CONSOLIDATED ANNUAL REPORT 2018

CPD S.A.

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FOR THE YEAR ENDED 31 DECEMBER 2018

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the CPD S.A Consolidated Annual Report published on 25 April 2019.

In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated financial statements have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

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SUPERVISORY BOARD AND AUDIT COMMITTEE

I. SUPERVISORY BOARD AND AUDIT COMMITTEE OF CPD S.A.

SUPERVISORY BOARD

As at the day of 31 December 2018, the Supervisory Board of CPD S.A. included the following persons:

- **MR ANDREW PEGGE – PRESIDENT OF SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Andrew Pegge was appointed to the Supervisory Board of fourth term on 14 September 2018. The term of office of Mr Andrew Pegge expires on 14 September 2021. Mr Andrew Pegge has a higher education degree. He graduated from Sussex University (United Kingdom) and has completed postgraduate studies in marketing in the Chartered Institute of Marketing (United Kingdom) as well as the MBA (Finance) in City University Business School (United Kingdom). Mr Andrew Pegge holds also qualifications of Chartered Financial Analyst (CFA) of the CFA Institute.

- **MR MICHAEL HAXBY - VICEPRESIDENT OF SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Michael Haxby was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Mr Michael Haxby expires on 14 September 2021. Mr. Michael Haxby has a degree in economics (BSc) in accounting and financial management. Mr. Michael Haxby began his cooperation with Laxey Partners in February 2001, where since December 2002 he has been the Managing Director.

- **MR WIESŁAW OLEŚ - SECRETARY OF SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Wiesław Oleś was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Mr Wiesław Oleś expires on 14 September 2021. Mr. Wiesław Oleś has a higher education degree in law, he graduated from the Faculty of Law and Administration of the Jagiellonian University in Kraków (major: Law). Mr Wiesław Oleś is licensed legal advisor.

- **MR MIROSŁAW GRONICKI – (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Mirosław Gronicki was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Mr Mirosław Gronicki expires on 14 September 2021. Mr. Mirosław Gronicki has a higher education degree in economics, he graduated from the Faculty of Economics of Maritime Transport at the University of Gdansk in Gdansk (major: the economics of maritime transport). Mr Mirosław Gronicki has also acquired the PhD in economics at the Faculty of Economics of the Production at the University of Gdansk.

- **MS GABRIELA GRYGER - (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Ms Gabriela Gryger was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Ms Gabriela Gryger expires on 14 September 2021 . Ms Gabriela Gryger has education background in finance and economics having graduated from the following universities: - Cambridge University (St. John's College), UK - Huntsman Program in International Studies and

Business (The Wharton School/CAS), the University of Pennsylvania, Philadelphia, USA. Mrs. Gryger has nearly 20 years of experience in real estate investing and consulting, both in Poland and in Europe.

- **MR ALFONSO KALINAUSKAS - (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr. Alfonso Kalinauskas was appointed to the Supervisory Board of the fourth term on 14 September 2018. The term of office of Mr Alfonso Kalinauskas expires on 14 September 2021. Mr. Alfonso Kalinauskas has B.A. from St. John's College in Annapolis, and Santa Fe, NM in the US in philosophy and mathematics. Master's degree in management with a specialization in finance from the Faculty of Management at the University of Warsaw, diploma from the Faculty of Philology at Jagiellonian University (School of Rhetoric), participation in a two-year post-graduate course on insurance in Wyższa Szkoła Ubezpieczeń i Bankowości, participation in a one-year post-graduate course on corporate law at the Faculty of Law at the University of Warsaw, completion of a 14-month course for talented managers in an international insurance group.

In comparison to the status at the end of 2017, the composition of Supervisory Board of CPD S.A. has changed in following manner:

- On 14 September 2018, the Ordinary General Meeting of the Company appointed Mr. Alfonso Kalinauskas to act as a Member of the Supervisory Board of the Company from 14 September 2018.

AUDIT COMMITTEE

As at the day of 31 December 2018, the Audit Committee of CPD S.A. included the following persons:

- **MR ALFONSO KALINAUSKAS - CHAIRMAN OF THE AUDIT COMMITTEE MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE AUDIT COMMITTEE**
- **MR MIROSŁAW GRONICKI - AUDIT COMMITTEE MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE AUDIT COMMITTEE**
- **MR ANDREW PEGGE - AUDIT COMMITTEE MEMBER**

In comparison to the status at the end of 2017, the composition of Audit Committee of CPD S.A. has changed in following manner:

- On 18 June 2018, Mr. Wiesław Oleś resigned from the position of Member of the Audit Committee of the Company from 14 September 2018.
- On 19 September 2018, the Supervisory Board of the Company appointed Mr. Alfonso Kalinauskas to act as the Chairman of the Audit Committee of the Company from 19 September 2018.

MANAGEMENT BOARD

II. MANAGEMENT BOARD OF CPD S.A.

As at the day of 31 December 2018, the Management Board of CPD S.A. included the following persons:

- **MS ELŻBIETA WICZKOWSKA – PRESIDENT OF THE MANAGEMENT BOARD**

Ms Elżbieta Wiczkowska was appointed to the Management Board of third term on 17 June 2015. On 25 September 2013, the Company's Supervisory Board entrusted Ms Elżbieta Wiczkowska with the function of the President of the Company's Management Board. The term of office of Ms Elżbieta Wiczkowska expires on 17 June 2020. Ms Elżbieta Wiczkowska has a higher education degree in medicine. She completed medical studies at Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczkowska has an MBA diploma from the University of Illinois at Urbana-Champaign (USA). She has also completed Executive Advanced Management Program at IESE Barcelona Universidad de Navarra in Spain. Ms Elżbieta Wiczkowska holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

- **MR COLIN KINGSNORTH – MEMBER OF THE MANAGEMENT BOARD**

Mr Colin Kingsnorth was appointed to the Management Board on 17 June 2015. The term of office of Mr Colin Kingsnorth expires on 17 June 2020. Mr Colin Kingsnorth has a higher education degree in economics (BSc), he graduated from the University of East London UEL (Great Britain). Mr Colin Kingsnorth is a member of the UK Society of Investment Professionals.

- **MS IWONA MAKAREWICZ – MEMBER OF THE MANAGEMENT BOARD**

Ms Iwona Makarewicz was appointed as a Member of the Management Board of third term on 17 June 2015. The term of office of Ms Iwona Makarewicz expires on 17 June 2020. Ms Iwona Makarewicz has a higher education degree being a graduate of the Warsaw School of Economics (Poland); she completed a post-graduate programme in Property Appraisal and Management w Sheffield Hallam University (Great Britain) and a post-graduate programme in property appraisal at the Warsaw University of Technology (Poland); she is a member of the Royal Institute of Chartered Surveyors and she holds the title of a licensed real estate agent.

- **MR JOHN PURCELL - MEMBER OF THE MANAGEMENT BOARD**

Mr John Purcell was appointed to the Management Board on 17 June 2015. The term of office of Mr John Purcell expires on 17 June 2020. Mr. John Purcell has 30 year's experience in real estate advice, investment and development in the UK and throughout Europe. He trained at Savills and also worked at Cushman & Wakefield, before joining CLS Holdings plc where he was Group Head of Property and was responsible for acquisitions, sales and asset management of the £1 billion portfolio. Following that he worked at Lend Lease REI and then joined UBS Global Asset Management to help create their European property platform. While there he also set up and ran UBS's Flagship Open Ended European Fund from 2003 – 2007. He arranged a Pan-European finance facility for the Fund. He was instrumental in forming the UBS Global Asset Management Real Estate capability in Europe and was a member of the UBS Global Asset Management Real Estate Investment Committee. He has transacted in excess of €1.5bn of property during his career.

In comparison to the status at the end of 2017, the composition of the Management Board of CPD S.A. has not change.

III. INFORMATION ON THE PARTICIPATION OF MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

CPD S.A., according to the *Good Practices of the Companies Listed on the Warsaw Stock Exchange* presents below the information about the participation of women and men, respectively, in the Management Board and Supervisory Board of the Company during past two years.

Supervisory Board CPD S.A.

date	women	men
31 December 2017	1	4
31 December 2018	1	5

Board CPD S.A.

date	women	men
31 December 2017	2	2
31 December 2018	2	2

IV. MANAGEMENT BOARD'S REPORT ON THE GROUP'S ACTIVITY

1. INFORMATION ON CPD GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company operated and managed projects mainly in Poland. In the same time, the Group has conducted and managed projects also in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and project managers of Celtic Group contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 26 subsidiaries and two jointly controlled, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

2. GROUP STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 26 subsidiaries and two jointly controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Challenge Eighteen sp. z o.o. and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

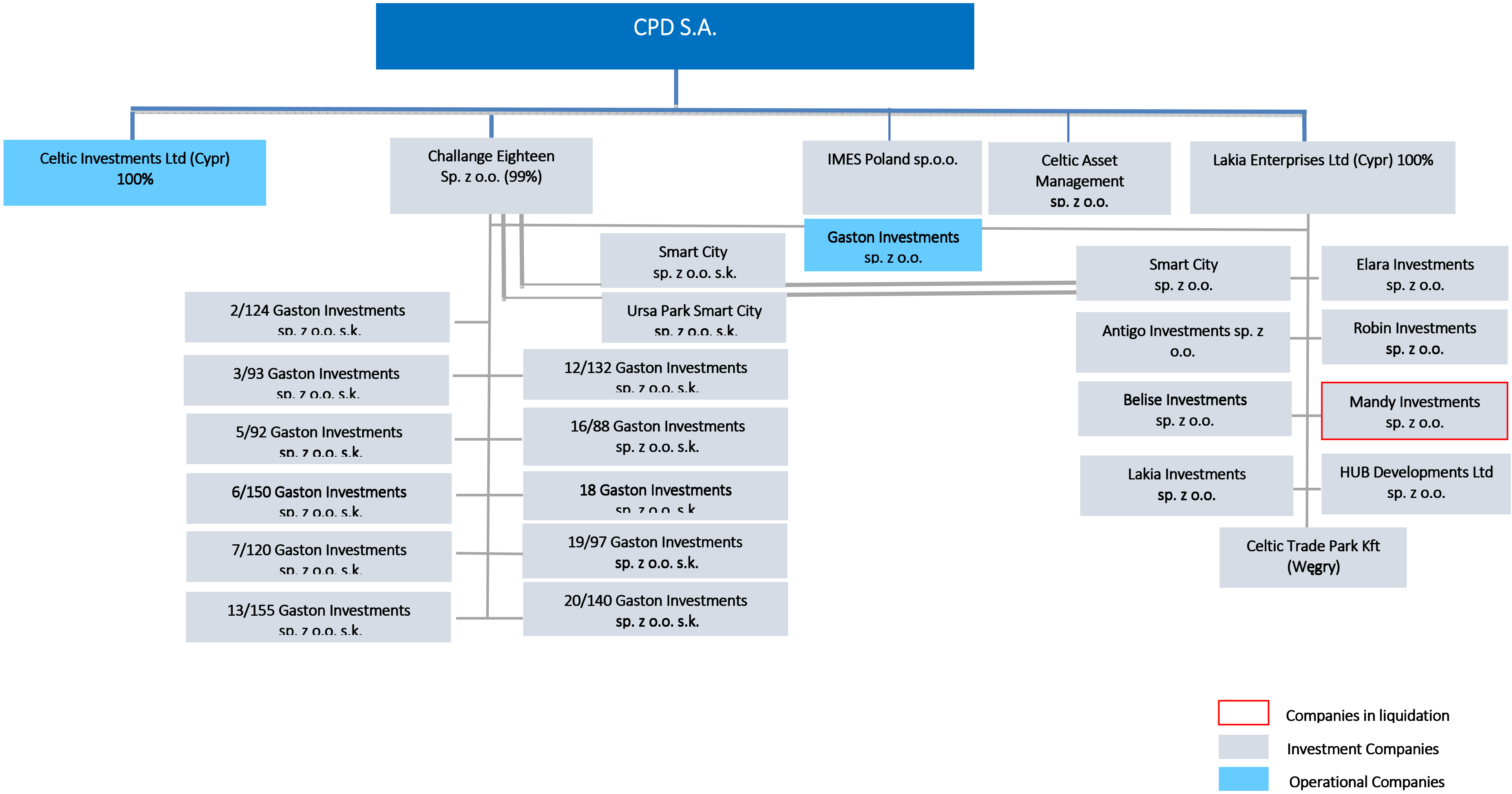
During the reporting period, the following changes occurred in the CPD Group structure:

- On 16 February 2018, a contract was signed for the sale of all rights and obligations of a limited partner and general partner in the company 8/126 Gaston Investments limited liability company sp.k. with headquarters in Warsaw,
- On 16 February 2018, a contract was signed for the sale of all rights and obligations of a limited partner and general partner in the company 9/151 Gaston Investments spółka z ograniczoną odpowiedzialnością sp.k. with headquarters in Warsaw,
- On 16 February 2018 a contract was signed for the sale of all rights and obligations of a limited partner and general partner in the company 10/165 Gaston Investments limited liability company sp.k. with headquarters in Warsaw,
- On 16 February 2018 a contract was signed for the sale of all rights and obligations of a limited partner and general partner in the company 15/167 Gaston Investments limited liability company sp.k. with headquarters in Warsaw,

- On 23 March 2018 a promised agreement for the sale of 100% shares in Bolzanus Limited, based in Nicosia, Cyprus, was concluded,
- On 22 November 2018, the CPD S.A connection was registered. with the company BUFFY HOLDINGS NO. 1 LIMITED 100% based in Nicosia, Cyprus,

All Group companies are consolidated according to the full method, except for two Group companies - Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa and Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, which is reconciled with the equity method.

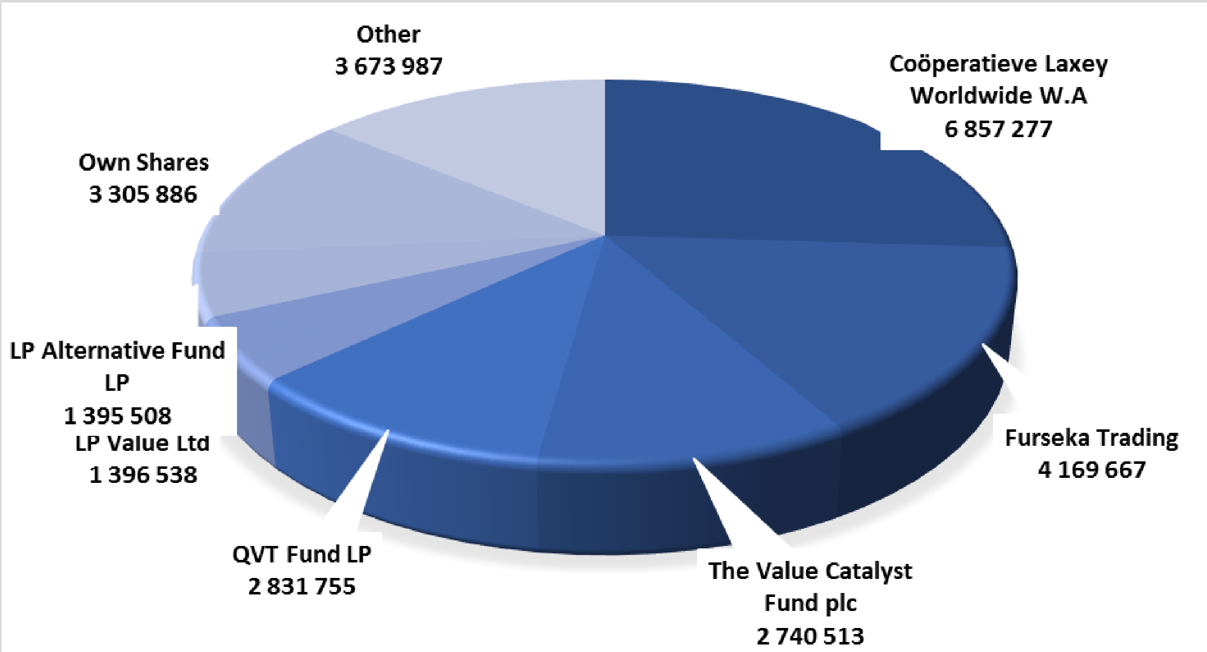
CPD Group structure on the 31 December 2018



3. SHAREHOLDERS

- **CONTROLLING SHARES**

CPD S.A. SHAREHOLDING STRUCTURE



According to the information held by the Company in the reporting period, the shareholders who hold directly or indirectly through subsidiaries at least 5% of the total number of votes at the Company's General Meeting of Shareholders (the number of shares provided on the basis of shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) are:

Shareholder	Amount of owned shares	Type of shares	Amount of owned votes	Shareholder structure by owned votes	Shareholder structure by owned shares
Coöperatieve Laxey Worldwide W.A	6 857 277	Bearer Shares	6 857 277	29.73 %	26,00 %
Furseka Trading	4 169 667	Bearer Shares	4 169 667	18.08 %	15.81 %
The Value Catalyst Fund plc	2 740 513	Bearer Shares	2 740 513	11.88 %	10.39 %
QVT Fund LP	2 831 755	Bearer Shares	2 831 755	12.28 %	10.74 %
LP Value Ltd	1 396 538	Bearer Shares	1 396 538	6.05 %	5.30 %
LP Alternative Fund LP	1 395 508	Bearer Shares	1 395 508	6.05 %	5.29 %
Other	3 673 987	Bearer Shares	3 673 987	15.93 %	13.93 %
Own Shares	3 305 886	Bearer Shares	0 %	0 %	12.54 %

* 25 January 2019 Registry Court for the Capital City of Warsaw Of Warsaw in Warsaw, 13th Commercial Division registered the decrease in the share capital of the Company in connection with the redemption of own shares, made on the basis of the resolutions of the EGM of 14 September 2018.

** 22 March 2019 the Company acquired 3,305,886 shares (representing 12.54 % of the Company's share capital) as a result of the sale of the Company's shares.

The above shareholding structure was presented in relation to the total number of shares, amounting to 26 371 131 shares and covering series AA shares which constitute 100% of votes at the general meeting of the Company.

- **SHAREHOLDERS WITH SPECIAL RIGHTS**

All shares issued by the Company are ordinary bearer shares. The Company's Articles does not grant any specific rights to the Company shares, including the preferential vote or the appointment of the members to the Company Management Board or Supervisory Board. The Company's shareholders do not own shares offering special controlling rights.

- **RESTRICTIONS ON VOTING RIGHTS**

According to par. 4 par. 5 of the Company Statute, the pledgee or user of the shares is not entitled to vote on shares pledged on his behalf or given to him for use. In addition, 3 305 866 shares are own shares of the Company, in accordance with the applicable regulations, the Company is not entitled to exercise the voting right.

- **RESTRICTIONS REGARDING SHARES TRANSFER**

All hitherto issued AA (previously named B, C, D, E, F and G series) shares of CPD S.A. are the object of free trade and shall not be subject to any restrictions, except those arising under the Company Articles, Code of Commercial Companies, Act on Trading in Financial Instruments, Act on Public Offering, as well as other relevant provisions of the law.

In accordance with Article 4 (6) of the Company Articles, bearer shares shall not be subject to conversion to registered shares. Conversion of registered shares into bearer shares shall be carried out at the request of the Shareholder by means of a resolution of the Management Board, which should be adopted within seven days from the date of submission of a written request to the Management Board to convert the shares. The request should indicate the number of shares covered by the request for conversion, together with an indication of their numbers. In the case of conversion of registered shares into bearer shares, the Management Board places on the agenda of the forthcoming General Meeting a point regarding the amendment of the Articles in respect of the number of registered shares.

4. CORPORATE GOVERNANCE

- **RULES OF CORPORATE GOVERNANCE**

CPD S.A. is regulated by such corporate regulations as the Company Articles, General Meeting by-laws, Supervisory Board by-laws, Audit Commettee by-laws and Management Board by-laws. All these documents are available on the Company website: www.cpdsa.pl.

In 2015 the Company applied principles of corporate governance included in the document *Good Practices of the Companies Listed on the Warsaw Stock Exchange*, available on *https://www.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf*.

- **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

The Management Board of the Company is responsible for the Company system of internal control, its effectiveness in the process of the preparation of financial statements and periodic reports prepared and published in accordance with the principles of the Regulation of 29 March 2018 on the current and periodic information reported by issuers of securities.

The assumption of the effective internal control system for the Company's financial reporting is to ensure the adequacy and accuracy of the financial information contained in financial statements and periodic reports. The effective system of internal control and risk management in the process of financial reporting was built through an adequately determined scope of financial reporting as well as through the definition of the entire process, including division of responsibilities and work organisation. The Management Board of the Company also regularly reviews financial results of the Company using the applicable financial reporting.

The Company applies the principle of independent review of the published financial reporting resulting from the laws. Published half-year and annual financial statements, financial reports as well as financial data on which this reporting is based, are reviewed (in the case of the half-yearly reports) and audited (in the case of annual reports) by the Company's auditor.

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.

To further mitigate the Company's exposure to market risks, a correct assessment of the planned development projects as well as the control of current ones are carried out on the regular basis, based on the investment models and decision-making procedures in force in the Company. In order to reduce the risk associated with development projects and rental agreements, the Company obtains guarantees or insurance policies from sub-contractors and tenants that cover the most common risks associated with the development or to secure rental income.

Risk management procedure is subject to periodical updates by the Company's Management Board with the participation of Company's key executives and other external advisors.

- **SHAREHOLDERS OWNING QUALIFYING SHARES AMOUNT**

According to the information held by the Company in the reporting period, the shareholders who hold directly or indirectly through subsidiaries at least 5% of the total number of votes at the Company's General Meeting of Shareholders (the number of shares provided on the basis of shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) are:

Shareholder	Amount of owned shares	Type of shares	Amount of owned votes	Shareholder structure by owned votes	Shareholder structure by owned shares
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* 25 January 2019 Registry Court for the Capital City of Warsaw Of Warsaw in Warsaw, 13th Commercial Division registered the decrease in the share capital of the Company in connection

with the redemption of own shares, made on the basis of the resolutions of the EGM of 14 September 2018.

** 22 March 2019 the Company acquired 3,305,886 shares (representing 12.54% of the Company's share capital) as a result of the sale of the Company's shares.

- **HOLDERS OF SECURITIES GIVING SPECIAL CONTROL RIGHTS**

The Company has not issued any securities that give special control rights to the shareholders.

- **RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS**

The Company has not issued any securities, limiting with regard to the exercise of voting rights, such as limiting the voting rights of holders given percentage or number of votes, deadlines for exercising voting rights or provisions according to which, the company's cooperation, the financial rights attaching to the securities they are separated from the ownership of securities.

- **RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF SECURITIES OF THE ISSUER**

Not applicable.

- **MANAGEMENT BOARD, SUPERVISORY BOARD, AUDIT COMMITTEE**

The Audit Committee was established within the Supervisory Board. The Audit Committee consists of three members of the supervisory board:

- Mr. Alfonso Kalinauskas - Chairman of the Audit Committee
- Mr. Mirosław Gronicki - Audit Committee member
- 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.

- **MANAGEMENT BOARD – APPOINTMENT, DISMISSAL, POWERS**

Members of the Management Board are appointed and dismissed by the Supervisory Board. The current term of office of the Management Board runs from 17 June 2015 (i.e. from the date of the General Meeting for 2014 and the appointment of the Management Board of the third term) and ends on 17 June 2020. The term of office of the current Management Board is common and lasts 5 years (§ 13(1) of the Company’s Articles). Dismissal or suspension of a member of the Management Board may take place only for significant reasons. Article 368(4) of the Code of Commercial Companies also provides to for the General Meeting’s right to dismiss or suspend a member of the Management Board.

The competence to conduct Company’s affair is determined by the Management Board’s by-laws, approved by the Supervisory Board’s resolution. The Management Board is the managing and executive body of the Company and as such it runs the Company’s affairs and oversees its activities, manages the business and represents the Company outside. The rights and obligations of the Management Board in particular include:

- fixing the date and the agenda and convening General Meetings;
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, in matters covered by the agenda of these Meetings
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and the motion on the distribution of profit or losses, which documents are subject to consideration at the Ordinary General Meeting;
- adoption of the Company's Organizational Regulations and other internal acts governing the operation of the Company's business;
- creating and adopting Company's annual, long-term and strategic plans;
- establishing procuration and granting powers of attorney;
- applying with the Supervisory Board for convening its meetings,
- applying with the Supervisory Board for the approval of the Management Board by-laws, Company's Organizational Regulations, annual budgets and Company's development plans.

The members of the Management Board are obliged to participate in the General Meeting in the composition which enables to provide substantive answers to the questions asked in the course of the General Meeting.

- **AMENDMENTS TO THE COMPANY ARTICLES**

The Code of Commercial Companies regulates in detail the amendments to the articles of association of a joint-stock company in Chapter 4, 5 and 6 of *Provisions on the joint-stock company* (Article 430 of CCC et seq.). Amendment to the Articles of Association requires decisions taken by the General Meeting.

- **GENERAL MEETING**

The General Meeting is the highest governing body of the Company. The General Meeting acts in accordance with the principles set out in the Code of Commercial Companies, Company's Articles and General Meeting's by-laws. The Articles and rules of procedure of the General Meetings are presented on the Company's website: www.cpdsa.pl. General meetings can be ordinary or extraordinary. The General Meeting is convened by competent governing bodies or persons whose entitlement derives from the provisions of the law or the Articles. The General Meeting is held at the place and time to facilitate the participation to the widest circle of shareholders. Shareholders having registered shares and temporary rights as well as pledgees and users, having the right to vote if they were registered in the share register at least one week before the date of the General Meeting are entitled to participate in the General Meeting. The principal powers of the General Meeting include decisions on issuance of shares with pre-emptive rights, on determination of the date of rights to dividends and the day of payment of dividends, the appointment and dismissal of the members of the Supervisory Board, establishment of their remuneration as well as on other matters indicated in CCC.

• Composition and changes took place during last financial year and description of managing, supervisory or administrative authority of issuer and its committees

Supervisory board

The Supervisory Board acts in accordance with the provisions of the Code of Commercial Companies, the provisions of the Company's Articles and Supervisory Board by-laws, available to the public and determining its organization and manner of performance of the activities as well as on the basis of the Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange. The Supervisory Board is a collegiate body and consists of 5 (five) to 7 (seven) members. The number of members of the Supervisory Board, in accordance with the provisions of the preceding sentence, shall be determined by the General Meeting of Shareholders.

The composition of Supervisory Board of CPD S.A. is:

- Mr. Andrew Pegge – President of Supervisory Board, has knowledge and skills in accounting or auditing of financial statements (title of CFA - Licensed Financial Analyst, obtained in the Association for Investment Management Research in the United States and completed MBA studies in Finance at City University Business School in Great Britain); has knowledge and skills in the Company's industry;
- Mr. Michael Haxby – Vice-president of Supervisory Board, has knowledge and skills in accounting or auditing (higher education in accounting and financial management); has knowledge and skills in the Company's industry;
- Mr. Wiesław Oleś – Secretary of Supervisory Board, has knowledge and skills in the Company's industry;
- Mr. Mirosław Gronicki – Member of Supervisory Board, (independent member), has knowledge and skills in accounting or auditing of financial statements (doctor of economics obtained at the Faculty of Production Economics of the University of Gdańsk in Poland); has knowledge and skills in the Company's industry;
- Ms Gabriela Gryger - Member of Supervisory Board, (independent member), has knowledge and skills in accounting or auditing of financial statements (higher education in economics and finance gained at the University of Cambridge in the United Kingdom and the University of Pennsylvania in the USA); has knowledge and skills in the Company's industry;
- Mr. Alfonso Kalinauskas - Supervisory board member, (independent member), has knowledge and skills in accounting or auditing of financial statements (master's degree in management with specialization in finance obtained at the Faculty of Management at the University of Warsaw in Poland);

In comparison to the status at the end of 2017, the composition of Supervisory Board of CPD S.A. has changed in following manner:

- On 14 September 2018, the Ordinary General Meeting of the Company appointed Mr. Alfonso Kalinauskas to act as a Member of the Supervisory Board of the Company from 14 September 2018.

Under § 11.2.8) pf the Statute of CPD S.A. the auditor to audit the Company's financial statement is to be selected by the Supervisory Board of the Company. The audit company is selected by the Supervisory Board of the Company. In certain cases defined by the law, the audit company is selected in tendering procedure organised by the Company. The audit company is selected in advance so that the contract on audit of the financial statement can be signed on a date enabling the audit company to attend inventory-taking of significant assets. The Supervisory Board sets the criteria for selection of the entity entitled to audit the Company's financial statement, especially with consideration of:

a) impartiality and independence of the audit company and the auditor;
b) analysis of works to be performed in the Company by the audit company and the auditor beyond the scope of audit of its financial statement, in order to avoid any conflict of interests (maintaining impartiality and independence);
c) services provided by the audit company and the auditor during the last five years before its selection;
d) highest quality of performed audit works;
e) professional qualifications and experience of persons directly engaged in the audit, including their knowledge of the industry of operation of the companies from the Capital Group of CPD S.A.;
f) the audit company's activity in majority of countries of operation of the companies from the Capital Group of CPD S.A.

Independence of the auditor and the audit company are controlled and monitored at each stage of the procedure of selection of the audit company for audit and review of the above-mentioned financial statements.

The audit company is selected with consideration of the audit company's experience in statutory audit of financial statements of entities of public interest, including companies listed on Warsaw Stock Exchange.

The Supervisory Board makes its selection following the principle of rotation of audit companies and key auditors, so that the maximum time of continuous statutory audit by the same audit company, its affiliate or member of its network operating in the European Union, to which the audit company belongs, does not exceed five years and the key auditor did not perform statutory audit in the Company for more than five years (in which case the key auditor may again perform statutory audit in the Company at least three years after completion of the last statutory audit).

It is prohibited to introduce any contractual clauses that would require the Supervisory Board to select the entity to audit from among a certain category of list of entities entitled to audit. Such clauses are null and void by virtue of law.

The first contract for audit of the financial statement is concluded with the audit company for at least two years with a possibility to extend it for subsequent periods of at least two years, with consideration of the legal principle of rotation of the audit company and the auditor.

Costs of audit of the financial statement are borne by the Company.

The auditor or the audit company to perform the statutory audit in the Company, the audit company's affiliate or any member of the network, to which the auditor or the audit company belongs, does not provide directly or indirectly to the Company or its affiliates any prohibited services that are not auditing of financial statements and financial auditing.

The prohibited services re not the services mentioned in art. 136.2 of the Act of 11 May 2017 on Auditors, Audit Companies and Public Supervision.

The services mentioned in clause 2 may be provided only within the scope not connected with the Company’s tax policy, provided that the Supervisory Board assesses any threats and security interests and gives its consent.

The Supervisory Board can issue its guidelines for the services, if necessary.

MANAGEMENT BOARD

The Management Board functions on the basis of the provisions of the Commercial Code, provisions of the Company’s Articles and Management Board’s by-laws, available to the public and approved by the Supervisory Board’s resolution, in accordance with the Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange.

The composition of Management Board of CPD S.A. is:

- Ms Elżbieta Wiczkowska – 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

The composition of the Management Board of CPD S.A. has not change.

AUDIT COMMITTEE

The Supervisory Board of the Company, acting pursuant to art. 128 and 129 of the Act of May 11, 2017 on statutory auditors, auditing companies and public supervision (Journal of Laws of 2017, item 1089), appointed the Audit Committee composed of:

- Mr. Alfonso Kalinauskas - Chairman of the Audit Committee (independent member), has knowledge and skills in accounting or auditing of financial statements (master's degree in management with specialization in finance obtained at the Faculty of Management at the University of Warsaw in Poland);
- Mr. Mirosław Gronicki - Audit Committee member (independent member), has knowledge and skills in accounting or auditing of financial statements (doctor of economics obtained at the Faculty of Production Economics of the University of Gdańsk in Poland); has knowledge and skills in the Company's industry;
- Mr. Andrew Pegge - Audit Committee member, has knowledge and skills in accounting or auditing of financial statements (title of CFA - Licensed Financial Analyst, obtained in the Association for Investment Management Research in the United States and completed MBA studies in Finance at City University Business School in Great Britain); has knowledge and skills in the Company's industry;

In comparison to the status at the end of 2017, the composition of Audit Committee of CPD S.A. has changed in following manner:

- On 18 June 2018 Mr. Wiesław Oleś resigned from the position of Member of the Audit Committee of the Company from 14 September 2018.
- On 19 September 2018 the Supervisory Board of the Company appointed Mr. Alfonso Kalinauskas to act as the Chairman of the Audit Committee of the Company from 19 September 2018.

The Audit Committee in the indicated composition meets the independence criteria and other requirements specified in art. 129 par. 1.3.5 and 6 of the Act on statutory auditors, auditing companies and public supervision, i.e .:

- The audit committee consists of at least 3 members. At least one member of the audit committee has the knowledge and skills in accounting or auditing of financial statements;
- Most of the members of the audit committee, including its chairman, are independent of the given public interest entity;
- The members of the audit committee have the knowledge and skills in the industry in which the public interest unit operates. This condition is considered fulfilled if at least one member of the audit committee has the knowledge and skills in the field of this industry or individual members in the specified scope have the knowledge and skills in this industry;
- The chairman of the audit committee is appointed by the members of the audit committee or the supervisory board, or another supervisory or control body of the public interest unit.

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.

In 2018 Audit Committee met four times.

- **DEROGATIONS FROM CORPORATE GOVERNANCE RULES**

The Company does not apply the following rules mentioned in the *Good Practices of the Companies Listed on the Warsaw Stock Exchange*:

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

- **PRINCIPLE I.Z.1.3. A CHART SHOWING THE DIVISION OF DUTIES AND RESPONSIBILITIES AMONG MEMBERS OF THE MANAGEMENT BOARD DRAWN UP ACCORDING TO PRINCIPLE II.Z.1;**

  The Company does not apply the principle.

  On the Company's website the scheme for the division of tasks and responsibilities between the Board members is not attached. Due to the lack of developed organizational structure in the Company the scheme of division of tasks and responsibilities between members of the Board is not developed either.

- **PRINCIPLE I.Z.1.15. INFORMATION ABOUT THE COMPANY'S DIVERSITY POLICY APPLICABLE TO THE COMPANY'S GOVERNING BODIES AND KEY MANAGERS; THE DESCRIPTION SHOULD COVER THE FOLLOWING ELEMENTS OF THE DIVERSITY POLICY: GENDER, EDUCATION, AGE, PROFESSIONAL EXPERIENCE, AND SPECIFY THE GOALS OF THE DIVERSITY POLICY AND ITS IMPLEMENTATION IN THE REPORTING PERIOD; WHERE THE COMPANY HAS NOT DRAFTED AND IMPLEMENTED A DIVERSITY POLICY, IT SHOULD PUBLISH THE EXPLANATION OF ITS DECISION ON ITS WEBSITE;**

  The Company does not apply the principle.

The Company does not have a diversity policy in relation to the authorities of the Company and its key managers. In deciding whether the employment of board members or managers, the Company is guided by the criteria: professional experience, competence, education.

- **PRINCIPLE I.Z.1.16. INFORMATION ABOUT THE PLANNED TRANSMISSION OF A GENERAL MEETING, NOT LATER THAN 7 DAYS BEFORE THE DATE OF THE GENERAL MEETING;**

The Company does not apply the principle.

The costs of implementation of internet transmission, recording sessions, and publishing these transmissions, the need of broad for legal analysis relating to, among others, publication of shareholders images and their expression and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently there is also the relevant regulations in the Articles of Association and Regulations of the General Meeting.

- **PRINCIPLE I.Z.1.20. AN AUDIO OR VIDEO RECORDING OF A GENERAL MEETING;**

The Company does not apply the principle.

The company did not register the proceedings of the General Meetings in the form of audio or video so far. The Company believes that a form of documentation of the General Meetings allows the preservation of transparency and protection of shareholder rights. Information on resolutions adopted by the General Meetings, the Company shall publish in the form of current reports and on its website www.cpdsa.pl.

MANAGEMENT BOARD, SUPERVISORY BOARD

- **PRINCIPLE II.Z.1. THE INTERNAL DIVISION OF RESPONSIBILITIES FOR INDIVIDUAL AREAS OF THE COMPANY'S ACTIVITY AMONG MANAGEMENT BOARD MEMBERS SHOULD BE CLEAR AND TRANSPARENT, AND A CHART DESCRIBING THAT DIVISION SHOULD BE AVAILABLE ON THE COMPANY'S WEBSITE.**

The Company does not apply the principle.

In accordance with the provisions of the Commercial Companies Code (KSH), the members of the Board are obliged to jointly manage the Company's affairs. Due to the absence of the Company's organizational structure and extensive activity in one specific area of the property precisely there were no formalized division of responsibilities between the Board members.

- **PRINCIPLE II.Z.2. A COMPANY'S MANAGEMENT BOARD MEMBERS MAY SIT ON THE MANAGEMENT BOARD OR SUPERVISORY BOARD OF COMPANIES OTHER THAN MEMBERS OF ITS GROUP SUBJECT TO THE APPROVAL OF THE SUPERVISORY BOARD.**

The Company does not apply the principle.

Corporate Documentation of Company does not provide records relating to the commented rules and agreements with the members of the Board do not impose restrictions of this type. The Company on the other hand applies the applicable law (art. 380 of the Code of Commercial Companies), according to which the board member may not, without the consent of the Company's competitive business or participate in a competitive company; (I) in accordance with the provisions of the Rules of the Supervisory Board member shall not carry out activities competitive to the Company without the consent of the Supervisory Board, (ii) in accordance with the regulations of the Management Board, member of the Board may not engage in competitive business or participate in a competitive company as a partner or a member of its authorities, without the consent of the Supervisory Board.

General Meeting, Shareholder Relations

- **principle IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.**

  The Company does not apply the principle.

  Costs of implementation of internet transmission, recording sessions, and publishing these transmissions, the need of broad for legal analysis relating to, among others, publication of shareholders images and their expression and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently there is also the relevant regulations in the Articles of Association and Regulations of the General Meeting.

Conflict of Interest, Related Party Transactions

- **principle V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.**

  The Company does not apply the principle.

  Company's Corporate Documentation (§ 13 paragraph. 2 point 14) contains provisions concerning the need of Supervisory Board a consent for conclusion of agreement by the Company with related parties of the Company within the Regulation of the Minister of Finance 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 (Journal of laws of 2014, item. 133); consent is not required for typical transactions concluded on market terms within the operating business by the Company with a subsidiary in which the Company holds a majority stake. However, the above definition does not, qualify for the category of "related parties" shareholder holding 5% to 20% percent of the total number of votes in the Company.

- **principle V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict**

OF INTEREST HAS ARISEN OR MAY ARISE. THE COMPANY'S INTERNAL REGULATIONS SHOULD AMONG OTHERS PROVIDE FOR WAYS TO PREVENT, IDENTIFY AND RESOLVE CONFLICTS OF INTEREST, AS WELL AS RULES OF EXCLUDING MEMBERS OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD FROM PARTICIPATION IN REVIEWING MATTERS SUBJECT TO A CONFLICT OF INTEREST WHICH HAS ARISEN OR MAY ARISE.

The Company does not apply the principle.

The Company has not adopted internal regulations relating to the determination of situations that can result in the company to a conflict of interest, and did not define the rules of conduct in the face of conflict of interest or the possibility of its occurrence. The Company will consider the possibility of implementing appropriate regulations taking into account, inter alia, how to prevent, identify and resolve conflicts of interest, as well as rules-off member of the Management Board or the Supervisory Board from participating in the consideration of matters covered by or at risk of conflict of interest.

REMUNERATION

- **PRINCIPLE VI.Z.1. INCENTIVE SCHEMES SHOULD BE CONSTRUCTED IN A WAY NECESSARY AMONG OTHERS TO TIE THE LEVEL OF REMUNERATION OF MEMBERS OF THE COMPANY'S MANAGEMENT BOARD AND KEY MANAGERS TO THE ACTUAL LONG-TERM FINANCIAL STANDING OF THE COMPANY AND LONGTERM SHAREHOLDER VALUE CREATION AS WELL AS THE COMPANY'S STABILITY.**

  The Company does not apply the principle.

  The Company has no current incentive programs based on options or financial instruments (or to members of the Board or for key managers). Existing internal bonus programs for employees of the capital of the Company (including the members of the Board) are associated with the net proceeds from the sale of the investments in question do not apply while the long-term financial situation of the Company and long-term growth in shareholder value and stability of the Company.

- **PRINCIPLE VI.Z.2. TO TIE THE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS TO THE COMPANY'S LONG-TERM BUSINESS AND FINANCIAL GOALS, THE PERIOD BETWEEN THE ALLOCATION OF OPTIONS OR OTHER INSTRUMENTS LINKED TO THE COMPANY'S SHARES UNDER THE INCENTIVE SCHEME AND THEIR EXERCISABILITY SHOULD BE NO LESS THAN TWO YEARS.**

  The Company does not apply the principle.

  Due to the conditions of application of the rule (indicated in explaining the principle of VI.Z.1) it is not possible to comply with the rules VI.Z.2.

- **PRINCIPLE VI.Z.4. IN THIS ACTIVITY REPORT, THE COMPANY SHOULD REPORT ON THE REMUNERATION POLICY INCLUDING AT LEAST THE FOLLOWING:**

  1) **GENERAL INFORMATION ABOUT THE COMPANY'S REMUNERATION SYSTEM;**

  2) **INFORMATION ABOUT THE CONDITIONS AND AMOUNTS OF REMUNERATION OF EACH MANAGEMENT BOARD MEMBER BROKEN DOWN BY FIXED AND VARIABLE REMUNERATION COMPONENTS, INCLUDING THE KEY PARAMETERS OF SETTING**

THE VARIABLE REMUNERATION COMPONENTS AND THE TERMS OF PAYMENT OF SEVERANCE ALLOWANCES AND OTHER AMOUNTS DUE ON TERMINATION OF EMPLOYMENT, CONTRACT OR OTHER SIMILAR LEGAL RELATIONSHIP, SEPARATELY FOR THE COMPANY AND EACH MEMBER OF ITS GROUP;

3) INFORMATION ABOUT NON-FINANCIAL REMUNERATION COMPONENTS DUE TO EACH MANAGEMENT BOARD MEMBER AND KEY MANAGER;

4) SIGNIFICANT AMENDMENTS OF THE REMUNERATION POLICY IN THE LAST FINANCIAL YEAR OR INFORMATION ABOUT THEIR ABSENCE;

5) ASSESSMENT OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN TERMS OF ACHIEVEMENT OF ITS GOALS, IN PARTICULAR LONG-TERM SHAREHOLDER VALUE CREATION AND THE COMPANY'S STABILITY.

The Company does not apply the principle.

This principle can not be applied due to the fact that the Company does not have the policy of remuneration (salary system). Legal forms of contracts and remuneration for the members of the Board shall be determined within individual students negotiations between members of the Management Board and the Supervisory Board. Due to the large group of the capital of the Company is not possible to develop such extensive data in such a short time, however, the Management Board will consider the possibility to adapt in the future reports of the Company's operations in a manner consistent with this principle. The Company publishes a report on the activities of the remuneration of the members of the Management Board and the Supervisory Board.

5. CORPORATE SOCIAL RESPONSIBILITY

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 contuing 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. 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 2021.

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

In the past years, the Group implemented a strategy aimed at building the value of the Group's assets successively and consistently through maximisation of proceeds from rents and comprehensive implementation of the Ursus project. As part of implementing strategic assumptions, the Group's actions was primarily focus on launching the Ursus project.

In order to hasten the growth in the value of the Group's assets, the Group divided the project in Ursus into smaller projects and started to implement them in cooperation with experienced housing developer. In addition, to accelerate the appreciation of the assets of the Group, Management Board decided that the most effective strategy is to accelerate the development of investment areas owned by the Group. In the previous year, Group sold a carefully selected major areas of investment. It was an important element influencing the acceleration of the development of investment areas.

Simultaneous implementation of several smaller developer undertaking the Ursus project is shortening of the entire project completion time, which at the same time translate into faster growth in the value of other Group's assets in that region, and permit the achievement of the synergy effect and optimisation of promotion, sales and marketing costs related to those undertakings.

In addition, the Group sees a very important element in shaping product quality through comprehensive and synergistic building of public space integrated into residential and service areas, it will strive to revitalize public areas along with the development of investment areas.

7. CPD GROUP ACTIVITIES AND IMPORTANT EVENTS IN THE REPORTING PERIOD

○ INFORMATION ABOUT THE MARKETS, RECIPIENTS AND SUPPLIERS OF THE GROUP

The main market for the CPD Capital Group is Poland, in particular the Warsaw agglomeration, where nearly 99% of the investments held by the Group are located in terms of their value.

The geographical structure of the Group's revenues in 2018 reflected the strategy of concentration on the Polish market adopted by the Group. In 2018, 100% of the Group's revenues came from the domestic market. The recipients of the Company and its Capital Group are divided into two basic groups closely related to the type of projects carried out by the Group: specialized real estate funds and individual recipients. Projects for commercial use are ultimately sold to specialized institutional investors operating on the real estate market. Smaller projects are sold to individual investors. Before the sale begins, the Company commercializes the building. In relation to the above, tenants of commercial areas also constitute an indirect group of recipients.

Due to the allocation of a part of the real estate for residential development, the Group's customers are also natural persons looking for a new flat. The characteristics of the target audience depends on the type of individual projects. CPD Group implemented projects for individual clients with a higher purchasing potential (Wilanów Classic housing estate, apartments in a tenement at Koszykowa Street 69). After launching a residential project in Ursus, the Company's customer base expanded to include people looking for flats from the popular flats segment at affordable prices as well as developers looking for interesting investment areas. The share of this group of customers in the Company's portfolio hadsystematically grow in a past years. In 2018 customers interested in "popular apartments on decent price sector" as well as developers looking for investment areas with above potential, are the main group of customers for the Company.

Due to the type of business, the main suppliers for the Company and its Capital Group are general contractors, construction companies, engineering companies, design offices and architects, property management companies, real estate agencies, law offices and other external entities employed as part of ongoing investments. in the process of preparing and implementing the development process.

EVENTS AFFECTING THE ACTIVITY AND FINANCIAL RESULT

CONCLUSION OF A SALES AGREEMENT OF THE GENERAL RIGHTS AND OBLIGATIONS IN SUBSIDIARIES

16th of February 2018, ROBYG PRAGA INVESTMENT I limited liability company and ROBYG Construction Poland limited liability company with its registered office in Warsaw and the Issuer's subsidiaries, ie: Gaston Investmenst limited liability company and Challange Eighteen limited liability company with its registered office in Warsaw concluded a General Shareholders' Rights and Obligations Sale Agreement in Subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw, 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. The transaction value was PLN 82,000,000.

Other provisions of Agreement concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

99% of all rights and obligations in the Companies, had the company Gaston Investments spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, which is a subsidiary of CPD S.A. on the other hand, 1% of total rights and obligations in the Companies were held by the Challange Eighteen limited liability company with its registered office in Warsaw, which is a subsidiary of CPD S.A.

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

CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER 18 GASTON INVESTMENTS SP. Z O.O. SP. K.

22nd of February 2018 the subsidiary of Issuer 18 Gaston Investments sp. z o.o. sp. k., with its registered office in concluded a conditional agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 148/2, no. 2-09-09 with an area of 837 m2, located in Warsaw, Ursus District, near Traktorzystów Street for Ronson Development – City 3 sp. z o.o. sp. k..

According to the provisions of the Local Master Plan, the real estate was intended for the majority of services and multi-family housing.

A precondition for the conclusion of final sale agreement was the failure of the President of the Capital City of Warsaw to, the right of first refusal to this property and land plot no. 98/1.

The selling price of perpetual usufruct right has been set for PLN 3 million net + VAT.

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

29th of March 2018 a subsidiary of the Issuer 18 Gaston Investments sp. O.o. sp. k., with its registered office in Warsaw, has entered into a promised agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 148/2, area no. 2-09-09 with an area of 837 m2, located in Warsaw, Ursus District, near Traktorzystów Street for Ronson Development - City 3 sp. z o.o. sp. k ..

- **CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER IMES POLAND SP. Z O.O.**

22nd of February 2018 the subsidiary company of the Issuer IMES Poland sp. z o.o., with its registered office in Warsaw concluded a conditional agreement for sale of the right of perpetual usufruct of the real property consisting of plot No. 98/1, 2-09-09 with an area of 4,244 m2, located in Warsaw, Ursus District, near Gierdziejewski Street to Ronson Development – City 3 sp. z o.o. sp. k..

According to the provisions of the Local Master Plan, the real estate in majority was intended for services and multi-family housing.

The condition for the conclusion of final sale agreement was the failure of the President of Capital City of Warsaw to the right of first refusal to this property and land plot no. 148/2.

The sale price of right of perpetual usufruct of the property has been determined for amount of PLN 4 million net + VAT tax.

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

On 29 March 2018, a subsidiary of the Issuer IMES Poland sp. z o.o., with its registered office in Warsaw, entered into a promised agreement for the sale of the perpetual usufruct right to the real property comprising plot no. 98/1, area no. 2-09-09 with an area of 4,244 m2, located in Warsaw, Ursus District, near Gierdziejewski Street for Ronson Development - City 3 sp. z o.o. sp. k ..

- **CONCLUSION OF A CONDITIONAL SHARE SALE AGREEMENT AT THE COMPANY BOLZANUS LIMITED**

22nd of February 2018 the subsidiary company of the Issuer Buffy Holdings no. 1 Ltd, with its registered office in Limassol in Cyprus has concluded a conditional agreement for the sale of 100% shares in Bolzanus Limited based in Nicosia, Cyprus to Ronson Development sp. z o.o..

The 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 Gierdziejewski Street in Warsaw (Warsaw – Ursus district). According to the provisions of the Local Master Development Plan, the real estate in majority is intended for services, education and multi-family housing.

The share sale price has been set for PLN 10 million.

The condition for concluding final sale agreement was the failure of the President of the Capital City of Warsaw to the right of first refusal to land plot no. 98/1 and 148/2, which are part of the transaction covered by this report.

Other provisions of the contract concluded by the Seller do not differ from the standards commonly applicable to this type of contracts.

29th of March 2018 a subsidiary of the Issuer Buffy Holdings no. 1 Ltd, with its registered office in Limassol, Cyprus, has entered into a promised agreement for the sale of 100% shares in the company Bolzanus Limited based in Nicosia, Cyprus to Ronson Development sp. z o.o..

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

- **ESTABLISHMENT OF WARRANTIES**

26th of February 2018 the Company and its subsidiaries companies granted warranties as a result of the Agreement on a revolving credit for financing construction, between Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa which is the Company's subsidiary and Bank Millennium S.A., and under the Agreement Ursa Park Smart City spółka z ograniczoną odpowiedzialnością sp.k. was granted the revolving credit in the amount of PLN 25.000.000 to finance the maximum level of investment costs in the amount of 42,954,660.00, designated to finance the Construction of a multi-family housing project Ursa Park Smart City Stage II at the junction of Dyrekcyjna and 48 KD-D streets in Warsaw, in the district of Ursus. The investment project is the result of the cooperation between CPD S.A. and Unidevelopment S.A.

Repayment security for the debts to the Bank's claimsarising from the Agreement are as follows:

1) mortgage up to the amount of PLN 40,000,000.00 (with top priority) for the Bank, on the property being the site of the Development Project, owned by the Borrower, situated in Warsaw, identified in the Land and Mortgage Register no. WA1M/00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, 13th Division for Land and Mortgage Registers, with assignment of rights under insurance agreement for buildings erected on the property and built as a part of the Development Project against fire and other accidents (following completion of construction works, for an insured amount at least equal to the credit amount);
2) the Borrower's statement on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
3) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the General Partner: Smart City sp. z o.o. in connection with the contribution made in the nominal amount of PLN 1,000,000 to the Borrower's company;
4) statement of Smart City sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time, ;
5) registered pledge with an ordinary pledge as a transitional security on all the rights and obligations of the Limited Partner: Challange Eighteen sp. z o.o. in connection with the contribution made in the nominal amount of PLN 73,109,888.62 to the Borrower's company.

6) statement of Challange Eighteen sp. z o.o. on submission to enforcement by the Bank in the manner defined in Article 777 §1.6 of the Civil Code directly under such deed up to the maximum amount of PLN 40,000,000.00 from the pledged assets to satisfy the cash liability due to the Bank under this Agreement as amended from time to time,
7) statement of CPD S.A. on submission to enforcement in the manner defined in Article 777 §1.5 of the Civil Code directly under such deed and from all their assets should they be in default with payment of any cash sums due to the Bank as liabilities under this Agreement as amended from time to time, up to the maximum amount of PLN 40,000,000.00;
8) debt accession by CPD S.A. with a power-of-attorney to manage the accounts held at the Bank.

The agreement didn't meet the criteria to consider it to be the material agreement, pursuant to § 2 par. 1 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities and conditions for recognition as equivalent of the information required under the provisions of law of the non-member state.

The Company and its subsidiaries as well as persons who manage or supervise the Company are not connected with the entity for the benefit of which the mortgage was established, pledgee (Bank Millennium S.A.) and its officers.

- **DONATION FOR THE CITY OF WARSAW**

As part of social responsibility and building a sustainable urban fabric based on the local social identity, the CPD Group on 19 February 2018 donated in a gift from the Capital City of Warsaw train with an area of 1.7 hectares, which, according to the Local Spatial Development Plan, is planned for educational investments. As part of the planned agreement, the Capital City of Warsaw committed to implement a pre-school and school complex by 2020 on this plot.

- **FIRST NOTICE TO THE SHAREHOLDERS OF CPD S.A. ON THE INTENTION OF CROSS BORDER MERGER WITH THE COMPANY BUFFY HOLDINGS NO. 1 LIMITED WITH ITS REGISTERED OFFICE IN NICOSIA IN CYPRUS**

3rd of April 2018, Board of CPD SA, on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:

I. notified for the first time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 as the company being acquired.

   Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC. Plan of Merger is available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.

   Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) was available for the review by the Shareholders for the period of at least one month starting from the date of publishing of report announcing it until the date of adoption of the resolution on the merger, in the registered office of the Company during business days.

II. in view of the above, Management Board of CPD acting on the basis of art. 399 § 1 and art. 402(1) of CCC and § 38 par. 1 of the regulation of the Minister of Finance of 19 February 2009 on the current and periodic reports provided by issuers of securities and conditions for acknowledging as equivalent the information required under the laws of a non-member state (Journal of Laws No 33, item 259 as amended) hereby convenes for 8 May 2018 the Extraordinary General Meeting, which was held in the registered office of the Company.

- **SECOND NOTICE TO THE SHAREHOLDERS OF CPD S.A. ON THE INTENTION OF CROSS BORDER MERGER WITH THE COMPANY BUFFY HOLDINGS NO. 1 LIMITED WITH ITS REGISTERED OFFICE IN NICOSIA IN CYPRUS**

Management Board of CPD spółka akcyjna with its registered office in Warsaw on the basis of art. 504 in connection with art. 4021 § 1 in connection with art. 5161 of the Commercial Companies' Code:

I. notified for the second time the shareholders of CPD on the intention of merger between CPD as the Acquiring Company with BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia in Cyprus, a limited liability company organized in accordance with the laws of Cyprus, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered to the register of companies maintained by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus under the registry number HE 166076 (hereinafter: "BUFFY" or the "Company being acquired") as the company being acquired.

Details of the merger have been specified in the Plan of Merger agreed on by the Management Boards of the Issuer and BUFFY on 22 December 2017 and were published in accordance with art. 5164 § 1 second sentence of CCC on the CPD's website, which therefore shall not be subject to announcement in court gazette Monitor Sądowy i Gospodarczy. In accordance with art. 516 § 4 in connection with art. 5161 of CCC.. Plan of Merger was available to general public free of charge at the above specified website for the period of at least 1 month prior to the date of submission of the application to register the merger.

Documents referred to in art. 5167 § 1 of CCC (except for the expert's opinion on the examination of the Plan of Merger due to the fact that CPD is a sole shareholder in BUFFY, and therefore on the basis of art. 51615 § 1 of CCC and Section 201V (1) (a) of the Companies Law of Cyprus, Cap. 113, the Plan of Merger does not require the examination by an expert) were available for the review by the Shareholders for the period of at least one month starting from the date of publishing of the periodic report including the first notice to the shareholders of CPD on the intention of the merger, i.e. from 4 April 2018 until the date of adoption of the resolution on the merger, in the registered office of the Company during business days.

II. in view of the above, Management Board of CPD 3rd of April 2018 informed that for 8 May 2018 the Extraordinary General Meeting has been convened which was held in the registered office of the Issuer.

- **REGISTRATION OF THE CROSS-BORDER CONNECTION CPD S.A. AND BUFFY HOLDINGS NO. 1 LIMITED**

On 22nd November 2018 merger of the Company with the Issuer's subsidiary was registered. Subsidiary is BUFFY HOLDINGS NO. 1 LIMITED with its registered office in Nicosia, Cyprus, a limited liability company established under Cypriot law, address: Kyriakou Matsi, 24, Palaichori, 2740, Nicosia, Cyprus, entered into the companies register kept by the Ministry of Energy, Trade, Industry and Tourism of the Republic of Cyprus under registration number HE 166076 ("BUFFY" or "Acquired Company").

The merger took place through the transfer of all assets of BUFFY to the Company, i.e. by way of the takeover of the company BUFFY in the mode specified in art. 492 § 1 point 1) of the Code of Commercial Companies and the definition of the word "merger" in Section 201I (c) of the Cypriot Law on Companies, Cap. 113 on the terms specified in the Merger Plan adopted on 22/12/2017. According to the content of art. 494 § 1 k.s.h. the Issuer entered into merger with all the rights and obligations of the Acquired Company. Due to the fact that the Company was the only shareholder of BUFFY, the merger was carried out without increasing the share capital of the Company.

- **APPOINTMENT OF AN AUDITOR FOR 2018 AND 2019**

The Management Board CPD S.A. (hereinafter the Company) announces that, the Supervisory Board of the Company, after being known with the recommendation of Audit Committee, adopted the resolution on the appointment of Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Poznań, located at 88 Antoniego Baraniaka Street, entered the list of entities authorized to audit financial statements under number 4055, on the auditor authorized to:

- to examine the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2018,
- examine the separate financial statements of CPD S.A. for the financial year ended 31 December 2018,
- review of the interim consolidated financial statements of CPD S.A. on 30 June 2018,
- review of the interim financial statements of CPD S.A. on 30 June 2018,

and

- to examine the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2019,
- examine the separate financial statements of CPD S.A. for the financial year ended 31 December 2019,
- review of the interim consolidated financial statements of CPD S.A. on 30 June 2019,
- review of the interim financial statements of CPD S.A. on 30 June 2019.

The agreement with Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. was concluded for the period necessary to carry out the work set forth herein.

- **INVITATION FOR MAKING A SALE OFFER**

On 29th May 2018, the Company published an invitation to submit offers to sell its shares on the terms specified in the Invitation to Place Sale Offers.

The full text of the Invitation to Submit Sale Offers has been published as an attachment to the current report and will be made public on the website of CPD S.A.

- **INFORMATION ABOUT ACCEPTING SALES OFFER**

On 19 June 2018, the Company decided to accept all of the valid sales offers of the Shares and to reduce them, carried out in accordance with the principles set out in the Invitation. Since the sale offers were for a larger number of shares than the 11,511,100 shares proposed by the Company, each Share Sale Offer was partially implemented - reduced on average by 68.8% at the time of settlement, ie 20 June 2018.

- **RESIGNATION FROM PARTICIPATION IN THE AUDIT COMMITTEE**

18th of June 2018 Mr. Oleś applied the resignation from the function of the member. Mr. Wiesław Oleś resign from the function of Audit Committee with day of the forthcoming Extraordinary General Meeting of the Company with the changes in the supervisory board in its agenda. Mr. Wiesław Oleś did not give reasons for the resignation.

- **PURCHASE OF THE COMPANY'S OWN SHARES**

On 29th of May 2018 as a result of the settlement on 20 June 2018, the Company announced, the Invitation to Submit Proposals for Sales of Shares of the Company, purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 11,581,100 shares of the Company (own shares).

The purchase price per share was 12,34 zł.

All the purchased shares were ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 11,581,100 shares) represented 29,43 % of the Company's share capital and represented 11,581,100 votes at the General Meeting of the Company (29,43 % of voting rights at the General Meeting of the Company).

Prior to the above mentioned purchase of 11,581,100 own shares, the Company already owned other than those indicated above, number of the 1,401,792 shares own shares representing 3,56 % of the Company's share capital and representing 1,401,792 votes at the General Meeting of the Company (3,56 % of voting rights at the General Meeting of the Company).

In connection with the above, the Company jointly held 12,982,892 own shares, representing jointly 32.99% of the share capital of the Company, except that in accordance with applicable regulations, the Company was not allowed to exercise the voting rights attached to own shares.

- **CONCLUSION OF A CONDITIONAL SALE AGREEMENT RIGHTS TO PERPETUAL USUFRUCT OF A REAL ESTATE OWNED BY A SUBSIDIARY OF THE ISSUER**

The subsidiary of Issuer 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 31st of July 2018 concluded a conditional agreement for the sale of the perpetual usufruct right to the property comprising plot no. 92/2, no. 2-09-09 with an area of 30,594 m2, located in Warsaw, Ursus District with UDI Tau spółka z ograniczoną odpowiedzialnością.

According to the provisions of the Local Master Plan, the real estate was intended for the majority of services and multi-family housing.

The Purchaser paid an advance payment of 10% of the price. In order to secure the advance payment by the Seller, he established a mortgage on the Seller's share in the real property up to the amount equivalent to the 200% of the advance payment and voluntarily submit itself to enforcement pursuant to article 777.1.4 of the Code of Civil Proceedings for its obligation to return the single advance payment.

The selling price of perpetual usufruct right has been set at about PLN 50,016,000.

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

- **APPOINTMENT OF THE SUPERVISORY BOARD MEMBERS OF S.D. FOR A NEW TERM**

On 14th of September 2018, the Extraordinary General Meeting of the Company adopted a resolution on the appointment of members of the Supervisory Board of CPD S.A. for fourth term.

The following persons were appointed to the Supervisory Board for the next, fourth term: Mr. Wiesław Piotr Oleś, Mr. Mirosław Jerzy Gronicki, Mr. Andrew Pegge, Ms. Gabriela Gryger, Mr. Michael Haxby and Mr. Alfonso Kalinauskas.

- **APPOINTMENT OF NEW MEMBERS OF THE AUDIT COMMITTEE OF CPD S.A.**

Due to the appointment of the Company's Supervisory Board for the new , joint, three-year term, on 19 September 2018 the Company's Supervisory Board, acting pursuant to Art.128 and 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Journal of Laws of 2017, item 1089) adopted a resolution to which it appointed the following members of the Audit Committee:

– Alfonso Kalinauskas – Chairman of the Audit Committee (independent member)

– Mirosław Gronicki – Member of the Audit Committee (independent member)

– Andrew Pegge – Member of the Audit Committee

The Audit Committee in the indicated composition meets the independence criteria and other requirements specified in art. 129 sec. 1.3.5 and 6 of the Act on statutory auditors, audit firms and public oversight, ie:

a) at least one member of the Audit Committee has knowledge and skills in accounting or auditing,
b) at least one member of the Audit Committee has knowledge and skills in the field of the Company,
c) the majority of the members of the Audit Committee, including its Chairman, are independent of the Company.

In line with the detailed rule II.Z.8 of the "Best Practices for WSE Listed Companies 2016", the Chairman of the Audit Committee fulfills the criteria of independence contained in the Appendix.

- **THE AMENDED TO THE INVESTMENT AGREEMENT CONCLUDED BY CPD S.A. AND ITS SUBSIDIARIES**

As an execution of the Investment Agreement on joint construction project consisting in realisation of a complex of residential buildings with ancillary infrastructure in Ursus district in Warsaw, on 26th of October 2018, the Amendment and rested to the Investment Agreement was adopted.

The parties to the Amendment to the Agreement are the same parties as to the Investment Agreement, ie: Issuer, Challange Eighteen sp. o.o., URSA PARK Smart City limited liability limited partnership, Lakia Enterprise Ltd and Unibep S.A. and Unidevelopment S.A..

The subject metter of the Amendment to the Agreement is the amend the Investment Agreement by revoking its wording in full and replacing it and extending the scope of the project implementation to the whole of the following property. The Amendment to the Agreement provides for the joint implementation of investment building on the property owned by the Group CPD S.A. ie. the company URSA PARK Smart City limited liability limited partnership, which is the perpetual usufructuary of plots

No. 113/1, 113/2, 113/4, 113/6 and 113/7 no. rpm. reg. no. 2-09-09, with an area of 4,944 ha and is located at Traktorzystów Street in Warsaw (Warsaw district – Ursus).

Part of the Property of ca. 1.36 ha is currently used for construction in two stages of residential buildings with shops and ancillary infrastructure, with a total usable area of approx. PLN 21,000 PUM/PUU, whose the general contractor is the company Unibep S.A. and the company Unidevelopment S.A. provides services of investor representation (Project 1).

The two subsequent projects, each divided into two stages, will consist in construction of a complex of residential buildings with shops and ancillary infrastructure, with a total usable area of over 40,000 PUM / PUU (Project 2 and Project 3). Project 2 started after fulfilment by Unidevelopment of the obligation provided in the Amended Agreement concerning capital engagement in the Limited Partnership, which should take place within 14 days of execution of the Amended Agreement. Project 3 is expected to start in the 1st quarter of 2020, however the final date of commencement of that stage of the Investment will be set in a separate decision.

The amended to the Agreement also includes marketing activities related to the sale of units produced under the Projects, and then on the total sales of usable space of the Project, profit division regulations from the sale of Project, and other financial settlements between the Parties and possible liability for infringement of the Agreement, with each Party’s contractual penalties being limited to 5 million zł.

Participation of CPD S.A. Group in the Project relay on: implementation of the Project on the Property belonging to the Limited Partnership and the provision by Gaston Investments sp. o.o. of financial and operational control and supervision of Unibep S.A. as the general contractor.

The amended to the Agreement will become effective on condition of fulfilment by Unidevelopment S.A. of the afore-mentioned obligation of capital engagement in the Limited Partnership within 14 days of execution thereof and on condition of agreement (acceptance) by the Parties to all schedules to the Agreement by 15 November 2018. If the Amended Agreement does not become effective, the Parties will adhere to the investment agreement in its previous wording.

- **FULFILLING THE CONDITIONS OF THE INVESTMENT AGREEMENT CONCLUDED BY CPD S.A. AND SUBSIDIARIES**

Unidevelopment S.A. made the first part of the own contribution required by the provisions of the Investment Agreement. At the same time, all attachments to the Investment Agreement were agreed (accepted), which was a condition for the entry into force of this Investment Agreement from 22 February 2017.

- **CONCLUSION OF A PRELIMINARY SALES AGREEMENT, APPLICABLE LAW FOR THE USE OF PERSONAL REAL ESTATE BELONGING TO THE ISSUER'S SUBSIDIARIES**

On 15 November 2018, subsidiaries of Issuer 2/124 Gaston Investments limited liability company sp. K. With headquarters in Warsaw and 3/93 Gaston Investments limited liability company sp. K. With headquarters in Warsaw, entered into a preliminary agreement for the sale of perpetual usufruct right real estate consisting of plot No. 124/2, No. 2-09-09 with an area of 10,726 m2 and plot No. 93/3, No. 2-09-09 with an area of 25,830 m2, located in Warsaw, Ursus district for NEOTOWNS limited liability company based in Warsaw.

According to the provisions of the Local Spatial Development Plan, the property was intended for residential and service areas.

The selling price of the perpetual usufruct right to the real estate has been set at PLN 70,669.350.

The buyer paid an advance of 10% of the price. In order to secure the return of the advance payment by the Selling Companies, they established a joint mortgage on the perpetual usufruct right for the above-mentioned property up to the amount equivalent to the advance payment plus possible contractual penalties and voluntarily submitted to enforcement pursuant to art. 777 of the Code of Civil Procedure regarding the obligation to return the advance payment plus any contractual penalties.

The provisions of the Agreement concluded by the Parties do not differ from the standards commonly applicable to this type of contracts.

8. ASSESSMENT OF INVESTMENT POSSIBILITIES AND PROJECT OPPORTUNITIES

The CPD Group, realizing development projects, finances them with the use of own funds, debt securities and bank loans. In the future, the Group assumes the implementation of projects through subsidiaries or jointly controlled entities, and the financing of these construction and investment projects (targeted loans) would be obtained directly by these companies or through CPD S.A.

The value of the properties owned by the Group, including investment properties, investment properties for sale and inventories at the end of 2018 amounted to PLN 434.1 million, compared to PLN 545.7 million at the end of 2017. Property valuations as at the end of 2018, as in the year the previous ones were carried out by an independent appraiser - Savills Polska Sp. z o.o.The table below presents a list of properties belonging to the Group as at 31 December 2018.

		Type	Valuation 31.12.2018 (mln PLN)
Investments properties			**218,31**
1	**URSUS**	Residential / office / retail	102,13
2	**IRIS**	offices	100,19
3	**WOLBÓRZ**	logistic	1,90
Capitalised perpetual usufruct charges			14,09
Properties held for sale		Residential/office/retail	**212,89**
Inventory			**2,92**
4	**KOSZYKOWA**	Residential	1,34
5	**CZOSNÓW**	Agricultural sites / Building sites	0,48
6	**JAKTORÓW**	Agricultural sites	0,22
7	**NOWA PIASECZNICA**	Building sites	0,17
8	**ALSONEMEDI (Hungary)**	warehouses /offices	0,71
PORTFOLIO IN TOTAL			434,12

- **URSUS**

In 2006 - 2015 CPD Group acquired with it's own funds and with debt securities more than 60 hectares of land at the former Ursus Tractor Plant, with an intention of implementing a multifunctional urban project.

These areas are located in the area covered by the local zoning plan, adopted in July 2014 which covers an area of approx. 220 hectares, including industrial sites located in the area of Orłów Piastowskich Street in Ursus.

According to the local zoning plan, purchased property along with the adjacent area, is under the process of transformation into a unique and modern residential complex - recreational – educational on area of over 200 ha. Because of its location, modern communication and unique residential complex functions - education – recreation, it will offer its residents a high quality of life.

In September 2014, the process of investment for the first phase of the first stage of residential service was started, covering an area of 1.1 hectare into residential project with services with a usable area of 21 thousand square meters offering 181 flats. The project was completed in two phases, in cooperation with the group of companies Unibep SA with the active participation of its subsidiary Unidevelopment SA.

The project is located at the intersection of Hennela and Dyrekcyjna, in close proximity of Office Ursus District, shopping Factory outlet, railway stop Ursus, Culture Center Arsus and School of Social and Educational Society in Warsaw.

The completed complex in the first phase consists of 4 multi-family residential buildings, offering predominantly apartments with areas ranging from 40 to 80 sq m. along with commercial premises located on the ground floor and small architecture. The offer of residential premises was addressed primarily to young, working people and families looking for their first apartment in the Warsaw agglomeration.

The sales of the first and second phase of the venture were commenced respectively in December 2015 and in April 2016. At the date of this document, 100% of residential investment was sold. Debt financing for the first and second phase from BZ WBK bank has been fully repaid. In 2017, a contribution of PLN 18 million was returned to the company from the CPD Group and Unidevelopment SA received their own contribution in Smart City Sp. z o.o. Sp.k. in the amount of PLN 11 million. In addition, in 2017, the partners of Smart City Sp. z o.o. Sp.k. received the investment profit in the total amount of PLN 15 million (the profit was split by half for each party, i.e. companies from the CPD Group received PLN 7.5 million, Unidevelopment also received PLN 7.5 million). In 2018 the shareholders of Smart City sp. z o.o. sp.k. received the investment profit in a total amount of 7,4 milion PLN (the profit was divided in two halfs, one for each shareholder i.e. CPD SA companies received 3,7 milion PLN, Unidevelopment received 3,7 milion PLN. In Q1 2019 the shareholders of Smart City sp. z o.o. sp.k. received the investment profit in a total amount of 1,8 milion PLN (the profit was divided in two halfs, one for each shareholder i.e. CPD SA companies received 0,9 milion PLN, Unidevelopment also received 0,9 milion PLN.

The completion of the project, ie the payment of income from the investment is planned for the end of 2019.

In February 2017, on the investments areas neighbouring directly to the Stage I of Smart City was launched the II stage of the project i.e. Ursa Park. Five hectares investment land has been divided into 3 phases. I Phase of II Stage Smart City is an area covering 1.3 hectares, in to residential project with services with a usable area of 22 thousand square meters. The project is a continuation of existing cooperation with the Group Unibep SA with the active participation of its subsidiary Unidevelopment SA.

The investment is located at Dyrekcyjna Street, in close proximity to the park, Culture Center Arsus, School of Social Educational Society and the Office Ursus District, shopping Factory outlet, railway stop Ursus.

The implemented complex I Phase II Stage is a complex of 3 residential buildings, of a multi-family nature with a component of services located on the ground floor of the designed facilities. Projket offers predominantly apartments with areas ranging from 40 - 80 m2. Phase II of II Stage is divided in two tasks. The sale of apartments in the 1st Task Phase of Stage II was launched in May 2017. At the date of this document, 100% of apartments offered in this Task were sold and handovered. The sale of apartments in the 2nd Task Phase of Stage II was launched in December 2017. As at the date of this document, over 100% of the apartments offered in this Task were sold. Handover date of 2nd Task I Phase of Stage II of Smart City is planned for second quarter of 2019. In 2018 part of own contribution associated with contribution of land in the mount of 12.08 milion PLN was repaid to the company from CPD Group, and to Unidevelopment SA part of contribution in the company Ursa Park Smart City sp. z o.o sp. k. in the amount of 6,95 milion PLN. In addition, in 2018, the partners of Ursa Park Smart City Sp. z o.o. sp.k. received the investment profit in the total amount of PLN 12 million (the profit was split by half for each party, ie companies from the CPD Group received PLN 6 million, Unidevelopment also received PLN 6 million). In Q1 2019 part of own contribution associated with contribution of land in the amount of 10.23 milion PLN was repaid to the company from CPD Group, and to Unidevelopment SA part of contribution in the company Ursa Park Smart City sp. z o.o sp. k. in the amount of 1,8 milion PLN. In addition, in Q1 2019 the partners of Smart City Sp. z o.o. sp.k. received the investment profit in the total amount of PLN 8 million (the profit was split by half for each party, ie companies from the CPD Group received PLN 4 million, Unidevelopment also received PLN 4 million). Along with residential buildings, city park is planned and it will offer a place to relax and spend time together. Park will connect recreational part of area to adjacent area to Culture Center Arsus and School of Social and Educational Society. It will create unique space offering comprehensive solutions for residents who will decide to reside II Stage of Smart City. The creation of urban fabric consists of residential, service park and education function. A local center created in this way is perfectly adapted to the needs of the local community.

Beginning of following investment allows to keep a smooth supply of apartments and commercial space throughout the realization of project Smart City. Current market trends indicate a strong demand for small living areas at relatively low prices. Smart City project fits in perfectly with the needs of the market..

In the complexity of revitalization of investment areas in Ursus, an announcement is made in October 2016 by the authorities of the Ursus district to start public investment in the form of an educational compilation consisting of a kindergarten and a school together with a sports hall. The investment will be started from the construction of a kindergarten facility for 150 children. The transfer of the facility is planned for 2021. The educational project will be carried out at Hennel Street, on the areas, which were transferred by CPD SA in the form of a donation to the capital city as a continuation of social responsibility and the need to actively participate in the creation of public urban space. The transfer of land for the district's public investments has a positive effect on the synchronized and sustainable launching of multifunctional urban investments in the above areas and at the same time will be an extremely important impulse for the economic development of the whole district.

In addition, in previous years, the Group appropriately forwarded to the State Treasury road plots, which plots in accordance with the draft zoning plan have been allocated for the construction of four-lane road arteries without collision connecting the areas revitalized with Al. Jerozolimskie through the construction of ul. June 4, 1989 and with ul. Połczyńska thanks to the construction of ul. Nowomory. The Management Board of City Road Investments in 2013 successfully completed and handed over both road arteries. Construction of ul. June 4, 1989 and ul. Nowomory is one of the most important elements of revitalization of investment areas by including revitalized areas into a homogeneous network of urban roads thanks to fast and collision-free road connections.

Another element of ordering the areas was the revitalization of selling an organized part of the enterprise under the name of Energetyka Ursus sp. O.o. and its infrastructures, respectively Innogy Warszwa, Veolia Warsaw and Woda Polska. The above sale contributed to the inactivation of the local heating plant in May 2016, which was carried out by Energetyka Ursus sp. O.o. in liquidation bankruptcy and regulation of the principles of using heating, energy and water infrastructure in the areas belonging to the CPD Capital Group, hitherto used by Energetyka Ursus sp. o.o. As a result of the above actions, the harmonogram of gradual release of investment areas belonging to the CPD Capital Group in a part of the energy used by Energetyka Ursus sp. z o. o.

At the same time, the above activities resulted in the connection of this network to the Warsaw-wide district heating network and the Warsaw-wide general power grid, and ensured the modernization of the above technical infrastructure by the above entities at their expense.

The supplier of thermal energy in Ursus, including investment areas owned by the CPD SA Capital Group, is Veolia Energia Warszawa S.A. and Innogy Warsaw S.A.

- **IRIS BUILDING, 9 CYBERNETYKI STREET, WARSAW**

  The IRIS building, which is the final stage of the office and residential project located at the corner of Cybernetyki and Postępu streets in Warsaw's Mokotów district. It is a six-storey office building with the total lease area of circa 14.2 k sqm together with 233 parking spaces. The project at the corner of Cybernetyki and Postępu streets is composed of Cybernetyki Office Park (Helion, Luminar, Solar and Iris buildings) and Mokotów Plaza office complexes, as well as Mozaika residential complex. The Group has constructed and sold 3 buildings in Cybernetyki Office Park to date: Helion, Luminar and Mokotów Plaza.

- **SOLAR BUILDING, 7B CYBERNETYKI STREET, WARSAW**

  The eight storey B+ class office building of 5,749 sqm of was built in 1998 and refurbished by the Group in 2008. The building is currently leased to renowned companies.

- **AQUARIUS BUILDING, POŁCZYŃSKA 31A STREET, WARSAW**

  The Aquarius Office Park consists of a five storey B class office building of 5,205 sqm, an investment site with a valid building permit for the construction of an A class office building of ca 2,500 sqm as well as an investment site of approx. 10,000 sqm intended for the construction of an office and warehouse complex.

- **WOLBÓRZ, MAZOWIECKIE VOIVODSHIP**

  The 10-hectare real estate is located in Wolbórz, close to Auchan Distribution Centre and E67 road from Warsaw to Cracow and Katowice. In accordance with the applicable land use permit, there is a possibility to construct a logistics and distribution centre with area of 32.700 sqm. The Group intends to sell the undeveloped land together with a building permit design to a final investor.

PROJECTS IN PROGRESS AND REAL ESTATES FOR SALE (INVENTORIES):

- **KOSZYKOWA 69**

  The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The building was renovated and extended by Celtic Group, offering 14 apartments and commercial areas which were sold in 2011. As of 31 December 2017 Group's investment properties portfolio still included the outbuilding. The Group is currently taking actions to relocate the present lessees of the outbuilding.

- **CZOSNÓW**

  The land in Czosnów has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Czosnów has a total area of 15.2 hectares, the most part of which is agricultural land.

- **JAKTORÓW**

  The land in Jaktorów of the area of 3.2 ha has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. As of the day of publication hereof, there were still 20.4 k m^2 for sales.

- **NOWA PIASECZNICA**

  The land in Nowa Piasecznica has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Nowa Piasecznica had a total area of 1.5 ha. As of the day of publication hereof, there were still 6.2 k m^2 for sales.

- **ALSONEMEDI, HUNGARY**

  In 2009 the Group purchased land near Budapest measuring 42,495 sqm to develop warehouse space. The real estate is situated in a logistically good location: 20 km south of Budapest and in proximity to main roads. The Group intends to sell this property to a final investor.

Considering the fact that the employees, co-workers and persons providing services to the Capital Group of CPD S.A. are personally responsible for implementation of key projects of Capital Group of CPD S.A., the Management Board hereby decided to take into account their contribution to the achievement of business goals by fixing the remuneration that the Capital Group's companies may award and pay to the employees, co-workers and persons providing services to the Capital Group of CPD S.A.

Due to the implementation of the sale of key projects of Capital Group of CPD S.A., the Management Board hereby decided that the additional incentive remuneration for employees, co-workers and persons providing services to the Capital Group of CPD S.A will constitute an equivalent of total of 5% of the amounts distributed to shareholders. No incentive will be paid until EURO 20 mln is distributed to shareholders and is received by them. The incentive will be paid out after completion of distribution to shareholders.

According to the above incentive scheme and based on the last 2 years achievements of Capital Group of CPD S.A, i.e. sale of the key projects of Capital Group of CPD S.A., the Capital Group's companies have paid to the employees, co-workers and persons providing services to the Capital Group of CPD S.A. total amount of PLN 8 005 540.

Additionally, the Management Board hereby decided that from 2019 any further payments to shareholders should be taken into the account by the Company for next additional incentive remuneration for employees, co-workers and persons providing services to the Capital Group of CPD S.A in an amount totalling to 4% of the amounts distributed to shareholders.

9. FACTORS AND UNUSUAL EVENTS AFFECTING GROUP FINANCIAL RESULTS

In the Management Board's opinion, in the year 2018 there were no unusual events which affect the Group results.

10. FACTORS IMPORTANT FOR FURTHER GROUP DEVELOPMENT

- **MACROECONOMIC SITUATION IN POLAND**

Due to the concentration of the Group's operations on the Polish market, the general condition of the Polish economy, with particular emphasis on its growth rate and the level of unemployment, will play a key role in shaping the demand for real estate offered by the Group.

In 2018, Poland's GDP growth amounted to 5.1%, which is clearly more than in 2017. For comparison, in 2017, the Polish economy grew by 4.6%. According to government forecasts, the growth rate of the Polish economy in 2019 should be at the level of 3.8%, however a better result can not be ruled out. The continuation of the moderately high growth rate should positively affect the improvement of consumer moods among both working people and among entrepreneurs, and thus the increase in demand for flats and office and commercial space.

- **SITUATION ON FINANCIAL MARKETS**

The availability of financing sources and the costs of acquired capital have a direct impact on the interest of institutional investors in investment projects, as they also finance their purchases to a large extent by using debt financing. In addition, it should be noted that the availability of debt financially and the cost of its acquisition have a direct impact on the demand for housing among individual customers.

- **BANKS' LOAN POLICY AND ACCESS TO MORTGAGE LOANS**

The impact of the credit policy of banks on the Group is twofold. The company, implementing new development projects, benefit greatly from bank financing. The terms of financing, such as credit margins and required own contribution, determine the return on equity of the Company involved in the implementation of the project. The availability of bank financing is also a key factor in determining the size of the population demand for housing, which must be taken into account when launching residential projects within the Group. The credit policy of the banks in turn depends on macroeconomic factors and monetary policy pursued by the central bank.

In 2018, the reference rate of the National Bank of Poland remained at 1.50%. Maintaining the current level of interest rates in 2019 should have a positive impact on the attractiveness of mortgage loans as well as their availability, which was significantly reduced in 2013 by the introduction of the so-called Recommendation S, which establishes more restrictive rules for calculating the creditworthiness and the maximum limit of the loan amount.

As a consequence of the increase in inflation compared to 2017, an increase in interest rates should be expected in the near future. This means an increase in mortgage rates, which will have a significant negative impact on family budget loads and a decrease in the creditworthiness of the individual customer. This may result in a decrease in the demand for flats in the group of customers who buy apartments with the participation of bank financing..

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

The end of extinction in 2018 of the MdM program did not cause a significant weakening of the demand for housing offered by the CPD Group. Also, the announced 500+ program did not negatively affect the recorded sale of apartments offered by the CPD Group in 2018..

- **ADMINISTRATIVE DECISIONS ON THE HELD LANDS**

Group's ability to implement development projects intended CPD is dependent on the Group's local administration bodies to a number of licenses. Any legislative initiatives aimed at simplifying the construction will have a positive impact on operations.

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Selected items of the statement of comprehensive income

	12 months ended		*Change*
	31.12.2018	**31.12.2017**	***2018/2017***
	(PLN ths.)	(PLN ths.)	*(%)*
Administrative expenses	-2 235	-1 689	*32%*
Marketing costs	-5	-11	*-55%*
Impairment of investments in subsidiaries	3 354	6 712	*-50%*
Interest income on loans	9 301	12 561	*-26%*
Other operating income	1 829	0	-
Other operating expenses	-16	-43	*-63%*
Profit from operations	**12 228**	**17 530**	***-30%***
Finance income	2 173	1 615	*35%*
Finance costs	-392	-9 050	*-96%*
Profit before tax	**14 009**	**10 095**	***39%***
Income tax	6 736	-12 161	*-155%*
PROFIT/LOSS FOR THE YEAR	**20 745**	**-2 066**	***-1104%***
Earnings per share (PLN)	0,53	-0,06	*-1055%*
Diluted earnings per share (PLN)	0,53	-0,05	*-1098%*

In 2018 CPD SA Group generated a net loss of PLN 1.9 mln, which means that the net result deteriorated by PLN 4.1 mln in comparison with 2017.

Gross profit amounted to PLN 16.9 mln. It decreased by 3.1% in comparison with 2017.

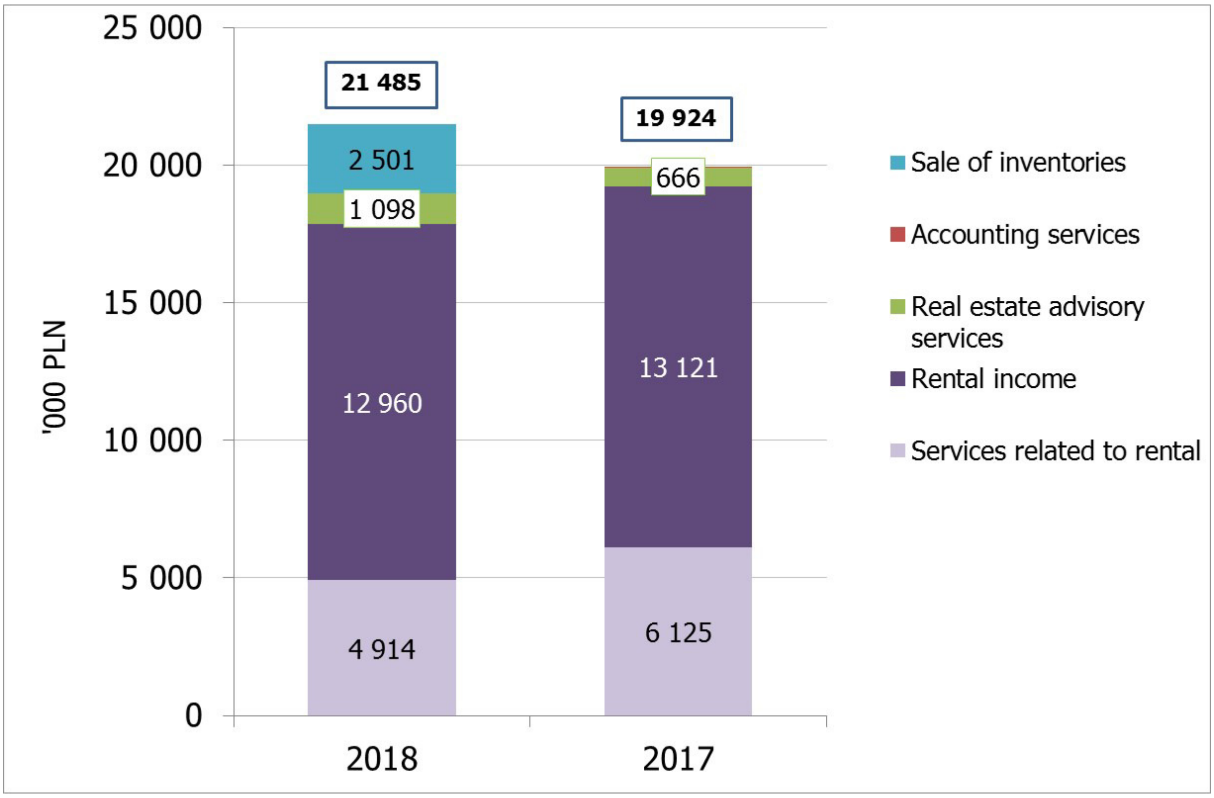
There were several factors that had a positive impact on CPD Group's financial results in 2018 in comparison with 2017. First of all, gain on disposal of subsidiaries amounted to PLN 14.3 mln and was higher by PLN 6.7 mln compared to 2017. Secondly, finance costs declined by PLN 5.8 mln. What is more, other administrative expenses dropped by PLN 0.8 mln. Finally, other income rose by PLN 4.1 mln.

The gain on disposal of subsidiaries resulted from selling 5 subsidiaries holding properties in Ursus, Warsaw. The drop in finance costs stemmed from repayment and conversion of bonds in 2017. The decline in other administrative expenses took place thanks to cutting advisory costs. The growth in other operating income resulted from dissolution of provisions for tax risks.

On the other hand, a loss on revaluation of investment properties in the amount of PLN 14.4 mln was one of the main factors that had a negative impact on CPD Group's financial results in 2018 in comparison with 2017. The CPD SA management board carried out a detailed analysis of investment properties and decided to write down the book value of a few properties.

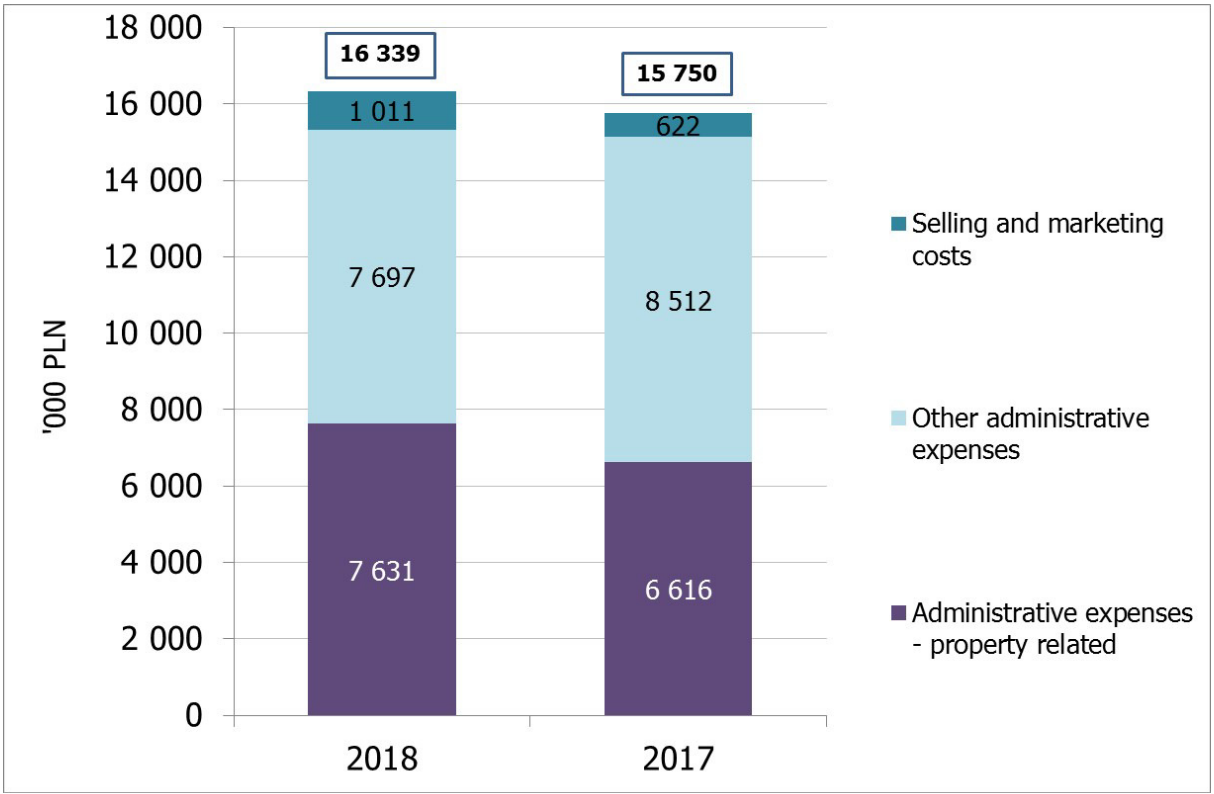
The donation of 17 thous. sqm land designated for education purposes to the city of Warsaw was another negative factor. This transaction was reflected in the consolidated financial statement as a loss on disposal of investment properties in the amount of PLN 9.2 mln. Moreover, the CPD SA Group generated a worse result on the joint venture as a consequence of writing down the value of land designated for education purposes. The result deteriorated by PLN 13.2 mln. Furthermore, gross profit fell by PLN 0.5 mln as a result of lower rental income.

The following chart shows the structure of revenue in 2018 and 2017:



The revenue improved because the Group sold PLN 2.5 mln worth of inventories in 2018.

The following chart shows the structure of operating costs in 2018 and 2017:



There was a slight increase in the value of operating costs compared to 2017.

Selected items of the statement of financial position

		As at:		*Change*
		31.12.2018	**31.12.2017**	***2018/2017***
		(PLN ths.)	(PLN ths.)	*(%)*
Total assets		**185 196**	**504 215**	***-63%***
Non-current assets, including:		148 330	433 961	*-66%*
	Long-term receivables	*120 239*	*433 961*	*-72%*
	Shares in subsidiaries	*28 091*	*0*	*-*
Current assets, including:		36 866	70 254	*-48%*
	Trade receivables and other receivables	*914*	*533*	*72%*
	Cash and cash equivalents	*35 952*	*69 721*	*-48%*
Total equity and liabilities		**185 196**	**504 215**	***-63%***
Equity, including:		156 993	467 678	*-66%*
	Share capital	*3 935*	*3 935*	*0%*
	Repurchase of shares	*-160 110*	*-17 199*	*831%*
	Reserve capital	*987*	*987*	*0%*
	Fair value of capital element at inception date	*-27 909*	*-27 909*	*0%*

	Share premium	*835 846*	*835 846*	*0%*
	Retained earnings	*-495 756*	*-327 982*	*51%*
Non-current liabilities		22 152	34 381	*-36%*
Current liabilities		6 051	2 156	*181%*

At the end of December 2018 the value of assets was 23.4% lower compared to December 2017. This decline resulted mainly from repurchase of shares. The donation of land designated for education purposes to the city of Warsaw as well as writing down the value of a few investment properties also contributed to this decrease.

The value of current assets went up by 45% due to a reclassification of a few investment properties into assets held for sale.

At the end of December 2018 the value of equity amounted to PLN 327 mln, which accounted for 56.1% of total assets. Total liabilities accounted for 43.9% of total assets. These ratios changed in comparison with 2017, when they amounted to 62% and 38% respectively. This change resulted from repurchase of shares.

The value of liabilities fell in 2018 as a consequence of disposal of properties, reclassification of advance payments received into revenue and dissolution of provisions.

The following table shows the structure of liabilities in 2018 and 2017:

	31.12.2018	31.12.2017
Liabilities to total assets	**43,9%**	**38,0%**
Non-current liabilities to total assets	**17,0%**	**20,0%**
Borrowings including finance leases	13,3%	14,9%
Deferred income tax liabilities	3,3%	4,8%
Trade and other payables	0,4%	0,3%
Current liabilities to total assets	**26,9%**	**18,1%**
Borrowings including finance leases	0,8%	3,5%
Trade and other payables	17,4%	14,0%
Payables linked to assets held for sale	8,7%	0,5%

The structure of liabilities also changed in comparison with 2017. The share of non-current liabilities in total assets went down from 20% to 17%. The share of current liabilities in total assets grew from 18 to almost 27%. These changes resulted mainly from the reclassification of assets done in 2018 and the lower value of total assets. A few investment properties were classified as assets held for sale. As a result, all liabilities linked to these assets were also classified as short-term.

12. RISK FACTORS AND THREATS

CPD Group activities are exposed to financial, operational and economic risks. Risk management policy adopted by the Group aims at minimizing the effects of adverse events. Occurrence of the specified risks both alone and in combination with other circumstances, might have a significant negative impact on the Company's and its Group's business, its financial position, prospects of development, or Company's and Group's results and may have an impact on the evolution of the Company's share price quotation.

Risks listed below do not represent a complete or exhaustive list and therefore may not be treated as the only risks to which the Company is exposed. Additional risks that at present are unknown by the Company or which are considered by the Company as irrelevant, may also have a significant negative impact on the activities, financial position, prospects, or results of the Company and its Group.

- **RISK RELATING TO THE MACROECONOMIC SITUATION ON THE MARKETS ON WHICH THE COMPANY AND ITS GROUP OPERATES**

The overall macroeconomic situation of Poland, including such factors as GDP growth rate, inflation and interest rates, investment level in the economy and the level of unemployment, have a direct impact on the wealth and purchasing power of the society and on the financial standing of companies. As a result, these factors also affect the demand for products and services offered by the Company and its Capital Group and may affect their financial situation.

The growth rate of the Polish economy in 2018 amounted to 5.1 % and was clearly faster than in 2017, when it amounted to 4.8%. Government forecasts for 2019 predict an increase in Polish GDP at 3.8%. If the GDP growth rate decreases, the demand for products offered by the Company and its Capital Group may fall, which may lead to a decline in residential and commercial real estate prices and negatively affect the financial condition of the Company and its Capital Group.

- **REGULATORY RISK**

In pursuing its objectives, in the current legislative situation, the CPD Group is exposed to the risk of excessive legal regulation of a specific segment of socio-economic realities limiting or changing economic freedom, the risk of insufficient regulation of a given area of socio-economic realities, leaving legal loopholes, risk of non-enforceability in practice specific legal regulations, the risk of inflation of legal acts.

Introduced in a year 2012 The Developer Act significantly influenced the development of the development market and thus the housing market in Poland. The changes currently proposed by the entity, aimed at deleting the trust account opened from the catalog of fiduciary accounts provided for in the Development Act, which indirectly is the main source of financing development investment, can significantly affect the shape of the housing development market in Poland.

- **RISK RELATED TO THE LACK OF STABILITY OF THE POLISH LEGAL AND TAX SYSTEM**

Due to frequent changes in legal regulations in Poland, the interpretations of the law and the practice of its application are also changing. Legal standards may be subject to changes in favor of entrepreneurs, but they may also have negative effects. The evolving legal provisions, as well as its different interpretations, especially with regard to tax law, standards governing business activity, labor and social insurance law or securities regulations, may have negative consequences for the Company. Changes in the interpretation of tax regulations are particularly frequent and dangerous. There is no uniformity in the practice of tax authorities and judicial decisions in the sphere of taxation. The adoption by the tax authorities of interpretations of tax law other than those applied by the Issuer may imply a deterioration of its financial situation and, as a result, negatively affect the achieved results and development prospects. Regulations regarding tax on goods and services, corporate and personal income tax, real estate tax or social security contributions are subject to frequent changes, as a result of which tax authorities treat taxpayers with inconsistency and unpredictability. Tax settlements may be subject to control by the authorities, which, if irregularities are found, are entitled to calculate tax arrears with interest. Tax declarations may be subject to control by the tax authorities for a period of five years, and some transactions carried out during this period may be questioned on the grounds of tax consequences by competent tax authorities. As a result, the amounts reported in the financial statements may change at a later date, after the final determination of their amount by the tax authorities. In order to minimize the risk described above, the Issuer monitors the changes of the law and uses professional legal assistance on an ongoing basis.

- **THE RISK OF INCREASED COSTS OF IMPLEMENTING PROJECTS IMPLEMENTED BY THE GROUP**

Implementation of development projects is a long-term undertaking. As a result, the waiting period for the first income from the sale of built premises is relatively long, as it lasts at least a several months. The Company's development projects require significant financial effort at the stage of preparation for the commencement of a given project and during its implementation. In the course of the Group's development investments, it is possible to increase investment costs, resulting from the specificity of the construction process, including the fact that: (i) the construction works are carried out over a relatively long period, during which the prices of building materials may change employment of qualified employees, (ii) the execution of construction works depends largely on the prevailing weather conditions, which, when they are unfavorable, may lead to delays in the project implementation and the need to bear the costs of securing the construction while the works are not carried out, (iii) land conditions of real estate for development projects may require additional capital expenditures and (iv) faulty construction materials must be replaced with proper materials of adequate quality. In addition, other factors that may cause an increase in investment costs include, among others: inflation, labor costs, increase in taxes and other public law liabilities, changes in legal regulations or government policy, and an increase in financing costs.

- **RISK RELATED TO COLLATERALS ESTABLISHED ON THE GROUP'S ASSETS**

The company has entered into loan agreements, the purpose of which was to obtain financing for the implemented investments. Based on the above Loans agreements The Company established a repayment guarantee for banks, including mortgages on real estate owned or utilized in perpetual usufruct of the Company. Although all loans are currently repaid in a timely manner, it can’t be ruled out that in the future individual contracts may be terminated by banks due to the lack of timely repayments. As a consequence, banks would be entitled to satisfy their claims by exercising their powers related to established securities, such as, for example, taking over ownership of encumbered assets. Such a state may result in a decrease in the amount of fixed assets owned by the Group, which may have a material adverse effect on the financial position or results of the Company's operations.

- **RISK RELATING TO THE PROCESS OF OBTAINING ADMINISTRATIVE DECISIONS, THE POSSIBILITY OF APPEAL AND THE NON–EXISTENCE OF MASTER ZONING PLANS**

The developer’s business activity conducted by the Company and its Group requires obtaining numerous administrative decisions enabling the implementation of building projects, such as decisions on the project location, land use permits (if there is no master plan for a given area), building permits, occupancy certificates for the newly built structures, environmental decisions. The obligation to obtain the above administrative decisions entails the risk of inability to complete or delay in completing the building project implementation if the decisions are not obtained or the relevant procedures are protracted.

Moreover, the Company cannot exclude the risk that the decisions already issued will be appealed against by the parties to the administrative procedures or repealed, which would adversely affect the ability to further conduct or complete the current building projects and, consequently, the business operations, financial position and the results of the Group.

Furthermore, there is also the risk of inability to implement building projects within the areas where master plans have not been adopted and where the possibility to obtain a land use permit is prevented or hindered to a great extent.

- **RISK RELATING TO THE COMPETITION**

The Company, while focussing on the developer activity in the housing and office sector, faces strong competition on the part of domestic and foreign developers. The competition may create obstacles for the Company in acquiring appropriate lands at attractive prices for new projects. The increasing competition might also lead to increased supply of housing and commercial real estates and, therefore, to the stagnation of, or drop in, prices of flats and lease rents. Such a situation may adversely translate into the results generated by the CPD Capital Group.

- **RISK RELATING TO THE IMPLEMENTATION OF DEVELOPMENT PROJECTS**

The efficient implementation of development projects depends on a number of factors, some of which are not directly controlled by the Company. At the project preparation stage the Company might, for instance, not obtain administrative permits required to commence the construction works (e.g. passing and adoption of the master plan for the post-industrial area adjacent to Orłów Piastowskich street in Ursus) or may face obstacles in obtaining appropriate enterprises for their implementation. Also, a number of factors exist that might cause the general contractor or subcontractors to fail to comply with the construction completion deadlines. The most important factors are, among others, weather conditions, unforeseeable technical difficulties, shortage of building materials or equipment, failure to obtain permits enabling the buildings to be delivered for use, as well as amendments to the laws regulating the use of land. Should any of the above described risks occur, the development project completion might be delayed, the costs might increase, the funds invested in land rendered illiquid, and also, in extreme cases, the project completion totally prevented. The above described situations which, should they arise, might also adversely affect the Company's goodwill, which fact would impair its ability to implement further projects.

- **RISK RELATING TO LOCATION OF REAL ESTATES**

The assessment of the location of land for development projects is one of the most material criteria of determining the expected income from the project. Inaccurate assessment of the location for its intended use might hinder or prevent the sales of flats contained in such property at the price assumed by the Company, or the rent of office spaces at expected rates. In such a situation the risk exists that the CPD Group will fail to generate the expected sales revenue; or, if construction works are contracted earlier, the Company will generate margins at a level lower than predicted. Moreover, if the office space is not rented and the sale of flats is delayed – the Company will be reliant on external financing to a greater extent.

- **RISK RELATING TO LACK OF LIQUIDITY OF REAL ESTATE PROJECTS**

Compared to other types of investments, development projects might be characterised by a low level of liquidity. This concerns in particular the projects implemented in the office building sector. The extended period for selling real estate assets might lead to funds being frozen in the project, which – in turn – may lead to a greater need for debt financing in the CPD Group and other projects being suspended or renounced. The low level of liquidity of real estate assets may also result in the necessity to decrease the selling price. The above described factors may to a significant extent adversely affect the operations, financial position and results of the Group.

- **RISK RELATING TO GEOGRAPHICAL CONCENTRATION OF THE COMPANY'S AND GROUP'S PROJECTS**

The concentration of the majority of property portfolio in Warsaw, including the residential project in the Ursus District, exposes the Company to a higher risk of changes in the local market and business environment than that faced by other development companies with a greater geographical diversification of their property portfolio. The Group also owns real estate in Hungary. The Hungarian market is less politically and economically stable than the Polish market, so it cannot be excluded that the negative perception of the Hungarian economy by investors might affect the valuation of the real estate owned by the Group. However, given the size of the project, its negative influence, if any, on the Group's result is very limited.

- **RISK RELATING TO INCREASE OF CONSTRUCTION COSTS OF THE DEVELOPMENT PROJECTS**

During the implementation of the development project the project costs might increase. This increase may result from: changes introduced to the building permit design, increased material costs, increased labour costs, sub-contractor costs, land/facility use fees, taxes and other administrative fees. Consequently, the Company might fail to achieve the expected return on investment, which in turn might result in financial results worse than planned. The Company endeavours to mitigate the above risk through striving to enter into contracts with general contractors and subcontractors providing for lump sum fees. The increased labour and material costs might also adversely impact the profitability of future development projects.

- **RISK RELATING TO UNFAVOURABLE SOIL CONDITIONS**

This risk embraces unforeseen situations where, despite a detailed technical analysis of the land to be acquired, it might prove during the project implementation phase that there is some groundwater, the soil is unstable or archaeological findings or duds are discovered, contaminations, pollutions or any other unpredictable situation arises. Such situations may cause a material increase in the project costs, delay or even totally prevent its implementation, which, in turn, can affect the financial results of the CPD Group.

- **RISK RELATING TO UNFAVOURABLE WEATHER CONDITIONS**

Progress in construction works depends, to a large extent, on the weather conditions in which the construction is conducted. The Company strives to select such building companies, which thanks to modern building technologies are able to carry out work also during unfavourable weather conditions. Nonetheless, this measure does not eliminate the risk of delayed construction works due to extreme weather phenomena, such as, for instance, long and frosty winter with temperatures falling below -20°C or wind storms. Material damage at construction sites due to weather conditions also cannot be excluded. Any delays connected with bad weather conditions may result in time schedules of the projects being delayed and, consequently, in cost increases.

- **RISK RELATING TO CHANGES IN SELLING PRICE OF FLATS AND LEASE RENT RATES**

The Company's profitability depends largely on the level of the prices of flats and on lease rent rates for office space in the cities where the Company operates or intends to operate as a developer, as well as on discount rates at which investors are willing to purchase commercial real estate. The Company is unable to guarantee that, should the prices of flats or lease rates drop, it will be able to sell apartments or offices at expected prices. If, in turn, the capitalization rates applied for commercial real estate valuation increase, the Company may be unable to sell the commercial real estate at the expected price, which may have a negative effect on the Group's business operations, financial position or its financial results.

- **Risk relating to legal defects in the real estate and the risk of expropriation**

The Company and other members of its Group conduct relevant analyses and reviews of the legal status of real estate prior to purchase, however this does not completely rule out the risk of legal defects, which may emerge during the project implementation process, e.g. in the form of reprivatisation claims. There is also the risk of expropriation of real estate held by the Company to the benefit of the State Treasury or local government units, for public purposes. In such a situation (legal defects, reprivatisation claims, expropriation procedure) the results and business operations of the Company and its Group may be materially affected. In extreme situations, such risk may lead even to the loss of the real estate.

- **Risk relating to environmental responsibility**

The Company and other members of its Group are perpetual usufructuaries of post-industrial real estates which have been checked for hazardous substances and pollution/contamination, which, however, does not totally preclude the risk of liability under environmental regulations. In accordance with Polish law, the entities that use the land with hazardous substances or other pollution/contamination may be obliged to remediate the land or to pay penalties for contamination/pollution or to be otherwise held liable. It cannot be excluded that in the future the Company or its Group members will not be charged with the costs of remediation or monetary penalties in connection with the pollution/contamination of the environment in respect of the real estate used, which fact might adversely affect the business operations, financial position or development perspectives of the Company and its Group.

- **Risk relating to contracts concluded with contractors and subcontractors of construction works**

The Group uses services of specialized construction contractors, who often employ subcontractors, in order to implement its development projects. The Company cannot rule out the risk of non-performance or improper performance of the obligations of such contractors and subcontractors, which might adversely affect the performance of construction projects and, consequently, the business operations, financial position and results of the Group.

Moreover, taking into account the joint and several liability of the project owner and the contractor for payment of remuneration to subcontractors, the Company may not rule out the risk of the contractor's incapacity to pay such remuneration and, therefore, the occurrence of liability on the part of the Company or its subsidiary, acting as the project owner. The above risk will be limited by allocating individual projects to individual companies. Additionally, the payment for services provided by the general contractor is dependent on its timely payments to subcontractors. The Company monitors payments made by the general contractors to their subcontractors on an ongoing basis.

- **Risk relating to lease agreements**

The value of real estate to be leased depends on the time left to the elapse of the lease agreements' term and on the financial standing of the lessees. If the Company and its Group's members are not able to prolong, on favourable conditions, the agreements which are due to expire in the near future, or gain and maintain appropriate lessees of good financial standing and willing to enter into long-term lease agreements, this might adversely affect the market value of the real estate portfolio. The financial position of a lessee may deteriorate in the short or long term, which in turn might lead the lessee to bankruptcy or inability to pay its liabilities resulting from the lease agreement. If any of the above factors occurs, it might have a significant negative effect on the Company's financial results.

- **Risk relating to failure to attain assumed strategic goals**

The Company may not guarantee that its assumed strategic goals will be attained, specifically the expected significant extension of its business operations scale. The implementation of strategy is dependent on many factors determining the real estate market situation, which fall outside the Company's control. The Company endeavours to build its strategy on the basis of the current market situation. The Company may not ensure, however, that the strategy has been grounded on a complete and accurate analysis of current and future trends of the market. It cannot be excluded that the activities undertaken by the Company will prove insufficient or mistaken from the point of view of implementation of the assumed strategic goals. An erroneous assessment of market tendencies and any erroneous decisions by the Company might have a significant adverse effect on its financial results.

- **Risk relating to the managerial staff**

The business activity of the CPD Group and its further development are largely dependent on the knowledge, experience and qualifications of its managerial staff and key employees. It is the competence of the managerial staff that determines success of all milestones of the development project implementation. If key employees leave the Company, there might be a risk relating to inability to employ equally experienced and qualified experts who would be able to continue the Company's strategy implementation, which may materially and adversely affect the Company's financial results.

- **Risk relating to financing development with bank loans and other debt instruments**

Usually development projects are implemented with the use of significant debt financing. Thus, the Company and its Group are exposed to the risk of increase in interest rates and more significant service costs of the loan on the one hand. On the other hand, if the demand for the Company's products decreases, in an extreme case the company implementing the investment may be unable to serve the debt. Thus, if the terms of loan agreements providing funds for construction projects are breached, there is risk that the lenders will take over those assets of the CPD Group members which secure the repayment of the loans. The Company can neither exclude the risk of impaired access to debt financing or a material rise in the costs of debt due to a change in a bank's lending policy. This may hinder the Company's opportunities to begin new projects and, therefore, materially affect its financial results to be generated in the future.

- **Foreign exchange risk**

CPD Group's debt denominated in foreign currencies amounted to 31 December 2018 equivalent of PLN 104.8 million. In view of the above, the Company and the Group is exposed to the risk of depreciation of the zloty against the currencies in which they are incurred loans, which could adversely affect the Company's financial position. This risk is partly compensated by the fact that the settlement proceeds from the rental and sale of office projects carried out in foreign currencies.

- **Risk relating to access of prospective clients of Celtic group to loan financing**

The regulations on mortgage loans issued by the Financial Supervision Authority in 2010 - 2012 (so-called T-recommendation issued in August 2010 and the amended S-recommendation in force since January 2012) may substantially limit the accessibility of loans designated to finance the purchase of a property. As a result they may cause a drop in demand for flats and houses and consequently reduce the interest in the Group's development projects.

In addition, a rise in inflation implying a rise in interest rates will mean an increase in mortgage rates. An increase in financing costs may cause a decrease in the creditworthiness of an individual customer, which in consequence may result in a decrease in the demand for apartments offered by the Company and its Capital Group.

- **RISK CONNECTED WITH THE LAUNCH OF THE PLUS FLAT PROGRAM**

In 2017, the government program, Mieszkanie Plus, covering 17 cities, began. The government plans to build flats as part of commercial REITs, and the poorest to pay rent subsidies. The Ministry of Infrastructure and Development will deal with the project and will be subject to public consultation. The implementation of the Mieszkanie Plus program may cause a drop in demand for apartments offered by developers, including a drop in interest in CPD Group projects.

13. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS WITH VALUE OF OVER 10% OF THE EQUITY

CPD S.A. and any of its subsidiaries are not party to proceedings before a court, an authority competent for arbitration or a public administration body, with total value exceeding 10% of CPD S.A. equity.

14. ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

CPD S.A. organizational and capital relationships as well as the structure of the Group are presented in the Section *V.2 GROUP STRUCTURE*.

15. SIGNIFICANT AGREEMENTS

In the financial year 2018, the Company and other companies from the Capital Group concluded agreements which are significant agreements within the meaning of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities.

At the end of the roll-up period, the Company and its subsidiaries are parties to the following agreements deemed significant in the meaning of the Regulation:

- Loan agreement of Belise Investments sp. z o.o. with Bank Zachodni WBK S.A.. The agreement is a significant contract due to its value as at 31/12/2018 amounting to PLN 67,696 (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2018, amounting to PLN 4.30 / EUR), which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;
- Loan agreement Lakia Investments sp. z o.o. with mBank. The contract is a significant contract due to its value as at 31 December 2018 amounting to PLN 20,920 (according to the average EUR exchange rate published by the National Bank of Poland on 31 December 2018, amounting to PLN 4.30 / EUR);
- Credit agreement of Robin Investments sp. z o.o. with mBank. The contract is a significant contract due to its value as at 31 December 2018 amounting to PLN 16,220,000 (according to

the average EUR exchange rate published by the National Bank of Poland on 31 December 2018, amounting to PLN 4.30 / EUR);

These agreements are described in section 17. CONTRACT LOANS, LOANS, GUARANTEES AND this report.

- Investment agreement for a joint venture between CPD Spółka Akcyjna, Challange Eighteen limited liability company, Ursa Park Smart City limited liability company, limited partnership and Lakia Enterprises Ltd and Unibep Spółka Akcyjna and Unidevelopment Spółka Akcyjna. The agreement is a significant contract due to its value on the date of its change, ie on 26 October 2018, amounting to PLN 133.8 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;
- Conditional contract for the sale of the right to the land real estate concluded in 2017 between IMES Poland sp. z o.o. and a company from the Ronson Capital Group. The agreement is a significant contract due to its value of PLN 35.75 milion, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;
- Preliminary agreement for the sale of the right to land property concluded on 15 November 2018 between subsidiaries 2/124 Gaston Investments sp. z o.o. sp. k. and 3/93 Gaston Investments sp. z o. o. sp. k. and Neotowns sp. z o. o.. The agreement is a significant contract due to its value of PLN 70.67 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;
- Conditional preliminary agreement for the sale of the right to land property concluded on 31 July 2018 between the subsidiary company 5/92 Gaston Investments sp. z o. o. sp.k. and UDI Tau sp. z o.o.. The agreement is a significant contract due to its value of PLN 50.02 million, which exceeds the value of 10% of the equity capital of CPD S.A. as at 31 December 2018;

16. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the reporting period, the Company did not enter into transactions with related parties on other than market terms. Transactions with related parties are described in Note 26 to the Consolidated Financial Statements.

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

Until the date of publication of this report, commitments resulting from contracts were implemented as described below:

- On 30 January 2017, subsidiaries of the Issuer IMES Poland sp. z o.o. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. granted collateral as a result of the conclusion of conditional sales agreements leading to the sale of the right to land property located in Warsaw in the Ursus district.

  Collateral mortgages on the right to perpetual usufruct of owned real estate each time up to the full amount of a given payment, to be paid by the Buyer to the Companies for each mortgage, constituted the security.

The companies also submitted to enforcement pursuant to art. 777 § 1 point 5 of the Code of Civil Procedure, regarding the obligation to return the sum of money to the full amount of a given payment, which the Buyer was to make to the Companies, and each entity submitted 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 conclusion of final contracts was conditional upon the fulfillment of a number of conditions precedent.

In 2018, 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. perpetual usufruct right to plots 98/1 and 148/2 respectively. Whereas, on the right to perpetual usufruct of plot 98/2, a joint mortgage up to PLN 35.75 million is still established. 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 amount of PLN 35.75 million.

- On 15 November 2018, Issuer's subsidiaries 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 3/93 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded a preliminary agreement for the sale of perpetual usufruct right to real estate consisting of plot no. 124/2 and plots no. 93/3, located in Warsaw, in the Ursus district, for the benefit of Neotowns sp. z o.o. based in Warsaw.

  The buyer paid an advance of 10% of the sale price. In order to secure the return of the advance by the selling companies, they established a joint mortgage on the right of perpetual usufruct of the above-mentioned real estate up to the amount equivalent to the advance payment plus possible contractual penalties and voluntarily submitted to enforcement pursuant to art. 777 of the Code of Civil Procedure regarding the obligation to refund the advance, plus any contractual penalties.

- On 31 July 2018, a subsidiary of Issuer 5/92 Gaston Investments sp. z o.o. sp. k. with its registered office in Warsaw, entered into a conditional preliminary agreement for the sale of perpetual usufruct right to real estate consisting of plot no 92/2, located in Warsaw, in the Ursus district for the company UDI Tau sp. z o.o. based in Warsaw.

  The buyer paid an advance of 10% of the sale price. In order to secure the return of the advance payment by the seller, he established a mortgage on the share in the property up to the amount equivalent to 200% of the advance payment and voluntarily submitted to enforcement pursuant to art. 777 § 1 point 4 of the Code of Civil Procedure regarding the obligation to repay the advance payment.

- This contract was signed on 12 August 2011 between Bank Zachodni WBK S.A. and a subsidiary of Belise Investments sp. z o.o. as a borrower and guarantors, which are CPD S.A., Lakia Enterprises Ltd. with its registered office in Nicosia (Cyprus) and East Europe Property Financing A.B. based in Stockholm (Sweden) and related to financing the construction and finishing of the Iris office building located at ul. Cybernetics 9 in Warsaw, which was put into use in October 2012. Under the loan agreement, the Investment Loan was granted up to EUR 20,077,458 to finance or refinance part of the project costs or the cost of finishing the lease area;

  On 31 May 2015, the Company signed the annex to the day credit agreement. The above Annex was signed in connection with the maturity of the existing loan.

Pursuant to the aforementioned Annex, the following changes were introduced:

1) The Investment Loan up to the amount of EUR 18,500,000.00 has been granted for refinancing debt by making Conversions;

2) The deadline for the full repayment of the Credit together with interest and other costs has been agreed by the parties on a daily basis 31 May 2021;

3) Conversion meant the use of funds made available under Tranche B through conversion of the Debt Amount EUR 17,000,000 in Tranche A into the Debt Amount in tranche B and the release of an additional tranche up to a maximum amount of EUR 1,500,000.

Other significant provisions resulting from the Agreement remain unchanged.

At the same time, CPD S.A. and Lakia Enterprises Limited with its registered office in Nicosia (Cyprus), in order to secure the repayment of the Loan, in connection with the Annex, they submitted to enforcement. In addition, the Company signed the Annex to the surety agreement.

- On 18 June 2014, a loan agreement was signed between Robin Investments sp. z o.o, which is a subsidiary of the Issuer, and mBank Hipoteczny S.A., under which Robin Investments sp. z o.o. a loan of EUR 4,450,000 has been granted for the refinancing of the Aquarius office building, through the total and irrevocable repayment of the existing debt of the company resulting from the loan agreement with HSBC Bank Polska S.A.,

  Securing Mortgage Loan repayment consists of the following mortgages and pledges:

  1) joint contractual mortgage up to the amount of EUR 8,900,000,

  2) registered pledge on all shares in the Borrower's share capital with a total nominal value of PLN 50,000 together with a statement by LAKIA ENTERPRISES LIMITED with its registered office in Nicosia ("the Shareholder") on submission to enforcement of pledged shares, drawn up pursuant to Art. 97 of the Banking Law up to the amount of EUR 4,450,000,

  3) registered pledges on receivables of the Borrower from Bank Accounts;

  Other - standard for this type of agreements - credit security is a transfer for securing claims under the Real Estate and Building insurance contract, transfer of receivables under Lease Agreements, blockade and authorization to the Borrower's bank accounts, Debt Servicing Reserve in the amount equivalent to three principal and interest installments.

  The loan was made available and used by the Borrower in the amount of EUR 4,450,000 and constitutes a refinancing of the existing HSBC loan granted to the Shareholder.

  The final repayment of the Mortgage Loan will take place no later than on 20 June 2029. The amounts due will be repaid in EUR, according to the agreed repayment schedule. Due to the loan granted, the Subsidiary will pay interest at a variable interest rate of 6M EURIBOR, increased by the Bank's margin.

- On 18 June 2014, a loan agreement was signed between the subsidiary Lakia Investments sp. z o.o. and mBank Hipoteczny S.A., under which Lakia 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, among others, through the total and irrevocable repayment of the existing debt of the company resulting from the loan agreement with HSBC Bank Polska S.A.,

Securing Mortgage Loan repayment consists of the following mortgages and pledges:

1) joint contractual mortgage up to the amount of EUR 11,700,000 established at:

2) registered pledge on all shares in the Borrower's share capital with a total nominal value of PLN 50,000 together with a statement by LAKIA ENTERPRISES LIMITED with its registered office in Nicosia ("the Shareholder") on submission to enforcement of pledged shares, drawn up pursuant to Art. 97 of the Banking Law up to EUR 5,850,000;

3) registered pledges on receivables of the Borrower from Bank Accounts;

Other - standard for this type of agreements - credit security is a transfer for securing claims under the Real Estate and Building insurance contract, transfer of receivables under Lease Agreements, blockade and authorization to the Borrower's bank accounts, Debt Servicing Reserve in the amount equivalent to three principal and interest installments.

The loan has been made available and used by the Borrower in the amount of EUR 5,850,000 and refinances the existing HSBC loan granted to the Shareholder.

The final repayment of the Mortgage Loan will take place no later than on 20 June 2029. The amounts due will be repaid in EUR, according to the agreed repayment schedule. Due to the loan granted, the Subsidiary will pay interest at a variable interest rate of 6M EURIBOR, increased by the Bank's margin.

During 2017, Lakia Investments reported failure to meet one of the financial indicators agreed in the loan 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. Until the date of preparation of these consolidated financial statements, the bank did not issue such a request.

- The Issuer and its subsidiaries granted collateral in connection with the agreement of 28 February 2018 providing a revolving loan for financing a housing project between Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k. a subsidiary of the Company and the Bank. Millennium SA, based on which Ursa Park Smart City Investments spółka z ograniczoną odpowiedzialnością sp. k. a revolving loan in the amount of PLN 25,000,000 was granted to finance the maximum level of investment costs in the amount of PLN 42,954,660.00, intended for financing the construction of a multi-family residential project Ursa Park Smart City Stage II, at the intersection of Dyrekcyjna Street and 48 KD-D in Warsaw, in the Ursus district. The investment was created with the joint participation of CPD S.A. and Unidevelopment S.A.

  In the first quarter of 2019, the loan liability was repaid in full and the contract was terminated.

  The repayment security of the Bank's receivables resulting from the Renewable Loan Agreement under loans granted were:

  - mortgage up to the amount of PLN 40,000,000.00 (with the highest priority) for the benefit of the Bank, on the real estate on which the investment is carried out, belonging to the Borrower, located in Warsaw, described in KW No. WA1M /

00283121/5, kept by the District Court for Warsaw-Mokotów in Warsaw, XIII Division of Land and Mortgage Registers, along with the assignment of rights under the insurance contract for buildings erected as part of a development project on fire and other random events (after construction on the insurance sum corresponding at least to the loan amount);

- a Borrower's declaration on submission to enforcement in favor of the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;
- registered pledge with ordinary pledge as a transitional collateral on the general rights and obligations of the General Partner: Smart City sp. z o.o. in connection with the contribution made with a nominal value of PLN 1,000.00 in the Borrower's company.
- a statement by Smart City sp. z o.o. about submission to enforcement in favor of the Bank pursuant to art. 777 § 1 point 6 k.p.c. up to a maximum amount of PLN 40,000,000.00 from the property pledged with the pledge, to the Bank, in order to satisfy the monetary claim due to the Bank under the Agreement, with the changes in force at the given time;
- registered pledge with ordinary pledge as a transitional security on the general rights and obligations of the limited partner: Challange Eighteen sp. z o.o. in connection with the contribution made with a nominal value of PLN 73,108,888.62 in the Borrower's company.
- statement by Challange Eighteen sp. z o.o. on submission to enforcement for the Bank in accordance with art. 777 § 1 point 6 k.p.c. up to a maximum amount of PLN 40,000,000.00 from the property pledged with the pledge, to the Bank, in order to satisfy the monetary claim due to the Bank under the Agreement, with the changes in force at the given time;
- statement by CPD S.A. on submission to enforcement for the Bank in accordance with art. 777 § 1 point 5 k.p.c. from all property as to the obligation to pay to the Bank all sums of money under obligations under the Agreement, with amendments in force at the given time, up to a maximum amount of PLN 40,000,000.00;
- accession to debt by CPD S.A. along with power of attorney to accounts maintained at the Bank.

- On 18 June 2014, the subsidiaries Lakia Investments and Robin Investments concluded loan agreements with mBank Hipoteczny. The loan was granted in order to refinance the loan contracted in HSBC Bank Polska in 2006, which was used to finance the purchase of office investments located at Cybernetics 7b and Połczyńska 31a. The loan in mBank Hipoteczny was launched on 1 July 2014. The loan obligation of Lakii Investments amounted to PLN 4,901 as at the balance sheet date, and Robina Investments EUR 3,795. Under the terms of the loan agreement with mBank Hipoteczny, these companies are obliged to repay the entire loan by 20 June 2029.

  As a result of the downturn in the rental of office space in Mokotów, Lakia Investments reported to mBank Hipoteczny not meeting one of the financial ratios agreed in the loan agreement, which gives the bank the right to demand repayment of the total loan amount. Until the date of preparation of these annual consolidated financial statements, the bank did not issue such a request. The entire loan value of Lakia Investments (PLN 20,920) was recognized as a short-term liability included in the disposal group classified as held for sale.

Lakia Investments has taken corrective actions aimed at achieving a situation in which it will meet all the financial ratios agreed in the credit agreement.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

- **PURCHASE OF OWN SHARES FOR REDEMPTION**

20 June 2018 as a result of the settlement of the acquisition of shares of CPD S.A. as a result of the invitation to submit bids for the sale of shares of the Company announced on 29 May 2018, the Company purchased through the brokerage house Pekao Investment Banking S.A. with its registered office in Warsaw, 11,518,100 shares of the Company.

The shares were purchased in accordance with Resolution No. 18 of the Ordinary General Meeting of CPD S.A. of 10 May 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 7 June 2017 amending the resolution No. 18 of the Ordinary General Meeting of 10 May 2017 regarding the purchase of the company's shares for the purpose of redemption and Resolution No. 5 of the Extraordinary General Meeting of CPD S.A. of 7 February 2018 regarding amendment to resolution No. 18 of the Ordinary General Meeting of 10 May 2017 regarding the purchase of shares of the company for redemption in accordance with art. 362 § 1 point 5) k.s.h.

The purchase price for one share was PLN 12.34.

All purchased shares were ordinary shares with a nominal value of PLN 0.10 each. Acquired CPD shares S.A. (11,818,100 shares) constituted 29.43% of the Company's share capital and represented 11,581,100 votes at the General Meeting of the Company (29.43% of the total number of votes at the General Meeting of the Company), however, in accordance with the applicable regulations, the Company was not entitled to exercise voting rights from own shares.

Before the acquisition of 11,158,101 own shares indicated above, the Company already had own shares of 1,401,792 shares), which constituted 3.56% of the share capital of the Company and represented 1,495,792 votes at the General Meeting of the Company (3.56% of the total number votes at the General Meeting of the Company).

In connection with the above, the Company jointly held 12.982.892 treasury shares at the time, which together constituted 32.99% of the Company's share capital, however, according to the applicable regulations, the Company was not entitled to exercise voting rights from its own shares.

- **REGISTRATION OF SHARE REDEMPTION, REDUCTION OF SHARE CAPITAL AND CHANGE IN THE STATUTE**

8 February 2019 the Company received the decision of the District Court for the Capital City of Warsaw diin Warsaw, 13th Commercial Division of the National Court Register issued on 25 January 2019 on registration by the court of amendments to the Issuer’s Articles of Association in connection

with the contents of resolutions adopted by the Extraordinary General Meeting of the Company on 14 September 2018, including the following amendments to the Issuer's Articles of Association:

1. Changes in relation to the content of resolution No. 5 of the Extraordinary General Meeting of the Company of September 14, 2018 on decreasing equity of CPD S.A. and amending the Company Statute:

   a. par. 4.1 of the Company Statute was amended as follows:

   „1. The Company's equity shall amount to zł 2,637,113.10 (two million six hundred thirty seven thousand one hundred thirteen zlotys ten groszys) and shall be divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred thirty one zlotys) stocks of AA series of nominal value zł 0.10 (ten groszys) each."

   a. par. 4d of the Company Statute was deleted.

2. Changes in relation to the content of resolution No. 6 of the Extraordinary General Meeting of the Company of September 14, 2018 on amending the Company Statute:

   a. par. 10.5 of the Company Statute was amended as follows:

   „5. Since acquisition by the Company of the status of a public company, competence of the Supervisory Board shall include granting consent to execution by the Company of any significant agreement with any stockholder holding of at least 5% of total number of votes in the Company or with any affiliate within the meaning of international accounting standards adopted under the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. No consent shall be required for typical transactions performed on arm's length basis within the framework of operating activity carried on by the Company with entities in the Company's capital group."

   b. par. 11.2.7) of the Company Statute was amended as follows:

   „7) in the event of acquisition by the Company of the status of a listed company and as long as the Company remains listed – preparing and presenting to the Ordinary General Meeting: (i) evaluation of the Company's situation with consideration of the evaluation of the internal inspection system, risk management, compliance and internal audit function; (ii) report on the Supervisory Board's activity; (iii) evaluation of fulfilment of the Company's information requirements concerning application of the corporate governance rules; (iv) evaluation of rationality of the Company's sponsoring and charity policy; (v) examination of and opinion on any issues to become subject matters of resolutions of the General Meeting;"

   c. the current content of the par.11.3, par.11.4, par. 11.5 and par. 11.6 of the Company Statute has been deleted, and par. 11.3, 11.4 was amended as follows:

   „3. The Supervisory Board shall appoint the Audit Committee if provisions of law impose such an obligation thereon.

4. If stocks of the Company are traded on a regulated market, the Supervisory Board may adopt a resolution on appointment of the Audit Committee even without such a statutory obligation."

d. par. 12.2 of the Company Statute was amended as follows:

„2. The Independent Members shall fulfil the independence criteria provided in: (i) Attachment II to the Recommendation of the European Commission of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board; (ii) the guidelines included in the document „Best Practice of Companies Listed at GPW 2016"; or (iii) other regulations concerning independence criteria required from independent members of supervisory boards of public companies, in force on the day of appointment of the Independent Member."

e. par. 12.3 and 12.4 of the Company Statute are deleted and the existing par. 12.5 of the Company Statute shall be renumbered as par 12.3 of the Company Statute.

The above amendments to the Statute became effective from the date of their registration in the register of entrepreneurs, which took place on January 25, 2019.

The Management Board of the Company informs that in connection with the content of Resolution No. 4 of September 14, 2018, the Extraordinary General Meeting of the Company regarding the redemption own stocks redeemed a total of 12,982,892 (in words: twelve million nine hundred and eighty two thousand eight hundred and ninety two) own shares marked with ISIN code PLCELPD00013 entitling to exercise 12.982.892 votes (in words: twelve million nine hundred and eighty two thousand eight hundred ninety two).

At the same time, due to the change of par. 4. 1 of the Company's Statute, the definition of a series of shares in the Company was changed to simplify their naming in such a way that all shares of the Company received a uniform designation as the "AA" series.

In connection with the above, the Company's share capital amounts to PLN 2,637,113.10 (in words: two million six hundred and thirty seven thousand three hundred twenty zlotys and thirty groszys) and is divided into 26,371,131 (twenty six million three hundred seventy one thousand one hundred and thirty one) stocks of AA series of nominal value zł 0.10 (ten groszy) each, which entitle to 26.371.131 votes.

- **THE WITHDRAWAL OF REDEEMED SHARES IN THE KDPW S.A. (NATIONAL SECURITIES DEPOSITORY S.A.)**

20 February 2019 Management Board of National Securities Depository S.A. adopted Resolution no. 95/2019, as a result of considered application of Company, regarding the withdrawal of 12,982,892 shares of the Company, in connection with redemption of shares.
The redemption of 12,982,892 shares on the basis of Resolution No. 4 and 5 of the Extraordinary General Meeting of 14 September 2018, and amending the Issuer's Articles of Association was registered on 25 January 2019 by District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register Court.

- **RESOLVING THE EXTRAORDINARY GENERAL MEETING ON THE PLANNED BUYS OF OWN SHARES FOR REDEMPRION**

On 28 February 2019, an Extraordinary General Meeting was held which authorized the Management Board of the Company to purchase from the Company's Shareholders a total of no more than 8,700,000 shares of the company for redemption not later than 31 January 2021.

- **INFORMATION ON THE INVITATION TO SUBMIT PROPOSALS FOR THE SALES OF THE CPD S.A. SHARES**

4 March 2019 Management Board of the Company invited the Company's shareholders to submit Share Sale Offers on the terms specified in the Invitation to Place Sale Offers.

The full text of the Invitation to submit Sale Offers has been made public on the website of CPD S.A. (www.cpdsa.pl).

- **INFORMATION ON ACCEPTANCE OF OFFERS TO SELL THE SHARES**

In connection with Invitation to Submit Proposals for Sales of Shares of the Company announced on 4 March 2019, the pursuant to which the Company proposed to acquire up to 3 305 886 shares of ordinary bearer shares ISIN code PLCELPD00013, for the period for receipt of Offers to Sell the Shares held from 11 to 19 March 2019, accepted 51 valid offers amounting to a total of 19 944 601 shares of the Company.

On 20 March 2019, the Company has decided to accept all valid offers of Shares and make them reduction carried out in accordance with the principles set out in the Invitation. Because the Offers amounted to more than the number of shares offered by the Company of 3 305 886 shares, each offer was executed in part – the offer was reduced in accordance with the principles described in the Invitation and Offers to be reduced on average by approximately 83,42%.

Acquisition of Shares by the Company, took place as soon as the settlement ie 22 March 2019.

- **PURCHASE OF THE COMPANY'S OWN SHARES**

As a result of the buyback transaction dated on 22 March 2019, being a result of announced Invitation to Submit Proposals for Sales of Shares of the Company dated on 4 March 2019, the Company purchased through a brokerage house Pekao Investment Banking S.A. with its registered seat in Warsaw, 3 305 886 own shares.

The shares were acquired pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD of 28 February 2019 on acquisition of the shares of the Company for the purpose of redemption, pursuant to art. 362 § 1 point 5) Code of Commercial Companies.

The purchase price per share was 13,01 zł.

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 3 305 886 shares) represented 12,54 % of the Company's share capital and represented 3 305 886 votes at the General Meeting of the Company (12,54 % of voting rights at the General Meeting of the Company).

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2018.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

The CPD Group finances its operations first of all, equity and than foreign capital.. Equity capitals as at the balance sheet date constituted 56% of the total balance sheet total of the Group and were the main source of financing the Group's operating activities. In the financial year 2018, the Group's financial resources were used in accordance with plans, purpose and current needs. The Group has regularly met its obligations to counterparties, banks and obligatory charges to the State. Financial flows are monitored on an ongoing basis, which allows for safe management of the Group's finances. Additionally, in the long-term projection of cash flows, provisions for various risks have been created, which means that liabilities of liabilities constituting 44% of the total balance sheet total of the Group do not pose a threat to the liquidity of the Group's financial condition.

The supplementary source of financing the Group's operations are loans. Loans and loans are a significant source of financing for the CPD Group. At the end of 2018, the total value of liabilities due to loans and borrowings, including financial leasing was PLN 133 million compared to PLN 144 million at the end of 2017. Under the credit and loan liabilities, the CPD Group also recognizes liabilities due to finance leases, being the capitalized liability of the Group's for perpetual usufruct of land. At the end of 2018, these liabilities amounted to PLN 27.5 million, which accounted for approximately 21% of the total amount of liabilities under loans and borrowings, including financial leasing.

21. CHANGES IN MANAGEMENT POLICIES

In 2018, continuing the strategy of focusing the Group's activities on the Polish market, and in particular on the Ursus project, the structure of the Group continued to change. Continuation is subject to the liquidation of a company not conducting investment or operational activity (Mandy Investments sp. z o.o.,) in connection with the sale of its properties and the cessation of its operating activities. The reduction of the number of subsidiaries to 26 and two jointly controlled at the end of the settlement period contributed to the simplification of the Group's management rules. In addition to changes in the Group's structure in 2018 (described in detail in point VI.2 CAPITAL GROUP STRUCTURE of this report) and further simplification of organizational procedures, there were no major changes in the Group's management policies.

22. REMUNERATION OF THE MANAGEMENT BOARD, SUPERVISORY BOARD AND THE AUDIT COMMITTEE

- ### SUPERVISORY BOARD REMUNERATION

In 2018, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2018, the following remuneration amounts for holding an office in the Company’s Supervisory Board were disbursed to the members of the Supervisory Board of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Wiesław Oleś	Secretary	PLN	60 000	01.2018 - 12.2018	-
Andrew Pegge	President	PLN	132 419	01.2018 - 12.2018	-
Mirosław Gronicki	Member	PLN	60 000	01.2018 - 12.2018	-

Gabriela Gryger	Member	PLN	60 000	01.2018 - 12.2018	-
Michael Haxby	Vice-president	PLN	60 000	01.2018 - 12.2018	-
Alfonso Kalinauskas	Member	PLN	17 379	09.2018 - 12.2018	-
TOTAL		**PLN**	**389 798**		

- **AUDIT COMMITTEE REMUNERATION**

In 2018, the following remuneration amounts for holding an office in the Company's Audit Committee were disbursed to the members of the Audit Committee of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Wiesław Oleś	President	PLN	58 400	01.2018 - 09.2018	-
Andrew Pegge	Member	PLN	53 200	01.2018 - 12.2018	-
Mirosław Gronicki	Member	PLN	53 200	01.2018 - 12.2018	-
Alfonso Kalinauskas	President	PLN	20 855	09.2018 - 12.2018	
TOTAL		**PLN**	**185 655**		

- **MANAGEMENT BOARD REMUNERATION**

In 2018, neither the Company nor its subsidiaries paid any prizes or benefits, including those resulting from incentive or bonus schemes based on the issuer's capital, in particular based on bonds with pre-emptive rights, convertible bonds, subscription warrants, in cash, in kind or in any other form. In 2018 CPD S.A. Management Board members received cash remuneration for the function on the appointment basis in the Management Board of the Company as well as the remuneration for services provided to companies being part of the CPD Group.

Name	Function	Remuneration for a position in the Management Board of the Company paid by the Company (PLN)	Remuneration for holding other functions in the Group paid by subordinated entities (PLN)	Total (PLN)	Period	Comments
Elżbieta Wiczkowska	President	60 000	3 775 092	3 835 092	01.2018 - 12.2018	-
Iwona Makarewicz	Member	60 000	2 078 400	2 138 400	01.2018 - 12.2018	-
Colin Kingsnorth	Member	60 000	-	60 000	01.2018 - 12.2018	-
John Purcell	Member	60 000	475 870	535 870	01.2018 - 12.2018	-
TOTAL		**240 000**	**6 329 362**	**6 569 362**		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

CPD S.A. Management Board members are not employed under employment agreements in the Company. The Company did not conclude such agreements with members of the Management Board that provide for compensation in the event of their resignation or dismissal from their function without valid reason or if the dismissal results from the merger of the Company following an acquisition.

24. SHARES IN POSSESSION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The following table presents the number of shares of the Company owned by the members of the Management Board holding their function at 31 December 2018, according to the information held by the Company:

Name	Function	No. of owned shares	Worth of owned shares (PLN)	% of total no. of shares	% of total no. of votes
Elżbieta Wiczkowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
Colin Kingsnorth	Member	0	0	0	0
John Purcell	President	0	0	0	0
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

After the balance sheet date, i.e. 26 March 2019, the company received a notification from Ms Elżbieta Wiczkowska regarding change in the number of shares held in connection with the purchase of own shares of CPD S.A. ended on 22 March 2019. As a result of the transaction, as at the date of publication of this report, the number of held shares is 37 060.

The Company has no information that other members of the Management Board or the Supervisory Board are in possession of the Company's shares.

25. AGREEMENTS CHANGING OWNERSHIP STRUCTURE

At the date of this report, the Company has not received other complaints concerning the changes in the proportion of shares held by shareholders holding not yet at least 5 % of the shares of the Company.

26. CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES

During the reporting period the Company did not implement employee shares schemes.

27. AGREEMENT WITH AN ENTITY AUTHORISED FOR AUDITING FINANCIAL STATEMENTS

On 19 April 2018, the Supervisory Board of the Company, after hearing the recommendation of the Company's Audit Committee, adopted a resolution regarding the selection of Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. w
ith its registered office in Poznań, at ul. Abpa Antoni Baraniak 88 E, entered into the list of entities authorized to audit financial statements under number 4055, for the certified auditor entitled to:

- examination of the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2018,
- examination of the separate financial statements of CPD S.A. for the financial year ended 31 December 2018,
- review of the interim consolidated financial statements of CPD S.A. on 30 June 2018,
- review of the interim separate financial statements of CPD S.A. on 30 June 2018,

and

- examination of the consolidated financial statements of CPD S.A. for the financial year ended 31 December 2019,
- examination of the separate financial statements of CPD S.A. for the financial year ended 31 December 2019,
- review of the interim consolidated financial statements of CPD S.A. on 30 June 2019,
- review of the interim separate financial statements of CPD S.A. on 30 June 2019.

The contract with Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. was concluded for the period necessary to carry out the work indicated therein.

Main assumptions of the policy of selecting an audit firm

Main assumptions of the policy of selecting an audit firm adopted in CPD include:

- ensuring the correctness of the selection process of the audit firm and defining the responsibility and obligations of the participants in the process,
- analysis in the selection of an audit firm of recommendations given by the Audit Committee;
- taking into account the principle of rotation of the audit firm and the key statutory auditor in the adopted time horizon.

Main assumptions of the Policy of providing by the auditing company

conducting a statutory audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services:

- ensuring regularity in the process of outsourcing authorized services;
- defining the responsibilities and responsibilities of participants in the process;
- defining the list of allowed services;
- determination of the procedure for outsourcing authorized services.

In 2018, the auditing company auditing the financial statements did not provide other non-audit services to CPD, therefore, the assessment of the audit firm's independence or the consent of the CPD Supervisory Board to provide additional services was not required.

The financial statements of CPD SA and the consolidated financial statements of the Group for the 2018 were reviewed and audited by an auditing firm Grant Thorton Polska sp. z o.o. sp. k. with its registered office in Warsaw.

The total remuneration of auditor Grant Thornton for 2018 amounted to PLN 180,000 net, of which:

- PLN 65,000 was the remuneration for the review of the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2018 to 30 June 2018 (agreement of 24 April 2018);
- PLN 85,000 was the remuneration for auditing the financial statements of CPD S.A. and the consolidated financial statements of the Capital Group for the period from 1 January 2018 to 31 December 2018 (contract of 24 April 2018);
- PLN 14,000 was the remuneration for auditing the financial statements of Belise Investments sp. z o.o .;
- PLN 16,000 was the remuneration for auditing the financial statements of Challange Eighteen sp. z o.o .;

The financial statements of Cypriot subsidiaries Celtic Investments Ltd and Lakia Enterprises Ltd for the period from 1 January 2018 to 31 December 2018 were audited by the auditing company PricewaterhouseCoopers Ltd.

The remuneration of the auditing company for the examination and review of the financial statements for the previous financial year is described in note 31 on page 56 of the consolidated financial statements.

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

	As at:				Change
	31.12.2018 (PLN ths.)	31.12.2017 (PLN ths.)	% in total assets 2018	% in total assets 2017	2018/2017 (%)
Investment properties	218 311	471 715	37,5%	62,0%	*-53,7%*
Property, plant and equipment	512	734	0,1%	0,1%	*-30,2%*
Intangible assets, excluding goodwill	0	3	0,00%	0,00%	*-100,0%*
Investments in joint ventures accounted for using the equity method	37 201	63 072	6,38%	8,29%	*-41,0%*
Long-term receivables	550	931	0,1%	0,1%	*-40,9%*
Non-current assets	**256 574**	**536 455**	**44,0%**	**70,5%**	***-52,2%***
Inventories	2 915	5 421	0,5%	0,7%	*-46,2%*
Trade and other receivables	7 981	7 282	1,4%	1,0%	*9,6%*
Cash and cash equivalents	102 405	143 303	17,6%	18,8%	*-28,5%*
Assets held for sale	212 893	68 539	36,5%	9,0%	*210,6%*
Current assets	**326 194**	**224 545**	**56,0%**	**29,5%**	***45,3%***
TOTAL ASSETS	**582 768**	**761 000**	**100%**	**100%**	***-23,4%***

	As at: 31.12.2018 (PLN ths.)	31.12.2017 (PLN ths.)	% in total assets 2018	% in total assets 2017	Change 2018/2017 (%)
Share capital	3 935	3 935	0,7%	0,5%	*0,0%*
Other reserves	987	987	0,2%	0,1%	*0,0%*
Fair value of capital element at inception date	-27 909	-27 909	-4,8%	-3,7%	*0,0%*
Translation reserve	-5 520	-5 458	-0,9%	-0,7%	*1,1%*
Own shares repurchased in order to be cancelled	-160 110	-17 199	-27,5%	-2,3%	*830,9%*
Retained earnings	515 496	517 363	88,5%	68,0%	*-0,4%*
Equity	**326 879**	**471 719**	**56,1%**	**62,0%**	***-30,7%***
Trade and other payables	2 305	2 235	0,4%	0,3%	*3,1%*
Borrowings, including finance leases	77 489	113 375	13,3%	14,9%	*-31,7%*
Deferred income tax liabilities	19 392	36 283	3,3%	4,8%	*-46,6%*
Non-current liabilities	**99 186**	**151 893**	**17,0%**	**20,0%**	***-34,7%***
Trade and other payables	101 244	106 722	*17,4%*	14,0%	*-5,1%*
Borrowings, including finance leases	4 893	26 902	*0,8%*	3,5%	*-81,8%*
Liabilities related to assets held for sale	50 566	3 764	*8,7%*	0,5%	*1243,4%*
Current liabilities	**156 703**	**137 388**	**26,9%**	**18,1%**	***14,1%***
Total liabilities	**255 889**	**289 281**	**43,9%**	**38,0%**	***-11,5%***
TOTAL EQUITY AND LIABILITIES	**582 768**	**761 000**	**100,0%**	**100,0%**	***-23,4%***

29. CONTINGENT LIABILITIES

On 9 November 2017 Challange Eighteen company belonging to the Group received the result of the tax audit. In the opinion of the authorities of the customs and tax office, the Company did not pay withholding tax due from interest on a loan contracted from EEPF AB (a company formerly owned by the Group). The amount of arrears includes overdue tax in the amount of PLN 9.113 thousand. PLN, plus interest. In the opinion of the management board, this claim is unjustified. However, it can not be ruled out that it is necessary to pay that amount. Based on the risk analysis, the Management Board decided not to recognize a liability in this respect. Until the date of publication of this report, Challange Eighteen received no decision regarding the above-mentioned customs and tax proceedings.

30. GRANTED LOANS

Information about long-term loans granted by CPD SA as at 31.12.2018

Borrower	Currency	Book value (PLN thous.)	Cost of funds	Margin	Repayment date
2/124 Gaston Investments	PLN	3 932	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	3 690	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	6 073	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 831	3M WIBOR	1,55%	on demand

7/120 Gaston Investments	PLN	1 925	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 453	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	4 322	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	0	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	752	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	899	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	0	3M WIBOR	1,55%	on demand
Belise Investments	PLN	14 240	3M WIBOR	1,55%	on demand
Celtic Asset Management	PLN	630	3M WIBOR	1,55%	
Celtic Investments Ltd	EUR	0	3M LIBOR	0,75%	on demand
Challange Eighteen	PLN	51 164	3M WIBOR	1,55%	on demand
Elara Investments	PLN	635	3M WIBOR	1,55%	on demand
Gaston Investments	PLN	250	3M WIBOR	1,55%	on demand
HUB Developments	PLN	1 351	3M WIBOR	1,55%	on demand
Dobalin Trading	PLN	6	fixed at 8%		
Mandy Investments	PLN	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	24 846	3M WIBOR	1,55%	on demand
TOTAL		**120 002**			

Management and Supervisory Board statement

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ("Company") confirms that according to its best knowledge, the consolidated financial statements of the CPD Group ("the Group") for the financial year ending on 31 December 2018 and all comparative figures were prepared in accordance with the applicable accounting principles and give a true, fair and clear financial and assets situation of the Group and its financial results, and that the Group's annual activity report includes the true picture of Group's development, achievements and situation, including threats and risks.

The Management Board confirms that the entity authorized to audit the annual consolidated financial statements was selected in accordance with the law, and the both the entity and the chartered auditors carrying out the audit meet the conditions for issuing an unbiased and independent opinion on the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In 2018 financial statements of CPD S.A. and the Group were reviewed and audited by Grant Thorton PolskaSp. z o.o. sp. k., an audit firm based in Warsaw.

ELŻBIETA WICZKOWSKA PRESIDENT OF THE MANAGEMENT BOARD	COLIN KINGSNORTH MEMBER OF THE MANAGEMENT BOARD
IWONA MAKAREWICZ MEMBER OF THE MANAGEMENT BOARD	JOHN PURCELL MEMBER OF THE MANAGEMENT BOARD

A. INFORMATION OF THE CPD SA'S MANAGEMENT BOARD ABOUT SELECTING A AUDIT COMPANY

CPD SA Management Board acting pursuant to § 70 para. 1 point 7) and § 71 para. 1 point 7) of the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member country as equivalent (Journal of Laws of 2018, item 757), and based on the statement of the Supervisory Board of CPD SA informs that in CPD S.A .:

a) the auditing company and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements and the annual consolidated financial statements, in accordance with applicable regulations, professional standards and professional ethics;

b) the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods are observed;

c) there is a policy regarding the selection of an audit firm and a policy regarding the provision of an audit firm to an enterprise, an entity related to an auditing company or a member of its network of additional non-audit services, including conditionally exempt services from an audit firm.

ELŻBIETA WICZKOWSKA PRESIDENT OF THE MANAGEMENT BOARD	COLIN KINGSNORTH MEMBER OF THE MANAGEMENT BOARD
IWONA MAKAREWICZ MEMBER OF THE MANAGEMENT BOARD	JOHN PURCELL MEMBER OF THE MANAGEMENT BOARD

B. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. IN THE FIELD OF THE FUNCTIONING OF THE AUDIT COMMITTEE IN CONNECTION WITH THE UNIT PUBLICATION AND CONSOLIDATED ANNUAL REPORT FOR 2018 YEAR

Supervisory Board of CPD S.A. acting pursuant to § 70 para. 1 point 8) and § 71 para. 1 point 8) of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member country as equivalent (Journal of Laws of 2018, item 757), declares that in CPD SA:

a) the rules regarding the appointment, composition and operation of the audit committee are respected including compliance with its independence criteria and requirements for knowledge and skills in the industry in which the issuer operates, and in the field of accounting or auditing;

b) audit committee CPD S.A. performed the tasks of the audit committee provided for in the applicable regulations.

ANDREW PEGGE CHAIRMAN OF THE SUPERVISORY BOARD	MICHAEL HUXBY VICE-PRESIDENT OF THE SUPERVISORY BOARD
WIESŁAW OLEŚ SECRETARY OF THE SUPERVISORY BOARD	MIROSŁAW GRONICKI MEMBER OF THE SUPERVISORY BOARD
GABRIELA GRYGER MEMBER OF THE SUPERVISORY BOARD	ALFONSO KALINAUSKAS MEMBER OF THE SUPERVISORY BOARD

C. DECLARATION BY THE SUPERVISORY BOARD OF CPD S.A. IN THE SCOPE OF ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CPD AND CPD S.A. AND INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Supervisory Board of CPD S.A. acting pursuant to § 70 para. 1 point 14) and § 71 para. 1 point 12) of the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing information required by law of a non-member country as equivalent (Journal of Laws of 2018, item 757), declares that:

according to the assessment made by the Supervisory Board of CPD S.A. report of the Management Board on the activities of the CPD and CPD Capital Group S.A. for 2018 and individual and consolidated financial statements for the period from January 1, 2018 to December 31, 2018 are consistent with the books, documents and actual status.

Substantiation

According to art. 382 § 3 of the Code of Commercial Companies, the special duties of the Supervisory Board include the assessment of the management board's report on the company's operations and financial statements for the previous financial year, in terms of their compliance with the books and documents, as well as the actual state. For preparing the financial statements of CPD S.A. and the report of the Management Board on the activities of the CPD S.A. and CPD Capital Group the Management Board of the Company is responsible. The Management Board of the parent company is responsible for the preparation of the consolidated financial statements of the CPD Capital Group in accordance with the International Financial Reporting Standards approved by the European Union and other applicable laws. Based on Article. 4a of the Act of 29 September 1994 on accounting (Journal of Laws of 2018, item 395, as amended), the Supervisory Board together with the Management Board are obliged to ensure that the above-mentioned the reports met the requirements provided for in the Accounting Act, executive regulations and other applicable legal provisions issued on its basis. The Supervisory Board of CPD S.A., acting on the basis of the Articles of Association and the Regulations of the Supervisory Board, selected Grant Thornton Polska sp. O.o. sp.k. as an auditing company to audit the annual financial statements of CPD S.A. and the annual consolidated financial statements of the CPD S.A. Capital Group.

The assessment of financial statements was based on information and data obtained during the work of the Supervisory Board of CPD S.A. and the Audit Committee of the Supervisory Board of CPD S.A., including those provided by the Management Board of CPD S.A. and auditor - Grant Thornton Polska sp. o.o. sp.k., based on the rights resulting from generally applicable regulations and internal regulations.

Based on the above, the Supervisory Board of CPD S.A. analyzed in detail:

1) Financial statements of CPD Spółka Akcyjna for the year ended on 31 December 2018, including:
   a) statement of comprehensive income for the period from 1 January 2018 to 31 December 2018,
   b) the statement of financial position prepared as at 31 December 2018,
   d) the statement of changes in equity for the period from 1 January 2018 to 31 December 2018,
   e) statement of cash flows for the period from 1 January 2018 to 31 December 2018,

f) notes to the financial statements for the year ended 31 December 2018;

2) Independent auditor's report on the audit of the annual financial statements for the year ended 31 December 2018;

3) Consolidated financial report of the CPD Capital Group for the year ended on 31 December 2018, including:

a) consolidated statement of comprehensive income for the period from 1 January 2018 to 31 December 2018,

b) the consolidated statement of financial position prepared as at 31 December 2018,

c) the consolidated statement of changes in equity for the period from 1 January to 31 December 2018,

e) the consolidated cash flow statement for the period from 1 January to 31 December 2018,

f) explanatory notes to the consolidated financial statements for the year ended on 31 December 2018;

4) Independent auditor's report on the audit of the annual consolidated financial statements for the year ended 31 December 2018;

5) Report of the Management Board on the activities of the CPD S.A. and CPD Capital Group for 2018 together with the Report on non-financial data of the CPD Group and CPD S.A. for 2018

and on this basis, made a positive assessment of the Management Board's report on the activities of the CPD Group and CPD S.A. and individual and consolidated financial statements regarding the compliance of their contents with the books, documents and actual status.

ANDREW PEGGE **CHAIRMAN OF THE SUPERVISORY BOARD**	**MICHAEL HUXBY** **VICE-PRESIDENT OF THE SUPERVISORY BOARD**
WIESŁAW OLEŚ **SECRETARY OF THE SUPERVISORY BOARD**	**MIROSŁAW GRONICKI** **MEMBER OF THE SUPERVISORY BOARD**
GABRIELA GRYGER **MEMBER OF THE SUPERVISORY BOARD**	**ALFONSO KALINAUSKAS** **MEMBER OF THE SUPERVISORY BOARD**

VI. INDEPENDENT CHARTERED AUDITOR'S REPORT

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Independent Auditor's Report on Annual Consolidated Financial Statements

For the Shareholders of CPD S.A.

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is CPD S.A. (the Parent) with its registered office in Warsaw,7B Cybernetyki Street, which comprise the consolidated statement of financial position as of December 31, 2018, and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year from January 1, 2018 to December 31, 2018, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the financial position of the Group as of December 31, 2018 and of its financial performance and of its cash flows for the financial year from January 1, 2018 to December 31, 2018 in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

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Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (Journal of Laws of 2017, item 1089 as amended) (the Act on Statutory Auditors),
- National Standards on Auditing (NSA) consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolutions No. 2039/37a/2018 of February 19, 2018 and 2041/37a/2018 of March 5, 2018 and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.
We are independent of the entities comprising the Group in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* (IFAC Code) adopted by the National Council of Statutory Auditors' resolution No. 2042/38/2018 of March 13, 2018 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual consolidated financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

Key matter	How the matter was addressed in our audit
Valuation of investment properties (IP) The value of properties is significant. The risk is this area is: • impairment loss of the properties The Company included a disclosure concerning the IP in note No 5.	Within the scope of the performed audit, we carried out the following procedures: • an analysis of Appraiser valuation reliability, • an analysis of sales after the balance sheet date (and during years 2017/2018) in order to determine whether it is not valued above book value (including assets held for sale), • an analysis of investment properties outside URSUS district whether they are recoverable

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Responsibilities of Management Board and Supervisory Board of the Parent for the Annual Consolidated Financial Statements

The Management Board of the Parent is responsible for the preparation of these annual consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Parent's articles of association. The Management Board of the Parent is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent either intends to liquidate the Group or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2019, item 351) (the Accounting Act), the Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the annual consolidated financial statements with the requirements of the Accounting Act. The Supervisory Board of the Parent is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of the Parent with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Group's operations

The other information comprises the Report on the Group's operations for the financial year ended December 31, 2018, the Corporate Governance Statement which is a separate part of the Report on the Group's operations and the Annual Report for the year ended December 31, 2018 (but does not include the consolidated financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board of the Parent

The Management Board of the Parent is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the Report on the Group's operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Group's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, we are obliged to and to express an opinion on whether the Parent included the required information in the Corporate Governance Statement. We obtained the Report on the Group's operations prior to the date of this auditor's report, while the remaining parts of the Annual Report will be delivered later. If we conclude that there is a material misstatement in the Annual Report, we are required to communicate the matter to the Supervisory Board of the Parent.

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 and Article 55 clause 2a of the Accounting Act and the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations.

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014 to the entities comprising the Group.

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group by the Parent's Supervisory Board's resolution of *April 19, 2018*. It was announced in current report nr.16/2018. The accompanying consolidated financial statements are the first annual consolidated financial statements of the Group prepared for the period when the Parent is a public interest entity.

Jan Letkiewicz

Statutory Auditor No. 9530
Key Audit Partner
Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Poznań, April 25, 2019.

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.

VII. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR FROM1 JANUARY TO 31 DECEMBER 2018

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2018

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(All amounts in PLN thousand unless otherwise stated)

Consolidated property portfolio

INVESTMENT PROPERTY (Note 5)

	As at 31 December 2018
Property	**Fair value**
Ursus	102 130
Other	1 900
IRIS	100 190
Capitalised rights of perpetual usufruct of land	14 091
	218 311

INVESTMENTS PROPERTIES CLASSIFIED AS ASSETS HELD FOR SALE

	Fair value as at 31.12.2017
Investment properties held for sale	199 449
Capitalised rights of perpetual usufruct of land	13 444
	212 893

INVENTORIES (Note 9)

	As at 31 December 2018	
Property	**Carrying amount**	**Fair value**
Poland	2 210	2 210
Hungary	705	705
	2 915	**2 915**

Total fair value of property portfolio	**434 119**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2018	12 months ended 31 December 2017
Revenue	16	21 485	19 924
Cost of sales	17	(4 621)	(2 522)
Including:			
Cost of inventory sale		*(2 506)*	*0*
Cost of services sold		*(2 091)*	*(2 636)*
GROSS PROFIT		16 864	17 402
Administrative expenses - property related	18	(7 631)	(6 616)
Administrative expenses - other	20	(7 697)	(8 512)
Selling and marketing expenses		(1 011)	(622)
Net loss on sale of investment property		(9 233)	(72)
Other income	19	4 323	223
Net gain from fair value adjustments of investment property		(14 406)	7 761
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		(5 598)	7 631
Net gain / (loss) on sale of subsidiaries	29	14 319	7 613
OPERATING PROFIT (LOSS)		(10 070)	24 808
Finance income	21	1 552	7 966
Finance costs	21	(8 617)	(14 415)
PROFIT (LOSS) BEFORE INCOME TAX		(17 135)	18 359
Income tax expense	22	15 268	(16 121)
PROFIT (LOSS) FOR THE YEAR		(1 867)	2 238
OTHER COMPREHENSIVE INCOME			
Currency translation adjustment		(62)	(75)
TOTAL COMPREHENSIVE INCOME		(1 929)	2 163
Profit (loss) attributable to:			
Equity holders of the Group		**(1 867)**	**2 238**
Total comprehensive income attributable to:			
Equity holders of the Group		**(1 929)**	**2 163**
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuied operations		(1 929)	2 163
BASIC EARNINGS PER SHARE (PLN)	33	(0,05)	0,06
DILUTED EARNINGS PER SHARE (PLN)	33	(0,05)	0,06

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2018	As at 31 December 2017
ASSETS			
Non-current assets			
Investment properties	5	218 311	471 715
Property, plant and equipment		512	734
Intangible assets, excluding goodwill		0	3
Investments in joint ventures accounted for using the equity method	10	37 201	63 072
Non-current receivables	7	550	931
Non-current assets		**256 574**	**536 455**
Current assets			
Inventory	8	2 915	5 421
Trade and other receivables, including:	7	7 981	7 282
- receivables and loans		*4 915*	*5 325*
- prepayments		*3 066*	*1 957*
Cash and cash equivalents	9	102 405	143 303
Current assets excluding assets held for sale		**113 301**	**156 006**
Assets held for sale	28	212 893	68 539
Current assets		**326 194**	**224 545**
Total assets		**582 768**	**761 000**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2018	As at 31 December 2017
EQUITY			
Capital and reserves attributable to the parent Company's equity holders			
Share capital	11	3 935	3 935
Own shares for redemption		(160 110)	(17 199)
Other reserves		987	987
Embedded element at inception date	13	(27 909)	(27 909)
Translation reserve		(5 520)	(5 458)
Retained earnings/(accumulated losses)		515 496	517 363
Total equity		**326 879**	**471 719**
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	2 305	2 235
Borrowings, including finance leases	13	77 489	113 375
Deferred income tax liabilities	15	19 392	36 283
Non-current liabilities		**99 186**	**151 893**
Current liabilities			
Trade and other payables	12	101 244	106 722
Borrowings, including finance leases	13	4 893	26 902
Current liabilities		**106 137**	**133 624**
Liabilities directly associated with assets held for sale	28	50 566	3 764
Total liabilities		**255 889**	**289 281**
Total equity and liabilities		**582 768**	**761 000**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital CPD S.A.	Embedded element at inception date	Own shares for redemption	Translation reserve	Reserve capital	Retained earnings	Total
Balance at 1 January 2017		**3 286**	**(27 909)**	**0**	**(5 383)**	**987**	**475 922**	**446 903**
Acquisition of own shares		0	0	(17 199)	0	0	0	(17 199)
Decrease of capital by redemption of shares		649	0	0	0	0	39 203	39 852
		649		(17 199)	0	0	39 203	22 653
Currency translation differences		0	0	0	(75)	0	0	(75)
Profit for the year		0	0	0	0	0	2 238	2 238
Total comprehensive income		0	0	0	(75)	0	2 238	2 163
Balance at 31 December 2017		**3 935**	**(27 909)**	**(17 199)**	**(5 458)**	**987**	**517 363**	**471 719**
Balance at 1 January 2018		**3 935**	**(27 909)**	**(17 199)**	**(5 458)**	**987**	**517 363**	**471 719**
Own shares acquired for redemption	11	0	0	(142 911)	0	0	0	(142 911)
		0	0	(142 911)	0	0	0	(142 911)
Currency translation differences		0	0	0	(62)	0	0	(62)
Loss of the year		0	0	0	0	0	(1 867)	(1 867)
Total comprehensive income		0	0	0	(62)	0	(1 867)	(1 929)
Balance at 31 December 2018		**3 935**	**(27 909)**	**(160 110)**	**(5 520)**	**987**	**515 496**	**326 879**

Group has no minority shareholders. Entire equity is attributable to shareholders of the Group.

Elżbieta Donata Wiczkowska	Colin Kingsnorth	Iwona Makarewicz	John Purcell
Chairman of the Board	*Board Member*	*Board Member*	*Board Member*

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2018	12 months ended 31 December 2017
Cash flows from operating activities			
Cash generated from operations	25	1 803	28 232
Interest paid		(1 975)	(5 148)
Net cash generated from operating activities		**(172)**	**23 084**
Cash flows from investing activities			
Capital expenditure on investment property		(4 019)	(8 079)
Purchases of property, plant and equipment		(6)	(117)
Purchases of subsidiaries		0	(581)
Purchases of shares in subsidiaries		82 000	25 531
Proceeds from sale of investment properties		7 135	40 250
Proceeds from withdrawal of contributions in joint ventures		12 465	18 034
Received dividends and profits in joint ventures		9 700	7 491
Interest received		1 193	0
Contributions to joint ventures		(1 890)	0
Cash and cash equivalents of the subsidiaries acquired		0	35
Net cash used in investing activities		**106 578**	**82 564**
Cash flows from financing activities			
Repayments of borrowings		(4 393)	(5 145)
Share redemption		(142 911)	(17 199)
Bonds repaid		0	(30 000)
Net cash used in financing activities		**(147 304)**	**(52 344)**
Net (decrease)/increase in cash and cash equivalents		**(40 898)**	**53 304**
Cash and cash equivalents at beginning of the year		**143 303**	**89 999**
Cash and cash equivalents at end of the year		**102 405**	**143 303**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1 General information

1.1. Information about the parent entity

Information on CPD S.A. (current parent Company)

Celtic Property Developments S.A. (the "Company", "CPD") with its registered office in Warsaw (02-677), ul. Cybernetyki 7B, was established on the basis of the Articles of Association on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to POEN S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The Company's shares are quoted on the Warsaw Stock Exchange.

On 2 September 2010 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.

On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution about changing the name of the company from Celtic Property Developments S.A. to CPD S.A. The change was registered in National Court Register on 17 September 2014.

On 23 August 2010, an entry was made in the National Court Register to record a cross-border merger of the previous parent company of the Group, i.e. Celtic Property Developments S.A. (the Acquired Company) and Poen S.A. (the Acquiring Company) through transfer of the assets of the Acquired Company to the Acquiring Company in return for new shares of the Acquiring Company with a value of PLN 3,483,000. The merger process took place under the Merger Plan, whereby Celtic Property Developments Plc was to be acquired by Poen S.A., a full subsidiary of Celtic Property Developments Plc. As a result of the merger: (i) the previous shareholders of Celtic Property Developments Plc became 100% shareholders of Poen S.A., and (ii) Poen S.A. acquired, through general succession, treasury shares of PLN 500,000 from Celtic Property Developments Plc for the purpose of their redemption. The parity for the exchange of shares of Celtic Property Developments Plc for the shares of Poen S.A. was determined at such a level as not to cause changes in the ownership structure of Poen S.A.

On redemption of the shares, the shareholders of Celtic Property Developments Plc became shareholders of Poen S.A. having the same stake in the share capital of Poen S.A. and in the total number of votes at the General Meeting of Poen S.A. as they held in Celtic Property Developments Plc before the merger date.

As a result on 23 August 2010 Celtic Property Developments Plc ceased to exist, and Poen S.A. became parent company of the Group.

The corss-boarder merger of the parent company with its subsidiary Buffy Holdings 1 Ltd. was registered in 2018. All assets and liabilities of BUFFY to CPD S.A. were transferred to CPD SA. Due to the fact that CPD S.A. was the sole shareholdet of BUFFY, the merger did not require increasing the share capital of CPD SA.

The Company's core business (according to Company's articles of association) is holding activity, services for real estate market and head offices activities.

As at the date of preparation of these consolidated financial statements, the Management Board and Supervising Bodies of the parent company consisted of:

<u>Management Board:</u>

Elżbieta Donata Wiczkowska	Chairman of the Board
Colin Kingsnorth	Board Member
John Purcell	Board Member
Iwona Makarewicz	Board Member

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.1. Information about the parent entity (cont.)

Supervisory Board:

Wiesław Oleś	Member of the Supervisory Board
Mirosław Gronicki	Member of the Supervisory Board
Andrew Pegge	Member of the Supervisory Board
Michael Haxby	Member of the Supervisory Board
Alfonso Kalinauskas	Member of the Supervisory Board
Gabriela Gryger	Member of the Supervisory Board

According to Company's information there are the following shareholders owning directly or through subsidiaries stakes of at least 5% of votes on the Shareholders Meeting (number of shares based on shareholders notifications based on art. 69 od Public Offering Law or IPO prospectus):

Company	Country	No. of shares	% owned capital	% of voting rights
Cooperatieve Laxey Worldwide W.A.	Netherlands	6 857 277	26,00%	29,73%
Furseka Trading and Investments Ltd	Cyprus	4 169 667	15,81%	18,08%
The Value Catalyst Fund plc	Cayman Islands	2 740 513	10,39%	11,88%
QVT Fund LP	Cayman Islands, USA	2 831 755	10,74%	12,28%
LP Value Ltd	British Virgin Islands	1 396 538	5,30%	6,05%
LP Alternative Fund LP	USA	1 395 508	5,29%	6,05%
Shareholders with stakes below 5%		3 673 987	13,93%	15,93%
		23 065 245	87,46%	100%
Own shares for redemption		3 305 886	12,54%	0%
Total		26 371 131	100%	100%

* 25 January 2019. Registry Court for the Capital City of Warsaw Of Warsaw in Warsaw, 13th Commercial Division registered the decrease in the share capital of the Company in connection with the redemption of own shares, made on the basis of the resolutions of the EGM of 14 September 2018.

** 22 March 2019, the Company acquired 3,305,886 shares (representing 12.54 of the Company's share capital) as a result of the sale of the Company's shares.

The above shareholding structure was presented in relation to the total number of shares, amounting to 26 371 131 shares and covering series AA shares which constitute 100% of votes at the general meeting of the Company.

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 27 subsidiaries and 2 entities under common control.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

None of the individual entities of the Group is fixed for the duration. The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.

The financial year of CPD and its entities is the calendar year, except of IMES Poland Sp. z o.o., which data were respectively adjusted.

The core business of CPD Group comprise:

- property development (office and residential market)

- land acquisition and construction residential and office buildings; purchase of existing properties with the potential to create additional value that can be achieved by changing the purpose of the property or by raising the standard and optimizing the usable area,
- leasing of office buildings and warehouses for its own account,
- commercial real estates portfolios management.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements is set out below. These have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Consolidated financial statements of CPD S.A. were prepared as at 31 December 2018 and for the period since 1 January 2018 till 31 December 2018, while comparative data are for the period since 1 January 2017 till 31 December 2017.

These consolidated financial statements of CPD S.A. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This consolidated financial statements have been prepared under the historical cost convention, with the exception of the valuation of investment property to the fair value.

The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. At the date of preparation of the consolidated financial statements, there are no circumstances indicating a threat to the continuation of operations by the Group.

New and amended standards and interpretations which came into force in 2018 and description of the impact of applying the amendments:

IFRS 9 Financial Instruments: Classification and Measurement and hedging accounting replaced the IAS 39.

The standard introduced the following categories for financial assets: measured at amortised cost and measured at fair value through profit or loss or at fair value through other comprehensive income. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new impairment recognition model based on expected credit losses.

The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss and the requirement that the effects of renegotiation of credit facility agreements that do not result in derecognition of the liabilities be recognised immediately in profit or loss. Changes were also made to allign the hedge accounting model with risk management.

The Group applied IFRS 9 without restating comparative data. Application of IFRS 9 did not have any significant impact on these consolidated financial statements as compared to previous IAS 39 principles.

The changes in the classification of financial instruments at the date of initial application IFRS 9 categories and the carrying amounts of individual classes of financial assets and financial liabilities are presented below:

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

Financial assets	Classification by:		Carrying amount as at 1 January 2018	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Trade receivables	Loans and receivables valued at amortised cost	Financial assets designated at fair value through profit or loss	1 610	1 610
Cash and cash equivalents	Loans and receivables valued at amortised cost	Financial assets measured at fair value through profit or loss	143 303	143 303
Financial Liabilities	**Classification by:**		**Carrying amount as at 1 January 2018**	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Long and shortterm trade and other liabilities	Financial liabilities valued at amortized cost	Financial liabilities valued at amortized cost	82 631	82 631
Other financial liabilities	Financial liabilities valued at amortized cost	Financial liabilities valued at amortized cost	139 798	139 798
Derivative financial instruments	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	479	479

IFRS 15 Revenue from contracts with customers

The provisions of IFRS 15 apply to all contracts giving rise to revenue. The fundamental rule provided for in the new standard is that revenue is to be recognised upon transfer of goods or services to a customer at a transaction price. Any goods or services that are sold in bundles and are distinct within the bundle should be recognised separately, and any discounts and rebates on the transaction price should be allocated to specific bundle items. Where a contract contains elements of variable consideration, under the new standard such variable consideration is recognised as revenue only if it is highly probable that the revenue will not be reversed in the future as a result of revaluation. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

The Group applied IFRS 15 without restating comparative data. Grouping of the elements of multielement propety disposal executed in stages, as well as distinction of the implemented stages, resulted in recognition of creditors from advanced sales proceeds as well as prepayments related to matching of costs of sales to recognised revenues in the balance sheet.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 4 address concerns about issues arising from implementing IFRS 9, Financial Instruments. Published amendments to IFRS 4 complement already existing options in the standards and are designed to prevent the temporary fluctuations of the insurance sector entities results in connection with the implementation of IFRS 9.

Amendments to MSSF 2: classification and measurement of share-based payment transactions

The amendment introduces, among others, guidance on accounting for cash-settled share-based payment transactions, classification of share-based payment transactions from cash-settled to equity-settled, and recognition of tax liability employee of the transaction based on shares.

Amendments of IAS 40 Transfers of investment property

Changes to IAS 40, specify requirements for transfers of investment properties.

IFRIC 22: transactions in foreign currency and advance considersation

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Published standards and interpretations of existing standards which are not effective yet and which were not early adopted by the Group

In these consolidated financial statements the Group did not decide on early adoption of the following published standards, interpretations or improvements before their effective date:

IFRS 16 Leasing

IFRS 16 "Leasing" was not adopted by the EU by the date of the consolidated financial statements, effective for annual periods beginning on or after 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use as asset at the start of the lease and, if lease payments are made over time, also obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IRFS 16 estimated the classification of leases as either operating leases or finance leases as is required: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating or finance leases, and to account for two types of leases differently.

The Group will apply IFRS 16 since 1 January 2019.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts, issued by the International Accounting Standards Board on 18 May 2017, is effective for annual periods beginning on or after 1 January 2021. New IFRS 17 will replace existing IFRS 4, which allows for a variety of practice in accounting for insurance contracts. IFRS 17 will substantially change the accounting of all entities that deal with insurance contracts and investment agreements.

The Group will apply IFRS 17 following its endorsement by the European Union.

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its associates/joint ventures

The amendments address the conflict between the requirements of IFRS 10 and IAS 28. Accounting treatment depends on whether the non-assets sold or contributed to an associate or a joint venture constitute a business.
The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
The effective date of the amended provisions has not been established by the international accounting standards Board.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments are were published on 12 october 2017 and are effective for annual periods beginning on or after 1 January 2019, but were not adopted by the EU by the date of the consolidated financial statements. Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which it does not apply the equity method. The Board has also published an example illustrating the application of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

Amendments to IFRS 9: prepayment features with negative compensation

The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2019, with an early adoption option. The amended IFRS 9 allows entities to measure financial assets with negative compensation prepayment features at amortised cost or fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss.

Not yet adopted by the EU by the date of the consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The guidelines are effective for annual periods beginning on or after 1 January 2019.

Annual improvements cycle IFRSs 2015-2017

The amendments were published on 12 December 2017 and are effective for annual periods beginning on or after 1 January 2019, but were not approved by the EU until the date of the consolidated financial statements.

Amendments to IAS 19: Remeasurement at a plan amendment, curtailment or settlement

The amendments were published on 7 February 2018 and are effective for annual periods beginning on or after 1 January 2019, but were not approved by the EU until the date of the consolidated financial statements.

The new standards and amendments listed in point 2.1 do not relate to the Group activity, or related only remotely, as a consequence they are not expected to have significant impact on the consolidated financial

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated since the date on which they were incorporated or control was transferred to the group. They are deconsolidated from the date on which control ceases. If necessary, adjustments are made to the financial statements of subsidiaries to adopt them to the Group policies.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the obligations arising from the determination of the remuneration element of the conditional agreement. Acquisition-related costs are recognized in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition the Group recognizes the shares do not have control of the acquiree at fair value or per share by not having control of a proportion of net assets acquired business.

The surplus of the amount transferred for the acquisition, the amount of all non-controlling shares in a entity being acquired and fair value as at acquisition date of participation in a capital of an entity being acquired, over the fair value of acquired identifiable net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired entity, the different is reflected directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the CPD Group.

(b) Joint-ventures

Jointly controlled entities are consolidated using the property rights method.

These consolidated financial statements include the results and assets and liabilities of the following subsidiaries:

	Name	Country	Shareholder	31 December 2018	31 December 2017
1	Mandy Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
4	Celtic Asset Management Sp. z o.o.	Poland	CPD S.A.	100%	100%
5	Blaise Investments Sp. z o.o.	Poland	Celtic Investments Limited*	0%	100%
	*) cross-border merger of Belise Investments and Celtic Investments Ltd				
6	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
7	IMES Poland Sp. z o.o.	Poland	Buffy Holdings No 1 Ltd	0%	100%
			CPD S.A.	100%	0%
8	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
9	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
10	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
11	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

	Name	Country	Shareholder	31 December 2018	31 December 2017
12	Buffy Holdings No 1 Ltd	Cyprus	CPD S.A.	0%	100%
	*) cross-border merger of Buffy Holdings No 1 Ltd and CPD SA				
13	Challange Eighteen Sp. z o.o.	Poland	Buffy Holdings No 1 Ltd	0%	100%
			CPD S.A.	100%	0%
14	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
15	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
16	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
17	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
18	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	49%	99%
			Gaston Investments Sp. z o.o.	0%	1%
			Smart City Sp. z o.o.	1%	0%
19	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
20	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
21	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
22	8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
23	9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
24	10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
25	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
27	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
28	15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
29	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
30	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
31	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
32	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
33	Antigo Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
34	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
35	Bolzanus Limited	Cyprus	Buffy Holdings No 1 Ltd	0%	100%

Additional notes and explanations to the consolidated financial statements

2.3 Changes in the Group structure

In the financial year ended 31 December 2018, the following changes took place in the structure of CPD Group:

- on 16February, 2018 the Group disposed rights and obligations in subsidiaries 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k., 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością sp.k.

- on 29 March 2018 the Group sold 100% shares in Bolzanus Limited headquartered in Limassol, Cyprus,

- the corss-boarder merger of the subsidiaries Celtic Investments Ltd (surviving entity) with Blaise Investments Sp. z o.o. (entity taken over) was registered in 2018;

- the corss-boarder merger of CPD SA (as surviving entity) with its subsidiary Buffy Holdings 1 Ltd. (entity taken over) was registered on 22 November 2018. All assets and liabilities of BUFFY to CPD S.A. were transferred to CPD SA. Due to the fact that CPD S.A. was the sole shareholdet of BUFFY, the merger did not require increasing the share capital of CPD SA.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Zloty ("PLN"), which is the parent's Company functional currency and the Group's presentation currency.

(b) CPD Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); the profit and loss transaction are valued using the average exchange rate for the financial period, except for profit from sales of investment properties which are translated into PLN using the exchange rate from the date of transaction;

(iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate. Foreign exchange differences are recognized in translation reserve.

Additional notes and explanations to the consolidated financial statements

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land, freehold buildings and land held under operating leases (perpetual usufruct).

Land, for which future plans are uncertain, are classified as investment property. The future plans may be dependent upon planning constraints and thus remain uncertain until a project design is definitive and the relevant permits are obtained. Transfers to, or from, investment property are made when, and only when, there is a confirmed change in its purpose. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting in accordance with IAS 2 shall be its fair value at the date of change in use.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. The cost is increased by external financing directly attributable to development of investment properties calculated for the period when active development works are materially in progress.

After initial recognition, investment properly is carried at fair value. Fair value is determined at lower of expeted and documented sales price and model based valuation calculated using cash flow projections based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are prepared annually by independent professional appraisers Savills Sp. z o.o. The investment property portfolio is appraised in accordance with RICS Valuation – Professional Standards incorporating the International Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS). Valuation fees are not related to the property value and valuation results.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingents rent payments, are not recognised in the financial statements. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss ("Repair and maintenance costs") during the financial period in which they are incurred. Changes in fair values are recorded in the profit or loss within "Net gain from fair value adjustment on investment property".

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "gains/(losses) on disposal of investment property" in the profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation. The historical cost includes the expenditure directly associated with acquisition of the assets.

Additional notes and explanations to the consolidated financial statements

2.6 Property, plant and equipment (cont.)

Any subsequent expenditure is reflected in the carrying amount of the asset or is recognised as a separate asset (where applicable) only when it is likely that the asset will generate economic benefits for the Group, and the cost of such an asset can be reliably estimated. Any other expenditure on improvement and maintenance is carried in profit or loss in the accounting period in which it was incurred.

Depreciation of tangible assets (or components thereof, if any) is calculated using the straight-line method to allocate their initial value, less residual value, over the asset‘s estimated useful lives. The residual value and the useful life of the tangible assets is reviewed (and changed if necessary) at each balance sheet date. Tangible assets are depreciated over their estimated useful lives (three to five years).

Where the carrying amount of the tangible asset is greater than its estimated recoverable amount, the asset's carrying amount is immediately written down to the recoverable amount.

The gains or losses on disposal of tangible assets are determined by comparing the inflow from their sale with their carrying amount, and are reflected in the profit or loss of the period when the disposal took place.

2.7 Leases

(a) A group company is the lessor

Properties leased out under operating leases are included in investment property in the balance sheet. Payments made under operating leases are recognized in the profit or loss on a straight-line basis over the term of the lease.

(b) A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Land that is held by CPD Group under an operating lease has been classified and accounted for as investment property only if all required conditions are met:

- the remaining part of the definition of investment property is met,
- the operating lease is accounted for as if it were a finance lease in accordance with IAS 17 Leases, and
- the CPD Group uses the fair value model set out in IAS 40 for the asset recognized.

In this case finance leases are capitalised at the time of commencement of the lease at the lower of: the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges using an effective interest rate. The corresponding perpetual usufruct obligations, net of finance charges, are included in other long-term liabilities.

2.8 Intangible assets, excluding goodwill

Intangible assets consist of computer software licences. The expenditure on acquired licences is capitalised with regard to the cost of acquisition of the software and the cost of ensuring operability of the software. Software licences are amortised over their estimated useful life from 3 to 5 years on a straight-line basis.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.9 Goodwill

The rules for evaluating the goodwill at the moment of acquisition of subsidiary are presented in Note 2.2.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the sake of impairment test, goodwill is allocated to the cash-generating units. The allocation relates to the cash-generating units (or group of such units) which are expected to derive benefits from the merger that gave rise to the goodwill.

Goodwill arising from the acquisition of a foreign entity and any adjustment to the carrying amounts of assets and liabilities tofair value, arising from the acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and translated at closing rate. Foreign exchange differences are recognized in other comprehensive income.

2.10 Impairment of non-financial assets

Assets with undefined useful life, such as goodwill, are not amortised, but are each year tested for impairment. The amortised assets are tested for impairment each time any indications of impairment emerge. The impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of: fair value of assets decreased by their cost of sale or value-in-use. For the purpose of impairment test, assets are grouped at the lowest level at which separate identifiable cash flows occur (cash generating units). Non-financial assets other than goodwill, for which impairment was identified, are at each balance sheet date tested for indications that would permit reversal of the impairment charge.

2.11 Financial assets

The Group's financial assets are cathegorised based on financial assets management business model and characteristisc of financial assets cash flows resulting from the concluded constracts.

The Group's financial assets are allocated to valued in fair value through profit and loss unless meeting classification criteria to be cathegorised as valued at amortised cost or i fair value through other comprehensive income.

Except of trade receivables recognised at transaction price, the Groups financial assets are initially recognised at fair value.

Valuation of the financial assets valued at fair value is updated at subsequent balance sheet dates and results are presented in financial cots or financial income or other comprehensive income.

Financial assets valued at amortised cost, after initial recognition at fair value are subsequently valued using the effective interest rate method, less impairment. Impairment of trade receivables and loans is established when there is an objective evidence that CPD Group will not be able to collect all individual or group amounts due according to theoriginal terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable or loan is impaired. The impairment amount is determined as a difference between the book value of the asset and the present value of estimated future cash flows discounted using the original effective interest rate for the particular financial asset.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.11 Financial assets (cont.)

Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Financial assets are derecognised when the rights to the related cash flows have expired or have been transferred, and CPD Group has transferred essentially the whole risks and benefits from their ownership.

2.12 Inventories

Inventories consist of properties awaiting or in the course of development for sale and residential house building projects andsites held for sale during normal course of business.

Inventory items are stated at the lower of cost or net realisable value on a first-in, first-out basis (FIFO) or market. The net realisable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories as follows:

• costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),

• costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

a) land or leasehold rights for land,

b) construction costs paid to subcontractors for the construction of the residential units,

c) planning and design costs,

d) borrowing costs to the extent they are directly attributable to the development of the project,

e) professional fees attributable to the development of the project,

f) construction overheads and other directly related costs.

2.13 Assets held for sale

Investment property held for sale is classified as non-current assets held for sale under IFRS 5. Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. These assets are available for immediate sale in its present condition, and the sale is high probable within next 12 months.

The sale is determined to be highly probable if:

- the management committed to a plan to sell the investment property
- active plan to locate a buyer and complete the plan was initiated
- investment property was actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The CPD Group measures investment property classified as held for sale at fair value. Other non-current assets (or disposal groups) classified as held for sale are measured at the lower of: its carrying amount and fair value less costs to sell.

If the CPD Group has classified an asset (or disposal group) as held for sale, but the criteria set above are no longer met, the Group ceases to classify the asset (or disposal group) as asset held for sale.

2.14 Share capital

Ordinary shares are classified as share capital.

Additional notes and explanations to the consolidated financial statements

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In case of current liabilities amortised cost value equals nominal value.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required tocomplete and prepare the asset for its intended use.

2.18 Complex financial instruments

Complex financial instruments issued by the Group related to bonds convertible into equity, at the election of their holder, provided that the number of shares to be issued is not conditional on changes in their fair value. Resulting from the fact that convertion was executed in 2017 bonds were valued and presented based on below principles.

With regard to financial instruments, in the fair value of an instrument is different than the transaction price, and the fair value is based on market data, then the entity recognizes "day-one-loss" and accounts for it depending on the nature of the transaction. In the case of bonds that are convertible into equity, where the issue is fully placed with the Company's shareholders, the day-one-loss is reflected in equity.

The liability component of the complex financial instrument is initially carried at fair value of a similar liability, to which no conversion option relates. The equity component is initially carried at the different between fair value of the complex financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are included in the measurement of the liability and equity component pro-rata to their initial carrying amounts.

After initial recognition, the liability component of the complex financial instrument is carried at amortised cost using the effective interest rate. The equity component of the complex financial instruments is not measured on first recognition until conversion or expiry. The equity component is at the same an embedded derivative that at the balance sheet date is measured at fair value through profit or loss.

2.19 Embedded derivatives

Derivatives embeded into convertible bonds were deregnised during 2017 and were valued and presented based on the below principles.

When a financial instrument is acquired, which contains an embedded derivative, with the effect that all or some of the cash flows of the such instrument vary in a way similar to a stand-alone derivative, the embedded derivative is recognised separately from the underlying contract. This takes place when the following conditions are met jointly:

- the financial instrument is not classified as assets held for trading or available for sale, whose revaluation effects are recognised in financial revenues or costs of the reporting period,
- the nature of the embedded instrument and related risks do not directly relate to the nature of the underlying contract and related risks,

Additional notes and explanations to the consolidated financial statements

2.19 Embedded derivatives (cont.)

- a separate instrument, whose nature corresponds to the characteristics of the embedded derivative would meet the definition of a derivative,

- the fair value of the embedded derivative can be reliably estimated.

Embedded derivatives are recognised similarly as stand-alone derivatives that are not deemed as hedging instruments.
An embedded derivative is classified into assets or liabilities measured at fair value through profit or loss.
The chapter applies only to previous periods, when IFRS 9 did not apply, the Group applied a limited retrospective to IFRS 9.

2.20 Income tax

Current tax is calculated based on the tax result (the tax base - in accordance with local tax laws) of the reporting period. Profit (loss) for tax purposes differs from the net profit (loss) due to exclusion of non-taxable income and temporary costs constituting temporary deductible costs and expenses and income items that will not be subject to taxation. Tax is calculated based on the tax rates applicable in a given financial year.

The tax is recognised in the profit and loss account excluding the period in which it relates directly to the items recognised in other comprehensive income or in equity. In this case the tax is also recognised in other comprehensive income or in equity, as appropriate.

2.21 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and carried forward tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balancesheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liabilityis settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available againstwhich the temporary differences can be utilized.

The Group offsets deferred tax assets and deferred tax liabilities against each other if and only if the enterprise:

(a) has a legally enforceable right to set off the deferred tax assets against deferred tax liabilities; and

b) deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority on:
(i) the same taxpayer; or

(ii) various taxpayers who intend to settle current tax liabilities and receivables in a net amount, or at the same time realize receivables and settle liabilities, in each future period in which a significant amount of deferred tax liabilities is expected to be dissolved or significant amounts Deferred income tax assets.

2.22 Employee benefits

Polish Companies of the CPD Group make contributions to the Polish Governmental retirement benefit scheme at the applicable rate during the period based on gross salary payments (the "State Plan"). The CPD Group is only obliged to pay the contributions as they fall due based upon a percentage of salary and if the Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the consolidated profit or loss in the same period as the related salary expense.

According to the adopted principle, no provisions for retirement benefits are created that would correspond to a monthly salary in accordance with the Labour Code. Potential provisions would not have any material impact on the financial statements. If they do occur, they will be recognised on a cash basis.

2.23 Provisions

Provisions are recognised only where CPD has a legal or customary obligation arising from past events, and it is likely that an outflow of resources will be required to meet such obligation, and its value can be reliably estimated.

If there is a number of similar obligations, the likelihood of outflow of resources to meet such obligations shall be determined in relation to the particular category of obligations as a whole. A provision is recognised even if there is low likelihood of outflow of resources in relation to a single item of a particular category of obligations. Provisions are recognised at the current value of the expenditure which is expected to be incurred to meet the obligation.

2.24 Revenue recognition

Revenue includes proceeds from the sale of inventories, rental income, service charges, property management charges and income from real estate advisory services.

The CPD Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The CPD Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income. Lease incentives are recognised in profit or loss over the lease term on a straight line basis as a reduction in rental income.

(b) Service and management charges

Service and management charges are recognised in the accounting period in which the services are rendered.

(c) Revenue from the sale of residential units and office buildings

Revenues from the sale of residential units and office buildings are recognised upon transfer to the buyer of the significant risksand rewards (transfer of ownership after signing a notarial deed) of the residential unit or office building, providing that a valid building occupancy permit has been obtained by CPD Group.

Grouping of the elements of multielement propety disposal executed in stages, as well as distinction of the implemented stages, results in recognition of creditors from advanced sales proceeds as well as prepayments related to matching of costs of sales to recognised revenues in the balance sheet.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognised as revenue.

(d) Interest Income

Interest income is recognised using the effective interest rate method.

2.25 Expenses

Cost of sales is recognised in the amount of total capitalised costs of inventories sold.
Construction costs connected with products that have not been sold are capitalised in inventory as work in progress or finished goods, depending on how advanced their construction is. If it is expected that CPD Group may incur a loss on the inventories, the related impairment is immediately recognised as an expense. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

Cost of sales includes mainly the cost of goods sold and other direct property operating expenses.

Property-related administrative costs include day-to-day property administration, utilities, property taxes, maintenance costs, insurance premiums, valuation fees, etc. They are expensed as incurred.

Other direct property operating expenses, which do not include general and administrative expenses, are expensed as incurred.

Income from services recharged to tenants and relating to the cost of provision of such services are shown separately as CPD Group does not act as an agent.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements of CPD Group at the end of the period in which the dividends are approved by the General Meeting.

2.27 Interest expense

Interest expense for borrowings are recognised within "Finance costs" in the consolidated profit or loss using the effective interest rate method, except for borrowing cost which is capitalised in the cost of the qualifying asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense during the period. The effective interest rate is the rate that exactly determinesthe present value of the discounted estimated future cash flows through the expected life of the financial instrument or a shorterperiod, if necessary, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (eg prepayment options) but does not include future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.28 Share-base payments

The Group recognises an expense of goods or services acquired as consideration for the share-based payment when they are received. The corresponding entry in the accounting records will either be a liability or an increase in the equity of the company depending upon whether the transaction is to be settled in cash or equity shares.

The Group values measures the services received or acquired in a share-based payment transaction at fair value and amortises the over the vesting period.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3 Financial risk management

3.1 Financial risk factors

The CPD Group is exposed to the following financial risks in connection with its operations: market risk (including: including: currency risk, risk of changes in the fair values or cash flows due to changes in interest rates), credit risk and liquidity risk. Financial risks relate to the following financial instruments: loans and borrowings, trade receivables, cash and cash equivalents, trade payables and other liabilities. The accounting principles concerning the above financial instruments are described in Note 2. CPD Group's overall programme of risk management focuses on unpredictability of financial markets and seeks to minimize the potential adverse impact of unforeseen events on the Group's performance.

(a) Market risk

(i) Currency risk

The Management Board of the CPD Group monitors the fluctuations in exchange rates on an on-going basis and responds adequately to the situation. The currency risk arising in connection with foreign currency debt servicing is minimized by generating income from rental and negotiating proceeds from the sale of properties held from sale in the currency in which the investment loan was received. At present the CPD Group is not engaged in any hedging transactions; however, this could change should the Management Board decide that the situation so requires.

	Year ended at 31 December 2018	**Year ended at 2017**
Debt in foreign currencies - EUR	105 118	140 641
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	1 051	1 406
Tax shield	200	267
Effect on net profit/(loss)	851	1 139
Effect on total equity	851	1 139

(ii) Price risk

The CPD Group is exposed to price risk in connection with the value of properties and to the risk of rental income, which are not financial risks.

(iii) Interest rate risk

Interest rate risk is the risk the CPD Group is exposed to in connection with changes in market interest rates. In the case of CPD Group, the risk of changes in interest rates is related to long-term bank loans (Note 13). Variable interest rate loans expose CPD Group to the risk of fluctuations in future cash flows. The Management Board keeps track of fluctuations in interest rates and responds adequately. The variable interet rate applicable to 80% of the bank credit received by subsidiary Belise has been fixed with IRS contract. As at the year end CPD Group does not use other interest rate hedges.

	Year ended at 31 December 2018	**Year ended at 2017**
Variable interest rate loans	105 118	106 766
Cost of interest in the period	6 319	10 739
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost of interest	1 051	1 068
Tax shield	200	203
Effect on net profit/(loss)	851	865
Effect on total equity	851	865

(All amounts in PLN thousand unless otherwise stated)

3.1 Financial risk factors (cont.)

(b) Credit risk

Credit risk arises on cash and cash equivalents and receivables. It is mitigated by depositing cash with highly reliable banks(mainly ING Bank Śląski, mBank, BZ WBK). The Company uses banks and other financial institutions with the following long-term IDR ratings from an independent rating agency (Fitch):

- ING Bank Śląski - A
- Santander Bank - BBB+
- mBank - BBB

With respect to rental receivables, the Group has collateral in place in the form of cash deposits or bank guarantees and, in the case of receivables in respect of the sale of buildings, inthe form of a deposit with an independent agent. The Group is also exposed to credit risk due to the purchase of unsecured bonds. Credit risk relating to unsecured receivables is assessed based on: evaluation o the creditor's financial proposals, past cooperation experience and other factors.

Not all receivables of the Group are secured with deposits or guarantees. The Group revises the value of receivables taking into account the likelihood of their payment and recognises adequate impairment charges.

(c) Liquidity risk

Liquidity risk arises when the due dates of assets and liabilities do not match. This can raise profitability, but also increases the risk of loss. CPD Group applies procedures designed to reduce such losses by maintaining the proper level of cash and other liquid assets and the proper access to credit facilities. The level of liquidity of the CPD Group is monitored by the Management Board on the day-to-day basis.

Exept of liabilities related to assets classified as held for sale, as at 31 December 2018 short-term liabilities amounted to PLN 106.137 thousand (including borrowings of PLN 4.893 thousand) and are lower than current assets (excluding assets held for sale) by PLN 7.164 thousand. A detailed description of the borrowings presented in the consolidated financial statementsis presented in note 13 "Borrowings, including finance leases".

The below table includes analysis of the Group's financial liabilities by maturities corresponding to the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table consists of the contractual undiscounted cash flows:

As at 31.12.2018	Within 1 year	1 – 5 years	More than 5
Loans and leases	5 956	67 390	71 203
Trade payables and other payables	92 087	2 305	0
	98 043	69 695	71 203

As at 31.12.2017	Within 1 year	1 – 5 years	More than 5
Loans and leases	28 527	74 103	121 464
Bonds payables	0	0	0
Trade payables and other payables	94 543	2 235	0
	123 070	76 338	121 464

General decrease as compared to prior yearis attributable mainly to conversion and redemption of own bonds, supported by bank loans repayment and transfer of portion of creditors to liabilities held for sale.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management

The purpose of the CPD Group capital management is to preserve CPD Group's ability to continue business so as to be able to generate return for the shareholders and other stakeholders, the cost of the capital being optimized at the same time.

CPD Group may change the amount of declared dividends payable to shareholders, repay the equity to shareholders, issue new shares or sell assets in order to reduce debt in order to maintain or modify the structure of the capital.

The financing structure ratio reflecting the structure of the capital is calculated as net debt divided by total capital. Net debt is calculated as the total of credits and loans including current and non-current credits and loans disclosed in the consolidated balance sheet, trade payables and other payables divided by cash and cash equivalents. Total capital is calculated as equity disclosed in the consolidated balance sheet along with net debt.

The CPD Group strategy is to maintain the financing structure ratio at a level below 40%.

	31 December 2018	31 December 2017
Total loans, including finance leases (Note 13)	82 382	140 277
Liability under bonds issued (note 14)	0	64 896
Trade payables and other payables (Note 12)	103 549	108 957
Less: cash and cash equivalents (Note 9)	-102 405	-143 303
Net debt	**83 526**	**170 827**
Equity	326 879	471 719
Total capital	**410 405**	**642 546**
Financing structure ratio	**20,4%**	**26,6%**

4 Major accounting estimates and judgments

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Accounting estimates and judgments are assessed on a regular basis.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature. Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

Estimations of Fair Value of Embedded Derivatives

The company issued bonds designed for the existing shareholders on 26 September 2014. Financial details of the bonds issued are provided in note 14 (and in the stand-alone FS) to these financial statements. The bonds issued involved an embedded derivative instrument, namely, the option of conversion of the bonds into shares at a fixed rate of PLN 4.38 per share. As the bonds were issued in a currency (EUR) different that the functional currency of the company (PLN), the embedded derivative involved a currency cap , namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

The fair value of the embedded derivative was estimated at level 2 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates. The value of the instrument is determined as a difference between fair value of a bond and bond value excluding the embeded element calculated based on amortised cost using effective interest rate.

Following the conversion of the convertible bonds int equity during 2017 the embeded derivative has been derecognised.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contrat. The value of the contract corresponds to 80% of the BZ WBK borrowings.
The contract is settled in monthly periods based on EURIBOR 1M.

The IRS contract is presented at fair value based on valuation by BZ WBK. The results of changes in the valuation are reflected in the consolideted statement of comprehensive income as finance cost or finance income.

The fair value of the contract hedging the interest rate is datermined as a difference in discounted interest cash flows based on fixed and floating interest rates. Market interest rates are the entry data for the valuation.This represent level 2 of the fair value hierarchy.

As at 31 December 2018 the IRS is valued at PLN 595 thousand.

Accounting treatment of joint ventures

On 10 September 2014, an investment agreement was signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture consisting in the construction of a complex of multiple residential units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

At the same time, the parties stipulated in the investment agreement that a part of lands (and all related costs and income) belonging to Smart City would be 100% controlled by CPD Group. These plots, according to the local spatial development plan, are destinated for the construction of public roads and for educational purposes.

Joint control over Smart City was established on 9 March 2015, when Unidevelopment S.A. – in compliance with the provisions of the investment agreement – entered the limited partnership Smart City Spółka z ograniczoną odpowiedzialnością sp.k. as the limited partner.

On 22 February 2017 next investment agreement was signed by CPD S.A. and its subsidiaries (Challange Eighteen Sp. z o.o., 4/113 Gaston Investments z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture created for construction of a complex of multiple residential units with services and related infrastructure at a property belonging to 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

The investment agreemeent stipulated that the joint venture will be realised on a part of land owned by 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. while other plots belonging to the subsidiary (and all related costs and income) would be 100% controlled by CPD Group.

Following the stipulations of the investment agreement Unidevelopment SA became a limited partner in 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. on 2 August 2017, thus turning the subsidiary into joint venture. At the same time Gaston Investments transferred all general partner rights and obligations to Smart City Sp. z o.o., resulting in change in the name of the company into Ursa Park Smart City Spółka z o ograniczoną odpowiedzialnością Sp. k.

4 Major accounting estimates and judgments (cont.)

In order to settle the above-mentioned transaction in these financial statements, the Management Board of the Company – in conformity with the provisions of IFRS 10 – decided to adopt the following approach regarding the investment in Smart City:

- assets and liabilities under the investment agreement were recognized as the joint venture and were valued in the consolidated financial statements according to the property rights method and the joint ventuire partners have equal 50% share in profits, assets and liabilities,

- land excluded by the investment agreemeent from the joint ventures as well as related assets and liabilities were included in the joint ventures accountedd for based on property rights method, with CPD group entitled to 100% of profits, assets and liabilities related to these plots, while Unidevelopment Group has no respective rights.

Further details of the valuation of the joint ventures were presented in Note 10.

Determination of fair value of real estate

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by Savills Sp. z o.o. - third party experts - as per Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards 2017 Incorporating the IVSC International Valuation Standards (the "RICS Red Book") published in June 2017 and valid as of 1 July 2017. Valuation fees are not related to the value of the real properties or the valuation results. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the valuation approaches applied.

CPD Group distinguishes the following classes of assets included in its real property portfolio:
(i) non-developed land or land developed with tenement houses; these mainly include land in Jaktorów, Czosnów, Lesznowola and Nowa Piasecznica as well as tenement house in Warsaw, disclosed as inventory in the consolidated financial statements and valued at acquisition price or at cost not exceeding their net sale price and non-developed land in Wolbórz classified as investmeny property and presented at fair value;

(ii) investment properties generating significant rent income (office building in Warsaw);

(iii) investment land in the district of Ursus in Warsaw designed for residential and retail construction as per valid local zoning plan;

(iv) investment land in the district of Ursus in Warsaw designed for public purposes as per valid local zoning plan.

The Group valued individual real investment properties using the following methods:
The Group has real estate valued annually at fair value as at the balance sheet date. Results of the valuations imply decisions on impairment write-offs of the properties valued at cost or update of the valuation of the fair value properties.

Fair value changes of investment properties are recognized in the profit and loss under 'Net result from fair value adjustments on investment property' header, while changes in the impairment allowances are recognised within "Costs of goods sold".

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

Non-developed land and land developed with tenement houses were valued using the comparative method (comparison in pairs). The comparative method determines the value of a real estate assuming that such value is equal to prices obtained for similar properties traded in the market. The value of real properties is adjusted according to their differentiating features and stated taking into account volatility of prices in time. The comparative method is used, if prices of real properties similar to the property valued are known. The price per square meter is the variable affecting the valuation result the most.

The income approach (investment method) was applied to properties generating income. The income approach defines the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

Assuming rental or lease market rates can be defined market value of the the real property generating rent income is determined based on direct capitalization, as the quotient of a stable yearly income flow obtainable from the real property valued and the capitalization rate.

Net future operating income were estimated separately for each investment class property based on rental agreements existing as at the balance sheet date, contracted income and the expected cost of operation of the properties. Useful areas underlying the calculations are based on construction documents in force. As most rentals concluded by the Group are expressed in EUR, the investment class properties were valued in EUR and values were then translated into PLN using the NBP average rate as at the balance sheet date.

Capitalisation rates were estimated by third party experts separately for each major investment class property taking into account situation and type of the property. The capitalization rates are determined at least annually by third party property experts and the net operating income is based on rentals in force.

The land for residential and retail development is valued based on residual method. The value of such property is detemined as a difference between expected proceeds from project sales and cost necessary to finalise the projectsand reasonable developer margin.

The land for residential and retail development was valued based on the following assumptions:
- the planned useful area of apartments to be built amounts to 82.487 sq.m.;
- the planned useful area of shops to be built on ground floors of the houses amounts to 12.929 sq.m.;
- the planned useful area of offices to be built amounts to 13.741 sq.m.

The land for public purposes was valued using the comparative method (comparison in pairs).

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2018.

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Discount rate
Office building	income method / level 3	8%	11,5	9%
Land in Ursus designed for housing, commercial and public purposes	residual method / level 3 and comparative method / level 2	4 300	6 350	3,00%

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2017.

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Discount rate
Office buildings	income method / level 3	7,75% - 9,00%	8,83 - 11,75	9% - 10%
Land in Ursus designed for housing, commercial and public purposes	residual method / level 3 and comparative method / level 2	3 600	5 700	3,00%

Due to the fact that different methods are used to value investment properties, judgemental variables affect the fair values received to a different extent. The table below presents an analysis of the sensitivity of changes in the fair value of investment properties to the changes in the key estimated variables, assuming a specific growth of each of them. The analysis is performed independently for each variable based on the assumption that other estimates remain unchanged.

Valuation method	Fair value	Judgemental variable	Assumed changed in judgemental veriable	Impact on valuation
income	100 190	capitalisation rate	+/- 0,25 pp	-400 / 400
		discount rate	+/- 0,25 pp	-400 / 500
		rent rate	+/- 5%	5 009 / -5 009
residual	85 010	discount rate	+/- 0,25 pp	-400 / 400
		construction cost per 1 m2	+/-1,2%	-5 400 / 5 500
		sales price per 1 m2	+/- 0,8%	3 600 / -3 600
other methods	33 111	insensitive for judgemental variables	n/a	n/a
	218 311			

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4 Major accounting estimates and judgments (cont.)

Income tax

CPD Group is an income tax payer in multiple countries. Determination of global amount of income tax liabilities involves a significant amount of judgment. There are many transactions and calculations where the amount of tax is uncertain. CPD Group recognizes expected doubtful tax liabilities based on an estimation whether or not additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred income tax assets and liabilities in the period where the amount of tax is finally determined.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available againstwhich the temporary differences can be utilized.

Due to changes in the income tax act over the years, there is a risk of a different interpretation of the law by the tax authorities as regards the fixing of the costs of income related to the sale of investment property Risk assessment in large part depends on the legal form of the transaction, i.e.. whether the transaction is a sale of shares in subsidiaries or sale of assets (investment property).

Moreover, with reference to General Anti-Avoidance Clause (GAAR), aimed at prevention from creating and using artificial legal structures in order to avoid tax in Poland, the Management has analysed the whole tax position of the Group entities, intented to identify and access transactions and operations that could potentially be subject to GAAR and judge the impact on those interim condensed consolidated financial statements. In the Management's opinion the related risk has been properly reflected in these interim condensed consolidated financial statements, however interpretation of tax regulations bears inherent uncertianity, which may impact future recoverbility of deferred tax assets or tax payables related to past periods.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties

	12 months ended 31 December 2018	12 months ended 31 December 2017
At the beginning of the period	**471 715**	**558 706**
Capital expenditure	4 019	8 079
Acquisition	0	4 390
Change in the balance of capitalized financial liability concerning the property acquired	0	4 065
Disposal of investment property	(3 227)	(62)
Transfer to inventory	0	(16 644)
Transfer to joint venture	0	(33 160)
Change in the balance of capitalized financial liability concerning the property disposed in course of joint venture	0	(1 037)
Fair value of properies disposed in course of sale of subsidiary	(10 000)	0
Change in the balance of capitalized financial liability concerning the property disposed	(4 781)	(17)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(13 444)	(3 731)
Change in the balance of capitalized financial liability concerning the properties transferred from assets held for sale	0	87
Change in the balance of capitalized financial liability	(716)	7 528
Transfer to assets held for sale	(199 449)	(64 530)
Transfer from assets held for sale	0	280
Net gain from fair value adjustment on investment property	(14 406)	7 761
	218 311	**471 715**

Investment properties which belong to the CPD Group were valued by an independent international professional appraiser, Savills Sp. z o.o. as at 31 December 2018 and as at 31 December 2017 in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards 2017 Incorporating the IVSC International Valuation Standards (the "RICS Red Book") published in June 2017.

As at Dec 31, 2018, the total fair value of real properties owned by the Group and disclosed under the 'Investment Properties' header in the consolidated financial statements was lower than at the end of 2017 by PLN 253 million. The decline in the value of the property occurred mainly as a result of the transfer of investment property belonging to 3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., 2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Investments Sp. z o.o., IMES Poland Sp. z o.o. and Robin Investments Sp. z o.o. to the assets held for sale. In 2018, the Group recognized a loss from fair value adjustment of investment properties of PLN 14.4 million.

As a demonstrtion of social responsibility and contribution to cretion of sustainable urban structure based on local social identity, CPD group donated 1,7 ha plot to the city of Warsaw. Local master plan determines the plot as designed for educational investments. The expected agreeement assumes construction of school and kindergarten complex by the city of Warsaw till 2020.

The capital expenditure on investment properties in 2017 amounted to PLN 4 million and related mainly to capital expenditures in Ursus.

Further information on the valuation as at the balance sheet date is presented in Note 4.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties (cont.)

As at 31 December 2017, all investment properties of the CPD Group were registered in the land and mortgage register.

Due to the fact that the value of the properties (according to external valuation) is reduced by the fees for perpetual usufruct, the "fair book value" of the properties has been increased by the amount of the financial liabilities relating to such use. Such recognition results in the balance sheet value of the investment property being increased by the liability in respect of the lease.

	31 December 2018	31 December 2017
Investment property according to external valuation	204 220	428 706
Investment property according to sales price	0	9 977
Liabilities in respect of perpetual usufruct	14 091	33 032
Investment property presented in the statement of financial position	**218 311**	**471 715**

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2018	12 months ended 31 December 2017
- generating income from rent	4 529	4 550
- other	531	213
	5 060	**4 763**

6 Fair value of collaterals

	31 December 2018	31 December 2017
Office buildings	146 055	153 948
Ursus	0	47 270
	146 055	**201 218**

Properties: Aquarius, Cybernetics 7B (Solar) and IRIS are mortgaged to collateralise bank loans as decribed further in note 13.
Some of the properties in Ursus were mortgaged as collateral for conditional sales agreements.

7 Trade receivables and other receivables

	31 December 2018	31 December 2017
Trade receivables	1 258	1 610
Prepayments and accruals	3 066	1 957
Receivables from the state budget	3 136	3 482
Receivables from related entities	521	233
Short-term trade receivables and other receivables	**7 981**	**7 282**
Long-term receivables	550	931
Total trade receivables and other receivables	**8 531**	**8 213**

The estimated fair value of trade receivables and other receivables is a discounted amount of expected future inflows which the CPD Group will receive, and it approximates the carrying amount of such inflows. Most rent receivables are secured. The CPD Group requires security from its tenants in the form of an equivalent of a one to three months' rent. Receivables in respect of rent are mainly secured with bank deposits.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

7 Trade receivables and other receivables (cont.)

VAT receivables are the biggest trade receivables and other receivables item, followed by prepayments and accruals. The later mainly includes the balance of linear settlement of rental income related to rent incentives consisting of rent free periods or significant periodical rent discounts.

The CPD Group recognized a loss of PLN 910 thousand in resulting from impairments and write-offs of receivables in the year ended 31 December 2018 (year ended 31 December 2017: PLN 28 thousand). The loss was recognized under "other administrative expenses" header in the consolidated comprehensive income.

Trade receivables	**31 December 2018**	**31 December 2017**
Current	1 258	1 610
Overdue, with recognized impairment (provided for in full)	519	(47)

Other receivables	**31 December 2018**	**31 December 2017**
Overdue, with recognized impairment (provided for in full)	744	107

Impairment of receivables	**31 December 2018**	**31 December 2017**
- trade receivables:		
Opening balance	346	632
- increases	917	28
- decreases	0	(314)
Closing balance	**1 263**	**346**

The maximum amount of exposure to credit risk as at the reporting date is equivalent to the carrying amount of the receivable. In the opinion of the Management Board, there is no significant credit risk concentration with respect to trade receivables, since the CPD Group has a large group of tenants.

8 Inventories

	31 December 2018	**31 December 2017**
Work in progress	0	2 451
Finished goods	1 340	1 340
Goods for resale	1 575	1 630
	2 915	**5 421**

Finished goods in the consolidated financial statements comprise completed construction project, i.e. Koszykowa (Poland). Goods for resale comprise a construction project Alsonemedi (Hungary), properties in Czosnów, Nowa Piasecznica, Lesznowola and Jaktorów.

	31 December 2018	**31 December 2017**
At the beginning of the period	**5 421**	**5 468**
Capital expenditure	0	3 058
Disposals	(2 451)	0
Transfer from investment properties	0	16 644
Contribution into joint venture (Note 10)	0	(19 686)
Impairment loss	(24)	114
Foreign exchange differences	(31)	(177)
As at the balance sheet date	**2 915**	**5 421**

In 2018 the Group disposed property in Łodź, classified as work in progress.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Cash and cash equivalents

	31 December 2018	31 December 2017
Cash in hand and at bank	39 746	35 745
Restricted cash	3 400	3 131
Short-term bank deposits	59 259	104 427
	102 405	**143 303**

Restricted cash means the funds transferred as a result of the implementation of the credit agreement with Sanatander Bank.

Cash and cash equivalents for the purposes of preparing the cash flow statement comprise cash in hand and at bank and short-term bank deposits.

10 Joint ventures

(a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

On 10 September 2014 CPD SA and its subsidiaries Smart City spółka z ograniczoną odpowiedzialnością sp.k., Lakia Enterprises Ltd concluded joint venture agreement with Unibep S.A. and Unidevelopment S.A. aimed at construction of residencial complex with services and accompanying infrastructure. Smart City spółka z ograniczoną odpowiedzialnością sp.k. contributed land to the joint venture. Part of the land is to be transferred to the City of Warsaw or other entity for public roads and educational infrastructure.

On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner.

(b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

On February 22, 2017 the group concluded another joint ventures agreement concerning construction of complete complex of multi-family buildings with accompanying services and infrastructure.

Subsequently the scope of the investment agreemeent has been extended on the whole property of Ursa Park Smart City spółka z ograniczoną odpowiedzialnością Sp.k. on 26 October 2018.

The parties agreed currently joint implementation of a construction investment on a property belonging to a company from the CPD S.A. Capital Group. i.e. Ursa Park Smart City Sp. z ograniczoną odpowiedzialnością spółka komandytowa. The propertyconsists of of plots no. 113/1, 113/2, 113/4, 113/6 and 113/7 , with an area of 4.944 ha and located at Traktorzystów Str. in Warsaw. The construction of a complex of multi-family buildings with services together with accompanying infrastructure is currently being implemented in two stages, on a part of the property with an area of approx. 1.36 ha. The general contractor will be Unibep S.A. and Unidevelopment S.A. it will act as a substitute investor.

Next two joint ventures consisting each of two stages will comprise of construction of a complex of multi-family buildings with services together with accompanying infrastructure of total residensial and service area of 40 thousand sqm.

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

	31 December 2018	31 December 2017
a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	1 620	16 486
b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	35 581	46 586
	37 201	**63 072**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2018	31 December 2017
Opening balance as at 1 January	**16 486**	**32 572**
Group's share of the net profit or loss of the joint ventures presented in theses consolidated financial statements	(13 057)	7 855
Group's share in reduction of the partners' contribution	(3 700)	(16 266)
Group's participation in profit distributions	0	(7 491)
Transfer of the educational land and liabilities to the joint venture	1 890	0
Other adjustments	1	(184)
Closing balance as at 31 December	**1 620**	**16 486**
- including net assets not covered by the investment agreemeent with 100% CPD rights	0	11 965

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2018	31 December 2017
Opening balance as at 1 January	**46 586**	**0**
Group's share in net assets as at the date of starting joint venture	0	48 395
Group's share in contributions to the joint venture	1 250	0
Group's share in withdrawals of the contributions to the joint venture	(9 707)	0
Group's share in future contributions to the joint venture	10 375	0
Group's share in joint venture's profit distributions	(6 255)	0
Amendment of the property rights to the jont venture's net assets	(15 880)	0
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	9 212	(1 809)
Closing balance as at 31 December	**35 581**	**46 586**
- including net assets not covered by the investment agreement with 100% CPD rights	0	31 760

The financial information of individually material joint ventures of the Group as at 31 December 2018 and for the period from 1 January 2018 to 31 December 2018 is presented in the below table:

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	31 December 2018	31 December 2017
Total non-current assets, including	**18**	**14 015**
Fixed assets	18	17
Investment property	0	13 998
Total current assets, including:	**4 658**	**10 522**
Inventory	3 412	9 702
Trade receivables and other receivables	430	8
Cash and cash equivalents	816	812
Total assets	**4 676**	**24 537**
Total current liabilities, including:	**1 432**	**3 528**
Trade payables and other liabilties	1 432	1 495
Provisions	0	2 033
Total liabilities	**1 432**	**3 528**
Net assets	**3 244**	**21 009**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

% share in net assets not covered by the investment agreemeent	***100%***	***100%***
	0	11 965
Group share in net assets not covered by the investment agreement		
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	1 620	4 521
Carrying amount of investment in joint venture presented in the consolidated financial statements	**1 620**	**16 486**

Financial information from statement of comprehensive income	31 December 2018	31 December 2017
Revenue	8 493	70 951
Interest income	0	58
Interest cost	124	14
Result from continued operations	(12 268)	15 810

The Group recognized a loss on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. in the amount of PLN 13.057 thousand.

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	31 December 2018	31 December 2017
Total non-current assets, including	**18 758**	**31 834**
Intangible assets	58	74
Investment property	18 700	31 760
Total current assets, including:	**101 879**	**42 517**
Inventory	56 057	32 839
Trade receivables and other receivables	26 746	7 666
Cash and cash equivalents	19 076	2 012
Total assets	**120 637**	**74 351**
Total current liabilities, including:	**49 476**	**12 939**
Trade payables and other liabilties	49 476	12 939
Total liabilities	**49 476**	**12 939**
Net assets	**71 161**	**61 412**
% share in net assets not covered by the investment agreemeent	***100%***	***0%***
Group share in net assets not covered by the investment agreement	0	31 760
% held by the Group	***50%***	***0%***
Group share of net assets of the joint venture	35 581	14 826
Carrying amount of investment in joint venture presented in the consolidated financial statements	**35 581**	**46 586**

Financial information from statement of comprehensive income	31 grudnia 2018	31 grudnia 2017
Revenue	70 428	67
Interest income	1	0
Interest cost	4	1
Result from continued operations	18 397	(1 954)

The Group's share of the net profit of the joint venture in Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. amounted to PLN 9.212 thousand.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Ordinary shares series B	32 336	32 336	3 233	3 233
Ordinary shares series C	163	163	16	16
Ordinary shares series D	76	76	8	8
Ordinary shares series E	89	89	9	9
Ordinary shares series F	199	199	20	20
Ordinary shares series G	6 491	6 491	649	649
Total	**39 354**	**39 354**	**3 935**	**3 935**

On 5 August 2014 the Extraordinary Shareholders Meeting resolved on: the issuance of bonds of series A convertible to the Company's shares of series G, the deprivation of the existing shareholders of the preemptive rights with respect to the convertible bonds of series A, the contingent increase of the share capital of the Company, the deprivation of the existing shareholders of the preemptive rights with respect to the shares of series G and on the amendment of the Statute of the Company, dematerialization of the shares of series G and the application for introduction to trading on the regulated market of the shares of series G. The contingent share capital increase was to be performed by issuance of up to 9.791.360 series G ordinary bearer share of CPD of par vale of PLN 0,10 and total value of up to PLN 979 thousand. 110 series A bonds have been issued of par value of EUR 50 thousand and total value of EUR 5.500 thousand.

On 20 March 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD SA on 26 September 2014 notified the Management of CPD SA about intention to convert 90 bonds into 5.292.720 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

On 13 June 2017 the bondholders of the series A bonds convertible into shares series G issued by CPD SA on 26 September 2014 notified the Management of CPD SA about intention to convert 20 bonds into 1.198.100 series G shares of CPD SA. The conversion price has been determined at PLN 4,38, as specified in Extraordinary Shareholders Meeting resolution number 3 of 5 August 2014 and bonds' issuance conditions.

On 5 October 2017 KRS registered increase of the CPD SA share capital resulting from conversion of the series A bonds. After the registration share capital of the Company amounts to PLN 3.935 thousand represented by 39.354.023 ordinary bearer shares with a par value of PLN 0,10 each.

On 26 October 2017 CPD SA acquired through Dom Maklerski Pekao Investment Banking S.A. 1.401.792 of own shares, following the invitation for share purchase bids issued on 2 October 2017.

The shares were acquired based on Shareholders' Meeting resolutions of 10 May and 7 June 2017concerning acquisition and redemption of own shares. The weighted average purchase price of each share amounted to PLN 12,27. The acquired stage consisted of ordinary shares representing 3,56% of share capital and 3,56% of number of votes on Shareholder Meetings. However legal regulations prevent CPD SA from execution of the voting rights. Except of the above CPD SA does not hold any other own shares.

The weighted average purchase price of each share amounted to PLN 12,27. The acquired stage consisted of ordinary shares representing 3,56% of share capital and 3,56% of number of votes on Shareholder Meetings. However legal regulations prevent CPD SA from execution of the voting rights. Except of the above CPD SA does not hold any other own shares.

On June 20, 2018, CPD S.A. acquired 11.581.100 shares of the Company through the brokerage house Pekao Investment Banking S.A. as the settlement of acquisition of CPD S.A. shares, pursuant to the Invitation to Submit Proposals for Sales of Shares announced on May 29, 2018. The purchase price per share was PLN 12.34.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital (cont.)

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 11,581,100 shares) represent 29,43 % of the Company's share capital and represent 11,581,100 votes at the General Meeting of the Company (29,43 % of voting rights at the General Meeting of the Company).

Prior to the above mentioned purchase of 11,581,100 own shares, the Company already owned other than those indicated above, number of the 1,401,792 shares own shares representing 3,56 % of the Company's share capital and representing 1,401,792 votes at the General Meeting of the Company (3,56 % of voting rights at the General Meeting of the Company).

As at 31 December 2018 share capital amounted to PLN 3.935 thousand.

On 25 January 2019 the National Court Register registered reduction of share capital and change of the articles of the association of CPD S.A, in accordance with the wording of the resolutions taken by the Extraordinary General meeting of the Company on 14 September 2018. The share capital of the Company as at 25 January 2019 amounts to PLN 2.637.113,10, and is divided into 26.371.131 ordinary shares.

12 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2018	31 December 2017
Deposits of tenants	2 305	2 235

Short-term trade payables and other payables

	31 December 2018	31 December 2017
Trade payables	6 624	655
Other liabilities	571	219
Avanced sales payments	76 819	79 250
Output VAT and other tax liabilities	9 157	12 179
Deposits of tenants	334	272
Accruals and deferred income	7 739	14 147
Total	**101 244**	**106 722**

Trade payables bear no interest and are payable within one the year.

The estimated fair value of trade payables and other payables is a discounted amount of expected future outflows, which the CPD Group will pay, and it approximates their carrying amount.

The received advance payments results from preliminary agreements for sale of properties owned by 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., 3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k., IMES Polska Sp. z o.o., as well as auxilliary services related to disposed properties.

The provision for potential tax risks amounting to PLN 6.8 million was the biggest part of accruals as at 31 December 2018.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Loans and borrowings (including finance lease)

	31 December 2018	31 December 2017
Long-term		
Bank loans	63 115	80 176
IRS derivative	283	167
Finance lease liabilities	14 091	33 032
	77 489	**113 375**
Short-term		
Bank loans	4 581	26 590
IRS derivative	312	312
	4 893	**26 902**
Total loans and borrowings	**82 382**	**140 277**

As of 31 December 2018 bank credits consist of:
- payable of PLN 67.696 thousand to Santander Bank (PLN 4.581 thousand being short-term and PLN 63.115 thousand as long-term).

On 12 August 2011 the subsidiary Belise Investments Sp. o.o. entered into a bank loan agreement with BZ WBK SA to finance or refinance part of the cost of finishing the surface of the office building IRIS. According to the annex to the credit agreement signed in May 2015 deadline for full repayment of the Loan, together with interest and other costs, follows on the date of 31 May 2021.

The loan is collateralised by mortgage on Belise Investments property, pledge on it's share, cash deposit as well as guarantees granted by CPD SA and Lakia Enterprises.

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to secure the streams of interest payments, for an amount corresponding to 80% of the loan Santander Bank.

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 595 thousand. The method of valuation of IRS transactions is presented in note 4.

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 4.901 thousand, and Robin's - EUR 3.795 thousand. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until 20 June 2029.

The loan was granted on market terms and is secured by, among others, mortgage on investment properties owned by companies Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies.
During 2017 Lakia Investments reported non-compliance with one of the agreed covenants, which allows the bank to require immediate repayment of the whole loan amount. Which however has not happened until the date of these conolidated financial statements. Consequentlly the whole value of Lakia Investments loan (PLN 21.074 thousand) has been classified as a short-term payable.

As at the end of 2018 bank loans received by Lakia Investments and Robin investments are presented as liabilities associated with assets held for sales, resulting from transfering the relevant investment properties to assets held for sale. The bank loans payables amount to PLN 37.422 thousand.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including finance lease) (cont.)

The interest rate on loans taken by the subsidiaries is variable and is as follows:
- loan from Santander Bank Polska SA margin 2.15% + EURIBOR 1M
- loans from mBank Hipoteczny SA margin 2,80% + EURIBOR 6M.

Finance lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (note 5).

	31 December 2018	31 December 2017
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	6	11
from 1 to 5 years	28	53
after more than 5 years	14 057	32 968
	14 091	**33 032**

	31 December 2018	31 December 2017
Par value of minimum lease payments due:		
within 1 year	1 063	1 625
from 1 to 5 years	4 275	6 501
after more than 5 years	71 203	108 890
	76 541	**117 016**
Future financial costs	(62 450)	(83 984)
	14 091	**33 032**

The exposure of the CPD group loans and borrowings, excluding finance lease, to interest rate risk and the contractual dates of changes in the interest rates as at the balance sheet date are presented below:

	31 December 2018	31 December 2017
up to 6 months	2 678	24 204
from 6 months to 1 year	1 903	2 386
from 1 to 5 years	63 115	67 602
more than 5 years	0	12 574
	67 696	**106 766**

The carrying amount of loans and borrowings approximates their fair value.

The carrying amount (in PLN) of CPD group's loans and borrowings is denominated in the following currencies:

	31 December 2018	31 December 2017
EUR	67 696	106 766

Lakia Enterprises Ltd established a registered pledge on all shares in the capital of Lakia Investments and Robin Investments amounting to up to EUR 5.9 million (Lakia) and EUR 4.4 million (Robin) for the benefit of mBank in connection with the credit taken from mBank Hipoteczny in 2014.

Lakia Enterprises Ltd and CPD SA respectivelly established a registered pledge on all shares in the capital of Belise Investments and accepted voluntary execution up to PLN 30.2 million each for the benefit of BZ WBK in connection with the credit taken from BZ WBK.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Changes of indebtedness

	Bank loans	Bonds	Capitalised financial lease	IRS derivative	Total
31 December 2017	**106 766**	**0**	**33 032**	**479**	**140 277**
Accrued interest	1 971	0	0	0	1 971
Principal repaid	(4 393)	0	0	0	(4 393)
Interest repaid	(1 975)	0	0	0	(1 975)
Other non-cash changes, including:	(34 673)	0	(18 941)	116	(53 498)
- Balance sheet reclassifications	*(37 122)*	*0*	*(13 444)*	*0*	*(50 566)*
- Other changes	*0*	*0*	*(5 497)*	*0*	*(5 497)*
- Balance sheet valuation	*2 449*	*0*	*0*	*116*	*2 565*
31 December 2018	**67 696**	**0**	**14 091**	**595**	**82 382**

	Bank loans	Bonds	Capitalised financial lease	IRS derivative	Total
31 December 2016	**118 980**	**64 896**	**26 137**	**967**	**210 980**
Accrued interest	2 360	2 061	0	0	4 421
Principal repaid	(5 145)	(30 000)	0	0	(35 145)
Interest repaid	(2 377)	(2 730)	0	0	(5 107)
Other non-cash changes, including:	(7 052)	(34 227)	6 895	(488)	(34 872)
- Embeded derivative	*0*	*6 893*	*0*	*0*	*6 893*
- Balance sheet reclassifications	*0*	*0*	*(4 682)*	*0*	*(4 682)*
- Other changes	*0*	*0*	*11 577*	*0*	*11 577*
- Balance sheet valuation	*(7 052)*	*(1 268)*	*0*	*(488)*	*(8 808)*
31 December 2017	**106 766**	**0**	**33 032**	**479**	**140 277**

15 Deferred income tax

Deferred income tax assets and provision are offset if there is an enforceable legal title to offset current income tax assets against current income tax liabilities and if deferred income tax assets and provision relate to taxes assessed by the same tax authorities.

	31 December 2018	31 December 2017
Deferred tax assets before offset	**9 022**	**6 113**
Offset against deferred tax liability	(9 022)	(6 113)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**28 414**	**42 396**
Offset against deferred tax asset	(9 022)	(6 113)
Deferred income tax liabilities after offset	**19 392**	**36 283**
- to be paid after more than 12 months	5 257	27 264
- to be paid within 12 months	14 135	9 019

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

	12 months ended 31 December 2018
Change in deferred tax assets	2 909
Change in deferred tax liabilities	(13 982)
Amount charged/(credited) to profit or loss	**16 891**

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities (before offset)

	2016	Charged to profit/(loss)	Charged to other comprehensive income	2017
Property valuation at fair value	16 559	5 919	0	22 478
Accrued interest on loans	17 400	761	0	18 161
Provision for income	6 423	(4 674)	0	1 749
Foreign exchange differences	57	(49)	0	8
Total	40 439	1 957	0	42 396

	2017	Charged to profit/(loss)	Charged to other comprehensive income	2018
Property valuation at fair value	22 478	(12 210)	0	10 268
Accrued interest on loans	18 161	(6 912)	0	11 249
Provision for income	1 749	5 116	0	6 865
Foreign exchange differences	8	24	0	32
Total	42 396	(13 982)	0	28 414

Deferred income tax assets (before offset)

	2016	Charged to profit/(loss)	Charged to other comprehensive income	2017
Accrued, interest unpaid	2 069	(1 428)	0	641
Foreign exchange differences	620	(589)	0	31
Provisions	124	(29)	0	95
Other	15 161	(13 574)	0	1 587
Tax losses	2 217	1 542	0	3 759
	20 191	(14 078)	0	6 113

	2017	Charged to profit/(loss)	Charged to other comprehensive income	2018
Accrued, interest unpaid	641	130	0	771
Foreign exchange differences	31	181	0	212
Provisions	95	36	0	131
Other	1 587	5 131	0	6 718
Tax losses	3 759	(2 569)	0	1 190
	6 113	2 909	0	9 022

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

	31 December 2018	31 December 2017
Tax losses	6 263	19 784
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	4 058	3 374
Other deductible temporary differences	37 163	9 016
Total	47 484	32 174
Deferred tax assets before offset	**9 022**	**6 113**
Offset of deferred tax assets and liabilities within individual companies	(9 022)	(6 113)
Net deferred tax assets	**0**	**0**

Deferred income tax assets on the tax loss and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Expiry of tax losses as at 31.12.2018

	2019	2020-2021	2022-2023	Total
- Losses on which deferred tax was recognized	3 984	2 281	0	6 265
- Losses on which deferred tax was not recognized	5 568	15 902	13 697	35 167

Expiry of tax losses as at 31.12.2017

	2018	2019-2020	2021-2022	Total
- Losses on which deferred tax was recognized	3 512	15 919	377	19 808
- Losses on which deferred tax was not recognized	5 838	8 923	9 610	24 371

16 Revenues

Revenues by category:	12 months ended 31 December 2018	12 months ended 31 December 2017
Rental income	12 960	13 121
Sales of inventories	2 501	0
Real estate advisory services	1 098	666
Rent related services	4 914	6 125
Accounting services	12	12
	21 485	**19 924**

In 2018 rental income was predominant in sales. Revenues from rent related services were another major item of revenues (PLN 4.914 thousand).

In 2017 rental income was predominant in sales. Revenues from rent related services were another major item of revenues (PLN 6.125 thousand).

The Group leases properties under operating lease.

The Group adopted the below described model of standard rental contracts:

• rent is expressed in EUR and indexed for the annual inflation rate for EUR (invoiced in PLN),

• specified rental period without a possibility of early termination.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

16 Revenues (cont.)

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2018	12 months ended 31 December 2017
up to 1 year	10 870	11 083
from 1 to 5 years	25 693	21 802
more than 5 years	2 531	2 138
	39 094	**35 023**

17 Cost of sales

	12 months ended 31 December 2010	12 months ended 31 December 2009
Cost of inventories sold	2 506	0
Changes in impairment write-downs of inventories	24	(114)
Cost of services provided	2 091	2 636
	4 621	**2 522**

18 Administrative expenses – relating to properties

	12 months ended 31 December 2018	12 months ended 31 December 2017
Employee expenses	1 449	1 164
Property maintenance	4 676	4 613
Real estate tax	1 112	734
Perpetual usufruct	172	(134)
Depreciation and amortization	222	239
	7 631	**6 616**

19 Other income

	12 months ended 31 December 2018	12 months ended 31 December 2017
Provision released	3 270	49
Waived or expired liabilities	21	0
Sale of PPE	0	3
Contractual penalties received	29	51
Other	1 003	120
	4 323	**223**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

20 Administrative expenses - other

	12 months ended 31 December 2018	12 months ended 31 December 2017
Advisory services	5 005	5 941
Audit fee	265	219
Transport	15	23
Taxes	146	162
Office maintenance	858	1 296
Other services	256	197
Costs of not deductible VAT	190	344
Receivables impairment	920	111
Other costs	42	219
	7 697	**8 512**

In 2018 the administrative expenses increased by PLN 815 thousand as compared to 2017 resulting mainly from lower advisory services cost.

21 Financial income and costs

	12 months ended 31 December 2018	12 months ended 31 December 2017
Costs related to instruments valued at amortised cost:		
Bank loans valuation	(2 436)	(2 512)
Interest on finance lease	(2 182)	(2 228)
Interest on bonds	0	(2 061)
Amortised cost valuation	(91)	(109)
Loss on bonds revaluation	0	(5 367)
Net foreign exchange loss	(3 094)	0
Costs related to instruments valued at fair value:		
Other interest expenses	(698)	(690)
Other financial costs	0	(713)
Derivative (IRS) valuation	(116)	0
Other financial costs:		
Result of changing subsidiary into joint venture	0	(735)
Financial costs	**(8 617)**	**(13 680)**
Income related to instruments valued at amortised cost:		
Net foreign exchange gain	0	6 272
Income related to instruments valued at fair value:		
Bank interest	1 193	1 193
Interest from unrelated entities	0	13
Derivative (IRS) valuation	0	488
Other financial income	359	0
Financial income	**1 552**	**7 966**
Financing activities, net	**(7 065)**	**(5 714)**

22 Income tax expense

	12 months ended 31 December 2018	12 months ended 31 December 2017
Current tax	1 623	86
Deferred tax (Note 15)	(16 891)	16 035
	(15 268)	**16 121**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

22 Income tax expense (cont.)

Polish subsidiaries are subject to Polish corporate income tax, which is accrued at the rate of 19% on the profit or loss adjusted for tax purposes. Under certain conditions the tax rate may be reduced to 15%. Cypriot subsidiaries are subject to Cypriot income tax calculated on taxable profit at the tax rate of 12,5%. Realized gains on the sale of shares and other titles are exempt from taxation in Cyprus. In some circumstances, interest can be additionally taxed at the rate of 5%. In such cases, 50% of interest can be exempt from corporate income tax, therefore, the effective tax rate amounts to approximately 15%. In some cases, dividends received from abroad can be subject to additional taxation at the rate of 15%.

The income tax expense presented in the CPD Group's financial result differs from the theoretical amount which would result from the uniform application of the 19% tax rate applicable to profits of companies with their registered offices in Poland to accounting profit before tax.

	12 months ended 31 December 2018	12 months ended 31 December 2017
Profit before tax	**(17 135)**	**18 359**
Estimated tax liability at 19% tax rate	3 256	(3 488)
Tax impact of:		
- various tax rates applicable to Group companies	(652)	28
- reassesment of prior years deferred tax assets recoverability	0	2 808
- loss of companies where the asset was not recognized	2 419	(129)
- use of prior years losses, where the assets was not recognised	170	5 519
- temporary differences in foreign companies	(1 900)	1 324
- subsidiaries shares valuation	0	(9 120)
- taxable deffered revenue	0	(3 230)
- valuation of investment properties	0	(9 641)
- valuation of the embedded derivative	0	(1 379)
- other	11 975	1 187
Income tax expense	**15 268**	**(16 121)**

23 Contingencies

According to the general Polish regulations, the tax authorities may perform an inspection of books and records at any time within 5 years after the end of the reporting period and assess additional tax and penalties if any irregularities are found.

On 9 November 2017 Challange Eighteen Sp. z o.o., the Group subsidiary, received the results of concluded tax control. The Polish tax authorities are claiming that the sunsidiary should have remitted withholding tax on the interest settled to EEPF AB (a former member of CPD Group). The total value of this tax claim consists of outstanding tax of PLN 9.113 thousand increased by penalty interest. Management Board stands on the position that this claim is illegitimate. Nevertheless in case of commencement of the tax proceeding and issuing decision by the tax authority, the Entity may by required to pay the tax arreas estimated by the tax authority. Based on risk assessment analysis, Management Board decided not to create a provision for this tax claim.

According to the best knowledge of the Management Boards of the CPD Group companies, except of the above, there are no circumstances which could result in any significant liabilities arising in this respect.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

24 Contractual liabilities (commitments)

In 2017 the conditional property disposal agreements were concluded related to properties owned by IMES Poland sp. z o.o.

On 15 November 2018 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 3/93 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreements. The value of both transactions totals to PLN 70.7 million.

On 31 July 2018 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. concluded preliminary property disposal agreement. The value of the transaction amounts to PLN 50 million.

As a t the balance sheet date properties related to the above transactions of PLN 153.6 million are presentedasassetsheld for sale. The relevant Group companies received advance payments of the sales prices of PLN 47.8 million presented in payables. Moreover possible buyers' claims weresecured by mortgaging the subject properties and sellers' submissions for execution.

CPD SA, Challange 18 Sp. z o.o. and Smart City Sp. z o.o.granted collaterals to bank loan agreemeent concluded by Ursa Park Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa for financing of the residencial project in Ursus. In the first quarter of 2019 the bank loan has been repaid in full and the relevant agreemeent terminated.

25 Cash generated from operations

	12 months ended 31 December 2018	12 months ended 31 December 2017
Profit before income tax	(17 135)	18 359
Adjustments for:		
- depreciation of tangible fixed assets	213	212
- amortisation of intangible assets	3	27
– currency translation adjustments	(31)	102
- foreign exchange differences	2 421	(8 251)
- gains (losses) on revaluation to fair value of investment property	14 406	(7 761)
– share of the profit or loss of the joint ventures	5 598	(7 631)
– loss on change of a subsidiary into joint venture	0	738
– result on embedded derivatives	0	6 893
- interest expenses	1 971	4 463
- interest income	(1 193)	(8)
- impairment of inventories	24	(114)
method	0	(190)
- result in investment property disposal	7 492	72
- result of sale of tangible non-current assets	16	0
- result of sale of subsidiaries	(17 225)	(7 613)
- result on derivatives valuation	116	(488)
- other adjustments	(2 237)	129
Movements in working capital:		
- change in receivables	(318)	2 817
- change in inventories	2 451	(3 058)
- change in trade payables and other payables	5 231	29 534
	1 803	**28 232**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

26 Transactions with related entities and transactions with employees

CPD S.A. does not have a direct parent company or the ultimate parent company. Cooperative Laxey Worldwide W.A. is a significant investor at the highest level, which has a significant influence on the Company.

The CPD Group also concludes transactions with key managers and other related entities controlled by the Group's key managers.
All related party transactions have been at arm's length.

The CPD group concluded the following transactions with related parties:

	12 months ended 31 December 2018	12 months ended 31 December 2017
a) Transactions with key managers		
Remuneration of the Management Board members	262	300
Cost of work and services provided by members of the Management Board *	6 307	1 373
Cost of remuneration of members of the Supervisory Board	575	360
Sales to Board Members	0	19
Total receivables	0	19

**) Additional PLN 88 thousand paid in 2017 resulted from an agreement made before appointment to the Board*

		12 months ended 31 December 2018	12 months ended 31 December 2017
b) Transactions with other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	86	464
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	1 059	194
Laxey Cooperative	*- services*	0	6
Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- costs of legal services*	71	56
Laxey Partners (UK) Ltd	*- services*	0	1 007
Liabilities			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	55	12
Receivables			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	66	24
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	455	209
c) Transactions with shareholders			
Laxey Cooperative	*- loan receivable*	329	319
Laxey Cooperative	*- loan receivable allowance*	0	(319)
Laxey Cooperative	*- fair value adjustment*	(92)	0
		237	0

27 Seasons of activity and unusual events

The activity of the CPD Group is not seasonal nor cyclical.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

28 Assets and liabilities held for sale

As at 31 December 2018 properties, bank ;oans and financila lease creditors of the following companies were classified as held for sale:

- 3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- Lakia Investments Sp. z o.o.
- Robin Investments Sp. z o.o.
- IMES Poland Sp. z o.o.

As at 31 December 2017 the following groups were classified as held for sale:
- 8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.
- 15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

(a) Assets held for sale

	31 December 2018	31 December 2017
Investment properties	199 449	64 530
Capitalised financial leases from perpetual usufruct	13 444	3 731
Trade and other receivables	0	128
Cash and cash equivalents	0	150
	212 893	**68 539**

(b) Liabilities classified as held for sale

	31 December 2018	31 December 2017
Borrowings, including finance leases	50 566	3 731
Trade and other payables	0	33
	50 566	**3 764**
Net assets held for sale	**162 327**	**64 775**

29 Sale of subsidiaries

On 16 February 2018 Gaston Investments sp. z o. o. and Challange Eighteen sp. z o.o. disposed of their limited and general partner rights in 8/126 Gaston Investmenst spółka z ograniczoną odpowiedzialnością s. k., 9/151 Gaston Investmenst spółka z ograniczoną odpowiedzialnością s. k., 10/165 Gaston Investmenst spółka z ograniczoną odpowiedzialnością s. k., 15/167 Gaston Investmenst spółka z ograniczoną odpowiedzialnością s. k. holding land in Ursus. Total sales proceeds amounted to PLN 82 million.

On 29 March 2018 the Group disposed of shares in subsidiary Bolzanus Ltd.

In 2017 the Group disposed of 11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. oraz 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k., for total remmuneration of PLN 20.531 thousand, generating profit of PLN 7.613 thousand.

None of the disposed subsidiaries represents discontinued activity.

	12 months ended 31 December 2018	12 months ended 31 December 2017
Proceeds from disposal of subsidiaries	92 000	20 531
Costs of the disposed subsidiaries	(77 681)	(12 918)
Result on disposal	**14 319**	**7 613**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

30 Events after the balance sheet date

On 25 January 2019 the Court Register (KRS) registered share capital reduction and amendment of CPD SA statute resolved by the shareholders on 14 September 2018. Currently the share capital amounts to PLN 2.637 thousand and consists of 26.3711131 shares.

Management Board of CPD S.A. announced on March 1, 2019 the invitation to submit proposals for the sale of the shares of the company on the basis of which the Company proposed the acquisition of no more than 3 305 886 ordinary shares of the company's bearer shares ISIN code PLCELPD00013. During the period receipt of tenders for the sale of shares from 11 to 19 March 2019, 51 valid offers of the sales of shares with a total of 19 944 601 shares of the company were made.

On 20 March 2019, the Company decided to accept all valid offers of Shares and made them reduction carried out in accordance with the principles set out in the Invitation. Because the Offers amounted to more than the number of shares offered by the Company of 3 305 886 shares, each offer was executed in the part – the offer was reduced in accordance with the principles described in the Invitation and Offers were reduced on average by approximately 83,42%

On March 22, 2019 the Company acquired 3.305.886 shares of the company through the brokerage house: PEKAO Investment Banking S.A., as a result of the settlement of acquisition of CPD S.A. shares, based on announced invitation to submition of share sale offers from 4 March 2019.

The shares were acquired pursuant to Resolution No. 3 of the Extraordinary General Meeting of CPD of 28th February 2019 on acquisition of the shares of the Company for the purpose of redemption, pursuant to art. 362 § 1 point 5) Code of Commercial Companies. The purchase price per share was 13,01 zł

All the purchased shares are ordinary shares with a nominal value of 0.10 zł each. The purchased own shares of CPD S.A. (number of the 3 305 886 shares) represent 12,54 % of the Company's share capital and represent 3 305 886 votes at the General Meeting of the Company (12,54 % of voting rights at the General Meeting of the Company).

Apart from the above, there were no significant events after the balance sheet date.

31 Auditor remmuneration

Remuneration paid or payable to the Group auditor is as follows:

	12 months ended 31 grudnia 2018	12 months ended 31 grudnia 2017
Auditor's fee	265	219

32 Dividend distribution

The Group did not pay nor declared any dividend or interim dividend in the current nor previous financial years.

33 Earnings per share – basic and diluted

Basic earnings per share are calculated as profit attributable to equity holders of the Company divided by weighted average number of ordinary shares during the year, excluding own shares.

For the purposes of calculation of diluted earnings per share the profit or loss attributable to the ordinary shareholders in the parent company and the weighted average number of outstanding shares are adjusted by the effect of all diluting potential ordinary shares.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

33 Earnings per share – basic and diluted (cont.)

	12 months ended 31 December 2018	12 months ended 31 December 2017
Profit (loss) attributable to the shareholders in the parent company	(1 867)	2 238
Weighted average number of ordinary shares (in '000)	35 477	37 426
Earnings per share	(0,05)	0,06
Diluted profit (loss) attributable to shareholders	(1 867)	2 238
Weighted average number of ordinary shares (in '000)	35 477	39 100
Diluted earnings per share	(0,05)	0,06

	31 December 2018		
	after share capital reduction	actual	31 December 2017
Net assets at book value	326 879	326 879	471 719
Number of ordinary shares (in '000)	26 371	39 354	39 354
Net assets per share	12,40	8,31	11,99

34 Reporting segments

In accordance with a definition in IFRS 8, the CPD Group represents one operating segment and is recognized by the Management Board as such.

The split of external operating income is presented in Note 17.

At the end of the year, the CPD Group's parent company had its registered office in Warsaw, and did not hold any fixed assets in the current year nor in the previous year.

In both current and prior financial year all the Group third party revenues were generated in Poland.

Similarly non-current assets, including investment properties, PPE and intangibles are located in Poland.

These consolidated financial statements were approved by the CPD SA Management Board on 25 April 2019 and signed by:

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

These consolidated financial statements were prepared by JSG Corporate Services Sp.z o.o.