



REPORT
OF THE AUDIT COMMITTEE
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JULY 2014
TO 31 DECEMBER 2014





I. Personnel, composition and organisation of the Audit Committee of Dom Development S.A.

Pursuant to the provisions of the Statute of Dom Development S.A. with its registered seat in Warsaw ("the Company") and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010, the Audit Committee is a permanent committee of the Supervisory Board.

The Audit Committee shall be composed of at least three members appointed by the Supervisory Board from among its members, according to point 7.10 of the Company Statute at least two of whom shall be Independent Members (in the meaning of point 7.7 of the Company's Statute) and at least one Independent Member shall have qualifications in accounting or auditing.

During the period under review, i.e. from 1 July 2014 to 31 December 2014, the Audit Committee acted under the following composition:

- Włodzimierz Bogucki - Chairman of the Audit Committee,
- Mark Spiteri - Member of the Audit Committee,
- Marek Moczulski - Member of the Audit Committee.

The rules of organisation and the methods of operation of the Audit Committee are specified by the provisions of the Company's Statute and the Audit Committee Bylaws dated 5 September 2006, and amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010.

II. Activity of the Audit Committee

1. During the period under review, the Audit Committee conducted its activity by way of sessions convened by the Chairman of the Supervisory Board according to pre-agreed audit and internal audit cycles. Two sessions of the Audit Committee were conducted through means of teleconference. Minutes were taken during all sessions and the decisions made by the Audit Committee took the form of resolutions.

2. During the period from 1 July 2014 to 31 December 2014, the most important tasks of the Audit Committee were to supervise the Management Board with respect to compliance with the applicable



provisions of law and other regulations, in particular with respect to the Accountancy Law dated 29 September 1994, to supervise preparation by the Company of reports and financial information and to ensure compliance by the Management Board with the recommendations and findings of the auditors appointed by the Supervisory Board.

The Audit Committee monitored and reviewed issues related to internal audits in the Company. The Audit Committee also performed a supervisory function with respect to the program of the Business Risk Management and internal audit department. The Audit Committee judged the independence of the internal audit process positively. The system of internal procedures and audits (Internal Audit Charter) was approved by the Audit Committee. The Audit Committee also determined the areas to be audited.

Using its authority, the Audit Committee requested from the Company certain information concerning accounting, financial, internal and external audit issues. In particular, the members of the Audit Committee were authorised to review all books and records of the Company as well as the Company's annual and semi-annual financial statements, to demand schedules of the work of internal controllers and auditors, to request explanations from the Management Board members, managers and employees of the Company to the extent necessary, and to give recommendations and assessments to the Supervisory Board, within the scope of the Audit Committee tasks.

During the period covered by this report, 4 sessions of the Audit Committee of Dom Development S.A. took place (of which two sessions were held by teleconference), on the following dates:

1. 1 July 2014 (via teleconference);
2. 19 August 2014 (via teleconference);
3. 23 September 2014;
4. 27 November 2014.

All sessions of the Audit Committee were convened correctly. All members of the Audit Committee were present at 3 sessions and 1 session took place with the required *quorum*. Three sessions of the Audit Committee were also attended by certain members of the Management Board and other management, including: Vice President of the Management Board and CFO, Mr. Janusz Zalewski (2 sessions), and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiowski (3 sessions), who both provided information about the Business Risk Management Paper, internal audits (both completed and planned), the Company's financial statements and other information that was requested by the Audit Committee to be provided by the Management Board.



Two of the Audit Committee sessions were attended by representatives of the Company's auditor, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered seat in Warsaw, who presented tax and accounting issues, discussed the results of the 2014 half year review and presented information concerning the audit for 2014 financial statements.

Session of 1 July 2014 (via teleconference)

The Audit Committee adopted a resolution on the acceptance of the Report of the Audit Committee on the activities conducted from 1 January 2014 to 30 June 2014 and submission of said Report to the Supervisory Board (Resolution No. 01/07/14).

Session of 19 August 2014 (via teleconference)

The participants of the Audit Committee, together with the experts from Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., discussed the auditor's written report on the results of the 2014 half year review.

Session of 23 September 2014

The participants of this Audit Committee session discussed and analysed the Business Risk Management Paper as well as the activity and findings of the Internal Audit Division.

The Audit Committee accepted the 2015 Company Activity Schedule (Resolution No. 01/09/14) and the 2015 Audit Life Cycle Paper (ALCP) (Resolution No. 02/09/14).

Session of 27 November 2014

The Audit Committee analysed and discussed the most recent internal audit reports. The Audit Committee members, together with the experts from Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., who presented their work on the interim audit for 2014, which was a continuation of the 2014 half year review of the Company's financial statements. The strategy for the final annual 2014 audit was also discussed.