



**REPORT
OF THE AUDIT COMMITTEE
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JANUARY 2014
TO 30 JUNE 2014**





I. Personal composition and organisation of the Audit Committee.

Pursuant to the provisions of the Company's Statute 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 of whom should have qualifications in accounting or auditing.

During the period from 1 January 2014 to 30 June 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 aforementioned persons were appointed as members of the Audit Committee on 22 May 2013 under Resolutions of the Supervisory Board no. 11/05/13, no. 12/05/13 and no. 13/05/13.

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-decided audit and internal audit cycles. During all sessions, minutes were taken and the decisions made by the Audit Committee took the form of resolutions.
2. During the period from 1 January 2014 to 30 June 2014, the main tasks of the Audit Committee were to supervise the Management Board of the Company with respect to compliance with any applicable provisions of law and other regulations and in particular with respect to the Accountancy Law dated 29 September 1994, to supervise financial reports and information prepared by the Company, and to ensure compliance by the Management Board with the recommendations and findings of the auditors appointed by the Supervisory Board.



Additionally, the Audit Committee gave recommendations to the Supervisory Board concerning the appointment of the auditor, and evaluated the auditor's works and its independence and objectiveness.

The Audit Committee monitored and reviewed matters related to internal audits in the Company. Using its authority, the Audit Committee requested from the Company specific information concerning accounting, financial, internal and external audit issues, and in particular, the members of the Audit Committee were authorised to review all books, records, the Company's annual and semi-annual financial statements, to request 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, 3 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

- 1) 25 February 2014,
- 2) 5 March 2014 (via teleconference),
- 3) 20 May 2014.

All sessions of the Audit Committee were convened correctly. All members of the Audit Committee were present at 2 sessions and 1 session took place with the required *quorum*. At some sessions of the Audit Committee certain members of the Management Board and other management also attended: Vice President of the Management Board and CFO, Mr. Janusz Zalewski, and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiewski, who both provided, amongst other matters, information about issues concerning auditor remuneration, the Company's financial statements and other information that was requested by the Audit Committee to be provided by the Management Board.

Two Audit Committee meetings were attended by representatives of the Company's auditor Ernst & Young, who gave explanations and information about the Company's audit procedures and conclusions, and presented an advisory session for the members of the Audit Committee in the areas of changes in tax law and regulations related to accountancy and to International Financial Reporting Standards.



Session of 25 February 2014

During the session the members of the Audit Committee held a discussion on the evaluation of the auditor's work. The Vice President of the Management Board and CFO, Mr. Janusz Zalewski, and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiewski also attended the session to discuss this.

The members of the Audit Committee received updated information about the internal audit process including the latest summary of Internal Audit Reports.

Part of this session was attended by representatives of Ernst & Young, who discussed the 2013 year-end audit's findings and conclusions.

Session of 5 March 2014 (via teleconference)

The Audit Committee adopted a resolution on the adoption of the Report of the Audit Committee on the activities conducted from 1 July 2013 to 31 December 2013 and its submission to the Supervisory Board (Resolution No. 01/03/14).

Furthermore, the Audit Committee adopted a resolution on a recommendation regarding the appointment by the Supervisory Board of an auditor to audit the Dom Development S.A. financial statements and the Dom Development S.A. Capital Group consolidated financial statements as of 2014 (Resolution No. 02/03/14).

Session of 20 May 2014

The participants of this Audit Committee session discussed and analysed issues regarding the internal audit process.

Furthermore, representatives from Ernst & Young attended part of this session and presented an advisory session in the fields of changes in tax law and regulations related to accountancy and to International Financial Reporting Standards.

Members of the Audit Committee discussed with an Ernst & Young representative the audit strategy for 2014.