	ROYDON
	2.Imiona	TERRY RENE
	3.Numer PESEL/REGON	---
	4.Numer KRS	****
	5.Funkcja w organie reprezentującym	CZŁONEK ZARZĄDU
	6.Czy osoba wchodząca w skład zarządu została zawieszona w czynnościach?	NIE
	7.Data do jakiej została zawieszona	------

Rubryka 2 - Organ nadzoru			
1	1.Nazwa organu		RADA NADZORCZA
	Podrubryka 1 Dane osób wchodzących w skład organu		
	1	1.Nazwisko	KOSTKIEWICZ
		2.Imiona	ZYGMUNT
		3.Numer PESEL	61122201535
	2	1.Nazwisko	PLAKWICZ
		2.Imiona	STANISŁAW
		3.Numer PESEL	48061203813
	3	1.Nazwisko	CRONK
		2.Imiona	MICHAEL
		3.Numer PESEL	---
	4	1.Nazwisko	DUMAS
		2.Imiona	MARKHAM
		3.Numer PESEL	---
	5	1.Nazwisko	BOGUCKI
		2.Imiona	WŁODZIMIERZ IRENEUSZ
		3.Numer PESEL	57081008092

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Rubryka 3 - Prokurenci		
1	1.Nazwisko	SADOWSKI
	2.Imiona	JACEK
	3.Numer PESEL	52060203798
	4.Rodzaj prokury	PROKURA UDZIELONA ODDZIELNIE JEDNAKŻE DO SKUTECZNEGO SKŁADANIA OŚWIADCZEŃ W IMIENIU DOM DEVELOPMENT S.A. ORAZ REPREZENTOWANIA DOM DEVELOPMENT S.A. PRZEZ PROKURENTA NIEZBĘDNE JEST WSPÓŁDZIAŁANIE PROKURENTA ŁĄCZNIE Z CZŁONKIEM ZARZĄDU
2	1.Nazwisko	DALBA
	2.Imiona	MAREK WOJCIECH
	3.Numer PESEL	53041400557
	4.Rodzaj prokury	PROKURA UDZIELONA ODDZIELNIE JEDNAKŻE DO SKUTECZNEGO SKŁADANIA OŚWIADCZEŃ W IMIENIU DOM DEVELOPMENT S.A. ORAZ REPREZENTOWANIA DOM DEVELOPMENT S.A. PRZEZ PROKURENTA NIEZBĘDNE JEST WSPÓŁDZIAŁANIE PROKURENTA ŁĄCZNIE Z CZŁONKIEM ZARZĄDU
3	1.Nazwisko	KŁOPOCKI
	2.Imiona	WOJCIECH ZBIGNIEW
	3.Numer PESEL	55102409374
	4.Rodzaj prokury	PROKURA UDZIELONA ODDZIELNIE JEDNAKŻE DO SKUTECZNEGO SKŁADANIA OŚWIADCZEŃ W IMIENIU DOM DEVELOPMENT S.A. ORAZ REPREZENTOWANIA DOM DEVELOPMENT S.A. PRZEZ PROKURENTA NIEZBĘDNE JEST WSPÓŁDZIAŁANIE PROKURENTA ŁĄCZNIE Z CZŁONKIEM ZARZĄDU
4	1.Nazwisko	KORNIAK
	2.Imiona	ROMAN
	3.Numer PESEL	52092604019
	4.Rodzaj prokury	PROKURA UDZIELONA JEST ODDZIELNIE JEDNAKŻE DO SKUTECZNEGO SKŁADANIA OŚWIADCZEŃ W IMIENIU DOM DEVELOPMENT S.A. ORAZ DO REPREZENTOWANIA DOM DEVELOPMENT S.A. PRZEZ PROKURENTA NIEZBĘDNE JEST WSPÓŁDZIAŁANIE PROKURENTA ŁĄCZNIE Z CZŁONKIEM ZARZĄDU.

Dział 3

Rubryka 1 - Przedmiot działalności		
1.Przedmiot działalności przedsiębiorcy	1	45, 21, , BUDOWNICTWO I INWESTYCJE ZWIĄZANE Z NIERUCHOMOŚCIAMI
	2	70, 11, , BUDOWNICTWO I INWESTYCJE ZWIĄZANE Z NIERUCHOMOŚCIAMI
	3	25, 23, Z, KUPNO, SPRZEDAŻ I WYTWARZANIE SUROWCÓW ,PRODUKTÓW GOTOWYCH I PÓŁPRODUKTÓW PRZEMYSŁOWYCH W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
	4	28, 11, , KUPNO, SPRZEDAŻ I WYTWARZANIE SUROWCÓW ,PRODUKTÓW GOTOWYCH I PÓŁPRODUKTÓW PRZEMYSŁOWYCH W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
	5	29, 52, , KUPNO, SPRZEDAŻ I WYTWARZANIE SUROWCÓW ,PRODUKTÓW GOTOWYCH I PÓŁPRODUKTÓW PRZEMYSŁOWYCH W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
	6	51, 53, , KUPNO, SPRZEDAŻ I WYTWARZANIE SUROWCÓW ,PRODUKTÓW GOTOWYCH I PÓŁPRODUKTÓW PRZEMYSŁOWYCH W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
	7	51, 70, , KUPNO, SPRZEDAŻ I WYTWARZANIE SUROWCÓW ,PRODUKTÓW GOTOWYCH I PÓŁPRODUKTÓW PRZEMYSŁOWYCH W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
	8	45, 21, , BUDOWA LOKALI MIESZKALNYCH ORAZ SPRZEDAŻ TYCH LOKALI OSOBOM PRAWNYM I FIZYCZNYM
	9	45, 25, , BUDOWA LOKALI MIESZKALNYCH ORAZ SPRZEDAŻ TYCH LOKALI OSOBOM PRAWNYM I FIZYCZNYM
	10	70, 12, , BUDOWA LOKALI MIESZKALNYCH ORAZ SPRZEDAŻ TYCH LOKALI OSOBOM PRAWNYM

	I FIZYCZNYM
11	51, , , EKSPORT I IMPORT WSZELKICH PRODUKTÓW ARTYKUŁÓW I TECHNOLOGII W SZCZEGÓLNOŚCI ZWIĄZANYCH Z BUDOWNICTWEM.
12	74, 14, , ŚWIADCZENIE USŁUG W ZAKRESIE KONSULTINGU
13	74, 40, Z, ŚWIADCZENIE USŁUG W ZAKRESIE REKLAMY.
14	93, 05, , PROWADZENIE INNEJ DZIAŁALNOŚCI I ŚWIADCZENIE INNYCH USŁUG PRZEZNACZONYCH DO DZIAŁALNOŚCI WYMIENIONEJ P9OWYŻEJ LUB Z NIĄ ZWIĄZANYCH.
15	74, 12, , DZIAŁALNOŚĆ RACHUNKOWO-KSIĘGOWA
16	70, 32, Z, ZARZĄDZANIE NIERUCHOMOŚCIAMI NA ZLECENIE

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Rubryka 2 - Wzmianki o złożonych dokumentach

Rodzaj dokumentu	Nr kolejny w polu	Data złożenia	Za okres od do
1.Wzmianka o złożeniu rocznego sprawozdania finansowego	1	18.04.2002	01.01.2000R.-31.12.2000R.
	2	11.02.2002	OD 01 STYCZNIA 2001R. DO 31 GRUDNIA 2001R.
	3	03.07.2003	01.01.2002R. - 31.12.2002R.
	4	30.03.2004	01.01.2003R. - 31.12.2003R.
	5	12.07.2005	1.01.2004R. - 31.12.2004R.
	6	21.04.2006	01.01.2005 - 31.12.2005
2.Wzmianka o złożeniu opinii biegłego rewidenta	1	*****	01.01.2000R.-31.12.2000R.
	2	*****	OD 01 STYCZNIA 2001R. DO 31 GRUDNIA 2001R.
	3	*****	01.01.2002R. - 31.12.2002R.
	4	*****	01.01.2003R. - 31.12.2003R.
	5	*****	1.01.2004R. - 31.12.2004R.
	6	*****	01.01.2005 - 31.12.2005
3.Wzmianka o złożeniu uchwały lub postanowienia o zatwierdzeniu sprawozdania finansowego	1	*****	01.01.2000R.-31.12.2000R.
	2	*****	OD 01 STYCZNIA 2001R. DO 31 GRUDNIA 2001R.
	3	*****	01.01.2002R. - 31.12.2002R.
	4	*****	01.01.2003R. - 31.12.2003R.
	5	*****	1.01.2004R. - 31.12.2004R.
	6	*****	01.01.2005 - 31.12.2005
4.Wzmianka o złożeniu sprawozdania z działalności podmiotu	1	*****	01.01.2000R.-31.12.2000R.
	2	*****	OD 01 STYCZNIA 2001R. DO 31 GRUDNIA 2001R.
	3	*****	01.01.2002R. - 31.12.2002R.
	4	*****	01.01.2003R. - 31.12.2003R.
	5	*****	1.01.2004R. - 31.12.2004R.
	6	*****	01.01.2005 - 31.12.2005

Rubryka 3 - Informacje o posiadanych akcjach i udziałach spółki

Brak wpisów

Rubryka 4 - Przedmiot działalności statutowej organizacji pożytku publicznego
Brak wpisów

Dział 4

Rubryka 1 - Zaległości
Brak wpisów

Rubryka 2 - Wierzytelności
Brak wpisów

Rubryka 3 - Informacje o zabezpieczeniu majątku dłużnika w postępowaniu upadłościowym poprzez zawieszenie prowadzonych przeciwko niemu egzekucji, o oddaleniu wniosku o ogłoszenie upadłości z uwagi na fakt, że majątek niewypłacalnego dłużnika nie wystarcza na zaspokojenie kosztów postępowania
Brak wpisów

Rubryka 4 - Umorzenie prowadzonej przeciwko podmiotowi egzekucji z uwagi na fakt, że z egzekucji nie uzyska się sumy wyższej od kosztów egzekucyjnych
Brak wpisów

Dział 5

Rubryka 1 - Kurator
Brak wpisów

Dział 6

Rubryka 1 - Likwidacja
Brak wpisów

Rubryka 2 - Informacje o rozwiązaniu lub unieważnieniu spółki
Brak wpisów

Rubryka 3 - Zarząd komisaryczny

Brak wpisów

Rubryka 4 - Informacja o połączeniu, podziale lub przekształceniu			
1		1.Określenie okoliczności	PRZEJĘCIE INNEJ SPÓŁKI
		2.Opis sposobu połączenia, podziału lub przekształcenia	POŁĄCZENIE PRZEZ PRZENIESIENIE CAŁEGO MAJĄTKU DOM DEVELOPMENT CAPITAL SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ NA DOM DEVELOPMENT SPÓŁKA AKCYJNA
	Podrubryka 1 Dane podmiotów powstałych w wyniku połączenia, podziału lub przekształcenia albo dane podmiotów przejmujących całość lub część majątku spółki		
	Brak wpisów		
	Podrubryka 2 Dane podmiotów, których majątek w całości lub części jest przejmowany w wyniku połączenia lub podziału		
	1	1.Nazwa lub firma	"DOM DEVELOPMENT CAPITAL" SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ
		2.Nazwa rejestru, w którym podmiot jest zarejestrowany	KRAJOWY REJESTR SĄDOWY
		3.Numer w rejestrze	0000122914
		4.Nazwa sądu prowadzącego rejestr	*******
		5.Numer REGON	016451641

Rubryka 5 - Informacja o postępowaniu upadłościowym
Brak wpisów

Rubryka 6 - Informacja o postępowaniu układowym
Brak wpisów

Rubryka 7 - Informacja o postępowaniu naprawczym
Brak wpisów

Warszawa, 12.09.2006 godz: 15:27:33

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