

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

- 1. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2019**
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WARSAW, 28 APRIL 2020

1. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2019

Pursuant to § 12.2.17(ii) of the Rules of the Supervisory Board of CPD S.A. and in accordance with Rule II.Z.10.2 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 2019.

I COMPOSITION OF THE SUPERVISORY BOARD IN 2019

As at 31 December 2019, the CPD SA Supervisory Board consisted of 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 – Secretary of the Supervisory Board,
4. Mr Mirosław Gronicki – Member of the Supervisory Board,
5. Ms Gabriela Gryger – Member of the Supervisory Board,
6. Mr Alfonso Kalinauskas – Member of the Supervisory Board.

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

AUDIT COMMITTEE

The Audit Committee consists of three members of the supervisory board:

1. Mr Alfonso Kalinauskas - Chairman of the Audit Committee (independent member),
2. Mr Mirosław Gronicki - Audit Committee member (independent member),
3. Mr Andrew Pegge - Audit Committee member.

The composition of the Audit Committee meets the requirements set out in the Act of 11 May 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.

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 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 2019 the Company's Supervisory Board held meetings on the following dates:

- 31 January, 2019
- 16 April 2019
- 24 April, 2019
- 23 September 2019
- 14 October, 2019

- 23 October, 2019
- 9 December 2019

In 2019 the Company's Supervisory Board covered the following topics:

- giving opinions on draft resolutions for the Ordinary and Extraordinary General Meetings of CPD S.A.
- assessing the standalone and consolidated financial statements of CPD S.A. for the financial year from 1 January to 31 December 2018
- assessing the Management Board's report on the activity conducted by CPD S.A. and its group in the 2018 financial year
- analysis of the 2019 and 2020 annual budget and reviewing external valuations CPD Capital Group's portfolio,
- inquiring into the system of compensation and bonuses paid to the Company's Management Board and its employees
- approving remuneration of individual members of the Management Board of CPD S.A., including for work performed in other positions than as a member of the Management Board of CPD S.A. in the CPD Group;
- amendments to the By-laws of the Management Board and the By-laws of the General Meeting of the Company;
- appointment of the President of the Management Board of the Company
- verification procedures reporting tax schemes (MDR) in the Group CPD;
- inquiring into the system of internal control, audit as well as Company's investor reporting and strategy communication,
- discussing the Company's strategy;
- discussing the purchase of CPD S.A. shares for redemption, including setting the price for the shares;
- debating the macroeconomic, commercial real estate and residential market trends in Poland and their impact on the CPD SA's Warsaw office portfolio and the Ursus project
- discussing Company's educational land donation towards the District of Ursus as well Ursus land sales efforts and timings,
- inquiring into the tax and financing compliance as well as risk factors affecting the Company's position

The Supervisory Board adopted 31 resolutions, with the bulk of the resolutions having been adopted at its meetings. It also adopted 7 resolutions by circulation.

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

In comparison to the status at the end of 2018, the composition of the Management Board of CPD S.A. has changed in following manner:

- On 23rd of September 2019, Ms. Elżbieta Wiczowska resigned from the position of the President of the Management Board. The resignation was effective as of the day of the next meeting of the Supervisory Board of CPD S.A., whose agenda would include adopting a resolution on the election of the President of the Management Board of CPD S.A. i.e. 23rd of September 2019. At the same time, Ms. Wiczowska remained on the Management Board and serves as a Member of the Company's Management Board.
- On 23rd of September 2019, the Company's Supervisory Board adopted a resolution to appoint Mr. Colin Kingsnorth, the current board member of CPD S.A., as the President of the Company's Management Board.

III SELF-EVALUATION OF THE SUPERVISORY BOARD

The Supervisory Board is of the opinion that it did its utmost to obtain all the essential information from the Management Board and the employees to be able to fulfil its obligations. At the same time, the Supervisory Board is mindful of the fact that the Company has a small number of employees

and associates with the bulk of the shareholders represented directly in the Management Board and the Supervisory Board.

On account of its limited size, the Company's system of internal control and internal audit encounters natural limitations. The main shareholders are essentially the corporate decision makers. The articles of association award extensive flexibility to the Management Board members, while conferring limited powers to the Supervisory Board. In 2018 the Supervisory Board and Management Board launched a discussion on amending the articles of association to instil a more extensive, before-the-fact system of internal control and audit and the relevant changes have been made.

In 2019 the Supervisory Board believes that it acted in line with the generally applicable provisions of law and the requirements to be met by public companies.

In 2019, the Supervisory Board held duly convened meetings. The agendas prepared by the Supervisory Board Chairman included the issues the Supervisory Board should handle having in mind legal regulations and the Company's articles of association.

In addition, the Supervisory Board Chairman remained in constant contact with the Management Board to follow matters related to the Company's ongoing operations.

In reviewing the Company's standing, the Supervisory Board tracked the Company's financial and business performance, market context etc.

IV EVALUATION OF THE COMPANY'S SITUATION

In 2019 the Company generated a positive net result. However, on account of losses carried forward, the Company was not able to distribute dividends. Nevertheless, the Company has generated significant cash proceeds from the sale of assets, which it used to distribute surplus cash to shareholders, thereby increasing the net asset value per share. This process was continued in 2019 when the subsequent cash distribution through share buybacks was carried out. The Management Board ensured that the shareholder community was able to participate in these distributions on an extensive basis, as evidenced by the broad participation and the oversubscription.

The Company's asset base is gradually dwindling as assets are converted into cash, which is then distributed to shareholders through share buybacks executed at fair value.

In the opinion of the Supervisory Board, based on the opinion expressed by the independent auditor the standalone and consolidated financial statements of the Company reflect 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 2019, as well as the financial result for the financial year from 1 January 2019 to 31 December 2019.

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 29 March 2018 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, the Audit Committee operates in the Company.

The purpose of having an effective internal control system regarding financial reporting is to ensure the adequacy and accuracy of the financial information contained in the financial statements and periodic reports.

Over the course of 2019 the Company continued to work on refining its internal control system and risk management system. In the opinion of the Supervisory Board, the internal control system is undergoing further improvement. This is partly caused by the Company's limited size and the fact that the key shareholders are the key decision makers sitting on the management board. In the opinion of the Supervisory Board, the processes and procedures are generally in line with

governance principles, but the company's corporate documents could benefit by having them reflect to a greater extent the rigorous approach taken to corporate governance. The internal auditor remain in contact with the Supervisory Board.

The Management Board is very well familiar with the risk management system and the Supervisory Board has done a review of the risk management system and explored the evolution of these risks as market dynamics have proven to be buoyant.

The process of financial reporting has been properly defined 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 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 with input from key managers and external advisors.

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

VI ASSESSMENT OF THE FULFILMENT OF DISCLOSURES BY THE COMPANY IN RESPECT TO COMPLYING WITH CORPORATE GOVERNANCE PRINCIPLES.

In 2019 CPD S.A. complied with the "Best 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 designated in its current report of 17 March 2016.

The Company discharges its disclosure obligations related to corporate governance principles as defined in the Stock Exchange Regulation and provisions related to current and periodical information disclosed by issuers of securities.

Pertaining to § 70 item 1 point 9) of the Regulation of 29 March 2018 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 THE JUSTIFICATION FOR THE COMPANY'S SPONSORING, CHARITY AND OTHER SIMILAR ACTIVITIES.

The Supervisory Board hereby gives a positive opinion on the justification for the company's sponsoring, charity and other similar activities in 2019.

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

The CPD Group is continuing leasing a building to Arsus for a 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 a stage and 120 seats, the "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 events entitled "Farewell to Summer with Ursus".

In 2020, the CPD Group will continue leasing the building of the Arsus Center for a symbolic rental fee 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 direct beneficiaries and communities where they will be implemented.

In addition, as part of social responsibility and building a sustainable urban fabric based on the local social identity, in 2019 the CPD Group donated to the Capital City of Warsaw, an area of 5 427 m², which according to the Local Spatial Development Plan is intended for public roads, as a continuation of a donation agreement from 2014.

By continuing its long-term commitment to conscious social responsibility in 2018, the Company provided the city with an area of 1.7 ha intended for educational investments free of charge. As part of the agreement with the City of Warsaw, the city's authorities have committed to build an educational complex for children and young people aged 3-19 in the above area.

In addition, the Company plans to revitalize a public park the size of 3 280 m² located in the immediate vicinity of the ongoing housing investment. It will complement the offer of recreational areas offering public areas available to residents of the newly created urban area within the Ursus district.

2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2019

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 2019 and prepared in accordance with the International Financial Reporting Standards, comprising:
 - a) statement of financial position for the period from 1 January 2019 to 31 December 2019 with total assets and total liabilities and equity of PLN 168 213 thousand (in words: one hundred sixty eight million two hundred thirteen zlotys);
 - b) statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 with a net profit of PLN 26 095 thousand (in words: twenty six million ninety five thousand zlotys);
 - c) statement of changes in equity for the period from 1 January 2019 to 31 December 2019, with the decrease of equity by PLN 16 915 thousand (in words: sixteen million nine hundred fifteen thousand zlotys);
 - d) cash flow statement for the period from 1 January 2019 to 31 December 2019 with decrease of PLN 5 718 thousand (in words: five million seven hundred eighteen thousand zlotys);

- II The consolidated financial statements of the CPD Group for the year ended on 31 December 2019 and prepared in accordance with the International Financial Reporting Standards, comprising:
 - a) consolidated statement of financial position for the period from 1 January 2019 to 31 December 2019 with total assets and total liabilities and equity of PLN 526 585 thousand (in words: five hundred twenty six million five hundred eighty five thousand zlotys);
 - b) consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 with a net profit of PLN 60 000 thousand (in words: sixty million zlotys);
 - c) consolidated statement of changes in equity for the period from 1 January 2019 to 31 December 2019, with the increase of equity by PLN 16 979 thousand (in words: sixteen million nine hundred seventy nine thousand zlotys);
 - d) consolidated cash flow statement for the period from 1 January 2019 to 31 December 2019 with increase of PLN 36 630 thousand (in words: thirty six million six hundred thirty thousand zlotys).

The financial statements of the Company and the consolidated financial statements of the CPD Group for the financial year 2019 were audited under the contract concluded between CPD S.A. and Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. z with its registered office in Poznań, at Abpa Antoniego Baraniaka 88 E, 61-131 Poznań entered on the list of entities authorised to audit the financial statements kept by the National Council of Statutory Auditors under no. 4055. The contract was concluded on the basis of the Supervisory Board resolution of 19 April 2018.

When evaluating the financial statements, the Supervisory Board based its opinion in particular on the opinion of the statutory auditor, Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k., and supplementary reports to that opinion. The Supervisory Board also sourced information from the Audit Committee and from the Management Board of the Company.

In the opinion of the Supervisory Board, the financial statements of the Company are consistent with 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 2019, as well as the financial result for the financial year from 1 January 2019 to 31 December 2019.

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

- The standalone financial statements of the Company for the financial year ended on 31 December 2019,
- The report of the Management Board on the activities of CPD S.A. in 2019,
- The consolidated financial statements of the CPD Group for the year ended on 31 December 2018,
- The report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2018,

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents is consistent with 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 2019:
 - 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 2019, as well as its financial result for the financial year from 1 January 2019 to 31 December 2019,
 - 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 2019:
 - 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 2019, as well as its financial result for the financial year from 1 January 2019 to 31 December 2019,
 - 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 2019

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 2019;
- The report of the Management Board on the activities of the CPD Group in 2019

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

The Supervisory Board found that the report of the Management Board on the activities of CPD S.A. in 2019 was complete as defined by Article 49 (2) of the Accounting Act and the Regulation of the Minister of Finance of 28th of March 2018 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 2019, as prepared by the Company and audited by the independent statutory auditor, demonstrate the net profit of PLN 20 745 (in words: twenty million seven hundred forty five thousand zlotys).

The Management Board of the Company presented a motion regarding the allocation of profit for the financial year 2019 for coverage of losses from previous years.

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 allocation of the net profit in 2019, as requested by the Board.

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

The Supervisory Board moves for the Ordinary General Meeting of CPD S.A. to do the following:

- 1) Approve the standalone financial statements of the Company for the year ended on 31 December 2019;
- 2) Approve the report of the Management Board on the activities of the Company in 2019;
- 3) Approve the consolidated financial statements of the CPD Group for the year ended on 31 December 2019;
- 4) Approve the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2019;
- 5) Approve the motion of the Management Board on allocation of the profit in 2019;
- 6) Approve the Report of the Supervisory Board on its activity in the year ended 31 December 2019.