

**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 2016**
- 2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016**
- 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 2016**
- 4. REVIEW OF CONCLUSIONS OF THE MANAGEMENT BOARD ON COVERAGE OF THE LOSS**
- 5. MOTIONS TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF CPD S.A.**

**WARSAW, 14 MARCH 2017**

## **1. REPORT OF THE SUPERVISORY BOARD ON THE ACTIVITIES OF THE COMPANY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016**

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 2016 listed companies, the Supervisory Board hereby presents the report on the activities of the Supervisory Board in 2016.

### **I COMPOSITION OF THE SUPERVISORY BOARD IN 2016**

As at 31 December, 2016, 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.

Members of the Supervisory Board at the meeting on March 10, 2016, unanimously to appoint Mr. Andrew Pegge to the function of the Chairman, Mr. Michael Haxby the function of the Vice-chairman and Mr Wiesław Oleś the function of the Secretary of the Supervisory Board.

Ms Gabriela Gryger and Mr Mirosław Gronicki are Independent Members of the Supervisory Board who meet the conditions for independence and who are qualified in accounting and financial auditing.

In accordance with § 11.2 of the Rules of the Supervisory Board of CPD S.A. and § 11.5 of the By-Laws of the Company, since the shares of the Company have been introduced to regulated trade on the Warsaw Stock Exchange on 23 December 2010, given the five person composition of the Supervisory Board, the tasks of the Audit Committee are performed collegially by the Supervisory Board i.e. all Members of the Supervisory Board are also members of the Audit Committee.

### **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 2016 the Supervisory Board of the Company adopted resolutions on the following dates and subjects:

- 10 March 2016
  - on the on the appointment of the Chairman, Vice-Chairmen and Secretary of the Supervisory Board of the CPD S.A.
  - approving the minutes of the meeting of the Supervisory Board of June 15, 2015
  - approving the minutes of the meeting of the Supervisory Board of September 15, 2015
  - approving the minutes of the meeting of the Supervisory Board of November 25, 2015
  - on the assessment of the Financial Statements of the CPD S.A. for the financial year from 1 January to 31 December 2015
  - 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 2015
  - on assessment of Management Board Report for Capital Group CPD S.A. for 2015

- on the assessment of the proposal of the Board as to how to allocate the profit for the financial year 2015
  - on the adoption of Supervisory Board Report for the year 2015
  - opinion on the draft resolutions for the Ordinary General Meeting of CPD S.A.
  - on appointment of an auditor
  - in case of approval of the annual budget for 2016.
- 29 June 2016 r
    - approving the minutes of the meeting of the Supervisory Board of March 10, 2016,
    - on changes in the composition of the members of the Board of CPD S.A. and their monthly remuneration,
  - 21 September 2016
    - approving the minutes of the meeting of the Supervisory Board of June 29, 2016,
  - 22 November 2016
    - approving the minutes of the meeting of the Supervisory Board of September 21, 2016

➤ **CHOICE OF AUDITOR**

1 April 2016 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, 2016
- examine the separate financial statements of CPD SA for the financial year ended December 31, 2016
- The review of the interim consolidated financial statements of CPD SA at June 30, 2016
- The review of the interim financial statements CPD SA on June 30, 2016.

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 2016 the composition of the Company's Management Board changed as described in detail in section II of this report. As a result of the changes, 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
5. Mr Waldemar Majewski - 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 2016, 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 2016, 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 2016,
- the report of the Management Board on the activities of CPD S.A. in 2016,
- the consolidated financial statements of the CPD Group for the year ended on 31 December 2016,
- the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2016,

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 2016

##### a) ESTABLISHMENT OF SECURITY FOR THE LOAN AGREEMENT

1 of March 2016, the Company received the decision of the District Court for the Capital City Warsaw. XI Economic Department - Register of Pledges on the entry in the register of pledges a registered pledge on 100 shares of Smart City sp. z o.o.

1 February 2016 was concluded pledge agreement on shares of Smart City limited liability company with registered office in Warsaw, between Lakia Enterprises Limited, based in Nicosia, Cyprus and Bank Zachodni WBK S.A..

Registered pledge was established on 100 shares in the share capital of Smart City sp. o.o., with a nominal value of 50 PLN each, representing 100% of the share capital of the company. The nominal value of the shares is 50,000 PLN.

Registered pledge was established to the amount of 101 469 432 PLN.

Establishing a registered pledge on the shares in the share capital is Lakia Enterprises Limited, which is a direct subsidiary of the Company.

##### b) ANNEX TO THE AGREEMENT ON THE EXECUTION OF WORKS

21 of March 2016 Smart City spółka z ograniczona odpowiedzialnością sp. k. signed an annex to the agreement on the construction works as a general contractor with UNIBEP SA.

Under this Annex, Smart City has commissioned UNIBEP SA implementation of the second stage of construction of residential estate URSA Smart City at Hennela Street in Warsaw - Ursus District.

As part of the investment there will be built four residential buildings with underground garages. These buildings with a height of 7 floors above ground, there will be 357 apartments and 20 commercial units.

Deadline for completion of the second stage has been specified for the second quarter of 2017.

At the same time, under Annex was updated scope of work covering the performance of individual stages in the work schedule for the first phase of investment and the current completion date for the implementation of this phase of investment has been set for the fourth quarter of 2016. In addition, due to changes in the scope of work under Annex, updated value of net remuneration for the execution of works for various work stages. Currently, wages for the implementation of the first stage of investment is 35.7 million PLN as compensation for the implementation of the second stage of investment was set at 31.9 million PLN.

The remainder of the provisions of the Agreement did not change significantly.

c) REPEAL THE LIQUIDATION OF THE SUBSIDIARY

27 April 2016, the Extraordinary General Meeting of Shareholders Celtic Asset Management, a limited liability company in liquidation adopted a resolution on the repeal of liquidation and continued existence of the Celtic Asset Management Sp. o.o.

d) CHANGES TO THE BOND ISSUE

10 of October 2016 conversion agreement was concluded on the changing conditions of the issue of series B bonds , entered into between the Company as issuer and Open Finance Bonds Enterprises Investment Fund Closed Non-Public Assets based in Warsaw as the sole Bondholder .

Under the Agreement, the conversion terms of the bond issue have changed in the following areas:

1. abolished guarantee the Issuer's subsidiary, ie. Blaise Gaston Investments, a limited liability limited partnership with its registered office in Warsaw for the obligations of the Issuer under the Notes;
2. guarantee was introduced with the following subsidiaries of the Issuer: (i) 12/132 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw, and (ii) 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw, with whom Bondholder entered into appropriate agreements;
3. fired real estate situated in Warsaw, constituting plot of land with the registration number 111/2 of the total area of 6.0074 ha, for which the District Court for Warsaw - Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00212689 / 6 from under the burden mortgage on perpetual usufruct vested in the company Blaise Gaston Investments limited liability limited partnership;
4. Bonds as collateral for the mortgage was established for a total contractual amount of 45,000,000 PLN entered on the first mortgage, established by the Issuer's subsidiaries, ie. (i) 12/132 Gaston Investments, a limited liability limited partnership based in Warsaw, and (ii ) 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw at:
  - a) the real property located in Warsaw's Ursus district, which includes cadastral parcel number 132/2, precinct 2-09-09, with a total area of 3.2544 ha, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Commercial Division Land Registry, runs a perpetual book KW No. WA5M / 00477860/2, 12/132 exercise Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,
  - b) the real property located in Warsaw's Ursus district, which includes plot of land No. 155/2, precinct 2-09-09, with an area of 1.0998 ha and property law which are separate from the land objects of ownership of buildings, for which the District Court Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA5M / 00477861 / 9

- exercise 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,
- c) the real property located in Warsaw's Ursus district, covering an undeveloped plot of land No. 158/2, precinct 2-09-09, with an area of 0.2949 ha, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Commercial Division Land Registry leads perpetual Paper No. WA5M / 00477864 / 0, exercising 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,
  - d) the real property located in Warsaw's Ursus district, which includes a built plot of land No. 147 precinct 2-09-09, with an area of 0.5190 ha and property law which are separate from the land objects of ownership of buildings, for which the District Court for Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00338198 / 6, exercise 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw,
  - e) the real property located in Warsaw's Ursus district, which includes a built plot of land No. 134 precinct 2-09-09, with an area of 0.4722 ha and property law which are separate from the land buildings for which the District Court for Warsaw-Mokotów in Warsaw, XIII Land Registry Division, maintains the Register no WA1M / 00233102 / 1, entitlement 13/155 Gaston Investments, a limited liability limited partnership with its registered office in Warsaw;
5. as collateral for Bonds, the Issuer's subsidiaries, ie. 12/132 Gaston Investments limited liability limited partnership with its registered office in Warsaw and 13/155 Gaston Investments limited liability limited partnership with its registered office in Warsaw surrendered to the enforcement under Article . 777 § 1 point 5 of the Code of Civil Procedure, as to the obligation to pay a sum of money to the total amount of 45,000,000 PLN

e) GUARANTEE AGREEMENT, STATEMENT OF EXECUTION AND STATEMENT OF APPOINTMENT OF MORTGAGES

6 of December 2016 subsidiary companies of the Issuer or Gaston Investments, a limited liability company with its registered office in Warsaw and Challenge Eighteen limited liability company with its registered office in Warsaw, entered into a conditional preliminary agreement to sell the rights and obligations of the general partner and a limited partner in the company 11/162 Gaston Investments Company Limited liability limited partnership with its registered office in Warsaw. Conditional Preliminary Agreement obliges the parties to conclude the Final Agreement within 7 July 2017. On the basis of the aforementioned agreement, the Issuer's subsidiaries, ie. 16/88 Gaston Investments, a limited liability limited partnership and 19/97 Gaston Investments limited liability limited partnership entered into an Agreement guarantees in the form of a notarial act, under which, granted a guarantee in connection with security Creditor claims for reimbursement of deposit, under the Conditional Preliminary Agreement concerning the sale of rights and obligations of the general partner and a limited partner in the company 11/162 Gaston Investments company limited liability limited partnership with its registered office in Warsaw.

The obligation to repay the deposit will be made in case of failure to maturity of and costs associated with the possible redress the above title in court proceedings and enforcement.

Sponsors also surrendered enforcement under Art. 777 § 1 point 5 of the Code of Civil Procedure, as to the obligation to pay a sum of money to the amount of 12,000,000 PLN.

The guarantee is a term to 30 June 2020.

On signing the Guarantee Agreement with the court of the Land Register has been submitted for entry into the mortgage on real estate, on the property in perpetual usufruct 19/97 Gaston Investments limited liability limited partnership to the sum of the mortgage 8 000 000 PLN, a real estate located in perpetual usufruct 16/88 Gaston Investments limited liability limited partnership to the sum of the mortgage 4 000 000 PLN, the receivable secured by mortgages is under the Guarantee Agreement Guarantors obligation to repay the amount of the deposit.

The value of the collateral does not exceed 10% of the equity of the Company according to § 2. 1 of the Minister of Finance dated 19 February 2009. On current and periodic information published

by issuers of securities and conditions for recognizing as equivalent information required by laws of a non-member state.

f) **AGREEMENT FOR SALE OF RIGHTS AND OBLIGATIONS**

15 December 2016, the company NP 7 SA with its seat in Warsaw and the company NP 11 limited liability company with registered office in Warsaw and the Issuer's subsidiaries, ie.: Gaston Investmenst a limited liability company with registered office in Warsaw and Blaise Investments limited liability company with registered office in Warsaw, entered into a Purchase Agreement the rights and obligations of the general partner and a limited partner in the company Blaise Gaston Investments limited liability limited partnership with its seat in Warsaw. The transaction value is 70 000 000 PLN.

99% of all the rights and obligations of the Company, owned the company Blaise Investments limited liability company with registered office in Warsaw, a subsidiary of CPD SA while 1% of all the rights and obligations of the Company held company Gaston Investmenst limited liability company with registered office in Warsaw, a subsidiary of CPD SA Company had property covered by the Local Master Plan, situated in the Ursus district of Warsaw, on the prepared project allows to build about 1 000 flats.

Following the transaction, CPD SA and its subsidiaries do not hold shares in Blaise Gaston Investments limited liability limited partnership.

g) **REDUCE PROPERTY VALUES AT THE END OF THE YEAR 2016**

According to the valuation made by the company Savills sp. o.o. at the end of 2016 the total fair value of real estate held by the Group, including its investment properties, investment properties held for sale and inventories amounted to 577.9 million PLN and was lower by 78.5 million PLN from the value reported at the end of 2015. The decrease the value of the property portfolio of the Group the greatest impact was the sale of a subsidiary.

- 4) The Supervisory Board discussed with the Management Board about liquidity issues and medium time strategy. In particular, we asked in about perspective of repayment of bonds terminating 2017.

On the basis of all described above actions and information the Supervisory Board can evaluate Company's situations as good and stable from financial point of view.

In the opinion of the Supervisory Board CPD S.A. will not develop new business lines in the future and Management Board strategy is concentrated on selling its assets directly or indirectly (in JV agreements) and preparing distribution of funds to shareholders.

## **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 2016, 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 2016, as well as the financial result for the financial year from 1 January 2016 to 31 December 2016.

## **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.

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.

In addition, in accordance with the principles of corporate governance adopted by the Management Board and accepted by the General Meeting of Shareholders, an Audit Committee operates in the Company; the Audit Committee is composed of all the members of the Supervisory Board.

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 2016 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 2016.

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 Farewall to Summer with Ursus".

In 2017, CPD Group will use spare funds to continue the commenced community support initiatives in belief that they will bring measurable effects both to direct beneficiaries and to communities in which they are delivered.

## 2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016

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 2016 and prepared in accordance with the International Financial Reporting Standards, comprising:
- a) statement of financial position for the period from 1 January 2016 to 31 December 2016 with total assets and total liabilities and equity of PLN 536 296 thousand (in words: five hundred thirty six million two hundred ninety six zlotys);
  - b) statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 with a net loss of PLN 2 241 thousand (in words: two million two hundred forty one thousand zlotys);
  - c) statement of changes in equity for the period from 1 January 2016 to 31 December 2016, with the decrease of equity by PLN 2 241 thousand (in words: two million two hundred forty one thousand zlotys);
  - d) cash flow statement for the period from 1 January 2016 to 31 December 2016 with increase of PLN 41 515 thousand (in words: forty one million five hundred fifteen thousand zlotys);
- II The consolidated financial statements of the CPD Group for the year ended on 31 December 2016 and prepared in accordance with the International Financial Reporting Standards, comprising:
- a) consolidated statement of financial position for the period from 1 January 2016 to 31 December 2016 with total assets and total liabilities and equity of PLN 715 975 thousand (in words: seven hundred fifteen million nine hundred seventy five thousand zlotys);
  - b) consolidated statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 with a net loss of PLN 3 856 thousand (in words: three million eight hundred fifty six thousand zlotys);
  - c) consolidated statement of changes in equity for the period from 1 January 2016 to 31 December 2016, with the decrease of equity by PLN 3 928 thousand (in words: three million nine hundred twenty eight thousand zlotys);
  - d) consolidated cash flow statement for the period from 1 January 2016 to 31 December 2016 with increase of PLN 63 926 thousand (in words: sixty three million nine hundred twenty six thousand zlotys);

The financial statements of the Company and the consolidated financial statements of the CPD Group for the financial year 2016 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 14 June, 2016.

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

2016, as well as the financial result for the financial year from 1 January 2016 to 31 December 2016.

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 2016,
- The report of the Management Board on the activities of CPD S.A. in 2016,
- The consolidated financial statements of the CPD Group for the year ended on 31 December 2016,
- The report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2016,

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 2016:
  - 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 2016, as well as its financial result for the financial year from 1 January 2016 to 31 December 2016,
  - 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 2016:
  - 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 2016, as well as its financial result for the financial year from 1 January 2016 to 31 December 2016,
  - 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 2016**

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 2016;
- The report of the Management Board on the activities of the CPD Group in 2016

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 2016 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 2016, 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 2016.

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 Ordinary General Meeting of Shareholders of the Company should adopt a resolution on covering the net loss in 2016, as requested by the Board.

## **5. MOTIONS TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF CPD S.A.**

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

- 1) Approve the financial statements of the Company for the year ended on 31 December 2016;
- 2) Approve the report of the Management Board on the activities of the Company in 2016;
- 3) Approve the consolidated financial statements of the CPD Group for the year ended on 31 December 2016;
- 4) Approve the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2016;
- 5) Approve the motion of the Management Board on covering the loss incurred in 2016;
- 6) Approve fulfilment of duties by Members of the Management Board of CPD S.A. in the financial year of 2016
  - 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 2016:
  - 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.