

**REPORT OF THE SUPERVISORY BOARD OF
CPD S.A.
COMPRISING:**

- 1. REPORT OF THE SUPERVISORY BOARD ON THE ACTIVITIES OF THE COMPANY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017**
- 2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017**
- 3. EVALUATION OF THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017**
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1. REPORT OF THE SUPERVISORY BOARD ON THE ACTIVITIES OF THE COMPANY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017

Pursuant to § 13.2.17 of the Rules of the Supervisory Board of CPD S.A. and in accordance with Rule II.Z.10 of The Warsaw Stock Exchange Rules on 2017 listed companies, the Supervisory Board hereby presents the report on the activities of the Supervisory Board in 2017.

I COMPOSITION OF THE SUPERVISORY BOARD IN 2017

As at 31 December, 2017, the Supervisory Board CPD SA included the following persons:

1. Mr Andrew Pegge - the Chairman of the Supervisory Board,
2. Mr Michael Haxby Vice - Chairman of the Supervisory Board,
3. Mr Wiesław Oleś - the Secretary of the Supervisory Board,
4. Mr Mirosław Gronicki – Member of the Supervisory Board,
5. Ms Gabriela Gryger – Member of the Supervisory Board.

Mrs Wiesław Oleś, Ms Gabriela Gryger and Mr Mirosław Gronicki are Independent Members of the Supervisory Board who meet the conditions for independence. Mr Mirosław Gronicki and Mrs Gabriela Gryger having expertise in accounting and financial auditing.

AUDIT COMMITTEE

On November 22, 2017 the Supervisory Board of the Company acting pursuant to art. 128 and 129 of the Act of May 11, 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017 item 1089, as amended), appointed the Audit Committee composed of:

1. Mr Wiesław Oleś, Chairman of the Audit Committee meeting the requirements of independent member of the Audit Committee
2. Mr Mirosław Gronicki - Audit Committee member meeting the requirements of independent member of the Audit Committee
3. Mr Andrew Pegge - Audit Committee member

The composition of the Audit Committee meets the requirements set out in the Act of May 11, 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017 item 1089, as amended), according to which the Audit Committee should be included at least three members, of which at least one should have knowledge and skills in accounting or auditing, at least one member of the Audit Committee should have knowledge and skills in the industry in which the issuer operates and the majority of committee members, including the chairman independence criteria.

On November 22, 2017 the Audit Committee prepared and adopted the Policy and selection procedure for a choice of auditor for carrying out the statutory audit of CPD S.A. and providing ancillary services by the auditor, entity related to the auditor or a participant of its network in CPD S.A. Until now, the duties of the Audit Committee were performed by the Supervisory Board of CPD (regulation resulting from § 11 items 3 and 5 of the Articles of Association of the Company and from § 11 section 2 of the Regulations of the Supervisory Board) due to the five-person composition of the Supervisory Board.

The Audit Committee is obliged to cooperate with the Company's auditors and control their independence, including in connection with the Act on Certified Auditors.

II ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board diligently fulfilled its obligations and maintained regular supervision over activities of the Company. The Supervisory Board performed its duties arising out of provisions of the law, By-Laws of CPD S.A. and Rules of the Supervisory Board of CPD S.A.

➤ **MEETINGS OF THE SUPERVISORY BOARD**

In 2017 the Supervisory Board of the Company adopted resolutions on the following dates and subjects:

- 14 March 2017
 - approving the minutes of the meeting of the Supervisory Board of November 22, 2016
 - on the assessment of the Financial Statements of the CPD S.A. for the financial year from 1 January to 31 December 2016
 - on the assessment of the Activity Report of the Management Board of the CPD S.A. for the financial year 2015
 - on assessment of Consolidated Financial Statement of the CPD S.A. Group for the year 2016
 - on assessment of Management Board Report for Capital Group CPD S.A. for 2016
 - on the assessment of the proposal of the Board as to how to covering the net loss for the financial year 2016
 - on the adoption of Supervisory Board Report for the year 2016
 - opinion on the draft resolutions for the Annual General Meeting of CPD S.A.
- 6 April 2017 - in circulation mode
 - change the resolution on: opinion on the draft resolutions for the Annual General Meeting of CPD S.A.
- 23 May 2017 - in circulation mode
 - opinion on the draft resolutions for the Extraordinary General Meeting of CPD S.A.
- 9 June 2017 - in circulation mode
 - on appointment of an auditor
- 20 June 2017
 - approving the minutes of the meeting of the Supervisory Board of March 14, 2017
- 20 September 2017
 - approving the minutes of the meeting of the Supervisory Board of June 20, 2017
- 22 November 2017
 - on appointment of the Audit Committee
 - on adoption of the By- laws of the Audit Committee
 - on opinion on the draft resolutions of the Extraordinary Meeting of CPD S.A.
 - on change of the By-laws of the Supervisory Board

➤ **CHOICE OF AUDITOR**

The Supervisory Board adopted a resolution on the election of PricewaterhouseCoopers sp. o.o. with its registered office in Warsaw, Al. Armii Ludowej, entered the list of entities authorized to audit financial statements under number 144, on the auditor authorized to:

- examine the consolidated financial statements of CPD SA for the financial year ended December 31, 2017
- examine the separate financial statements of CPD SA for the financial year ended December 31, 2017
- The review of the interim consolidated financial statements of CPD SA at June 30, 2017
- The review of the interim financial statements CPD SA on June 30, 2017.

The agreement with PricewaterhouseCoopers Sp. o.o. it will be concluded for the period necessary to carry out the work indicated therein.

➤ **CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD**

In 2017 the composition of the Company's Management Board were no changes, except that Mr Waldemar Majewski who is a member of the Board of the Company resign with from the function of Board member with the effect from the close of business on 31 December 2017

The following persons constituted the Management Board as of the day of publication hereof:

1. Ms Elżbieta Wiczowska – President of the Management Board
2. Mr Colin Kingsnorth – Member of the Management Board
3. Ms Iwona Makarewicz – Member of the Management Board
4. Mr John Purcell - Member of the Management Board

III SELF-EVALUATION OF THE SUPERVISORY BOARD

The Supervisory Board diligently and properly fulfilled its obligations, as a specialised body responsible for maintaining regular supervision over activities of the Company.

In 2017, the composition of the Supervisory Board was in line with generally applicable provisions of the law and the requirements to be met by public listed companies. All members of the Supervisory Board are highly prepared and have extensive professional experience, therefore, they perform their duties and powers in a proper manner, which ensures supervision over the Company.

In 2017, the Supervisory Board held properly convened and prepared meetings. The agendas prepared by the Chairman of the Supervisory Board included issues which should be dealt with by the Supervisory Board in accordance with governing provisions of the law.

In addition, the Chairman of the Supervisory Board remained in constant contact with the Management Board and performed consultations on matters related to the ongoing operations of the Company.

In reviewing the situation of the Company, the Supervisory Board took into account objective criteria and the financial performance of the Company.

In the opinion of the Supervisory Board, the Board is well positioned to carry out its statutory and regulatory responsibilities and properly supervised the Company in all material respects of its operations, in accordance with provisions of the law and statutory obligations.

IV EVALUATION OF THE COMPANY'S SITUATION

- 1) The Supervisory Board reviewed the following statements and reports submitted by the Management Board:
 - the standalone financial statements of the Company for the financial year ended on 31 December 2017,
 - the report of the Management Board on the activities of CPD S.A. in 2017,
 - the consolidated financial statements of the CPD Group for the year ended on 31 December 2017,
 - the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2017,

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents matches the books, documents and the actual state of affairs.

- 2) The Supervisory Board has met with an auditor PricewaterhouseCoopers sp. z o.o.

3) The Supervisory Board has got information from the Management Board about most imported information and transaction made in 2017

a) TAX INSPECTION

9th of November 2017, the company belonging to the Group, Challenge Eighteen Sp. z o.o. received the result of a tax audit. In the opinion of the tax authorities, the Company did not pay withholding tax due from interest on a loan contracted from EEPF AB (which was then owned by the Group). The value of arrears includes overdue tax in the amount of PLN 9.113 PLN plus interest, which as at November 27th is PLN 4,717.

In the opinion of the Management Board, this claim is unjustified. However, it can not be ruled out that it is necessary to pay this amount if tax proceedings are initiated and decisions issued by tax authorities. Based on the risk analysis at an early stage of the process, the Management Board decided not to include in this condensed consolidated financial statements a liability in this respect.

b) ESTABLISHING SECURITY

Issuer's subsidiaries: IMES Poland sp. z o.o. and 18 Gaston Investments sp. z o.o. sp. k. 30 of January 2017 granted collateral as a result of the conclusion of conditional sales contracts concluded with legal entities that lead to the sale of land property rights located in Warsaw in the Ursus district, as well as cooperation agreements.

Collateral will be combined mortgages on the right to perpetual usufruct of owned real estate each time up to the full amount of a given payment, which the Buyer is to make to the Companies for each mortgage.

The companies also submitted to enforcement pursuant to art. 777 § 1 point 5 of the Code of Civil Procedure, as to the obligation to return the sum of money to the full amount of a given payment, which the Buyer is to make to the Companies, and each entity will submit a written statement in the form required by applicable law, including consent to enter Buyer's claims regarding the conclusion of the Promised Contract to the land and mortgage registers kept for the properties owned by them.

The total sale price of property rights and cooperation agreements has been set at a total of PLN 82 million net.

Conclusion of individual final contracts under the transaction was stipulated in stages between December 2017 and December 2019. The conclusion of final contracts depends on the fulfillment of a number of conditions precedent, mainly regarding right of first refusal for purchase of undeveloped property by Warsaw City, the preparation of infrastructure and media in a manner enabling the implementation of housing projects in accordance with the adopted assumptions.

As at the balance sheet day, the Buyer made payments of PLN 66.5 million (net) plus applicable VAT on the basis of the Conditional Sales Agreements. Subsequent payments towards the agreed Total Price will be made in accordance with the schedule accepted by the Buyer and Seller in 2017-2019.

After the balance date and before the date of publication of this report, all conditions precedent for sale by the Issuer's Subsidiaries were fulfilled: IMES Poland sp. z o.o. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. the right of perpetual usufruct of plots 98/1 and 148/2 respectively. In connection with the above, the Issuer's Subsidiaries: IMES Poland sp. z o.o. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and Buffy Holdings no 1 Ltd on 29th of March 2018 signed final agreements for the sale of perpetual usufruct right to parcels 98/1 and 148/2 respectively, and 100% shares in Bolzanus Limited, which owns the right of perpetual usufruct to the plot of land 119. On the other hand, on the perpetual usufruct right to the

98/2 plot, a joint mortgage is still established up to the full amount of the payment made by the Buyer to the Company for this mortgage. In addition, Imes will continue to be subject to execution pursuant to art. 777 § 1 point 5 of the Code of Civil Procedure, as to the obligation to repay the full amount of a given payment, which the Buyer has made to the Company.

The remaining provisions of the Agreements concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

c) CONCLUSION OF AN INVESTMENT AGREEMENT BY CPD S.A. AND ITS SUBSIDIARIES

On 22nd of February 2017, an investment agreement was signed for a joint venture implementation of a complex of multi-family buildings with services and infrastructure accompanying Warsaw, in the Ursus district.

The contract was concluded between CPD Spółka Akcyjna, Challenge Eighteen limited liability company, 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa, Lakia Enterprise Ltd and Unibep Spółka Akcyjna, Unidevelopment S.A.

The subject of the Agreement is the joint investment on a property belonging to a company from the CPD Capital Group ie. 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa, being perpetual user of plots No. 113/1, 113/2, 113/4, 113/5 no. 2-09-09, with an area of 4.944 ha and located at Traktorzystów Street in Warsaw (Warsaw - Ursus district).

All annexes to the Agreement were agreed (accepted) by March 31, 2017.

CPD SA Management Board informs about signing the Annex to the Investment Agreement on August 2, 2017. Pursuant to the aforementioned Annex, it was confirmed that the consent of the President of the Office of Competition and Consumer Protection for the entry by Unidevelopment S.A. to 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. and implementation of the joint venture with the capital group CPD S.A.

Having the above in mind, August 2, 2017 Unidevelopment S.A. she joined the limited partnership, in which Unidevelopment S.A. has a 50% share in profits, and the Investment Agreement has come into force as of that date.

In addition, the Company announced that on August 2, 2017, Gaston Investments sp. Z o.o. sold the general rights and obligations of the general partner in 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. to Smart City sp. z o.o., joined the limited partnership as a general partner, and thereby changed the name of the limited partnership into Ursa Park Smart City limited liability company spółka komandytowa.

d) CONCLUSION OF THE CONTRACT FOR THE EXECUTION OF CONSTRUCTION WORKS BY A SUBSIDIARY

On June 29, 2017, an agreement was signed for the execution of construction works under the general contracting system under the URSA PARK project, between 4/113 Gaston Investments sp. z o.o. sp. k. The investment is a joint construction project involving the implementation jointly with Unidevelopment S.A. complex of multi-family buildings with services and accompanying infrastructure.

The subject of the contract is the implementation of the Investment, i.e. the construction of a housing estate comprising 3 residential buildings with an underground garage and land development. The works will be carried out in two stages, with the implementation of the first stage involving the execution of two residential buildings with an underground garage commissioned under the Agreement. In the 7-storey buildings under this stage there will be a total of 189 flats and 10 service premises and 236 parking spaces.

4/113 Gaston may at any time, but no later than 2 months before the planned commencement of construction works, decide on the implementation of the second stage of the investment by notifying UNIBEP S.A. in writing.

The commencement of the first stage is planned for the third quarter of 2017 and the completion for the fourth quarter of 2018. The completion date of construction works comprising the second stage is set for 16 months from the date of their commencement.

The remuneration for the implementation of the first stage is approximately PLN 40.2 million net. However, the remuneration for the implementation of the second stage, in the case of commissioning its implementation by the Employer, was set at approximately PLN 33.4 million net.

The remaining provisions of the Agreement, including the possibility of withdrawal from it, do not differ from the standards commonly applicable to this type of contracts.

CPD SA Management Board November 14, 2017, informed that under a contract for the execution of construction works in the general contracting system concluded between Ursa Park Smart City, a limited liability company sp.k. (previous name 4/113 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k.) as the ordering party and UNIBEP S.A., the ordering party has decided to implement the second stage of the investment by notifying UNIBEP S.A. in writing. The commencement of the second stage is planned for the first quarter of 2018 and completion for the third quarter of 2019.

e) RECEIPT OF REPLACEMENT STATEMENTS OF SERIES A FOR SERIES G SERIES

On March 20, 2017, the Company received from the bondholders of series A bonds convertible into series G shares issued by CPD S.A. On September 26, 2014, a statement on the conversion of the Bonds, i.e. 90 convertible bonds into G series shares of the Company, ie 5,292,720 series G shares of the Company.

In exchange for 90 convertible bonds for Series G shares of the Company, the Company will issue to all entitled persons a total of 5,292,720 series G shares of the Company.

Next on June 13, 2017, the Company received from two bondholders series A bonds convertible into series G shares issued by CPD S.A. On September 26, 2014, a statement on the conversion of the Bonds, ie 20 convertible bonds into Series G shares of the Company, i.e. 1,198.100 series G shares of the Company.

In exchange for 20 convertible bonds for series G shares of the Company, the Company was to issue to authorized persons a total of 1,198.100 series G shares of the Company.

After registering the increase, the share capital of the Company amounts to PLN 3.935.402.30 and is divided into 39,354,023 ordinary bearer shares with a nominal value of PLN 0.10 (ten groszy) each, entitling to 39,354,023 votes at the general meeting of the Company.

f) CONCLUSION OF THE AGREEMENT FOR SALE OF RIGHTS AND OBLIGATIONS OF KOMPLEMENTARIUS AND KOMANDYTARIUS IN THE SUBSIDIARY

On June 28, 2017, the Issuer's subsidiaries, ie Gaston Investments sp. z o.o., as a general partner and Challenge Eighteen sp. z o.o., as a limited partner, entered into a promised agreement for the sale of all the rights and obligations of the limited partner and general partner in the company 11/162 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. The value of the transaction was PLN 15.5 million.

11/162 Gaston Investments sp. z o.o. sp.k. has the right to perpetual usufruct of real estate located in the Warsaw - Ursus district at Posag 7 Panien street.

As a result of the transaction, neither the Issuer nor its subsidiaries have rights and obligations in 11/162 Gaston Investments sp. z o.o.

g) EARLIER EDEMPTION OF B SERIES BONDS

On June 29, 2017, a resolution of the Company's Management Board was adopted regarding the early redemption of Series B bonds at the request of the Issuer.

On 13 July 2017, the Issuer through the intermediary of Bank Ochrony Środowiska S.A. with its registered office in Warsaw, made an earlier redemption of all series B bearer bonds, i.e. 30,000 (thirty thousand) shares with a par value of 1,000 (one thousand) zlotys each. Earlier Redemption was carried out in the mode and on the terms provided for in point 11.4 of the Terms of Issue of Series B Ordinary Bearer Notes.

The average unit purchase price of one Bond is PLN 1,060.13, which is PLN 1,000.00. paid by way of nominal value, PLN 15.00 paid as premiums and PLN 45.13 paid by way of interest payment in accordance with clause 11.4 of the terms of the Bond issue.

h) CONCLUSION OF THE AGREEMENT FOR SALE OF RIGHTS AND OBLIGATIONS OF KOMPLEMENTARIUS AND KOMANDYTARIUS IN THE SUBSIDIARY

On 26 July 2017, the Issuer's subsidiaries, ie Gaston Investments sp. Z o. o., as a general partner and Challenge Eighteen sp. z o.o., as a limited partner, concluded a promised agreement for the sale of the general rights and obligations of a limited partner and general partner in the company 14/119 Gaston Investments sp. z o. o. with headquarters in Warsaw.

The value of the transaction was PLN 5 million.

As a result of the transaction, neither the Issuer nor its subsidiaries have any rights or obligations in 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k.

i) CONCLUSION OF THE CONTRACTED SALES AGREEMENT BY THE SUBSIDIARY OF THE ISSUER

On August 2, 2017, the Issuer's subsidiary, ie Buffy Holdings no. 1 Ltd. with its registered office in Nicosia, Cyprus and Dobalin Trading & Investments Ltd with its registered office in Nicosia, Cyprus, entered into the promised agreement to sell 100% shares in Bolzanus Limited with its registered office in Limassol in Cyprus.

The acquired company has the right to perpetual usufruct of the real estate, consisting of plot no. 119, no. registry number 2-09-09, with an area of 22,394 m² and located near ul. Gierdziejewski in Warsaw (Warsaw - Ursus district). According to the provisions of the Local Spatial Development Plan, the real estate is intended for the majority of services and education as well as multi-family housing.

The transaction value was PLN 4,620,000 (four million six hundred and twenty thousand zlotys).

As a result of the transaction, the structure of the Issuer has changed.

j) PURCHASE OF OWN SHARES FOR BUILDING

CPD SA Management Board On October 26, 2017, he announced that, as a result of the settlement of the transaction for the acquisition of CPD S.A. as a result of the invitation to submit bids for the sale of the Company's shares, which was adjusted on October 3, 2017. The company purchased through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw, 1,417,792 shares of the Company. The total number of shares of CPD S.A. within the framework of Share Sale Offers, it amounted to 13,833,996. Since the sale offers were for a larger number of shares than the 1,400,792 shares proposed by the Company, each Share Sale Offer was partially implemented - the reduction of offers was carried out in accordance with the principles described in the Invitation.

The shares were purchased in accordance with the Resolution No. 18 of the Ordinary General Meeting of CPD of May 10, 2017 regarding the purchase of the Company's shares for redemption, which was amended by Resolution No. 3 of the Extraordinary General Meeting of CPD S.A. of June 7, 2017 amending the resolution No. 18 of the Annual General Meeting of May 10, 2017 regarding the purchase of the company's shares for redemption pursuant to art. 362 § 1 point 5) k.s.h. for redemption.

The purchase price for one share was PLN 12.27 (average unit purchase price).

All purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Acquired CPD shares S.A. (in a number of 1,417,792 shares) constitute 3.56% of the share capital of the Company and represent 1,495,792 votes at the General Meeting of the Company (3.56% of the total number of votes at the General Meeting of the Company), however, in accordance with the applicable regulations, the Company is not entitled to exercise voting rights from own shares.

Apart from the above, the Company has no own shares.

k) BEGINNING THE CROSS-BORDER PROCEDURE

On 13 December 2017, the Company decided to start the procedure of cross-border merger of the Company with the company Buffy Holdings no. 1 Limites with its registered office in Nicosia, Cyprus, a limited liability company established under Cypriot law, address: Lemesou 67, Vision Tower, 2121 Aglantzia, Nicosia, Cyprus, entered into the register of companies kept by the Ministry of Energy, Trade, Industry and Tourism of the Republic of Cyprus under registration number HE 166076.

Buffy Holdings no. 1 Limites after the sale of Bolzanus does not have significant assets on Cyprus, and also extinguished the investment activity out there. An alternative to combining both companies would be liquidation. However, it is a time-consuming process (the strike-off procedure in Cyprus takes 9 months). In the opinion of the Management Board, arguments can be gathered for the existence of a business justification for the merger, and therefore for the transaction to be tax-neutral.

On December 22, 2017, a plan to merge CPD with BUFFY was agreed and signed.

The merger plan is available to the public on the Company's website at <http://www.cpdsa.pl/> in the News tab.

l) CREDIT AGREEMENT mBANK

On June 18, 2014, a loan agreement was signed between the subsidiary Lokia Investments sp. o.o. and mBank Hipoteczny S.A., under which Lokia Investments sp. z o.o. a loan in the amount of EUR 5,850,000 has been granted, intended for refinancing the "Solar" office building, inter alia, through the total and irrevocable repayment of the existing debt of the company resulting from the loan agreement with HSBC Bank Polska S.A.,

During 2017, Lokia Investments sp. z o.o. reported failure to meet one of the financial indicators agreed in the credit agreement. In order to improve the above-mentioned indicator, the Company is negotiating with several potential tenants. In case of failure of talks, one of the possible solutions considered will be partial repayment of the debt to the level guaranteeing compliance with the financial ratios agreed in the credit agreement. By the publication date bank did not send claim as above.

SUMMARY

In the light of the events described above and having read the report of the Management Board on the activities of the Company in the financial year from 1 January 2016 to 31 December 2017, the

Supervisory Board positively evaluates the activities and efforts of the Management Board in the said reporting period.

In the opinion of the Supervisory Board, the standalone and consolidated financial statements of the Company match the books, documents and the actual state of affairs and present a fair and true view of all information essential for evaluation of the material and financial situation of the Company as at 31 December 2017, as well as the financial result for the financial year from 1 January 2017 to 31 December 2017.

V INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing the financial statements and periodic reports prepared and published in accordance with the principles of Regulation of 19 February 2009 on current and periodic information provided by issuers of securities.

In addition, in accordance with the principles of corporate governance adopted by the Management Board and approved by the General Meeting of Shareholders, the Audit Committee operates in the Company.

The assumption for the effective internal control system of the Company as regards financial reporting is to ensure the adequacy and accuracy of the financial information contained in the financial statements and periodic reports. The effective internal control system and the risk management system of the Company as regards the process of financial reporting was developed through the properly defined scope of financial reporting, as well as through division of responsibilities and work organisation in the process of financial reporting. Moreover, the Management Board regularly reviews the results of the Company with the use of the financial reporting applied.

The Company applies the principle of an independent review of the financial statements published, as required by provisions of the law. The interim and annual financial statements and financial reports published as well as financial data which are the basis for such reporting are reviewed by the auditor of the Company.

As part of further actions aimed at reducing the Company's exposures to the market risk, the Company will assess the potential and development projects and control the ongoing development projects based on the investment models and decision-making procedures implemented in the Company. In order to reduce the risks associated with development projects and tenancy agreements, the Company receives from subcontractors and tenants guarantees or insurance policies covering the most common risks associated with project implementation or policies to cover the rent from tenancy.

The risk management procedure is regularly updated by the Management Board of the Company and key managerial staff as well as external advisors.

In the opinion of the Supervisory Board, the Management Board has properly identified risks related to the activities of the Company, monitored them on the ongoing basis and effectively managed such risks.

VI ASSESSMENT OF FULFILMENT OF THE DISCLOSURE INFORMATION BY THE COMPANY IN RESPECT TO COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES.

In 2017 CPD S.A. complied with "Good Practices of Companies Listed on the Warsaw Stock Exchange" in force at the Warsaw Stock Exchange. with the exception of the rules which the Management Board of CPD SA indicate in the current report 17 March 2016.

The Company duty fulfilled disclosure obligations related to corporate governance principles defined in the Stock Exchange Regulation and provisions related to current and periodical information disclosed by issuers of securities;

Pertaining to § 91 item 5 point 4) of the Regulation of 19 February 2009 on the current and periodic information published by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent, in the consolidated and stand-alone annual reports, CPD S.A. publishes a statement on compliance with corporate governance principles.

VII ASSESSMENT OF RATIONALES OF THE COMPANY'S SPONSORING, CHARITY AND OTHER SIMILAR ACTIVITIES.

The Supervisory Board has a positive opinion of the assessment of rationales of the company's sponsoring and charity in 2017.

CPD Group perceives its activities in the field of developer projects in the broader context of creating a modern, multidimensional urban space, providing new quality of life for residents and users of implemented investments. The Group expresses its responsibility for the environment through the support for various social initiatives, directly or indirectly related to its investment business.

CPD Group is continuing leasing a building for the Arsus, for symbolic amount of PLN 100 per month, which allows the centre to allocate more funds for its statutory activities. The Arsus Centre, operating since 1992, is located at Traktorzystów 14 street on a site belonging currently to CPD Group. It includes a fully equipped cinema with 500 seats, a room with stage and 120 seats, an "Arsus" basement for alternative activities (concerts, theatre plays, performance), a modern art gallery "Ad-Hoc", as well as clubrooms to conduct artistic amateur activities.

In relation to our key development project on former ZPC Ursus industrial land, and being aware of our role in such a comprehensive task as revitalisation of this area, CPD Group has for several years been undertaking initiatives exceeding the scope of typical real estate development and construction. In 2016, the Group along with the City District of Ursus Office co-organised a cycle of cultural event Farewell to Summer with Ursus".

In 2018, the CPD Group will continue leasing the building of the Arsus Center for a symbolic lease rate of PLN 100 per month and, if financial resources are available, will continue the prosocial initiatives taken, convinced that they will bring tangible results to both direct beneficiaries and communities in which they will be implemented.

In addition, as part of social responsibility and building a sustainable urban fabric based on the local social identity, the CPD Group intends to hand over the area of 1,7 ha to City of Warsaw in 2018. ha, which according to the Local Spatial Development Plan is provided for educational investments. As part of the planned agreement, the capital city of Warsaw will undertake to implement the school-to-school complex by 2020.

2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 11 (2) (4) of the By-Laws of the Company, the Supervisory Board evaluated:

- I the standalone financial statements of CPD S.A. for the year ended on 31 December 2017 and prepared in accordance with the International Financial Reporting Standards, comprising:
- a) statement of financial position for the period from 1 January 2017 to 31 December 2017 with total assets and total liabilities and equity of PLN 504 215 thousand (in words: five hundred four million two hundred fifteen thousand zlotys);
 - b) statement of comprehensive income for the period from 1 January 2017 to 31 December 2017 with a net loss of PLN 2 066 thousand (in words: two million sixty six thousand zlotys);
 - c) statement of changes in equity for the period from 1 January 2017 to 31 December 2017, with the increase of equity by PLN 20 587 thousand (in words: twenty million five hundred eighty seven thousand zlotys);
 - d) cash flow statement for the period from 1 January 2017 to 31 December 2017 with increase of PLN 20 091 thousand (in words: twenty million ninety one thousand zlotys);
- II The consolidated financial statements of the CPD Group for the year ended on 31 December 2017 and prepared in accordance with the International Financial Reporting Standards, comprising:
- a) consolidated statement of financial position for the period from 1 January 2017 to 31 December 2017 with total assets and total liabilities and equity of PLN 761 000 thousand (in words: seven hundred sixty one million zlotys);
 - b) consolidated statement of comprehensive income for the period from 1 January 2017 to 31 December 2017 with a net profit of PLN 2 238 thousand (in words: two million two hundred thirty eight thousand zlotys);
 - c) consolidated statement of changes in equity for the period from 1 January 2017 to 31 December 2017, with the increase of equity by PLN 24 816 thousand (in words: twenty four million eight hundred sixteen thousand zlotys);
 - d) consolidated cash flow statement for the period from 1 January 2017 to 31 December 2017 with increase of PLN 52 856 thousand (in words: fifty two million eight hundred fifty six thousand zlotys);

The financial statements of the Company and the consolidated financial statements of the CPD Group for the financial year 2017 were audited under the contract concluded between CPD S.A. and PricewaterhouseCoopers sp. z o.o. z with its registered office in Warsaw, at Al. Armii Ludowej 14, 00-638 Warsaw, entered into the list of entity authorised to audit the financial statements kept by the National Council of Statutory Auditors under no. 144. The contract was concluded on the basis of the resolution of the Supervisory Board of the Company of 10 March, 2017.

When evaluating the financial statements, the Supervisory Board based its opinion in particular on the opinion of the statutory auditor, PricewaterhouseCoopers Sp. z o.o., and supplementary reports to that opinion. The Supervisory Board also sourced information from the Management Board of the Company.

In the opinion of the Supervisory Board, the financial statements of the Company match the books, documents and the actual state of affairs and present a fair and true view of all the information essential for evaluation of the material and financial situation of the Company as at 31 December 2017, as well as the financial result for the financial year from 1 January 2017 to 31 December 2017.

The Supervisory Board assessed the following statements and reports submitted by the Management Board:

- The standalone financial statements of the Company for the financial year ended on 31 December 2017,
- The report of the Management Board on the activities of CPD S.A. in 2017,
- The consolidated financial statements of the CPD Group for the year ended on 31 December 2017,
- The report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2017,

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents matches the books, documents and the actual state of affairs.

In the assessment of the Supervisory Board:

- a) The standalone financial statements of the Company for the year ended on 31 December 2017:
 - present a fair and true view of all information essential for evaluation of the material and financial situation of CPD S.A. as at 31 December 2017, as well as its financial result for the financial year from 1 January 2017 to 31 December 2017,
 - were prepared, in all major aspects, in the correct manner, namely in accordance with the accounting principles (policy) arising out of the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and in the scope not regulated by such Standards, in accordance with the requirements of the Accounting Act and secondary legislation thereto as well as on the basis of properly kept accounting books,
 - comply with provisions of the law and provisions of the By-Laws of the Company which affect the content of the financial statements;
- b) The consolidated financial statements of the CPD Group for the year ended on 31 December 2017:
 - present a fair and true view of all the information essential for the evaluation of the material and financial situation of CPD S.A. as at 31 December 2017, as well as its financial result for the financial year from 1 January 2017 to 31 December 2017,
 - were prepared, in all major aspects, in the correct manner, namely in accordance with the accounting principles (policy) of the parent entity arising out of the International Accounting Standards and the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and in the scope not regulated by such Standards, in accordance with the requirements of the Accounting Act and secondary legislation thereto as well as on the basis of properly kept accounting books,
 - comply with provisions of the law applicable to the CPD Group which affect the content of the consolidated financial statements;

3. EVALUATION OF THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2017

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 11 (2) (5) of the By-Laws of the Company, the Supervisory Board evaluated the following reports submitted by the Management Board:

- The report of the Management Board on the activities of CPD S.A. in 2017;
- The report of the Management Board on the activities of the CPD Group in 2017

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents matches the books, documents and the actual state of affairs.

The of the Supervisory Board found that the report of the Management Board on the activities of CPD S.A. in 2017 was complete as defined by Article 49 (2) of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof.

The information contained in the report of the Management Board on the activities of the Company and sourced from the audited financial statements matches such financial statements.

4. REVIEW OF CONCLUSIONS OF THE MANAGEMENT BOARD ON ALLOCATION OF THE PROFIT

The financial statements for the financial year ended on 31 December 2017, as prepared by the Company and audited by the independent statutory auditor, demonstrate the net loss of PLN 2 241 (in words: two million two hundred forty one thousand zlotys).

The Management Board of the Company presented a motion on covering the loss for the financial year of 2017.

Having read the financial statements of the Company and the report of the Management Board on the activities of the Company, the Supervisory Board recommends that the Annual General Meeting of Shareholders of the Company should adopt a resolution on covering the net loss in 2017, as requested by the Board.

5. MOTIONS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF CPD S.A.

The Supervisory Board requests that the Annual General Meeting of Shareholders of CPD S.A. should:

- 1) Approve the financial statements of the Company for the year ended on 31 December 2017;
- 2) Approve the report of the Management Board on the activities of the Company in 2017;
- 3) Approve the consolidated financial statements of the CPD Group for the year ended on 31 December 2017;
- 4) Approve the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2017;
- 5) Approve the motion of the Management Board on covering the loss incurred in 2017;
- 6) Approve fulfilment of duties by Members of the Management Board of CPD S.A. in the financial year of 2017
 - Ms Elżbieta Donata Wiczowska – President of the Management Board,
 - Mr Colin Kingsnorth – Member of the Management Board,
 - Ms Iwona Makarewicz – Member of the Management Board,
 - Mr John Purcell – Member of the Management Board,
 - Mr Waldemar Majewski – Member of the Management Board.
- 7) Approve fulfilment of duties by Members of the Supervisory Board of CPD S.A. in the financial year of 2017:
 - Mr Andrew Pegge - the Chairman of the Supervisory Board,
 - Mr Michael Haxby Vice - Chairman of the Supervisory Board,
 - Mr Wiesław Oleś - the Secretary of the Supervisory Board,
 - Mr Mirosław Gronicki – Member of the Supervisory Board,
 - Ms Gabriela Gryger – Member of the Supervisory Board.